

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries

**Consolidated Interim Financial Statements
As At and For The Three-Month Period
Ended 31 March 2017
With Independent Auditor's Report on Review of
Consolidated Interim Financial Statements**

9 May 2017

This report includes 2 pages of independent auditor's report on review of consolidated interim financial statements and 72 pages of consolidated interim financial statements together with their explanatory notes.

**Aksa Enerji Üretim Anonim Şirketi and
its Subsidiaries**

Table of Content

Independent Auditors' Report on Review of Consolidated Interim Financial Statements
Consolidated Interim Statement of Financial Position
Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
Consolidated Interim Statement of Changes in Equity
Consolidated Interim Statement of Cash Flows
Notes to the Consolidated Interim Financial Statements



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Independent Auditor's Report on Review of Consolidated Interim Financial Statements

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

Introduction

We have reviewed the accompanying consolidated statement of financial position of Aksa Enerji Üretim A.Ş. ("the Company") and its subsidiaries (together "the Group") as at 31 March 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended, and notes, comprising significant accounting policies and other explanatory information ("the consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards (IFRS) including the requirements of IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the financial position of Aksa Enerji Üretim A.Ş. and its subsidiaries as at 31 March 2017, and of its financial performance and its cash flows for the three month period then ended in accordance with IFRS including the requirements of IAS 34, 'Interim Financial Reporting'.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

Şirin Soysal, Partner
9 May 2017
İstanbul, Turkey

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

(Amounts expressed in Turkish Lira unless otherwise stated.)

ASSETS	Notes	Reviewed 31 March 2017	Audited 31 December 2016	Audited 1 January 2016
Current assets				
Cash and cash equivalents	22	5,984,074	219,364,855	48,452,416
Trade and other receivables	21	262,931,713	219,696,945	119,782,399
Due from related parties	33	61,142,200	59,937,752	67,345,504
Derivative financial assets	30	8,357,417	6,505,190	36,357
Inventories	18	420,798,262	416,441,014	339,796,708
Prepayments	20	10,032,912	7,235,914	21,076,251
Current tax assets		329,515	3,311,741	5,005,240
Other current assets	19	114,526,602	94,280,951	138,687,819
		884,102,695	1,026,774,362	740,182,694
Assets held for sale	35	453,799,762	448,888,338	--
Total current assets		1,337,902,457	1,475,662,700	740,182,694
Non-current assets				
Financial investments	16	412,408	412,408	412,408
Trade receivables and other receivables	21	12,113,270	20,170,031	2,484,450
Property, plant and equipment	13	2,626,696,215	2,546,747,274	3,236,028,056
Intangible assets	14	63,030,214	60,978,594	3,432,802
Goodwill	15	3,349,356	6,848,196	6,848,196
Prepayments	20	1,444,012	1,467,215	99,858,150
Deferred tax asset	17	166,207,446	143,133,739	63,167,570
Total non-current assets		2,873,252,921	2,779,757,457	3,412,231,632
TOTAL ASSETS		4,211,155,378	4,255,420,157	4,152,414,326

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

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

(Amounts expressed in Turkish Lira unless otherwise stated.)

LIABILITIES	Notes	Reviewed 31 March 2017	Audited 31 December 2016	Audited 1 January 2016
Current liabilities				
Loans and borrowings	25	1,173,042,629	1,054,527,686	884,776,408
Other financial liabilities	26	278,538,132	290,803,980	53,220,162
Trade payables and other payables	21	321,114,303	294,361,854	280,445,059
Due to related parties	33	78,291,844	64,689,396	132,755,519
Derivative financial liabilities	30	--	--	7,207,234
Taxation payable on income		6,012,824	8,664,346	6,801,785
Provisions	29	2,156,062	2,034,761	990,316
Other current liabilities	28	8,817,306	6,769,071	3,770,301
Deferred revenue		3,008,850	619,344	--
Subtotal		1,870,981,950	1,722,470,438	1,369,966,784
Liabilities held for sale	35	358,088,082	369,543,650	--
Total current liabilities		2,229,070,032	2,092,014,088	1,369,966,784
Non-current liabilities				
Loans and borrowings	25	1,299,535,919	1,366,741,968	1,664,241,052
Other financial liabilities	26	239,374,957	251,312,465	188,119,144
Reserve for employee severance indemnity	27	3,758,989	2,899,099	4,385,783
Deferred tax liabilities	17	56,291,281	52,187,628	44,578,442
Total non-current liabilities		1,598,961,146	1,673,141,160	1,901,324,421
Total liabilities		3,828,031,178	3,765,155,248	3,271,291,205
EQUITY				
Share capital	23	615,157,050	615,157,050	615,157,050
Legal reserve	23	46,070,512	44,342,753	42,114,653
Cash flow hedge reserves		1,459,500	1,071,273	(5,765,383)
Actuarial gain/loss		1,761,429	1,214,288	121,695
Translation reserves		8,787,293	28,453,746	59,613,269
Share premium	23	247,403,635	247,403,635	247,403,635
Accumulated losses		(446,767,648)	(77,029,456)	(74,801,356)
Net loss for the period		(87,832,621)	(368,010,433)	--
Total equity attributable to equity holders of the Company		386,039,150	492,602,856	883,843,563
Non-controlling interests	23	(2,914,950)	(2,337,947)	(2,720,442)
Total equity		383,124,200	490,264,909	881,123,121
TOTAL EQUITY AND LIABILITIES		4,211,155,378	4,255,420,157	4,152,414,326

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Three-Month Period Ended 31 March 2017

(Amounts expressed in Turkish Lira unless otherwise stated.)

INCOME STATEMENT	Notes	Reviewed 1 January- 31 March 2017	Restated and reviewed 1 January- 31 March 2016
Revenues	6	738,396,634	726,008,987
Cost of sales	6	(714,759,643)	(653,893,623)
Gross profit		23,636,991	72,115,364
Administrative expenses	9	(12,714,483)	(7,813,879)
Marketing and selling expenses	10	(373,771)	(84,092)
Other operating income	7	12,603,664	6,581,485
Other operating expenses	7	(6,368,479)	(1,715,161)
Operating profit		16,783,922	69,083,717
Gain from investing activities	8	19,335,288	257,824
Operating profit before finance costs		36,119,210	69,341,541
Financial income	11	110,600,897	56,425,129
Financial expenses	11	(250,254,570)	(117,887,521)
Net financial costs		(139,653,673)	(61,462,392)
(Loss)/ Profit before tax for the period		(103,534,463)	7,879,149
Tax benefit		15,127,342	823,690
Current tax expense	12	(3,521,164)	(4,619,789)
Deferred tax benefit	12	18,648,506	5,443,479
(Loss)/ profit for the period		(88,407,121)	8,702,839
Non-controlling interest		(574,500)	(170,775)
Attributable to equity holders of the parent		(87,832,621)	8,873,614
Total		(88,407,121)	8,702,839
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit liability		680,789	(236,198)
Tax on items that will not be reclassified to profit or loss		(136,158)	47,240
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		485,291	(504,782)
Foreign currency translation differences from foreign operations		(19,666,453)	(448,323)
Tax on items that are or may be reclassified subsequently to profit or loss		(97,057)	100,956
Other comprehensive income for the period, net of tax		(18,733,588)	(1,041,107)
Total comprehensive loss for the period		(107,140,709)	7,661,732
Non-controlling interests		(577,003)	(219,166)
Attributable to equity holders of the parent		(106,563,706)	7,880,898
Total		(107,140,709)	7,661,732

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Interim Statement of Changes in Equity
For The Three-Month Period Ended 31 March 2017

(Amounts expressed in Turkish Lira unless otherwise stated.)

SHAREHOLDERS' EQUITY	Share capital	Share premium	Legal reserves	Actuarial gain/ (loss)	Cash flow hedge reserve	Translation differences	Retained earnings/ accumulated losses	Net profit /(loss)	Total	Non-controlling interests	Total Equity
Balance at 31 December 2015	615,157,050	247,403,635	42,114,653	121,695	(5,765,383)	59,613,269	144,479,048	(219,280,404)	883,843,563	(2,720,442)	881,123,121
Net profit for the period	--	--	--	--	--	--	--	8,873,614	8,873,614	(170,775)	8,702,839
Actuarial gain / (loss)	--	--	--	(173,533)	--	--	--	--	(173,533)	(15,425)	(188,958)
Translation difference	--	--	--	--	--	(448,323)	--	--	(448,323)	--	(448,323)
Effective portion of changes in fair value of cash hedges	--	--	--	--	(370,860)	--	--	--	(370,860)	(32,966)	(403,826)
Total other comprehensive loss for the period	--	--	--	(173,533)	(370,860)	(448,323)	--	8,873,614	7,880,898	(219,166)	7,661,732
Transfers	--	--	(2,972,132)	--	--	--	(216,308,272)	219,280,404	--	--	--
Transaction with owners of the Company, recognised directly in equity	--	--	(2,972,132)	--	--	--	(216,308,272)	219,280,404	--	--	--
Balance at 31 March 2016	615,157,050	247,403,635	39,142,521	(51,838)	(6,136,243)	59,164,946	(71,829,224)	8,873,614	891,724,461	(2,939,608)	888,784,853

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Interim Statement of Changes in Equity
For The Three-Month Period Ended 31 March 2017

(Amounts expressed in Turkish Lira unless otherwise stated.)

SHAREHOLDER'S EQUITY	Share capital	Share premium	Legal reserves	Actuarial gain/ (loss)	Cash flow hedge reserve	Translation differences	Retained earnings/ accumulated losses	Net loss	Total	Non-controlling interests	Total Equity
Balance at 31 December 2016	615,157,050	247,403,635	44,342,753	1,214,288	1,071,273	28,453,746	(77,029,456)	(368,010,433)	492,602,856	(2,337,947)	490,264,909
Net loss for the period	--	--	--	--	--	--	--	(87,832,621)	(87,832,621)	(574,500)	(88,407,121)
Actuarial gain / (loss)	--	--	--	547,141	--	--	--	--	547,141	(2,510)	544,631
Translation difference	--	--	--	--	--	(19,666,453)	--	--	(19,666,453)	--	(19,666,453)
Effective portion of changes in fair value of cash hedges	--	--	--	--	388,227	--	--	--	388,227	7	388,234
Total other comprehensive loss for the period	--	--	--	547,141	388,227	(19,666,453)	--	(87,832,621)	(106,563,706)	(577,003)	(107,140,709)
Transfers	--	--	1,727,759	--	--	--	(369,738,192)	368,010,433	--	--	--
Transaction with owners of the Company, recognised directly in equity	--	--	1,727,759	--	--	--	(369,738,192)	368,010,433	--	--	--
Balance at 31 March 2017	615,157,050	247,403,635	46,070,512	1,761,429	1,459,500	8,787,293	(446,767,648)	(87,832,621)	386,039,150	(2,914,950)	383,124,200

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Interim Statement of Cash Flows
For The Three-Month Period Ended 31 March 2017

(Amounts expressed in Turkish Lira unless otherwise stated.)

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	Reviewed 1 January- 31 March 2017	Restated and Reviewed 1 January- 31 March 2016
Net profit / (loss) for the period		(88,407,121)	8,702,839
Depreciation and amortization	13,14	44,883,148	46,678,311
Provision for employee severance indemnity	27	1,092,359	1,017,387
Interest expense and gains	11	77,302,581	60,421,748
Tax benefit	12	(15,127,342)	(823,690)
Gain on sale of property, plant and equipment and intangible assets	8	(514,635)	(257,824)
Unrealized foreign currency income/loss		27,234,019	51,582,776
Operating profit before working capital changes		46,463,009	167,321,547
Change in inventories		(42,967,346)	(3,010,045)
Change in trade and other receivables		140,945,766	(203,168,209)
Change in due from related parties		(15,798,165)	53,894,414
Change in trade and other payables		25,725,058	10,286,272
Change in due to related parties		13,325,911	339,739,434
Change in other current liabilities		(5,113,992)	13,018,483
Change in assets and liabilities held for sale		(16,366,992)	--
Change in other current assets		39,176,892	82,272,261
		185,390,141	460,354,157
Tax paid		(329,515)	(2,071,855)
Employee termination indemnity paid	27	(277,896)	(1,018,400)
Interest paid		(71,982,253)	(52,463,921)
Interest received		673,505	2,423,157
Net cash provided from operating activities		113,473,982	407,223,138
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of subsidiary	34	33,545,783	--
Proceeds from sale of property, plant and equipment and intangible assets		2,296,952	35,036,594
Purchases of property, plant and equipment	13	(124,205,817)	(109,487,681)
Purchases of intangible assets	14	(1,552,023)	(279,494)
Net cash used in investing activities		(89,915,105)	(74,730,581)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds/(repayments) from banks borrowings		(27,594,387)	(107,845,961)
Repayments from issued debt instruments		(12,181,700)	(4,958,901)
Net cash inflow/(outflow) from derivatives		(1,845,314)	2,060,248
Net cash used in financing activities		(41,621,401)	(110,744,614)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS		(18,062,524)	221,747,943
CASH AND CASH EQUIVALENTS AT 1 JANUARY	22	41,608,428	31,004,496
CASH AND CASH EQUIVALENTS AT 31 MARCH	22	23,545,904	252,752,439

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

Note	Description.....	Page No
1.	REPORTING ENTITY	8
2.	BASIS OF PREPARATION	13
3.	SIGNIFICANT ACCOUNTING POLICIES	16
4.	DETERMINATION OF FAIR VALUES	28
5.	FINANCIAL RISK MANAGEMENT	29
6.	REVENUE	31
7.	OTHER OPERATING INCOME AND EXPENSES	32
8.	GAIN AND LOSS FROM INVESTING ACTIVITIES	32
9.	ADMINISTRATIVE EXPENSES	33
10.	MARKETING AND SELLING EXPENSES	33
11.	FINANCIAL INCOME AND FINANCIAL EXPENSES	34
12.	TAX EXPENSE	34
13.	PROPERTY, PLANT AND EQUIPMENT	36
14.	INTANGIBLE ASSETS	40
15.	GOODWILL	40
16.	FINANCIAL INVESTMENTS.....	40
17.	DEFERRED TAX ASSETS AND LIABILITIES	41
18.	INVENTORIES	42
19.	OTHER CURRENT ASSETS	42
20.	OTHER NON-CURRENT ASSETS.....	43
21.	TRADE AND OTHER RECEIVABLES AND PAYABLES.....	44
22.	CASH AND CASH EQUIVALENTS	44
23.	CAPITAL AND RESERVES	45
24.	EARNINGS PER SHARE	46
25.	FINANCIAL LIABILITIES	47
26.	OTHER FINANCIAL LIABILITIES	49
27.	EMPLOYEE BENEFITS.....	51
28.	OTHER CURRENT LIABILITIES	52
29.	PROVISIONS	52
30.	DERIVATIVE FINANCIAL INSTRUMENTS	52
31.	COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS	53
32.	FINANCIAL INSTRUMENTS	55
33.	RELATED PARTIES	63
34.	DISPOSAL OF SUBSIDIARY.....	70
35.	ASSETS AND LIABILITIES HELD FOR SALE.....	71
36.	ADJUSTED EBITDA RECONCILIATION	72
37.	SUBSEQUENT EVENTS.....	72

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(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 Çıkmazi, No:10, Kavacık-Beykoz, İstanbul / Turkey.

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

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

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

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

(*)Aksa Gana B.V., Aksaf Power, Overseas Power, Madagascar B.V., Aksa Mali S.A. and Aksa Global Investment B.V. subsidiary of the Group, were in start-up phase and was not consolidated due to the insignificance of their financial impact on the consolidated interim financial statements as of and for the year ended 31 March 2016.

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

At 31 March 2017, the number of employees of the Group is 848 (31 December 2016: 782).

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

1. REPORTING ENTITY (continued)

Aksa Aksen Enerji:

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

Aksa Energy Ghana

Aksa Energy Ghana was founded on 15 July 2015 by the Aksa Enerji in accordance with the electricity production and sale agreement signed with the Government of Ghana Republic. As of the reporting date, the construction of the power plant with a capacity of 370 Megawatt (“MW”) in Ghana is in progress. Unit of the power plant with a capacity 192.5 MW started its operations on 10 April 2017.

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

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

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

Aksa Ghana B.V.:

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

Aksa Investment Global B.V.:

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

Aksa Göynük Enerji:

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

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

First and second units of the power plants with a capacity of 135 MW each started its operations on 30 September 2015 and 29 January 2016, respectively.

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 2 February 2017, Aksa Mali S.A. was established for operating and maintenance coordination of Mali plant.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

1. REPORTING ENTITY (continued)

Aksaf Power:

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

The tariffs in electricity sale agreement were dominated in US Dollars (“USD”) and the guarantee sale of the power plant is expected by 700.000 MWh. The land, fuel supply and all license and permissions will be provided by Jirama. The construction of the power plant has started in the last quarter of 2016 and the electricity production and sale is expected within 2017. The equipment of the currently owned fuel oil power plants of Aksa Enerji are used in the construction of the power plant.

Alenka Enerji:

On 17 August 2011, Aksa Enerji acquired 80,00% of all shares of Alenka Enerji from a third party. Alenka Enerji has a wind power station with a total capacity of 27 MW including a power generation capacity of 3 MW under construction. In 2012 and 2016, the Group’s ownership in Alenka Enerji increased to 90,45% and 99,56%, respectively, as a result of the additional share purchases.

Ayres Ayvacık Rüzgar:

On 18 April 2011, Aksa Enerji acquired 99,99% of all shares of Ayres Ayvacık Rüzgar from Kazancı Holding, the ultimate parent company. Ayres Ayvacık Rüzgar has a wind power station with an installed capacity of 5 MW in Ayvacık-Çanakkale. On 15 March 2017, the Group sold its shares in Ayres Ayvacık Rüzgar with all assets and liabilities to Notos Elektrik Üretim A.Ş. For detail information please see Note 34.

Baki Elektrik:

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

The capacity of the plant increased to 114 MW upon completion of the additional capacity investment of 24 MW. The land in Şanlı- Balıkesir, where the wind power stations are located, are the own property of Baki Elektrik. As described in Note 35, sales process of Baki Elektrik is in progress as at the reporting date.

Deniz Elektrik:

Deniz Elektrik was initially established in 1997 in Izmir under the name of “Deniz Rüzgar Enerjisi ve Cihazları Sanayi ve Ticaret Limited Şirketi”. In 2003, the company changed its name to Deniz Elektrik Üretim Limited Şirketi.

In May 2004, Aksa Enerji acquired 95,00% of all shares of Deniz Elektrik. On 13 August 2010, Aksa Enerji has made the purchase of new shares participate in Deniz Elektrik and raised its shares to 99.99%.

Deniz Elektrik establishedfor the purpose of producing electricity from wind energy. In 2004, the company obtained the operating licences of two wind power stations with a capacity of 30 MW and 10.8 MW, respectively, located in Sebenova-Hatay and Karakurt/Manisa.. As a result of the capacity expansion of Sebenova/Hatay wind power station, the total installed capacity increased to 60 MW.

Wind power station with a capacity of 11 MW in Karakurt/Manisa started its operation in June 2007. Wind power station with a capacity of 11 MW in Karakurt/Manisa started its operation in June 2007.

The lands in Karakurt-Manisa and Sebanova-Hatay, where the wind power stations are located, are the own property of Deniz Elektrik. As described in Note 35, sales process of Deniz Elektrik is in progress as at the reporting date.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(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. İdil İki Enerji has a fuel oil fired power plant located in Şırnak with a capacity of 24 MW. The power plant started its operations in 2001. On 5 March 2010, Aksa Enerji acquired 99,99% of all shares of İdil İki İnşaat from Koni İnşaat. Licence of power plant has been cancelled on 7 February 2017.

Kapıdağ Rüzgar Enerjisi:

On 31 May 2013, Aksa Enerji acquired 94,00% of all shares of Kapıdağ Rüzgar Enerjisi from Kazancı Holding. Kapıdağ Rüzgar Enerjisi has wind power station located in Balıkesir with a capacity of 27 MW. As described in Note 35, sales process of Kapıdağ Rüzgar is in progress as at the reporting date.

Overseas Power

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

Rasa Elektrik:

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

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

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

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

Rasa Enerji:

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

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

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

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

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

1. REPORTING ENTITY (continued)

As of 31 March 2017, electricity production licences held by the Group are as follows:

Licence Owner	Location	Type of Facility	Date of Licence Started	Licence Duration	The capacity of the plant (MWh)	The capacity under operation (MWh)
Aksa Enerji	KKTC	Fuel oil	--	--	153	153
Aksa Enerji	Belen- Atik (İskenderun-Hatay) (***)	WPP	13.03.2008	49 year	30	18
Aksa Enerji	Antalya	Natural Gas	13.11.2007	30 year	2,050	1,150
Aksa Enerji	Manisa	Natural Gas	21.02.2008	30 year	115	115
Aksa Enerji	İncesu-Ortaköy-Çorum	HPP	29.09.2005	40 year	15	15
Aksa Enerji	Bitlis İli, Kor Barajı (*)	HPP	30.10.2008	49 year	26	--
Aksa Enerji	Adana, Yamanlı 1 Reg. (*)	HPP	20.05.2010	49 year	24	--
Aksa Enerji	Bolu	Thermal	25.03.2008	30 year	270	270
Alenka	Kırklareli-Kıyıköy	WPP	04.04.2007	20 year	27	27
Ayres	Ayvacık (**)	WPP	01.11.2007	25 year	--	--
Baki Elektrik	Merkez-Şamlı-Balıkesir (***)	WPP	06.04.2004	49 year	127	114
Deniz Elektrik	Sebenoba-Gözene-Yayladağı-Samandağ-Hatay(***)	WPP	04.06.2004	49 year	60	60
Deniz Elektrik	Karakurt-İlyaslar-Çakaltepe-Manisa(***)	WPP	05.12.2003	49 year	11	11
Rasa Enerji	Şanlıurfa	Natural Gas	12.05.2011	49 year	270	147
Kapıdağ	Balıkesir(***)	WPP	12.12.2006	49 year	35	24
Total					3,213	2,104

(*) The licences for which the investments are being planned but not started yet.

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

(***) The sale process details of the wind power plants which are 216 MWh is described on Note 35. Belen/Atik power plant which is reclassified as asset held for sale, was sold to Gürüş İnşaat ve Mühendislik A.Ş. on 7 April 2017.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) including the requirements of IAS 34 “Interim Financial Reporting”.

The consolidated interim financial statements as at and for the year ended 31 March 2017 were approved by the Board of Directors on 9 May 2017.

b) Basis of measurement

The consolidated interim 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 are measured at fair value,
- assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less costs to sell,

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

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

c) Functional and presentation currency

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

The accompanying consolidated interim 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
Aksa Enerji A.Ş.– Y.Ş.	USD
Rasa Elektrik	TL
Deniz Elektrik	TL
Baki Elektrik	TL
Rasa Enerji	TL
İdil İki Enerji	TL
Alenka Enerji	TL
Aksa Göynük Enerji	TL
Kapıdağ Rüzgar Enerjisi	TL
Aksa Aksen Enerji	TL
Aksa Energy Ghana	USD

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

2. BASIS OF PREPARATION (continued)

c) Functional and presentation currency (continued)

Group entities that use USD as functional currencies since these 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 interim 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 its 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 interim 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 interim 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.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

2. BASIS OF PREPARATION (continued)

d) Basis of consolidation (continued)

v) Loss of control

When the Group loses control over a subsidiary, it derecognises 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 recognised 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 unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements.

Unrealised losses are eliminated in the same way as unrealised 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.

In consolidation of operating results and financial positions of subsidiaries whose functional currency is other than TL, main consolidation transactions are made such as elimination of related party balances and transactions. But, a monetary asset (or liability) of related parties regardless of short-term or long-term (except for monetary items which are part of net investment of the Group in its subsidiaries whose functional currency is different than TL) cannot be eliminated with related party liability (or related party asset) without presenting results of fluctuation of foreign currencies in consolidated interim financial statements. Because, a monetary item provides obligation of translation of any currency to other currency and makes the Group exposed to gain or losses arising from fluctuation of foreign currencies. Correspondingly, these kind of foreign exchange differences are recognized in profit or loss of consolidated interim financial statements of the Group.

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 amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised 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 recognised 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 recognised 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 recognised 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.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(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 recognised 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 March 2017 and 31 December 2016 are as follows:

	<u>31 March 2017</u>	<u>31 December 2016</u>
EUR/TL	3.9083	3.7099
USD/TL	3.6386	3.5192
GHS/USD	0.2306	0.2324
TL/USD	0.2750	0.2842

f) Use of judgements and estimates

In preparing these consolidated interim financial statements, management has made judgements, 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 estimates are recognised prospectively.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 recognised in the consolidated interim financial statements are described in the following notes:

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment as at and for the year ended 31 March 2017 is included 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– Impairment of property, plant and equipment: The Group estimates the timing and value of the future cash flows generated through the Group's property, plant and equipment in determination of the impairment of property, plant and equipment.

Note 17 – Deferred tax assets and liabilities: Deferred tax assets arising from taxable temporary differences and accumulated losses are recognised 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 analysed and obsolete inventories are detected to determine impairment of inventories. Selling prices and average discount rates for the period are also considered to determine net realisable value.

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.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

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

The Group classifies non-derivative financial liabilities into other financial liabilities category.

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

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

The Group derecognises 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 recognised as a separate asset or liability.

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

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

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 recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in loans and receivables, at fair value through profit or loss and held to maturity of financial assets. The Group's investments in certain debt and equity instruments are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost. When an instrument is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Cash and cash equivalents

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

Other

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

ii) Non-derivative financial liabilities

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Non-derivative financial liabilities (continued)

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

The Group classifies non-derivative financial liabilities into other financial liabilities which mainly are comprises of loans and borrowings, trade payables, payables related to finance sector operations, payables related to employee benefits and other payables.

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

Non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Share capital

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

iii) Derivative financial instruments and hedge accounting

Cash flow hedges

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

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

Other non-trading derivatives

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

b) Impairment

i) Non-derivative financial assets

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Impairment (continued)

i) Non-derivative financial assets (continued)

Financial assets measured at amortised cost

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

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

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

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised 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 recognised in profit or loss. Impairment losses recognised 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 amortisation, if no impairment loss had been recognised.

c) Inventories

Inventories are measured at the lower of cost and net realisable 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.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Related parties

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

Parties are considered related to the Group if;

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

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

e) Property, plant and equipment

i) Recognition and measurement

Items of property, plant 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 cost of certain items of property, plant and equipment at 1 January 2005, the Group's date of transition to IFRS, was determined with reference to its fair value at that date.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "Other operating income / (expense)" in profit or loss.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property, plant and equipment (continued)

i) Recognition and measurement (continued)

During the production phase of the mine, the material removed when stripping in the production phase, often it will be a combination of ore and waste. Removal of material with a low ratio of ore to waste may produce some usable material, which can be used to produce inventory. This removal might also provide access to deeper levels of material that have a higher ratio of ore to waste that will be mined in future periods. The Group, recognize stripping activity asset when it is probable that the future economic benefit associated with the stripping activity will flow to the Group, identify the component of the ore body for which access has been improved; and the costs relating to the stripping activity associated with that component can be measured reliably. The Group shall allocate the production stripping costs between the inventory produced and the stripping activity asset by using an allocation basis that is based on mineral content of the ore extracted compared with expected mineral content to be extracted, for a given quantity of ore produced.

Since some incidental operations may take place at the same time as the production stripping activity, but which are not necessary for the production stripping activity to continue as planned, these incidental operations are not be included in the cost of the stripping activity asset.

ii) Subsequent costs

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

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

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

Buildings	10 - 50 years
Machinery and equipment	10 - 40 years
Furniture and fixtures	5 - 15 years
Vehicles	5 - 8 years
Land improvements	5 years
Leasehold improvements	5 years
Power generation plants depreciated over shorter of licence term and their useful lives. The Group depreciates its power generation plants in different useful lives in accordance to their different useful lives.	
Wind electricity powerhouse	20 years
Fuel oil power plants	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.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Intangible assets

Other intangible assets

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

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill related to purchases of Baki Elektrik and Alenka Enerji are completely impaired as at 31 March 2017.

i) Subsequent measurement

Subsequent expenditure is capitalised 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 recognised in profit or loss as incurred.

ii) Amortisation

Amortisation is recognised 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 licences for the current and comparative periods are between 2 and 49 years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

g) Provisions

A provision is recognised 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 recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Other long-term employee benefits

In accordance with the existing labour law in Turkey, the Group entities in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay maximum TL 4,426 as at 31 March 2017 (31 December 2016: TL 4,297) per year of employment at the of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements on a current basis. The management of the Group used some assumptions (detailed in Note 27) in the calculation of the retirement pay provision. The calculation was based upon the retirement pay ceiling announced by the Government.

Remeasurements arising from retirement pay comprise actuarial gains and losses. The Group recognises 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.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

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 financial statements.

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

j) Revenue

i) Electricity sales

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

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

k) Leases

i) Determining whether an agreement contains a lease

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

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised 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 recognised using the Group's incremental borrowing rate.

ii) Leased assets

Leases of property, plant 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 recognised in the Group's statement of financial position.

iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised 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.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognised in profit or loss and interest and late charge fees obtained from related parties. Interest income is recognised 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 recognised in profit or loss using the effective interest method.

m) Tax

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

i) Current tax

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

ii) Deferred tax

Deferred tax is recognised 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 recognised 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 recognised 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 recognised 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 utilised. 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 realised.

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 interim 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 judgement 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.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial guarantee contract

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

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

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

q) Segment reporting

The Operating Department 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 audited 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. In addition, there is separate financial information of the Operating Department.

As at 31 March 2017 which is end of the financial year of the Group's, sales of industrial part, consist of electricity sales by 99 % (1 January-31 March 2016: 99 %) remaining part of sales consist of lignite, natural gas equipments 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.

r) Assets held for sale

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

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

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

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

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

IFRS 9 Financial Instruments (2017 version)

IFRS 9 Financial Instruments, has been published in January 2017, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. This version includes referrals in earlier versions of IFRS 9 and revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on consolidated interim financial position or performance of the Group.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 15 Revenue from Contracts with Customers

As issued in September 2016, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under TFRS. The Group is in the process of assessing the impact of the amendment on consolidated interim financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the consolidated interim financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated interim financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 16 Leases

On 13 January 2016, IASB published 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 change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard 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 in the process of assessing the impact of the amendment on consolidated interim financial position or performance of the Group.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

IAS 40 – Transfers of Investment Property

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

Improvements to IFRSs

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

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 “First Time Adoption of International Financial Reporting Standards”

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Improvements to IFRSs (continued)

IFRS 12 “Disclosure of Interests in Other Entities”

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

IAS 28 “Investments in Associates and Joint Ventures”

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

r) Correction of error

The Group determined that there is an inconsistency in useful lives of similar assets under *Property, Plant and Equipment* account and restated its consolidated financial statements as at 31 December 2016. As a result of correction of this error in the Group’s restated consolidated interim financial statement as at and for the three-month period ended 31 March 2016 for the following accounts: decrease in *Depreciation Expenses* by TL 2,232,997 and decrease in *Deferred tax benefit* by TL 446,599.

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.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

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 interim 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 analyse 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.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

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 March 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 three-month period 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.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

6. REVENUE

The details of the Group's revenue, for the three-month period ended 31 March is as follows:

	1 January- 31 March 2017	1 January- 31 March 2016
Domestic sales	668,878,707	688,839,802
Foreign sales	69,517,927	37,155,185
Other sales	--	14,000
Net sales	738,396,634	726,008,987
Cost of sales (-)	(714,759,643)	(653,893,623)
Gross profit	23,636,991	72,115,364
	1 January- 31 March 2017	1 January- 31 March 2016
Revenue – amount		
Electricity	715,174,188	725,802,201
Generator	14,554,400	--
Materials and other income	8,562,621	89,601
Lignite sales and shipping costs	105,425	117,185
Total	738,396,634	726,008,987
Gross margin - amount		
Electricity	13,915,760	79,407,927
Lignite sales and shipping costs	6,326,370	(7,253,801)
Generator	3,289,436	--
Materials and other income	105,425	(38,762)
Total	23,636,991	72,115,364

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

7. OTHER OPERATING INCOME AND EXPENSES

The details of the Group's other operating income, for the three-month period ended 31 March is as follows:

Other operating income	1 January- 31 March 2017	1 January- 31 March 2016
Foreign exchange gain related to commercial activities	9,428,867	36,298
Financial income from credit sales	2,526,123	3,524,652
Insurance income	--	2,013,242
Provisions no longer required	--	573
Other	648,674	1,006,720
Total	12,603,664	6,581,485

The details of the Group's other operating expenses, for the three-month period ended on 31 March is as follows:

Other operating expenses	1 January- 31 March 2017	1 January- 31 March 2016
Provision expense for doubtful receivables	4,105,843	--
Foreign exchange loss related to commercial activities	1,620,508	--
Financial expenses from credit sales	--	1,352,607
Donations	2,805	--
Other	639,323	362,554
Total	6,368,479	1,715,161

8. GAIN AND LOSS FROM INVESTING ACTIVITIES

The details of the Group's gain from investing activities, for the three-month period ended 31 March is as follows:

Gain from investing activities	1 January- 31 March 2017	1 January- 31 March 2016
Gain on disposal of subsidiaries (Note 34)	18,820,652	--
Gain on disposal of property, plant and equipment	514,636	257,824
Total	19,335,288	257,824

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

9. ADMINISTRATIVE EXPENSES

The details of the Group's administrative expenses, for the three-month periods ended 31 March is as follows:

General administrative expenses	1 January- 31 March 2017	1 January- 31 March 2016
Personnel expenses	6,861,449	4,807,146
Travelling, vehicle and transportation expenses	2,768,147	659,868
Consultancy expenses	725,104	359,589
Rent expenses	509,239	326,318
Depreciation and amortization expenses	262,909	126,496
Electricity, gas and water expenses	75,733	106,697
Representation expenses	53,635	118,405
Communication expenses	40,566	29,552
Other	1,417,701	1,279,808
Total	12,714,483	7,813,879

10. MARKETING AND SELLING EXPENSES

The details of the Group's marketing and selling expenses, for the three-month periods ended 31 March is as follows:

Marketing and selling expenses	1 January- 31 March 2017	1 January- 31 March 2016
Freight and export expenses	110,627	9,697
Other	263,144	74,395
Total	373,771	84,092

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(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 three-month periods ended 31 March is as follows:

Financial income	1 January- 31 March 2017	1 January- 31 March 2016
Foreign exchange gain, net	98,888,254	52,596,225
Interest and discount income	6,519,463	1,009,143
Interest and discount income from related parties (Note 33)	1,167,012	1,141,014
Income from derivative transactions	4,026,168	1,644,761
Other	--	33,986
Total	110,600,897	56,425,129
Financial expenses	1 January- 31 March 2017	1 January- 31 March 2016
Foreign exchange loss from borrowings, net	157,091,106	35,110,749
Interest and discount expenses	71,896,686	39,475,033
Interest expense on financial liabilities and loans to related parties (Note 33)	13,092,370	23,096,872
Guarantee letters and bank commission expenses	4,076,968	3,700,387
Interest rate swap expenses	4,033,081	11,532,360
Bond issued, interest and expenses	64,359	4,958,901
Other	--	13,219
Total	250,254,570	117,887,521

12. TAXATION

Turkey

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

Corporate income tax is levied at the rate of 20% (2016: 20%) and advance tax returns are filed on a quarterly basis.

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

12. TAXATION (continued)

Turkey (continued)

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

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

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

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

Transfer pricing regulations

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

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

Tax applications for foreign subsidiaries of the Group

Republic of Ghana

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

Turkish Republic Of Northern Cyprus (“KKTC”)

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

The Netherlands

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

12. TAXATION (continued)

The Netherlands (continued)

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

Republic Of Mauritius

The applicable corporate tax rate in Mauritius 15% (31 December 2016: 5%).

Tax benefit/(expense) recognised in profit or loss

Income tax expense for the three-month periods ended 31 March comprised the following items:

	1 January- 31 March 2017	1 January- 31 March 2016
<u>Current tax expense</u>		
Current period tax expense	(3,521,164)	(4,619,789)
<u>Deferred tax expense</u>		
Origination and reversal of temporary differences	18,648,506	5,443,479
<u>Total tax benefit</u>	<u>15,127,342</u>	<u>823,690</u>

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

	2017		2016	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Reported profit/(loss) before taxation	(103,534,463)		7,879,149	
Taxes on reported profit per statutory tax rate of the Company	20,706,893	(20)	(1,575,830)	(20)
Permanent differences:				
Disallowable expenses	(744,582)	1	(69,090)	(1)
Tax exempt income	3,203,252	(3)	6,139,129	(78)
Carry forward tax losses used	(6,488,701)	6	(4,714,415)	(60)
Effect of different tax rates in foreign jurisdictions	303,664	(1)	--	--
Adjustments which no deferred tax asset is recognised	(2,381,438)	2	--	--
Others, net	528,255	(1)	1,043,896	13
Tax income	15,127,343	(15)	823,690	9

13. PROPERTY, PLANT AND EQUIPMENT

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

	31 March 2017	31 December 2016
Property, plant and equipment	2,543,573,847	2,453,258,731
Mining assets	83,122,368	93,488,543
Total	2,626,696,215	2,546,747,274

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The movements of property, plant and equipment comprising cost and related accumulated depreciation for the three-month periods ended 31 March were as follows:

Cost	Land and buildings and land improvements	Machinery and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Balance at 1 January 2017	96,875,469	2,792,111,351	3,144,551	12,403,165	515,366	369,786,001	3,274,835,903
Effect of movements in exchange rates	497,923	13,139,869	(32,710)	325,406	279,765	16,204,085	30,414,338
Additions	7,905	37,877,679	--	372,236	--	85,947,997	124,205,817
Disposals	--	(1,433,597)	--	(1,822)	--	(541,045)	(1,976,464)
Transfers (*)	5,848,498	(18,565,958)	--	(397,062)	--	13,114,522	--
Disposal of subsidiaries (**)	(73,795)	(13,595,931)	--	(90,411)	--	(61,199)	(13,821,336)
Balance at 31 March 2017	103,156,000	2,809,533,413	3,111,841	12,611,512	795,131	484,450,361	3,413,658,258
Accumulated depreciation							
Balance at 1 January 2017	7,085,940	804,540,962	574,175	9,148,228	227,867	--	821,577,172
Depreciation for the period	754,949	41,364,595	74,857	293,656	6,734	--	42,494,791
Effect of movements in exchange rates	183,365	9,851,034	38,717	20,645	--	--	10,093,761
Disposals	--	(193,350)	--	(797)	--	--	(194,147)
Disposal of subsidiaries	(37,408)	(3,788,137)	--	(61,621)	--	--	(3,887,166)
Balance at 31 March 2017	7,986,846	851,775,104	687,749	9,400,111	234,601	--	870,084,411
Carrying amount as of 31 March 2017	95,169,154	1,957,758,309	2,424,092	3,211,401	560,530	484,450,361	2,543,573,847

(*) Machinery and equipments and furnitures and fixtures transferred to Ghana with an amount of TL 18,565,958 and TL 397,062, respectively and capitilized office building in Ghana is amounting to TL 5,848,498.

(**) Related to sales of Ayres Ayvacık Rüzgar which is described in Note 34.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

<u>Cost</u>	<u>Land and buildings and land improvements</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</u>
Balance at 1 January 2016	95,479,057	3,387,340,062	2,484,955	13,764,963	500,859	463,509,476	3,963,079,372
Effect of movements in exchange rates	(53,238)	(3,196)	(77,708)	8,290	--	1,436,677	1,310,825
Additions	2,330	1,498,226	--	278,768	271	107,708,086	109,487,681
Disposals	--	--	(156,235)	--	--	(34,778,770)	(34,935,005)
Transfer	--	(3,545,440)	--	--	--	--	(3,545,440)
Balance at 31 March 2016	95,428,149	3,385,289,652	2,251,012	14,052,021	501,130	537,875,469	4,035,397,433
Accumulated depreciation							
Balance at 1 January 2016	3,793,309	784,170,564	1,635,493	7,982,715	198,413	--	797,780,494
Depreciation for the period	640,320	45,554,136	52,241	306,847	7,514	--	46,561,058
Effect of movements in exchange rates	--	318	6,719	651	--	--	7,688
Disposals	--	--	(154,303)	--	--	--	(154,303)
Balance at 31 March 2016	4,433,629	829,725,018	1,540,150	8,290,213	205,927	--	844,194,937
Carrying amount as of 31 March 2016	90,994,520	2,555,564,634	710,862	5,761,808	295,203	537,875,469	3,191,202,496

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Construction in progress

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

Project	31 March 2017	Technical completion rate (%)	31 December 2016	Technical completion rate (%)
Ghana investment	454,462,998	96%	289,933,213	94%
Bolu Göynük power plant investment	19,015,117	99%	19,015,117	99%
Kıbrıs Kalecik – Mobile power plant investment	6,957,830	99%	6,952,044	99%
Other (*)	4,014,416		53,885,627	
Total	484,450,361		369,786,001	

(*) This balance comprises investments in Africa projects.

Mining assets

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

Cost:	31 March 2017	31 December 2016
Stripping costs	85,454,289	93,884,938
Mining development assets	5,477,773	5,477,772
Total	90,932,062	99,362,710
Amortisation:		
Stripping costs	7,577,361	5,641,834
Mining development assets	232,333	232,333
Total	7,809,694	5,874,167
Carrying amount	83,122,368	93,488,543
Depreciation expense for three month period ended 31 March	1,935,527	14,498
Total	1,935,527	14,498

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

14. INTANGIBLE ASSETS

The movements in intangible assets and related accumulated amortisation during the year ended 31 March were as follows:

Cost	Rights	Other	Total
Balance at 1 January 2017	62,155,254	916,655	63,071,909
Additions	1,552,023	--	1,552,023
Effect of movements in exchange rates	2,386,777	--	2,386,777
Disposal of subsidiary	(74,789)	(10,000)	(84,789)
Balance at 31 March 2017	66,019,265	906,655	66,925,920
Amortisation			
Balance at 1 January 2017	1,585,211	508,104	2,093,315
Amortisation for the period	420,440	32,391	452,831
Effect of movements in exchange rates	1,370,370	(2)	1,370,368
Disposal of subsidiary	(10,808)	(10,000)	(20,808)
Balance at 31 March 2017	3,365,213	530,493	3,895,706
Carrying amount as of 31 March 2017	62,654,052	376,162	63,030,214
Cost			
Balance at 1 January 2016	4,141,451	888,685	5,030,136
Additions	272,882	6,612	279,494
Balance at 31 March 2016	4,414,333	895,297	5,309,630
Amortisation			
Balance at 1 January 2016	1,225,823	371,511	1,597,334
Amortisation for the period	70,787	31,968	102,755
Balance at 31 March 2016	1,296,610	403,479	1,700,089
Carrying amount as of 31 March 2016	3,117,723	491,818	3,609,541

15. GOODWILL

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

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

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

16. FINANCIAL INVESTMENTS

Financial investments

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

	<u>Rate %</u>	<u>31 March 2017</u>	<u>31 December 2016</u>
Enerji Piyasaları İşletme A.Ş. (*)	0.67	412,408	412,408
		<u>412,408</u>	<u>412,408</u>

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

17. DEFERRED TAX ASSETS AND LIABILITIES

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

Unrecognised deferred tax assets and liabilities

As at 31 March 2017, deferred tax assets amounting to TL 1,087,540 (31 December 2016: TL 12,638,390) have not been recognised with respect to the statutory tax losses carried forward amounting to TL 5,437,701 (31 December 2016: 5,437,701). Such losses carried forward expire until 2022. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 March 2017 and 31 December 2016 are attributable to the items detailed in the table below:

	<u>31 March 2017</u>	<u>31 December 2016</u>
	<u>Asset / (Liability)</u>	<u>Asset / (Liability)</u>
Property, plant and equipment and intangible assets	8,260,068	(2,765,431)
Provision to doubtful receivables	5,378,719	5,384,955
Inventory impairment loss	1,962,073	1,964,682
Derivatives	(1,671,483)	(1,301,038)
Loans and borrowings	(2,928,153)	390,996
Reserve for employee severance indemnity	837,036	685,195
Bonds issued	748,136	429,145
Litigation provisions	93,142	90,661
Vacation pay liability	1,568,701	388,844
Other asset	303,747	587,040
Losses carried forward	57,454,330	58,619,557
Consolidation adjustments	39,996,609	28,626,246
Other	(2,086,760)	(2,154,741)
Net deferred tax assets	109,916,165	90,946,111
Deferred tax asset	166,207,446	143,133,739
Deferred tax liabilities	56,291,281	52,187,628
Net deferred tax assets	109,916,165	90,946,111

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

17. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Recognised deferred tax assets and liabilities

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

	<i>1 January 2017</i>	<i>Effects of translation</i>	<i>Recognised in profit or loss</i>	<i>Recognised in other comprehensive income</i>	<i>31 March 2017</i>
Total deferred tax assets/(liabilities)	90,946,111	554,763	18,648,506	(233,215)	109,916,165
	<i>1 January 2016</i>	<i>Effects of translation</i>	<i>Recognised in profit or loss</i>	<i>Recognised in other comprehensive income</i>	<i>31 March 2016</i>
Total deferred tax assets/(liabilities)	18,589,128	443,810	5,443,479	148,196	24,624,613

18. INVENTORIES

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

	31 March 2017	31 December 2016
Other spare parts and operating supplies inventory	237,893,665	255,002,524
Raw materials	135,104,054	102,737,428
Advances given for raw materials and supplies	10,212,030	48,394,631
Work-in-progress	49,250,921	22,559,114
Trade goods	919,852	298,603
Provision for impairment on inventories (-)	(12,582,260)	(12,551,286)
Total	420,798,262	416,441,014

As of 31 March 2017 there is no mortgage, warrant or annotation on the stocks. Group's stock is mostly consisted of fuel oil, oil, operating equipment and spare parts that are essential for operating materials.

Impairment regarding to stocks is tested by identifying slow moving inventories in consideration with net realizable value based on the reason of slow movings as a result of aging work.

As at 31 March 2017, slow movings according to impairment policy and provision for losses on inventories is TL 12,582,260 (31 December 2016: TL 12,551,286)

19. OTHER CURRENT ASSETS

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

	31 March 2017	31 December 2016
Deferred value added tax ("VAT")	113,144,374	93,749,062
Other	1,382,228	531,889
Total	114,526,602	94,280,951

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

20. CURRENT AND NON-CURRENT PREPAYMENTS

At 31 March 2017 and 31 December 2016, current prepayments comprised the following:

	31 March 2017	31 December 2016
Prepaid insurance expenses	4,606,347	4,315,929
Other	5,426,565	2,919,985
Total	10,032,912	7,235,914

At 31 March 2017 and 31 December 2016, non-current prepayments comprised the following:

	31 March 2017	31 December 2016
Advances given for tangible assets	1,347,580	1,347,580
Other prepaid expenses	96,432	119,635
Total	1,444,012	1,467,215

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

21. TRADE AND OTHER RECEIVABLES AND PAYABLES

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

	31 March 2017	31 December 2016
Trade receivables	262,160,698	222,049,699
Doubtful receivables	29,232,988	25,744,460
Allowance for doubtful receivables (-)	(29,232,988)	(25,744,460)
Unearned credit finance charges (-)	(570,671)	(2,931,279)
Income accruals	940,104	175,779
Other receivables	401,582	402,746
Total	262,931,713	219,696,945

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

	31 March 2017	31 December 2016
Trade and other payables to third parties	323,511,025	292,858,336
Expense accruals	250,806	4,030,575
Unearned credit finance charges (-)	(2,647,528)	(2,527,057)
Total	321,114,303	294,361,854

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

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

Trade and other receivables	31 March 2017	31 December 2016
Deposits given(*)	12,113,270	20,170,031
Total	12,113,270	20,170,031

(*) Comprise of deposits given to Takasbank is amounting to TL 10,592,485 (31 December 2016: TL 19,708,127)

22. CASH AND CASH EQUIVALENTS

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

	31 March 2017	31 December 2016
Cash on hand	480,690	404,486
Cash at banks	5,503,384	218,960,369
- Demand deposits	5,472,064	20,450,147
- Time deposits	--	5,091,722
- Blocked cash (*)	31,320	193,418,500
Total	5,984,074	219,364,855
Restricted cash amount	(31,320)	(193,418,500)
Cash and cash equivalents classified as asset-held-for-sale	17,593,150	15,662,073
Cash and cash equivalents on cash flows	23,545,904	41,608,428

(*) As at 31 December 2016 restricted cash amount is related to sale of Kozbükü power plant held by İdil İki Enerji. The portion of the received consideration for the sale of Kozbükü power plant amounting to USD 55.000.000 is held by the bank providing the investment loan to the Group as restricted cash in the Group's accounts. The Group repaid the outstanding bank loan on 27 January 2017.

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017

(Amounts expressed in Turkish Lira unless otherwise stated.)

23. CAPITAL AND RESERVES

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

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

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

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

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

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 March 2017, legal reserves of the Group amounted to TL 46,070,512 (31 December 2016: TL 44,342,753).

Share premium

Share premium represents differences resulting from the sale of the Company's subsidiaries' and associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies. As at 31 March 2017, the share premiums amounting to TL 247,403,635 (31 December 2016: TL 247,403,635) consist of the share premiums from the initial public offering in 2010 and capital increase in 2012 by TL 96,523,266 and TL 150,880,369, respectively.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

23. CAPITAL AND RESERVES (continued)

Actuarial gain/loss:

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

Cash flow hedge reserve

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

Translation reserve

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

Dividend distribution

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

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

Non-controlling interests

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

As at 31 March 2017 and 31 December 2016 the related amounts in the “Non-controlling interests” in the consolidated interim statement of financial position are respectively TL 2,914,950 liability and TL 2,337,947 liability. In addition, net profit or loss in a subsidiary that is not attributable, directly or indirectly, to a parent is also classified under the “Non-controlling interests” in the consolidated interim financial statements.

24. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 31 March 2017 and 31 March 2016 is as follows:

	<u>1 January- 31 March 2017</u>	<u>1 January- 31 March 2016</u>
<u>Numerator:</u>		
Loss for the period attributable to equity holders	(87,832,621)	8,873,614
Weighted average number of shares	<u>613,169,118</u>	<u>613,169,118</u>
Basic and diluted (loss)/profit per share (full TL)	(0.143)	0.014

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(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 March 2017	31 December 2016
Current liabilities		
Short term bank loans	369,264,700	377,122,889
Current portion of bank loans	784,487,918	658,708,167
Finance lease liabilities	19,290,011	18,696,630
Total	1,173,042,629	1,054,527,686
Non-current liabilities		
Long term bank loans	1,228,819,097	1,296,240,646
Finance lease liabilities	70,716,822	70,501,322
Total	1,299,535,919	1,366,741,968
Total loans and borrowings	2,472,578,548	2,421,269,654

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

	31 March 2017	31 December 2016
Bank loans	2,382,571,715	2,332,071,702
Finance lease liabilities	90,006,833	89,197,952
	2,472,578,548	2,421,269,654

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

31 March 2017			
Maturity	Currency	Original Amount	TL Amount
0-12 months	USD	121,623,655	442,539,830
	EUR	10,880,881	42,525,746
	TL	668,687,042	668,687,042
1-2 year	USD	97,487,657	354,718,587
	EUR	12,264,151	47,931,981
	TL	190,955,252	190,955,252
2-3 year	USD	38,826,432	141,273,855
	EUR	7,701,642	30,100,328
	TL	77,419,563	77,419,563
3-4 year	USD	28,252,515	102,799,602
	EUR	2,805,280	10,963,874
4-5 year	USD	23,051,993	83,876,982
5 year and more	USD	51,882,337	188,779,073
Total			2,382,571,715

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

25. LOANS AND BORROWINGS (continued)

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

31 December 2016

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

Terms and debt repayment schedule

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

Original Currency	Nominal Interest rate %	Face Value	Carrying Amount
TL	% 11,50-Libor+% 7,00	928,586,111	937,061,857
USD	Libor +% 0,15-% 5,33	1,280,553,902	1,313,987,929
EUR	Euribor +% 1,80-Euribor +% 6,50	134,063,925	131,521,929
Total			2,382,571,715

As at 31 December 2016, The Group's expense accrual charge is TL 44,866,415.

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

Original Currency	Nominal Interest rate %	Face Value	Carrying Amount
TL	% 11.50-3MTRL Libor+% 7.00	896,697,359	917,471,569
USD	Libor +% 0.15 – % 6.75	1,330,608,354	1,256,151,873
EUR	Euribor +% 1.80 –Euribor +% 3.50	257,761,685	158,448,260
Total			2,332,071,702

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

25. LOANS AND BORROWINGS (continued)

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

31 March 2017			
Maturity	Currency	Amount	TL Amount
0-12 Months	EUR	4,935,653	19,290,011
1-2 Year	EUR	3,802,204	14,860,157
2-3 Year	EUR	3,275,360	12,801,088
3-4 Year	EUR	3,078,267	12,030,790
4-5 Year	EUR	2,819,227	11,018,384
5 Year and more	EUR	5,118,953	20,006,403
Total			90,006,833

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

31 December 2016			
Maturity	Currency	Amount	TL Amount
0-12 Months	EUR	5,039,659	18,696,630
1-2 Year	EUR	4,275,230	15,860,677
2-3 Year	EUR	3,265,769	12,115,676
3-4 Year	EUR	2,901,102	10,762,800
4-5 Year	EUR	2,819,899	10,461,544
5 Year and more	EUR	5,741,563	21,300,625
Total			89,197,952

26. OTHER FINANCIAL LIABILITIES

Other short term financial liabilities

At 31 March 2017, other short term financial liabilities comprised the following:

Other short term financial liabilities	31 March 2017	31 December 2016
Factoring liabilities	117,823,879	127,736,250
Short term portions of the long term bond issued	160,695,902	163,062,228
Other financial liabilities	18,351	5,502
Total	278,538,132	290,803,980

Other long term financial liabilities

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

Other long term financial liabilities	31 March 2017	31 December 2016
Factoring liabilities	61,330,179	77,228,969
Bond issued	178,044,778	174,083,496
Total	239,374,957	251,312,465

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

26. OTHER FINANCIAL LIABILITIES (continued)

Other long term financial liabilities (continued)

The Company has bond issuance at a nominal amount of TL 135,000,000, to be quarterly paid within 2 years maturity bond based on 3.5300% coupon rate on 18 November 2015. The maturity date of restated bonds is on 15 November 2017.

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 8 June 2016. The maturity date of restated bonds is on 28 June 2018.

The Company has bond issuance at a nominal amount of TL 140,000,000, to be quarterly paid within 3 years maturity bond based on 3.6795% coupon rate on 28 June 2016. The maturity date of restated bonds is on 26 June 2019.

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

31 March 2017

Maturity	Currency	TL Amount
Less than 1 year	TL	117,823,879
1-2 years	TL	52,690,038
2-3 years	TL	8,640,141
Total		179,154,058

31 December 2016

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

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

31 March 2017

Maturity	Currency	TL Amount
Less than 1 year	TL	167,769,213
1-2 Year	TL	69,922,660
2-3 Year	TL	101,048,807
Total		338,740,680

31 December 2016

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017

(Amounts expressed in Turkish Lira unless otherwise stated.)

27. EMPLOYEE BENEFITS

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

Such payments are calculated on the basis of 30 days' pay maximum full TL 4,426 as at 31 March 2017 (31 December 2016: full TL 4,297) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of Group from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the Government.

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

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

The amount of the reserve for employee severance indemnity during the as at and for three month periods ended 31 March was as follows:

	2017	2016
Balance at 1 January	2,899,099	4,385,783
Interest cost	10,208	397,965
Service cost	1,082,151	619,422
Payment made during the period	(277,896)	(1,018,400)
Transfer to liabilities held for sale	726,216	--
Actuarial difference	(680,789)	236,198
Balance at 31 March	3,758,989	4,620,968

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

28. OTHER CURRENT LIABILITIES

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

	31 March 2017	31 December 2016
Due to personnel	5,333,432	3,026,921
Social security withholdings payable	1,610,252	1,834,245
Advances received	1,873,622	1,907,905
Total	8,817,306	6,769,071

29. PROVISIONS

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

	Lawsuits	Vacation pay liability	Other provisions	Total
Balance as of 1 January 2017	257,071	1,777,690	--	2,034,761
Provision set during the period	12,404	108,897	--	121,301
Balance as of 31 March 2017	269,475	1,886,587	--	2,156,062
Balance as of 1 January 2016	592,178	--	398,138	990,316
Provision set during the period	75,312	1,777,690	68,594	1,921,596
Provision used	--	--	(398,138)	(398,138)
Balance as of 31 March 2016	667,490	1,777,690	68,594	2,513,774

30. DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative financial instruments	31 March 2017		31 December 2016	
	Carrying value		Carrying value	
	Asset	Liability	Asset	Liability
Held for trading	6,532,506	--	5,165,563	--
Cash flow hedges	1,824,911	--	1,339,627	--
Total	8,357,417	--	6,505,190	--

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

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

31. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

Collateral / Pledge / Mortgage (“CPM”)

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

	31 March 2017	31 December 2016
A. CPM given for companies own legal personality	1,949,304,258	2,156,051,163
B. CPM given in behalf of fully consolidated companies	2,409,394,306	2,402,618,776
C. CPM given for continuation of its economic activities on behalf of third parties	--	--
D. Total amount of other CPM’s	--	--
i. Total amount of CPM’s given on behalf of majority shareholder	--	--
ii. Total amount of CPM’s given on behalf of other Group companies which are not in scope of B and C	--	--
iii. Total amount of CPM’s given on behalf of third parties which are not in scope of C	--	--
Total CPM	4,358,698,564	4,558,669,939

Letters of guarantees given to:

31 March 2017	TL	USD	EUR	CHF	TL Equivalent
Banks	--	4,764,000	16,056,201	--	80,086,742
Botaş–Petroleum Pipeline Corporation	--	2,641,000	--	--	9,609,543
Electricity distribution companies	1,062,254	--	--	--	1,062,254
Electricity Üretim A.Ş.	--	718,601	--	--	2,614,702
Energy Market Regulatory Authority	34,956,120	--	--	--	34,956,120
Enforcement offices	1,288,952	--	--	--	1,288,952
Turkey Electricity Transmission Company (TEIAS)	12,496,832	2,676,518	--	--	22,235,611
Turkish Coal Enterprise	6,370,603	--	--	--	6,370,603
Other	19,178,309	3,150,000	2,807,143	800,000	44,526,015
Total	75,353,070	13,950,119	18,863,344	800,000	202,750,542

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

31. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

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

Guarantees received

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

Type of guarantees	TL	USD	EUR	31 March 2017 TL Equivalent
Letter of guarantee	142,865,274	2,102,750	3,539,100	164,348,205
Notes taken for collaterals	26,327,053	1,050,574	935,112	33,804,370
Cheques taken for collaterals	13,661,533	28,000	3,546,000	27,622,245
Mortgage	700,000	--	--	700,000
Total	183,553,860	3,181,324	8,020,212	226,474,820

Type of guarantees	TL	USD	EUR	31 December 2016 TL Equivalent
Letter of guarantee	194,888,160	2,272,750	3,850,000	217,169,537
Notes taken for collaterals	26,668,303	1,050,574	935,112	33,834,655
Cheques taken for collaterals	12,196,533	28,000	3,546,000	25,450,376
Mortgage	700,000	--	--	700,000
Total	234,452,996	3,351,324	8,331,112	277,154,568

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS

Credit risk

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

31 March 2017	Receivables				Deposits at banks
	Trade receivables		Other receivables		
	Related Parties	Other	Related Parties	Other	
Maximum credit risk exposed to as at 31 December 2016 (A+B+C+D+E)	55,769,105	262,160,698	5,373,095	398,933	5,503,384
A. Carrying amount of financial assets not overdue or not impaired	55,769,105	262,160,698	5,373,095	398,933	5,503,384
B. Carrying amount of financial assets with rediscussed conditions that are considered overdue or impaired if not rediscussed	--	--	--	--	--
C. Carrying amount of financial assets overdue but not impaired	--	--	--	--	--
D. Carrying amount of assets impaired	--	--	--	--	--
- Overdue (gross book value)	3,410,559	21,059,761	--	8,173,227	--
- Impairment (-)	(3,410,559)	(21,059,761)	--	(8,173,227)	--
E. Off balance sheet items with credit risk	--	--	--	--	--

31 December 2016	Receivables				Deposits at banks
	Trade receivables		Other receivables		
	Related Parties	Other	Related Parties	Other	
Maximum credit risk exposed to as at 31 December 2016 (A+B+C+D+E)	51,191,182	219,294,198	8,746,570	402,747	218,960,369
A. Carrying amount of financial assets not overdue or not impaired	51,191,182	219,294,198	8,746,570	402,747	218,960,369
B. Carrying amount of financial assets with rediscussed conditions that are considered overdue or impaired if not rediscussed	--	--	--	--	--
C. Carrying amount of financial assets overdue but not impaired	--	--	--	--	--
D. Carrying amount of assets impaired	--	--	--	--	--
- Overdue (gross book value)	3,410,559	25,744,460	--	8,095,259	--
- Impairment (-)	(3,410,559)	(25,744,460)	--	(8,095,259)	--
E. Off balance sheet items with credit risk	--	--	--	--	--

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(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 March 2017	Carrying amount	Contractual cash flows (=I+II+III+IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities	2,990,491,637	3,511,628,242	288,382,700	1,347,752,734	1,570,533,775	304,959,033
Financial liabilities	2,382,571,715	2,805,422,387	240,257,189	1,064,386,132	1,195,820,033	304,959,033
Financial lease liabilities	90,006,833	81,848,435	5,104,204	14,859,563	61,884,668	--
Other financial liabilities	517,913,089	624,357,420	43,021,307	268,507,039	312,829,074	--
Derivative financial liabilities	8,357,417	(7,317,808)	(3,180,858)	(4,136,950)		
Cash inflow	--	(322,794,295)	(119,184,442)	(203,609,853)	--	--
Cash outflow	--	315,476,487	116,003,584	199,472,903	--	--

	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	399,406,147	401,802,870	401,802,870	--	--	--
Trade payables to third parties	309,152,712	311,549,435	311,549,435	--	--	--
Trade payables to related parties	78,291,844	78,291,844	78,291,844	--	--	--
Other payables	11,961,591	11,961,591	11,961,591	--	--	--

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

	Carrying amount	Contractual cash flows (=I+II+III+IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities	359,051,250	361,578,307	360,615,094	963,213	--	--
Trade payables to third parties	279,737,286	282,264,343	281,301,130	963,213	--	--
Trade payables to related parties	64,689,396	64,689,396	64,689,396	--	--	--
Other payables	14,624,568	14,624,568	14,624,568	--	--	--

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(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:

	TL Equivalent	USD	EUR	GBP	CHF
1. Trade receivables	96,598,726	24,617,086	1,796,263	1,475	--
2a. Monetary financial assets	13,860,444	3,502,593	285,523	--	--
2b. Non-monetary financial assets	--	--	--	--	--
3. Other	--	--	--	--	--
4. CURRENT ASSETS	110,459,170	28,119,679	2,081,786	1,475	--
5. Trade receivables	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--
7. Other	--	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--	--
9. TOTAL ASSETS	110,459,170	28,119,679	2,081,786	1,475	--
10. Trade payables	122,388,826	11,972,929	18,766,853	504,003	878,531
11. Financial liabilities	413,388,491	96,623,078	15,816,534	--	--
12a. Other financial liabilities	--	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--
13. SHORT TERM LIABILITIES	535,777,317	108,596,007	34,583,387	504,003	878,531
14. Trade payables	--	--	--	--	--
15. Financial liabilities	1,122,128,202	264,501,510	40,865,084	--	--
16a. Other financial liabilities	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--
17. LONG TERM LIABILITIES	1,122,128,202	264,501,510	40,865,084	--	--
18. TOTAL LIABILITIES	1,657,905,519	373,097,517	75,448,471	504,003	878,531
19. Off statement of financial position derivatives net asset/liability position	--	--	--	--	--
20. Net foreign currency asset liability position	(1,547,446,349)	(344,977,838)	(73,366,685)	(502,528)	(878,531)
21. Net foreign currency asset / (liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a))	(1,547,446,349)	(344,977,838)	(73,366,685)	(502,528)	(878,531)
22. Fair value of derivative instruments used in foreign currency hedge	(1,824,911)	(501,542)	--	--	--
23. Hedged portion of foreign currency assets	--	--	--	--	--
24. Hedged portion of foreign currency liabilities	312,536,590	85,894,737	--	--	--

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

	TL Equivalent	USD	EUR	GBP	CHF
1. Trade receivables	5,435,658	370,206	1,114,000	--	--
2a. Monetary financial assets	221,323,607	62,862,062	25,785	875	--
2b. Non-monetary financial assets	21,114,948	3,962,609	1,932,595	--	--
3. Other	--	--	--	--	--
4. CURRENT ASSETS	247,874,213	67,194,877	3,072,380	875	--
5. Trade receivables	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--
7. Other	--	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--	--
9. TOTAL ASSETS	247,874,213	67,194,877	3,072,380	875	--
10. Trade payables	50,948,090	7,490,130	6,594,651	27,501	1,322
11. Financial liabilities	501,340,663	101,202,264	39,135,733	--	--
12a. Other financial liabilities	--	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--
13. SHORT TERM LIABILITIES	552,288,753	108,692,394	45,730,384	27,501	1,322
14. Trade payables	--	--	--	--	--
15. Financial liabilities	1,362,824,559	311,855,156	71,523,193	--	--
16a. Other financial liabilities	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--
17. LONG TERM LIABILITIES	1,362,824,559	311,855,156	71,523,193	--	--
18. TOTAL LIABILITIES	1,915,113,312	420,547,550	117,253,577	27,501	1,322
19. Off statement of financial position derivatives net asset/liability position	--	--	--	--	--
20. Net foreign currency asset liability position	(1,667,239,099)	(353,352,673)	(114,181,197)	(26,626)	(1,322)
21. Net foreign currency asset / (liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a))	(1,667,239,099)	(353,352,673)	(114,181,197)	(26,626)	(1,322)
22. Fair value of derivative instruments used in foreign currency hedge	(1,343,145)	(381,662)	--	--	--
23. Hedged portion of foreign currency assets	--	--	--	--	--
24. Hedged portion of foreign currency liabilities	302,280,758	85,894,737	--	--	--

(*) Amounts in foreign currencies are presented in TL equivalents.

(**) Includes the balances of asset and liability held for sale.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(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 March 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	(125,523,636)	125,523,636	(125,523,636)	125,523,636
2- Portion secured from USD(-)	31,253,659	(31,253,659)	31,253,659	(31,253,659)
3- USD net effect (1 +2)	(94,269,977)	94,269,977	(94,269,977)	94,269,977
10% appreciation / depreciation of TL against EUR				
4 - Euro net asset / liability	(28,673,901)	28,673,901	(28,673,901)	28,673,901
5 - Portion secured from Euro (-)	--	--	--	--
6 - Euro net effect (4+5)	(28,673,901)	28,673,901	(28,673,901)	28,673,901
10% appreciation / depreciation of TL against other currencies				
7- Other foreign currency net asset/liability	(547,097)	547,097	(547,097)	547,097
8- Portion secured from other currency (-)	--	--	--	--
9- Other currency net effect (7+8)	(547,097)	547,097	(547,097)	547,097
Total (3+6+9)	(123,490,975)	123,490,975	(123,490,975)	123,490,975

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(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 March 2017	31 December 2016
Fixed rate instruments			
Financial assets		--	5,091,722
Financial liabilities		1,688,812,553	1,212,305,246
Other financial liabilities		517,913,089	542,116,445
Variable rate instruments			
Financial liabilities		783,766,195	1,208,964,408

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Company 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 March 2017 would have increased / (decreased) profit or loss by amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as at 31 December 2016.

	Profit or loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
31 March 2017				
Fixed rate instruments	1,312,250	(1,312,250)	1,312,250	(1,312,250)
Cash flow sensitivity (net)	1,312,250	(1,312,250)	1,312,250	(1,312,250)
31 December 2016				
Variable rate instruments	4,413,217	(4,413,217)	4,413,217	(4,413,217)
Cash flow sensitivity (net)	4,413,217	(4,413,217)	4,413,217	(4,413,217)

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (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 March 2017 and 31 December 2016:

	<u>31 March 2017</u>	<u>31 December 2016</u>
Total financial liabilities	2,990,491,637	2,963,386,099
Less: cash and cash equivalents	(5,984,074)	(219,364,855)
Net financial debt	2,984,988,263	2,744,021,244
Total equity	383,124,200	490,264,909
Gearing ratio (net financial debt to overall financing used ratio)	779%	559%

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(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 March 2017		31 December 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	5,984,074	5,984,074	219,364,855	219,364,855
Financial investments	412,408	412,408	412,408	412,408
Trade and other receivables(*)	262,931,713	262,931,713	219,696,946	219,696,946
Due from related parties	61,142,200	61,142,200	59,937,752	59,937,752
Derivative assets	8,357,417	8,357,417	6,505,190	6,505,190
Financial liabilities				
Financial liabilities	2,472,578,548	2,472,578,548	2,421,269,654	2,421,269,654
Trade and other payables (**)	321,114,303	321,114,303	294,361,854	294,361,854
Other financial liabilities	517,913,089	517,913,089	542,116,445	542,116,445
Due to related parties	78,291,844	78,291,844	64,689,396	64,689,396

(*)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 March 2017 and 31 December 2016 is as follows:

	Fair value measurement			
	Level 1	Level 2	Level 3	Total
31 March 2017				
Financial assets measured at fair value:				
Derivative assets	--	8,357,417	--	8,357,417
	--	8,357,417	--	8,357,417
31 December 2016				
Financial assets measured at fair value:				
Derivative assets	--	6,505,190	--	6,505,190
	--	6,505,190	--	6,505,190

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(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 March 2017	1 January- 31 March 2016
Short-term and long-term employee benefits (salaries, bonuses, employee termination benefits etc.)	625,447	1,003,449
	625,447	1,003,449

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

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Other related party balances (continued)

	31 March 2017		31 December 2016	
	<u>Trade</u>	<u>Other</u>	<u>Trade</u>	<u>Other</u>
Due to Kazancı Holding's associates and subsidiaries:				
Kazancı Holding A.Ş.	35,377,414	--	--	--
Aksa Elektrik Satış A.Ş.	28,135,137	--	171,777	--
ATK Sigorta Aracılık Hizmetleri A.Ş.	5,116,591	--	8,774,002	--
Aksa Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.	3,508,961	--	9,115,589	--
Aksa Manisa Doğalgaz Dağıtım A.Ş.	2,077,557	--	9,027,923	--
Other	2,318,152	3,067	35,567,419	--
Total	76,533,812	3,067	62,656,710	--
			--	
Due to Kazancı Holding's indirect investments and subsidiaries:				
Aksa Power Generation Fze.	726,153	--	705,841	--
Aksa Teknoloji A.Ş.	170,580	--	--	--
Other	43,759	--	1,066,889	--
Total	940,492	--	1,772,730	--
Due to Related Parties:				
Koni İnşaat Sanayi A.Ş.	423,922	--	37,886	--
Elektrik Altyapı Hizmetleri Ltd. Şti.	374,010	--	212,171	--
Other	16,541	--	9,899	--
Total	814,473	--	259,956	--
Total	78,288,777	3,067	64,689,396	--

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Related party transactions

	1 January - 31 March 2017		1 January - 31 March 2016	
	Goods services	Other	Goods services	Other
Sales to Kazancı Holding's associates and subsidiaries:				
Aksa Elektrik Satış A.Ş.	165,610,167	9,061	284,754,344	--
Rasa Endüstriyel Radyatörler San. A.Ş.	--	33,903	--	122
	165,610,167	42,964	284,754,344	122
Sales to Kazancı Holding's indirect investments and subsidiaries:				
Çoruh Elektrik Perakende Satış A.Ş.	26,131,721	--	6,373,993	--
Fırat Aksa Elektrik Perakende Satış A.Ş.	12,616,702	--	3,269,022	2,443
Other	--	--	--	200
	38,748,423	--	9,643,015	2,643
Sales to Related Parties:				
Koni İnşaat Sanayi A.Ş.	14,554,400	152,489	--	68,008
Other	--	5,016	--	622
	14,554,400	157,505	--	68,630
Total	218,912,990	200,469	294,397,359	71,395

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Related party transactions (continued)

	1 January - 31 March 2017		1 January - 31 March 2016	
	Goods & Services	Other	Goods & Services	Other
Purchases from Kazancı Holding's associates and subsidiaries				
Aksa Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.	13,292,552	--	14,544,065	--
Aksa Elektrik Satış A.Ş.	9,350,590	--	4,075,449	--
Aksa Manisa Doğalgaz Dağıtım A.Ş.	8,869,381	--	7,696,963	--
Kazancı Holding A.Ş.	3,588,201	135,023	--	123,608
Aksa Elektrik Perakende Satış A.Ş.	2,488	--	--	--
ATK Sigorta aracılık Hizmetleri A.Ş.	1,454,804	3,234,504	--	--
Aksa Jeneratör Sanayi A.Ş.	7,035	7,663	15,196,149	6,568
Other	10,145	1.765.512	--	384
Total	36,575,196	5,142,702	41,512,626	130,560
Purchases to Kazancı Holding's indirect investments and subsidiaries				
Çoruh Elektrik Perakende Satış A.Ş.	1,719,074	--	321,721	--
Fırat Elektrik Perakende Satış A.Ş.	2,166,183	--	1,274,272	--
Other	--	--	361,185	1,950
	3,885,257	--	1,957,178	1,950
Purchases to Kazancı Holding's indirect investments and subsidiaries				
Koni İnşaat Sanayi A.Ş.	90,718	2,174,809	527,291	--
Other	--	1,259,179	318,434	--
	90,718	3,433,988	845,725	--
Total	40,551,171	8,576,690	44,315,529	132,510

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Related party transaction (continued)

Financial income from related parties

	1 January - 31 March 2017	1 January - 31 March 2016
	Interest and exchange difference	Interest and exchange difference
<u>Kazancı Holding's associates and subsidiaries:</u>		
Aksa Jeneratör Sanayi A.Ş.	711,536	201,188
Datça Rüzgar Enerjisi Elektrik Üretim A.Ş.	106,241	
Aksa Elektrik Satış A.Ş.	1,197	101,899
Kazancı Holding A.Ş.	--	831,950
	818,974	1,135,037
<u>Kazancı Holding's indirect investments and Subsidiaries:</u>		
Çoruh Elektrik Parakende Satış A.Ş.	177,471	--
Fırat Elektrik Perakende Satış A.Ş.	154,577	--
	332,048	--
<u>Related Parties:</u>		
Flamingo Enerji Üretim ve Satış A.Ş.	13,107	--
Flamingo Biyoyakıt Üretim A.Ş.	2,883	--
Other	--	5,976
	15,990	5,976
Total	1,167,012	1,141,013

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Related party transaction (continued)

Financial Expense to Related Parties

	1 January - 31 March 2017	1 January - 31 March 2016
	Interest and exchange difference	Interest and exchange difference
Kazancı Holding's associates and subsidiaries:		
Aksa Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.	5,968,570	7,389,278
Aksa Manisa Doğalgaz Dağıtım A.Ş.	4,672,466	2,513,571
Aksa Elektrik Satış A.Ş.	1,797,241	9,357,578
Aksa Havacılık A.Ş.	20,946	23,223
Aksa Jeneratör Sanayi A.Ş.	6,463	70,805
Kazancı Holding A.Ş.	380,506	2,763
Other	--	8,546
	12,846,192	19,365,764
Kazancı Holding's indirect investments and subsidiaries:		
Fırat Elektrik Dağıtım A.Ş.	220,987	--
Aksa Teknoloji A.Ş.	--	6,785
Çoruh Elektrik Perakende Satış A.Ş.	--	1,537,060
Fırat Elektrik Perakende Satış A.Ş.	--	1,981,011
	220,987	3,524,856
Related Parties:		
Koni İnşaat Sanayi A.Ş.	19,662	44,190
Datça Rüzgar Enerjisi Elektrik Üretim A.Ş.	--	112,821
Other	5,530	9,261
	25,192	166,272
Total	13,092,371	23,056,892

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

34. DISPOSAL OF SUBSIDIARY

Disposal of Ayres Ayvacık Rüzgar

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 at the time 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 summarises the major classes of consideration transferred and the recognised 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	9,944,170
Intangible assets	53,981
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 recognised amounts of identifiable assets and liabilities disposed at the acquisition date is recognised under gain from investing activities in profit or loss (see Note 8).

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

35. ASSETS AND LIABILITIES HELD FOR SALE

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

As at 31 March 2017, assets and liabilities including those of discontinued operations are TL 453,799,762 (31 December 2016: TL 448,888,338) and TL 358,088,082 (31 December 2016: TL 369,543,650), respectively, and details are as follows:

Assets held for sale	31 March 2017	31 December 2016
Cash and cash equivalents	17,593,150	15,662,073
Trade receivables	16,202,896	4,137,169
Inventories	3,859,157	4,397,724
Property, plant and equipment	408,116,835	418,052,451
Intangible assets	417,269	397,794
Deferred tax asset	4,633,525	4,857,121
Other assets	2,976,930	1,384,006
	453,799,762	448,888,338
Liabilities held for sale	31 March 2017	31 December 2016
Loan and borrowings	331,856,028	357,470,411
Trade payable	19,544,944	5,394,941
Other liabilities	3,060,974	3,014,209
Deferred tax liability	3,147,391	3,137,212
Provisions	478,745	526,877
	358,088,082	369,543,650

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Notes to the consolidated interim financial statements
As at and for the three-month period ended 31 March 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

36. ADJUSTED EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (“EBITDA”) RECONCILIATION

The Directors of the Group have presented the performance measure adjusted EBITDA as they monitor this performance measure at a consolidated level and they believe this measure is relevant to an understanding of the Group’s financial performance. Adjusted EBITDA is calculated by adjusting loss from continuing operations to exclude the impact of taxation, net finance costs, gain/(loss) from investing activities and depreciation, amortization related to intangible assets, property, plant and equipment.

Adjusted EBITDA is not a defined performance measure in IFRS. The Group’s definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

	<u>31 March 2017</u>	<u>31 March 2016</u>
Gain/(Loss) from continuing operations	(88,407,121)	8,702,839
Add: Taxation	(15,127,342)	(823,690)
Add: Net finance costs	139,653,673	61,462,392
Add: Gain from investing activities	(19,335,288)	(257,824)
Add: Depreciation and amortization expenses	44,883,148	46,678,311
Adjusted EBITDA	<u>61,667,070</u>	<u>115,762,028</u>

37. SUBSEQUENT EVENTS

Belen/Atik power plant which is reclassified as asset held for sale, was sold to Gürış İnşaat ve Mühendislik A.Ş. on 7 April 2017.