# 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

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# 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** |

*(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** |

# 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** |

*(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** |

**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

*(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** |

*(Amounts expressed in Turkish Lira unless otherwise stated.)*

## 1. REPORTING ENTITY

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

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

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

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

| | | | Voting power held (%) | |
|---|---|---|---|---|
| **Name of subsidiary – Foreign Branch** | **Principal activity** | **Place of operation** | **31 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).

## 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.

## 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 Şamlı-Balıkesir and the company started the electricity production after completion of the construction of this wind power station in September 2008.

The capacity of the plant increased to 114 MW upon completion of the additional capacity investment of 24 MW. The land in Şamlı- Balıkesir, where the wind power stations are located, are the own property of Baki Elektrik. 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.

## 1. REPORTING ENTITY (continued)

**İdil İki Enerji:**

In 2001, İdil İki Enerji was acquired by Koni İnşaat Sanayi A.Ş. ("Koni İnşaat"), a related party, from Bilkent Group. Idil İki Enerji has a fuel oil fired power plant located in Şırnak with a capacity of 24 MW. The power plant started its operations in 2001. On 5 March 2010, Aksa Enerji acquired 99,99% of all shares of İdil İki İnşaat from Koni İnşaat. Licence of power plant has been cancelled on 7 February 2017.

**Kapıdağ Rüzgar Enerjisi:**

On 31 May 2013, Aksa Enerji acquired 94,00% of all shares of Kapıdağ Rüzgar Enerjisi from Kazancı Holding. Kapıdağ Rüzgar Enerjisi has wind power station located located in Balıkesir with a capacity of 27 MW. 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.

*(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 Güriş İnşaat ve Mühendislik A.Ş. on 7 April 2017.

## 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 |

## 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 it power over the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

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

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

#### ii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated 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.

## 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.

*(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:

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| 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.

## 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.

## 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 liabilit6es 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.

## 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.

## 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.

*(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.

## 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.

## 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 TEIAŞ 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.

## 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.

## 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)

TFRS 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 TFRS 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 TAS 39. TFRS 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.

## 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.

## 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.

## 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.

## 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.

## 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.

*(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-<br>31 March 2017 | 1 January-<br>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-<br>31 March 2017 | 1 January-<br>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** |

*(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-<br>31 March 2017 | 1 January-<br>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-<br>31 March 2017 | 1 January-<br>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-<br>31 March 2017 | 1 January-<br>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** |

*(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-<br>31 March 2017 | 1 January-<br>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-<br>31 March 2017 | 1 January-<br>31 March 2016 |
|---|---|---|
| Freight and export expenses | 110,627 | 9,697 |
| Other | 263,144 | 74,395 |
| **Total** | **373,771** | **84,092** |

*(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.

## 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.

*(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 peroiods ended 31 March comprised the following items:

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

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 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| **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** |

*(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 capitilazed office building in Ghana is amounting to TL 5,848,498.

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

*(Amounts expressed in Turkish Lira unless otherwise stated.)*

## 13. PROPERTY, PLANT AND EQUIPMENT (continued)

| Cost | Land and buildings and land improvements | Machinery and equipment | Vehicles | Furniture and fixtures | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2016** | **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** |

*(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** |

*(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)

*(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:

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

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

## 17. DEFERRED TAX ASSETS AND LIABILITIES

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

**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:

| | 31 March 2017 | 31 December 2016 |
|---|---|---|
| | Asset / (Liability) | Asset / (Liability) |
| 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** |

*(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::

| | *1 January 2017* | *Effects of translation* | *Recognised in profit or loss* | *Recognised in other comprehensive income* | *31 March 2017* |
|---|---|---|---|---|---|
| **Total deferred tax assets/(liabilities)** | **90,946,111** | 554,763 | 18,648,506 | (233,215) | **109,916,165** |

| | *1 January 2016* | *Effects of translation* | *Recognised in profit or loss* | *Recognised in other comprehensive income* | *31 March 2016* |
|---|---|---|---|---|---|
| **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** |

*(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** |

*(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.

*(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:

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

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

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

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

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.

*(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:

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

*(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** |

*(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** |

*(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** |

*(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** |

*(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** |

*(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:

| | 31 March 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Carrying value | | Carrying value | |
| **Derivative financial instruments** | **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.

*(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** |

*(Amounts expressed in Turkish Lira unless otherwise stated.)*

## 31. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

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

### Guarantees received

At 31 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 colleterals | 26,327,053 | 1,050,574 | 935,112 | 33,804,370 |
| Cheques taken for colleterals | 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 colleterals | 26,668,303 | 1,050,574 | 935,112 | 33,834,655 |
| Cheques taken for colleterals | 12,196,533 | 28,000 | 3,546,000 | 25,450,376 |
| Mortgage | 700,000 | -- | -- | 700,000 |
| **Total** | **234,452,996** | **3,351,324** | **8,331,112** | **277,154,568** |

*(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 | | | | |
|---|---|---|---|---|---|
| | Trade receivables | | Other receivables | | Deposits at banks |
| | 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 | | | | |
|---|---|---|---|---|---|
| | Trade receivables | | Other receivables | | Deposits at banks |
| | 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 | -- | -- | -- | -- | -- |

*(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 | -- | -- | -- |

*(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** | **--** | **--** | **--** |
| | | | | | |

*(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.

*(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** |

*(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 sensivity (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 sensivity (net)** | **4,413,217** | **(4,413,217)** | **4,413,217** | **(4,413,217)** |

*(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:

| | **31 March 2017** | **31 December 2016** |
|---|---|---|
| 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%** |

*(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** | | | |
|---|---|---|---|---|
| **31 March 2017** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **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** |

*(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.

*(Amounts expressed in Turkish Lira unless otherwise stated.)*

## 33. RELATED PARTIES (continued)

Other related party balances

| | 31 March 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| **Due from Kazancı Holding's associates and subsidiaries:** | **Trade** | **Other** | **Trade** | **Other** |
| Aksa Jeneratör Sanayi A.Ş. | 21,411,504 | -- | 766,757 | -- |
| Kazancı Teknik Cihazlar Yedek Parça A.Ş. | 6,438,005 | -- | 6,219,517 | -- |
| Datça Rüzgar Enerjisi Elektrik Üretimi A.Ş. | 14,494 | 4,966,409 | 18,038 | 1,612,027 |
| Aksa Elektrik Satış A.Ş. | 3,490 | -- | 18,064,023 | -- |
| Kazancı Holding A.Ş. | -- | -- | 3,663,739 | 6,752,058 |
| Other | 48,393 | -- | 53,050 | -- |
| | **27,915,886** | **4,966,409** | **28,785,124** | **8,364,085** |
| **Due from Kazancı Holding's indirect investments and subsidiaries:** | | | | |
| Aksa International Ltd. | 9,550,213 | -- | 4,491,513 | -- |
| Aksa Satış ve Pazarlama A.Ş. | -- | -- | 13,788,009 | -- |
| Aksa Teknoloji A.Ş. | -- | -- | 3,027,389 | -- |
| Other | 4,016,096 | -- | -- | -- |
| | **13,566,309** | **--** | **21,306,911** | **--** |
| **Due from related parties:** | | | | |
| Koni İnşaat Sanayi A.Ş. | 14,137,957 | -- | 1,098,053 | -- |
| Flamingo Enerji Üretim ve Satış A.Ş. | -- | 406,686 | -- | 363,846 |
| Other | 148,953 | -- | 1,094 | 18,639 |
| | **14,286,910** | **406,686** | **1,099,147** | **382,485** |
| **Total** | **55,769,105** | **5,373,095** | **51,191,182** | **8,746,570** |

| | 31 March 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| **Short term due to related parties** | **Trade** | **Other** | **Trade** | **Other** |
| Trade payables due to related parties | 78,288,777 | 3,067 | 64,689,396 | -- |
| **Total** | **78,288,777** | **3,067** | **64,689,396** | **--** |

*(Amounts expressed in Turkish Lira unless otherwise stated.)*

## 33. RELATED PARTIES (continued)

**Other related party balances (continued)**

| | 31 March 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| **Due to Kazancı Holding's associates and subsidiaries:** | **Trade** | **Other** | **Trade** | **Other** |
| 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:** | **Trade** | **Other** | **Trade** | **Other** |
|---|---|---|---|---|
| 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:** | **Trade** | **Other** | **Trade** | **Other** |
|---|---|---|---|---|
| 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** | **--** |

*(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 | |
|---|---|---|---|---|
| **Sales to Kazancı Holding's associates and subsidiaries:** | **Goods services** | **Other** | **Goods services** | **Other** |
| 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** |

*(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 | |
|---|---|---|---|---|
| **Purchases from Kazancı Holding's associates and subsidiaries** | **Goods & Services** | **Other** | **Goods & Services** | **Other** |
| 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** |

| | 1 January - 31 March 2017 | | 1 January – 31 March 2016 | |
|---|---|---|---|---|
| **Purchases to Kazancı Holding's indirect investments and subsidiaries** | **Goods & Services** | **Other** | **Goods & Services** | **Other** |
| 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** |

| | 1 January - 31 March 2017 | | 1 January - 31 March 2016 | |
|---|---|---|---|---|
| **Purchases to Kazancı Holding's indirect investments and subsidiaries** | **Goods & Services** | **Other** | **Goods & Services** | **Other** |
| 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** |

*(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 |
|---|---|---|
| **Kazancı Holding's associates and subsidiaries:** | **Interest and exchange difference** | **Interest and exchange difference** |
| 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** |
| **Kazancı Holding's indirect investments and Subsidiaries:** | | |
| Çoruh Elektrik Parakende Satış A.Ş. | 177,471 | -- |
| Fırat Elektrik Perakende Satış A.Ş. | 154,577 | -- |
| | **332,048** | -- |
| **Related Parties:** | | |
| Flamingo Enerji Üretim ve Satış A.Ş. | 13,107 | **--** |
| Flamingo Bioyakıt Üretim A.Ş. | 2,883 | -- |
| Other | **--** | 5,976 |
| | **15,990** | **5,976** |
| **Total** | **1,167,012** | **1,141,013** |

*(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 |
|---|---|---|
| **Kazancı Holding's associates and subsidiaries:** | **Interest and exchange difference** | **Interest and exchange difference** |
| 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** |

*(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).

*(Amounts expressed in Turkish Lira unless otherwise stated.)*

## 35. ASSETS AND LIABILITIES HELD FOR SALE

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

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** |

*(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.

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| **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** | **61,667,070** | **115,762,028** |

## 37. SUBSEQUENT EVENTS

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