



KAZANCI HOLDING

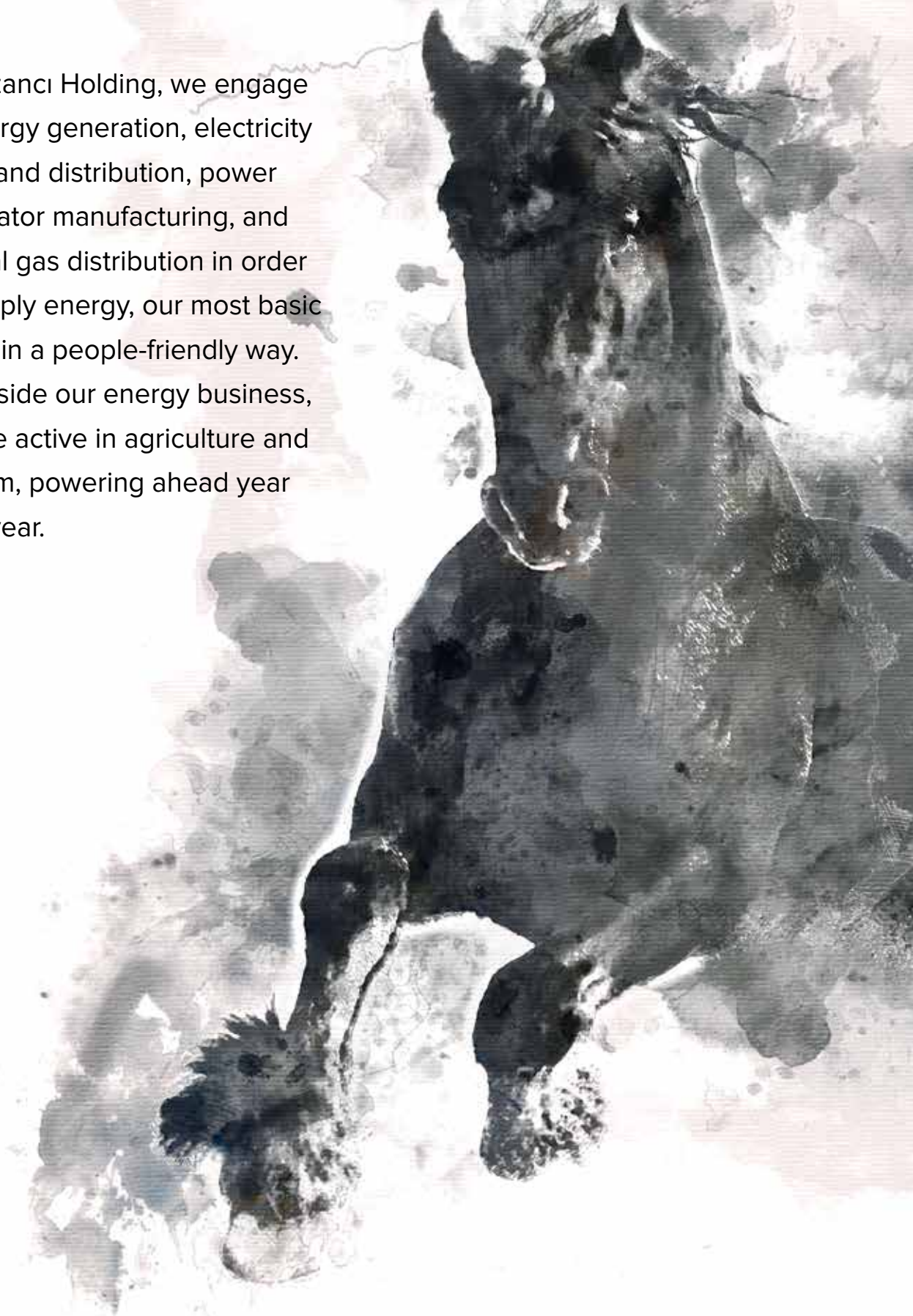
ANNUAL REPORT 2016



**POWER IS OUR
NATURE, THE WORLD
IS OUR OBJECTIVE**

**Transforming nature's power
into energy, we deliver it across
the world to serve people.**

At Kazancı Holding, we engage in energy generation, electricity sales and distribution, power generator manufacturing, and natural gas distribution in order to supply energy, our most basic need, in a people-friendly way. Alongside our energy business, we are active in agriculture and tourism, powering ahead year after year.



World's Gain

production
on

4

continents

exports to

160

countries

operations
in

18

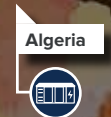
countries

7,220

employees
from

74

different
nations



Turkey's largest natural gas distributor in **terms of geographic extent**

One of the **world's top five power** generator manufacturers

Turkey's **largest publicly-traded** independent power producer



Power generator manufacturing and sales



Power generator sales



Electricity companies



Power plants



Natural gas plants



Agriculture



Tourism

Turkey's Gain

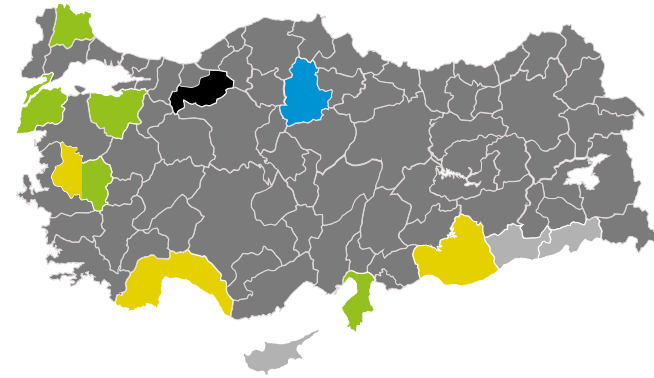
Total revenues of

9,045 TL million

Investments of

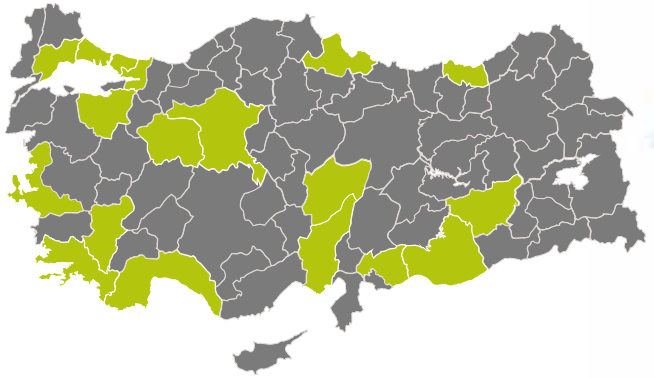
837 TL million

AKSA ENERGY



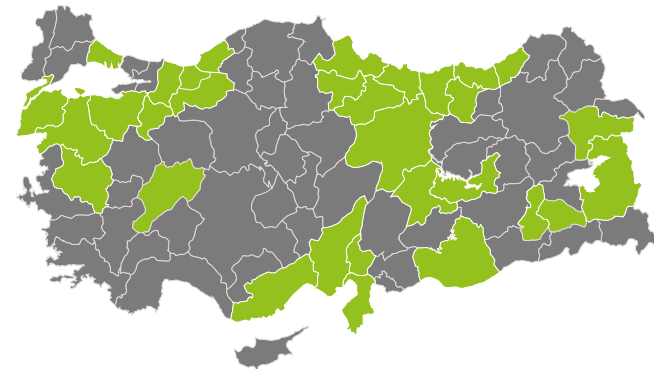
- Natural Gas Combined Cycle
- Fuel Oil
- Lignite
- Hydroelectric
- Wind

AKSA POWER GENERATION



- Akxa Power Generation

AKSA NATURAL GAS



- Akxa Natural Gas Distribution Areas

AKSA ELECTRICITY



- Çoruh Electricity Distribution and Çoruh Electricity Retail Sales
- Fırat Electricity Distribution and Fırat Electricity Retail Sales
- Akxa Electricity Sales

11.3 billion KWh of electricity sold across Turkey

5.72 billion KWh of electricity provided to 2.1 million customers in Çoruh and Fırat distribution areas

Three power generator manufacturing facilities with a total production area of 130 thousand m²,
of which 110 thousand m² is overseas

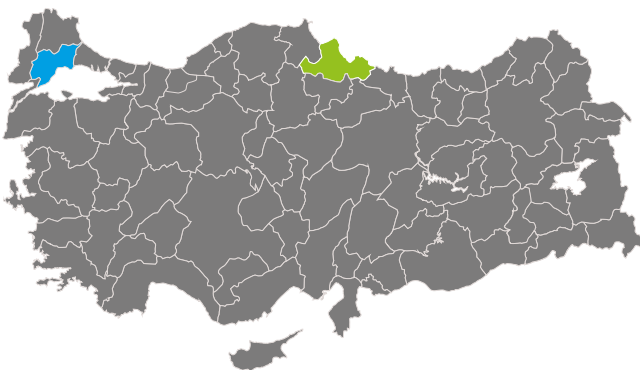
24,000 decares
of agricultural land

18 billion KWh
Aksa Energy's total
energy sales volume

2.1 million customers in an area with
a total population of 14 million
7.6 bcm of natural gas distributed

1,460
bed capacity

AKSA AGRICULTURE



- Tekirdağ - İnanlı Agricultural Enterprise
- Samsun - Gelemen Agricultural Enterprise

AKSA TOURISM



- Antalya - Mirada Del Mar Hotel
- Kayseri - Mirada Del Lago Hotel and Mirada Del Monte Hotel

06 Introduction

- 06 About Kazancı Holding
- 08 Our Values
- 10 Milestones
- 12 Key Financial Indicators

14 From the Management

- 14 Message from the Chairman
- 16 Board of Directors
- 18 Message from the CEO
- 22 Senior Management
- 24 Organizational Chart

28 Operations

- 30 Natural Gas Distribution and Sales
 - Aksa Natural Gas
- 36 Electricity Distribution and Sales
 - Aksa Electricity Sales
 - Çoruh Electricity Distribution
 - Fırat Electricity Distribution
 - Çoruh Electricity Retail Sales
 - Fırat Electricity Retail Sales
- 42 Electricity Generation
 - Aksa Energy
- 50 Power Generator Manufacturing and Sales
 - Aksa Power Generation
 - Aksa Service - Rental
- 56 Agriculture
 - Aksa Agriculture
 - İnanlı Enterprise
 - Gelemen Enterprise
- 60 Tourism
 - Aksa Tourism
 - Mirada Del Lago Hotel
 - Mirada Del Mar Hotel
 - Mirada Del Monte Hotel

64 Sustainability

- 64 Human Resources
- 68 Environment
- 74 Social Responsibility

78 Corporate Governance Practices

- 87 Information Security Policy

89 Financial Information

- 90 Independent Audit Report
- 92 Consolidated Financial Statements





Powered by Our DNA

We translate our deep-rooted history into future achievements via operations focused on delivering customer satisfaction, which has been a core component of our corporate culture since the 1950s.

About Kazanci Holding

7,220

Employees

Operations in

18

Countries

Exports to

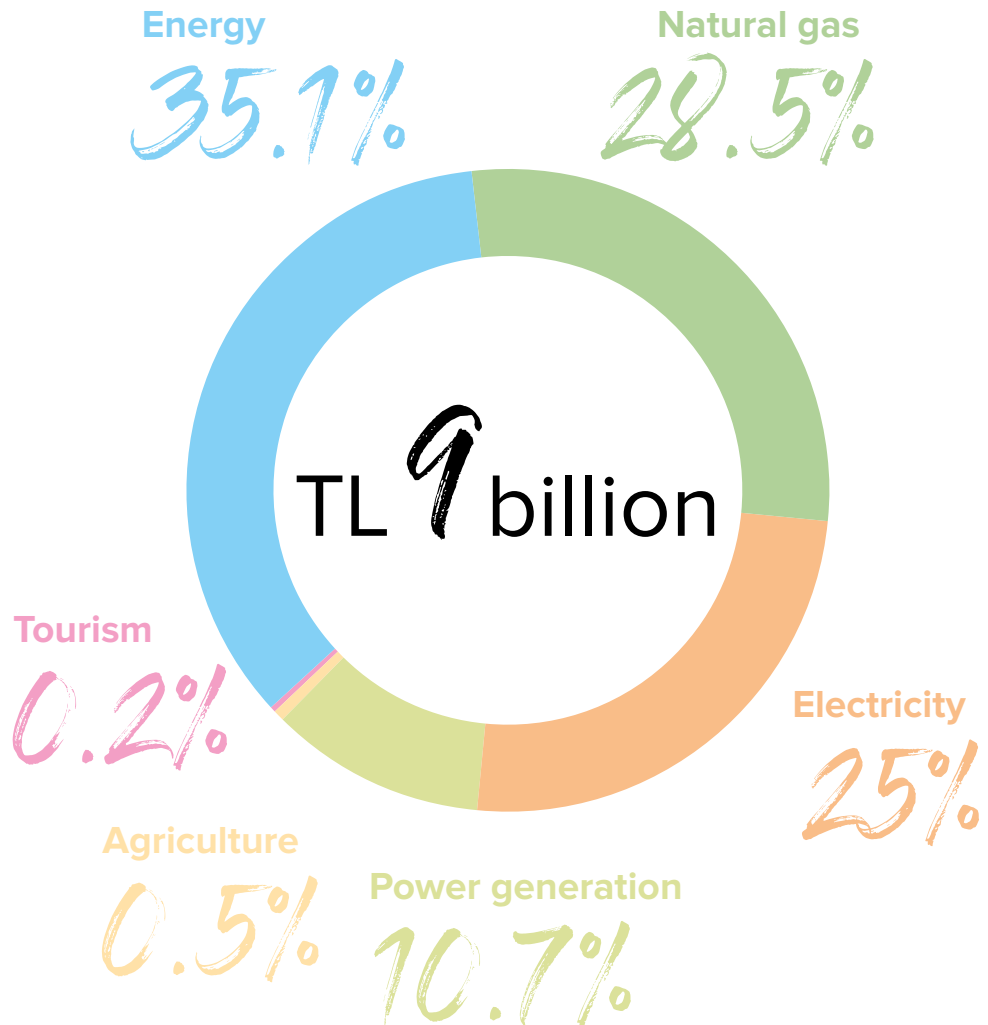
160

Countries

Revenues of

TL 9 Billion

Kazanci Holding Revenue Breakdown 2016



Kazancı Holding makes significant contributions to the Turkish economy by investing in energy, agriculture and tourism, making tax payments and generating employment opportunities.

1950

Boasting a history dating back to the 1950s, Kazancı Holding ranks among the leaders of the energy industry thanks to the integrated structure of its companies.

With corporate roots dating back to the 1950s, Kazancı Holding has always remained committed to the core principles of customer satisfaction and trust throughout its history spanning half a century. This approach has led the Holding to become a leader in the energy business with its power generator manufacturing, natural gas distribution, power generation, and electricity distribution and sales operations. The Group makes significant contributions to the Turkish economy by investing in energy, agriculture and tourism, making tax payments and creating employment opportunities.

Kazancı Holding companies have established themselves as leaders in their respective sectors with their track records of success. Among the enterprises operating under the Aksa brand is Aksa Natural Gas, Turkey's largest natural gas distributor in terms of geographic reach with 21 licensed distribution areas covering 27 provinces and 135 districts.

Aksa Energy - Turkey's largest publicly listed independent power producer - is a global energy company that establishes and operates lignite, natural gas, fuel oil, wind and hydroelectric power plants in Turkey and overseas.

In the electricity segment, the Holding's Çoruh and Fırat Electricity Distribution companies provide 5.72 billion KWh of energy to a total population of 4.5 million in their license areas. Together with the retail sales companies in the Çoruh and Fırat regions, Aksa Electricity Group sells 11.3 billion KWh of electricity across Turkey every year.

The leader of the Turkish power generator market, Aksa Power Generation is among Turkey's largest exporters, shipping products to over 160 countries. The company operates manufacturing facilities in Turkey, China and the USA.

Aksa Agriculture entered the agriculture industry in 2004, introducing a corporate business model to become one of today's leaders in ornamental plants, arboriculture, stockbreeding and dairy farming. The company operates its farms in Samsun and Tekirdağ at EU standards.

Aksa Tourism engages in summer and congress tourism activities at the five-star Mirada Del Mar Hotel located in Göynük, Antalya, and conducts winter tourism operations at the four-star Mirada Del Lago and three-star Mirada Del Monte hotels located on Erciyes Mountain.

SHAREHOLDING STRUCTURE	Number of Shares	%
Şaban Cemil Kazancı	66,911,492	60.28
Ali Metin Kazancı	32,200,008	29.01
Mehmet Kazancı	6,531,250	5.88
Tülay Kazancı	5,356,250	4.83
Necati Baykal	1,000	-
Total	111,000,000	100

Our Values

Since its founding in the 1950s, Kazancı Holding has always strived to deliver reliable, top-quality products and services. Our stakeholders' unwavering trust in our brand is the key that enables us to rise to ever higher standards in every facet of our business operations.

Thanks to the deep experience we have garnered during this half century in operation, we have become a company that can better envision its future progress. As a result, we look forward to the future with immense hope. Seeing all our stakeholders, including our employees, as integral parts of a single whole, we do our utmost to become a cohesive team while sharing this sense of responsibility across our workforce.

One of the key reasons why we maintain a hopeful outlook is our unshakeable trust in children, who embody the assurance of our future. We understand that our youth represent the past, present and future for us all. With this awareness, we design and implement projects to foster their personal development. We provide support to public assistance

programs and personal development efforts for young people, organize sports, painting and chess events, and are proud to be part of such beneficial organizations. We lend a hand to those who cannot access education due to financial challenges, cover the school expenses of children in need, and try to alleviate their concerns about the future.

All our Group companies operate with a special focus on delivering customer satisfaction, while constantly aspiring to move forward. In our various services, we place a high priority on customer demands and feedback, formulate responsive solutions, assume full responsibility of all processes from manufacturing to sales, and continue to work toward incorporating the best and latest industry practices.

Continuing to invest with our vast institutional know-how and well-experienced workforce, we are proud to have established Kazancı Holding as a leading global business group.

Kazancı Holding companies operate with a special focus on delivering customer satisfaction, while constantly aspiring to move forward.



Milestones

● 1950

Commercial foundation of the Group

● 1968

Watt Electric Engines, the Group's first energy sector company, was founded

● 1984

Power generator manufacturing commenced

● 1986

Aksa Service and Spare Parts was founded

● 1994

Kazancı Holding was established

Aksa Power Generation's İstanbul factory was inaugurated

● 1997

Aksa Energy was established

● 2002

The Group entered the natural gas distribution sector

● 2004

First natural gas distribution license was obtained

Aksa Electricity Wholesales was founded

Aksa Agriculture started operations

Mirada Del Mar Hotel became operational

● 2006

The first privately-owned natural gas wholesales company in Turkey, Aksa Natural Gas Wholesales, was established

Through its journey of over half a century, Kazancı Holding has always remained committed to the core principles of customer satisfaction and trust. This approach has led the Holding to become one of the leaders of the energy business with power generator manufacturing, natural gas distribution, power generation, electricity distribution and sales operations.

● **2007**

Natural gas distribution activities were merged under the umbrella of Aksa Natural Gas

Aksa Power Generation's first factory in China was inaugurated

The Mirada Del Lago and Mirada Del Monte hotels became operational

● **2010**

Aksa Energy's IPO was executed

The Group assumed control over the Çoruh and Fırat electricity distribution regions

● **2011**

Ali Metin Kazancı Antalya Natural Gas Power Plant reached an installed capacity of 1,150 MW

● **2012**

Aksa Power Generation inaugurated its Chinese power generator factory, which has the world's largest production capacity

● **2013**

Aksa Power Generation's US factory became operational

● **2015**

Bolu Göynük Thermal Power Plant, Turkey's second private lignite-fired power plant, became operational

Aksa Energy entered the African market by executing a power plant construction and energy sales agreement with the Republic of Ghana

● **2016**

Aksa Energy executed agreements on power plant construction and energy sales with the Republic of Madagascar and Republic of Mali

● **2017**

Aksa Energy's Ghana, Madagascar and Mali power plants commenced commercial operations

Key financial indicators

Increase in Total Assets

9.1%

Rise in EBITDA

11%

Increase in Gross Profit

9.1%

CONSOLIDATED (TL MILLION)	2012	2013	2014	2015	2016
Total Assets	6,215	7,418	8,497	9,915	10,815
Total Investments	336	868	1,005	849	837
Total Revenues	5,843	6,053	7,186	9,280	9,045
Gross Profit	727	668	779	1,044	1,139
Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)	731	729	853	1,155	1,282
Net Profit for the Period	117	(424)	(192)	(384)	(333)

Kazancı Holding recorded an EBITDA of TL 1.3 billion in 2016 while increasing its total assets to TL 10.8 billion.



Message from the Chairman

Esteemed Stakeholders,

We have left behind a year marked by events that have deeply affected both political and economic history. Undoubtedly, some of these developments will have lasting effects on Turkey and the world. As we enter a period of reshuffling around the globe, the importance of our country's unity and cohesion has become more evident than ever before.

Since Kazancı Holding's founding, we have derived our strength from this country and its people. Our ambition and commitment expand further as we see how our investments in international markets, which we have executed in recent years, send ripples across the world, boosting Turkey's economy and global reputation.



Kazancı Holding

Total Assets

TL **10.8** billion

Kazancı Holding's total assets increased 9.1% over the prior year to TL 10.8 billion.

In the coming year, we plan to continue actively executing our strategy of ensuring maximum productivity and profitability at all our companies, and capitalizing on new investment opportunities.

Number of Employees

7,220

Kazancı Holding's workforce has climbed to 7,220 as of July 2017.

Today, companies must comply with the requirements of globalization, and become a part of this irreversible process while adapting to rapid change. Enterprises work to redefine their business processes in line with the principle of global sustainability, and to update their business models in response to emerging trends across the world. To achieve these targets, companies must embrace a flexible approach that embraces change.

The key to future success is effectively adapting to the ongoing transformation. Keenly aware that it is a natural part of this transformation, Kazancı Holding adjusts its operations and strategies against this backdrop. In line with our strategic priorities and investment decisions, we take the right steps at the right time to ensure that Kazancı Holding more swiftly attains its objectives of sustainable profitability, growth and shareholder value creation. I have no doubt that we shall soon begin to reap the fruits of these efforts.

In the coming period, we plan to continue actively executing our strategy of ensuring maximum productivity and profitability at all our companies, and capitalizing on new investment opportunities. With these efforts, our top priority is boosting our brand value and driving our nation forward. By blending our commitment to sustainability with our innovative and environmentally-friendly approach, we will further sharpen our competitive edge.

The company that I founded is now a vast family of leading enterprises composed of over 7 thousand individuals. I am immensely pleased that the core values of vital importance to me - diligence, integrity, innovation and serving the nation - continue to thrive today as key components of our corporate culture, and are embraced by all our employees. As our corporate objective of adding value to our society and economy places even greater responsibility on our shoulders in 2017, the values and spirit of solidarity that make us a family will continue to help us face the challenges ahead. I would like to take this opportunity to express my gratitude to our employees for their diligent work over the past year and to all our stakeholders for their ongoing support and trust. Let us hope that our achievements continue throughout the coming period.

Best regards,



Ali Metin KAZANCI
Chairman

Board of Directors



ALİ METİN KAZANCI
Chairman

Ali Metin Kazancı started his professional career in 1950, laying the early foundations of Kazancı Holding during this time. In 1968, he established Watt Electric Engines factory, which would form the basis of the Group's future business enterprises. Thanks to Ali Metin Kazancı's successful efforts, Kazancı Holding founded various companies in the energy sector starting in 1983; it became a holding concern in 1994 with energy as its core business. Ali Metin Kazancı continues to serve as the Chairman at Kazancı Holding.



CEMİL KAZANCI
CEO and Vice Chairman

Cemil Kazancı commenced his business career in the family's Group companies. Initially, he served as a Manager in power generator manufacturing and sales, before playing an active role in founding Aksa Energy in 1997 to expand the Group's energy operations. Cemil Kazancı is Kazancı Holding's CEO and Vice Chairman. He also serves as Chairman at Aksa Energy, and Board Member at various Group companies.



TÜLAY KAZANCI
Board Member

Tülay Kazancı is a Board Member at Kazancı Holding, and serves as a Partnership Board Member at ATK Insurance Brokerage Services and Akxa Anatolian Machinery Sales and Services. Tülay Kazancı also has a seat on the Board of Directors at Akxa Energy since April 2010.



BARIŞ ERDENİZ
Board Member

Barış Erdeniz graduated from Doğuş College, before receiving his BA in International Trade and Management from Yeditepe University. In 2012, he worked at TÜRMAK Machinery Industry and Trade as Business Development Manager. He established Turuncu Marketing in 2013, assuming the role of CEO. In 2014, Barış Erdeniz founded the management consulting firm Erdeniz Consultancy, and in the same year joined Kazancı Holding as Management Consultant. Starting from 2014, he executed numerous successful operational productivity projects and contributed to achieving the strategic objectives of Kazancı Holding. In August 2017, Barış Erdeniz was appointed Board Member at Kazancı Holding.

Message from the CEO

Esteemed Stakeholders,

We are proud and honored to share with you the first annual report of Kazancı Holding, which has executed numerous pioneering projects for over half a century, particularly in the energy industry.

Kazancı Holding is active in all areas of the energy value chain. As a result, the Holding serves as the driving engine of Turkey's energy sector, which has great strategic importance for the country. In parallel with its sustainable growth targets, our Group is committed to maintaining leadership, reliability and dynamism in all its core business areas, while continuing to work to move Turkey forward.

Kazancı Holding Total Revenues

TL 9 billion

Having reached its targets by focusing on customer satisfaction and service quality, Kazancı Holding recorded revenues of TL 9 billion in 2016.

Kazancı Holding EBITDA

TL 1.3 billion

In 2016, Kazancı Holding's earnings before interest, taxes, depreciation and amortization (EBITDA) came in at TL 1.3 billion, up 11% over the prior year.

In parallel with its sustainable growth targets, our Group is committed to maintaining leadership, reliability and dynamism in all its core business areas, while continuing to work to move Turkey forward.

Kazancı Holding Total Investments

TL **837** million

Kazancı Holding undertook investments totaling TL 837 million in 2016.

We are bolstering our domestic leadership position in the energy industry, while expanding confidently into international markets

Despite the adverse impact of global and domestic turbulence on our business areas, we have left behind a very successful and productive year in line with our corporate objectives. Our strong results are due to both our new investments and strategic investment decisions aimed at boosting our competitive strength. At this point, I would like to share with you the highlights of our Group companies' activities in 2016.

Aksa Natural Gas is the undisputed leader among privately-owned Turkish natural gas distribution companies. The company boasts a 21.6% market share based on 21 distribution licenses, allowing it to supply 7.6 billion m³ of natural gas to 2.1 million customers in the largest geographic distribution area in Turkey. Aksa Natural Gas continued to strengthen its market leadership position in 2016. The company recorded revenues of TL 2.6 billion, accounting for 14.3% of the sector total, and ranked 62nd on the Fortune 500 Turkey list with its 2016 revenue.

At year-end 2016, Aksa Natural Gas won its first TL denominated distribution tender, - the Ağrı-Doğubayazıt Tender - and further extended its service area. The company has not only provided the best natural gas service to Turkey's citizens with Aksa expertise and know-how, but also kick-started investments to bolster regional and national employment and growth.

Although predictability in the energy industry is decreasing since market conditions are increasingly volatile, Aksa Electricity Sales has figured among the pioneers of the sector. The company's flexible, planned strategies and customer focus helped it to expand its portfolio further in 2016. As of year-end 2016, the company recorded electricity sales of 6.5 TWh and ranked 100th and 115th in the Fortune 500 Turkey and Capital 500 lists, respectively, making us beam with pride. Aksa Electricity Sales will continue capitalizing on market opportunities in the best manner in the coming period, while further boosting its contribution to the Group's electricity sales volume and profitability.

Blending uninterrupted energy supply with a high quality distribution model, our retail sales and distribution companies are standouts in Turkey's electricity sales and distribution markets. To this end, the company executed renewal and maintenance-repair efforts in 2016 to further boost consumer satisfaction. Thanks to expanding its technology-related capital investments, Aksa Electricity Sales provides uninterrupted electricity distribution service across an area of roughly 70 thousand km² on a daily basis via Çoruh Electricity Distribution and Fırat Electricity Distribution companies. In line with evolving technological dynamics and trends, interactive aspects of these companies' corporate web sites were upgraded to become user friendly and even closer to consumers. Aksa Electricity Sales continues to work round-the-clock to add value to the lives of the 2.2 million people it serves.

Message from the CEO

One of Turkey's Top 49 Companies

49

Aksa Energy rose from 61st to 49th on the Fortune 500 list in 2016, once again confirming its position as one of Turkey's leading companies.

Aksa Energy - Turkey's largest publicly traded independent power producer - has recently updated its corporate strategy and taken key steps to bolster its financial strength and accelerate its sustainable growth. To minimize the negative impact of excessive energy supply in Turkey and respond to African countries' urgent demand for energy, Aksa Energy has shifted its focus to that underserved continent. The company signed long term, foreign currency denominated guaranteed power purchase agreements (PPA) in African countries. Aksa Energy has in turn transferred some of its existing equipment to these nations for a speedy power plant construction. The agreement reached with the Ghana government in 2015 was followed by agreements with the governments of Madagascar and Mali in 2016. The completion of the Ghana, Madagascar and Mali power plants, whose first engines have been quickly commissioned, not only boosts our brand recognition globally, but also bolsters our portfolio structure and balance sheet.

Aksa Energy focuses on generating energy from domestic resources to strengthen Turkey's supply security. Upon completion of its second phase in early 2016, Bolu Göynük Power Plant, which runs on domestic coal, started its operations at full capacity. The environmentally-friendly plant stands out among similar facilities thanks to its flue gas treatment system, which is a first of its kind in Turkey.

In 2016, Aksa Energy rose from 61st to 49th on the Fortune 500 list, once again confirming its position among Turkey's leading enterprises. Similarly, the Company climbed 19 places in the Capital 500 list to rank as the 59th largest firm in Turkey.

Aksa Power Generation - the first power generator brand that comes to mind in Turkey - has set a very high bar for itself, aiming to join the ranks of the world's largest manufacturers. The company has extended its production capability across three continents with facilities located in Turkey, the USA and China, and now sells half of its production overseas. The innovative products designed in Aksa Power Generation's R&D facilities with its own technologies make huge contributions to the Group's export revenues. In 2016, we introduced the hybrid power generator systems developed with internal resources. This innovative product, an industry standout with its high productivity and eco-friendly design, quickly attracted high interest and achieved significant market penetration.

Aksa Power Generation differentiates from the competition not only with its product range but also with its extensive after-sales service network. The company always stands firmly behind its products with its 300 expert personnel in 80 service locations in addition to 150 intermediaries, thus making a highly positive contribution to both customer satisfaction and Aksa's brand value.

Making a difference in non-energy sectors as well

As a Group of companies wholeheartedly devoted to our country, we translated our belief in the abundance of our bountiful lands into investment. At our Tekirdağ and Samsun facilities, we have assumed responsibility for the future of Turkish agriculture and animal husbandry with the power of the Aksa brand and our corporate structure. We designated the livestock farming operations initiated at our İnanlı enterprise in 2016, as the new focal point for Aksa Agriculture's contributions to rural development and social welfare.

We shape our investments in a way that contributes to the improvement of living standards and life cycles in all the regions we serve.

Aksa Natural Gas Revenues

TL **2.6** billion

Aksa Natural Gas recorded revenues of TL 2.6 billion, accounting for 14.3% of the sector, and ranked 62nd on the Fortune 500 Turkey list.

During the last reporting year, we also joined forces with the Foreign Economic Relations Board (DEİK) and Turkey-Netherlands Business Council to organize "The Future of Animal Husbandry" seminar to provide solutions to the problems the industry faces.

Tourism is another strategic business line where Kazancı Holding gives its support to the nation's economic development. Our three hotels in Antalya and Kayseri, all constructed and managed at international standards, create value for Turkish tourism. Although the sector has been negatively affected by the recent rise in geopolitical turmoil and terrorism incidents, our hotels are as valuable to us now as ever, due to our unfaltering belief in the tourism potential of Turkey's natural, historic and cultural assets.

Sustainability: At the heart of all our business models in all our operations

At Kazancı Holding, we do not measure the performance of our businesses solely on the basis of financial results. We also assess the difference we make for consumers, as well as the country, environment and society at large. In Turkey and abroad, our products allow us to stay ahead of the competition with their superiority in key variables such as reliability, innovation and customer satisfaction. The Group company Aksa Energy was selected to join Borsa Istanbul's Sustainability Index in 2016-2017, demonstrating how Kazancı Holding embraces and institutionalizes sustainability in an integrated manner.

All companies in the Kazancı family place environmental responsibility at the heart of their business model. We design our business processes in an eco-friendly way to keep our environmental footprint under constant check. In addition, we

provide support to all kinds of initiatives to mitigate the impact of climate change in our various areas of business activity. Through the distribution of natural gas, we play a pioneering role in enhancing the cleanliness and breathability of our cities.

We shape our investments in a way that contributes to the improvement of living standards and life cycles in all regions that we serve. While supporting local and national economic development by creating new jobs, as a good corporate citizen with a strong sense of social responsibility, we also work to launch projects that have a wide area of impact. To this end, Aksa Natural Gas has become the "Life Companion" of our disabled citizens in its business line thanks to an initiative launched in 2015. We were pleased to see the project receive the Golden Valve Award at the 2016 Turkey Energy Summit, as this shed light on the challenges faced by disabled individuals in everyday life.

The main players in achieving these strong results and various accomplishments are our colleagues, Kazancı Holding's distinguished employees. Their diligence, and desire to ask questions continuously in order to make improvements provide us with a robust foundation as we make plans for the future.

While moving Kazancı Holding forward into the world of tomorrow, we will continue creating value for our nation and stakeholders with our strong team.

With sincere regards,



Cemil KAZANCI
CEO and Vice Chairman

Senior Management



ALPER PEKER
President, Power Generation Group

Alper Peker, a graduate of Anadolu University's Department of Management, completed his Master's degree in Canada. He commenced his professional career in a certified public accounting firm as Audit Specialist and received his independent accountant and financial advisor license in 1999. In 2002, Mr. Peker started working for Kazancı Holding in the Audit Department. In 2007, he became the Asia-Pacific General Manager at Aksa Power Generation, and the Founding General Manager of Aksa China. In 2013, Alper Peker was appointed as CEO of Aksa Power Generation. He also serves on the Board of Directors of Aksa Power Generation.



CÜNEYT UYGUN
President, Energy Group

Cüneyt Uygun graduated from the French Lycee of Saint Joseph and received his BA in Mathematics and MA in Economics from Boğaziçi University. He held managerial positions at TSKB, Efes Beverage Group and Turkcell, before serving as the CFO of Turkcell's Ukraine operations. In 2010, Mr. Uygun joined Kazancı Holding, and was appointed CEO of Aksa Energy in 2013. Cüneyt Uygun also serves as Board Member at Aksa Energy, as President of the Energy Group and as CFO at Kazancı Holding.



SERDAR NİŞLİ

President, Business Development

Serdar Nişli obtained his BSc and MSc degrees from Middle East Technical University's Department of Mechanical Engineering. Subsequently, he served in various posts at Çayırhan Thermal Power Plant (TEK) and in the private sector, for a total of 18 years, before joining Kazancı Holding in 1996. Having worked as General Manager at Aksa Energy, Serdar Nişli now serves as President of Business Development at Kazancı Holding and Vice Chairman at Aksa Energy.



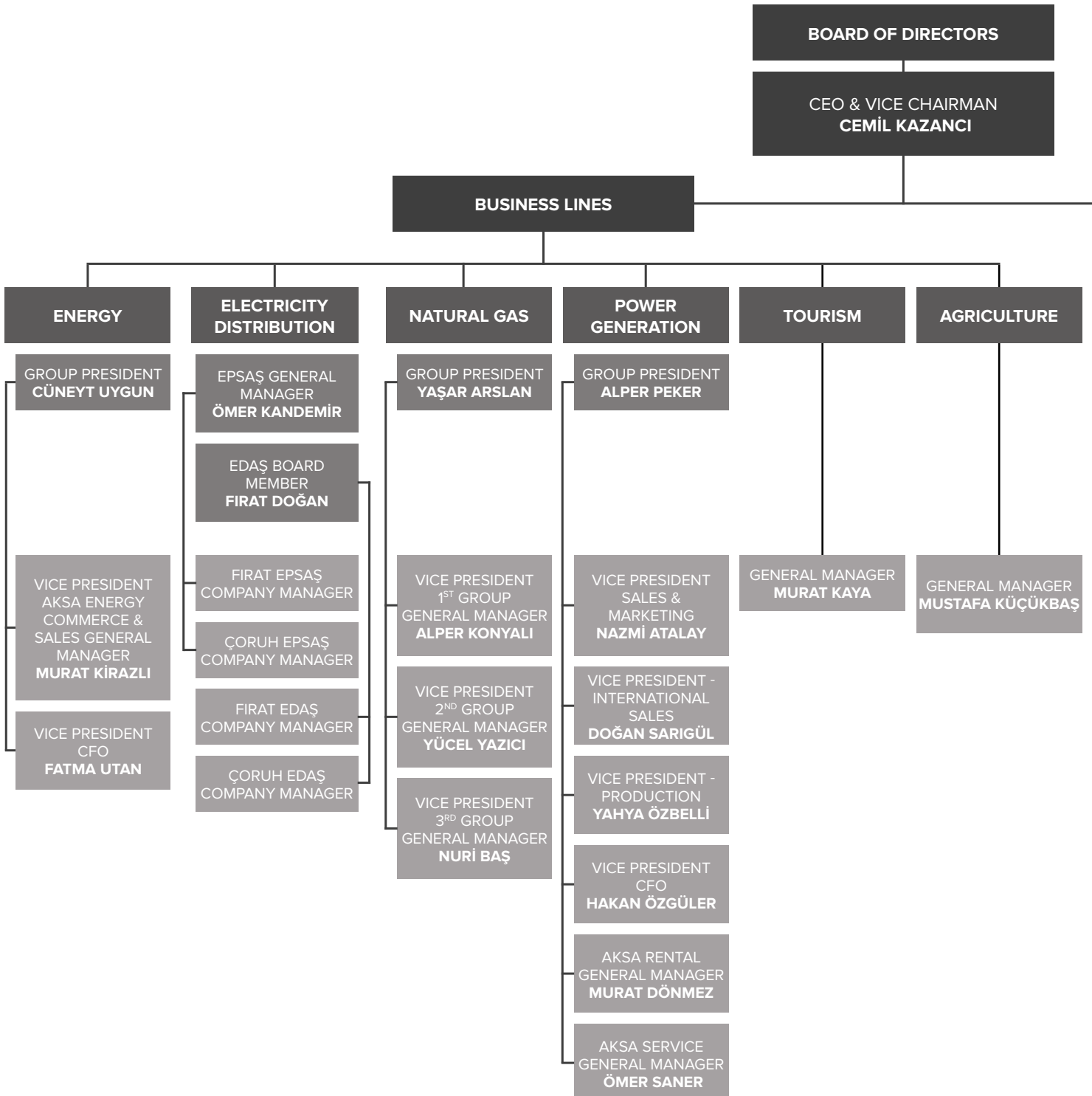
YAŞAR ARSLAN

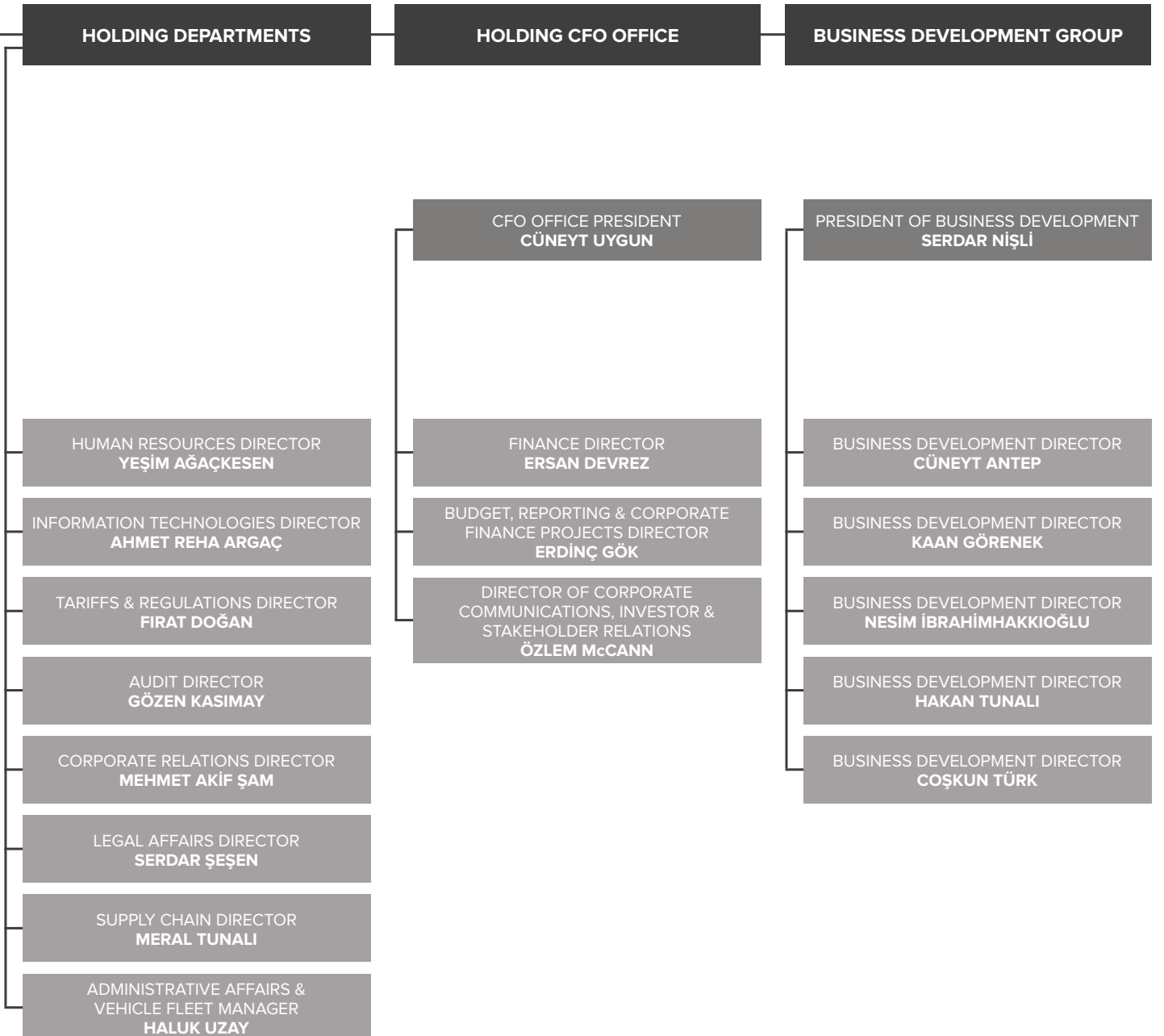
President, Natural Gas Group

Yaşar Arslan is a graduate of Istanbul Technical University, Faculty of Metallurgy. He completed his military service as Reserve Officer at the Turkish Military Academy in the Machinery Group, delivering lectures on topics such as materials, liquids and resource technology. Mr. Arslan held managerial positions at EMAŞ, the Saudi Arabian company Al-Fahd, as well as İGDAŞ, and then worked at Vinsan as Project Manager and at Yapısal as Coordinator. In 2004, he joined Kazancı Holding and was appointed Head of Aksa Natural Gas Distribution and Trade Group in 2010. Mr. Arslan currently serves as Vice Chairman of two electricity distribution companies under Kazancı Holding and Chairman of 21 natural gas distribution companies, two natural gas wholesales firms, and CNG and LNG companies.

Alongside his responsibilities at Kazancı Holding, Yaşar Arslan is also Vice Chairman of the sector's two most important umbrella organizations: the Association of Turkish Natural Gas Distributors (GAZBİR) and the Association of Electricity Distribution Services (ELDER).

Organizational chart









*Our power
lies in
our speed*

We make rapid decisions
for millions of people who
need energy and complete our
investments expeditiously.

Natural Gas Distribution and Sales

Aksa Natural Gas

2.1 million customers

7.6 billion cubic meters of gas distributed

Distribution of 18% of all natural gas consumed in Turkey

Serving Turkey's largest geographic natural gas distribution area

Investment in 27 cities and 135 districts and towns

Share in Total Holding Revenues

28.5%



Aksa Natural Gas ranks 62nd in "Turkey's Top Companies" list compiled by Fortune 500.

Electricity Sales and Distribution

Aksa Electricity*

11.3 TWh of electricity sold and 5.7 TWh of electricity distributed per year

Electricity distribution across 101 districts

Electricity sales to a population of over 4.5 million

Ranks 115th in Turkey's Top 500 companies list

* Aksa Electricity consists of Aksa Electricity Sales, Çoruh Electricity Distribution, Fırat Electricity Distribution, Çoruh Electricity Retail Sales and Fırat Electricity Retail Sales.

Share in Total Holding Revenues

25%



The company delivers electricity distribution service to a population of around 4.5 million in the Fırat and Çoruh regions, and sells 11.3 billion KWh of electricity across the country.

Electricity Generation

Aksa Energy

Electricity generation with an installed capacity of 2,472 MW in five countries on two continents

TL 265 million of investment

18 billion KWh Electricity sales volume

TL 3.2 billion Revenues

Share in Total Holding Revenues

35.1%



Aksa Energy is Turkey's largest publicly-traded independent power producer.

Generator Manufacturing and Sales

Aksa Power Generation

- One of the top five companies in the world generator market
- 35 thousand generators sold
- The only Turkish generator company to engage in production in the USA
- The generator factory with the world's largest production capacity

Share in Total Holding Revenues

10.7%



Aksa Power Generation's China plant is the world's largest generator facility in terms of production capacity.

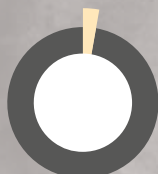
Agriculture

Aksa Agriculture

- 22 thousand tons of milk production, ranking among the top 10 in Turkey
- 33 thousand tons of corn for silage
- 2,500 heads of cattle
- 202,000 fruit trees
- 37,000 tons of crops produced

Share in Total Holding Revenues

0.5%



Aksa Agriculture produces meat and milk across an area of 24 thousand decares.

Tourism

Aksa Tourism

- Three hotels in Antalya and Kayseri
- Total room capacity of 685
- Total bed capacity of 1,460

Share in Total Holding Revenues

0.2%



The five-star Mirada Del Mar Hotel welcomes guests to its 542 rooms, each featuring views of the sea, forest and gardens.

Aksa Natural Gas

Aksa Natural Gas was established in 2002 as an umbrella company of Kazancı Holding. Safe and clean natural gas is a budget-friendly alternative that reduces urbanization-induced air pollution. Aksa Natural Gas operates 21 of the 68 license areas in Turkey, serving 2.1 million customers. The company distributes 21.6% of all natural gas distributed in Turkey.

In its distribution regions, Aksa Natural Gas undertakes its investments quickly and embraces top-quality service as a core business principle. The company has completed a large part of the mandatory investments in its distribution areas before the statutory deadlines, delivering natural gas to the customers in its license areas in the most rapid manner possible. Aksa Natural Gas has realized 40% of the total natural gas investment in Turkey over the last decade.

Aksa Natural Gas undertakes investments in the 27 cities and 135 districts and towns located within the 31 cities covered by its licenses. As a result, the company serves the largest geographic natural gas distribution region in Turkey.

Aksa Natural Gas continues to significantly contribute to the national economy with its investments. Since its founding, the company has helped Turkey's economy save TL 17 billion in energy costs by delivering high quality, budget-friendly service. In addition, it has created direct and indirect employment for 15 thousand citizens. With the investments it has undertaken to date, Aksa Natural Gas has created a natural gas conversion market of TL 17.9 billion, TL 12.1 billion of which has been physically completed. The company has also increased energy diversity in its natural gas delivery areas, leading to an acceleration of industrial investment in those regions.

Aksa Natural Gas has realized 40% of the total natural gas distribution investment made in Turkey over the last 10 years.



Aksa Natural Gas

Operation Area

21 license regions

Number of customers

2.1 million

Distribution Volume

7.6 bcm

operations

Aksa Natural Gas is active in the natural gas distribution and natural gas trade business lines. Furthermore, the company holds LNG import and CNG sales licenses.

Aksa Natural Gas, which has licenses for 21 distribution regions acquired from the Energy Market Regulatory Authority (EMRA), is the largest private gas distribution company in Turkey with:

- 2.1 million customers,
- 7.6 bcm (billion cubic meters) of gas distributed,
- 20,316 km of network length, and
- 21.6% market share.

As Turkey's largest privately-owned natural gas distribution company, Aksa Natural Gas serves the largest geographic natural gas distribution region in the country, covering 27 cities and 135 districts and towns that are home to 14 million people.

Undertaking investments of TL 371 million in 2016, Aksa Natural Gas has made direct investments totaling TL 1.81 billion since its founding. As of end-2016, the company's total network length has climbed to 20,316 km.

In each of its distribution regions, Aksa Natural Gas undertakes its investments swiftly and embraces the core business principle of delivering natural gas comfort to consumers with a high quality service. The company has completed a large part of the investments in each of its

license areas, and provided natural gas to customers within the scope of its licenses.

Aksa Natural Gas aims to offer round-the-clock service with its expert staff to keep customer satisfaction at the highest level while ensuring continuous improvement of its operations. In line with this vision, Aksa Natural Gas offers solutions to the demands of its customers via the Customer Service lines "Alo 187" Emergency and 444 4 187. Aksa Solution Center is seen as a pioneer and industry model for its internationally recognized technical and software infrastructure, contemporary and comfortable physical space, and high service quality.

In 2016, Aksa Natural Gas distributed a total of 7.6 billion m³ of natural gas in its service areas, and posted revenues of TL 2.6 billion. In 2017, the company plans to distribute 8.25 billion m³ of natural gas with additional production facilities and new investments in its license areas. Aksa Natural Gas ranked 62nd in Fortune 500's "Turkey's Top Companies" list for 2016.

Aksa Natural Gas
boasts the largest
distribution network
in Turkey.

Aksa Natural Gas has the largest geographic distribution area in Turkey and serves 14 million people in its distribution regions.

Aksa Natural Gas in Figures

FINANCIAL INDICATORS (TL MILLION)	2015	2016	Change (%)
Net Sales	3,013	2,580	(14)
Total Assets	1,726	3,278	90
Total Shareholders' Equity	171	39	(77)
Total Investment	157	365	133
Gross Profit	148	211	43
Operating Costs	139	198	43
EBITDA	200	269	34
Net Profit for the Period	6	136	2,316

OPERATIONAL INDICATORS	2015	2016
Gas Distribution Licenses	20	20
Total Customers	1,902,947	2,133,156
Total Residential Customers	1,559,761	1,757,908
Potential Residential Customers	3,443,016	3,599,415
Network Length (km)	16,822	20,316
Total Consumption (Sm ³)	6,600,365,704	7,600,073,881

Net Sales

TL **2.6** billion

Assets

TL **3.3** billion

Aksa Natural Gas

Network Length

20,316 km

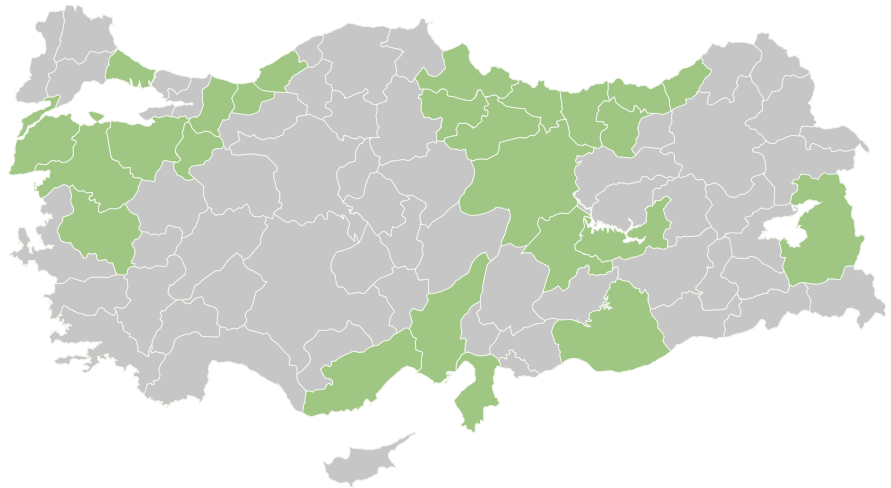
Market Share

21.6%

Geographic distribution network

Natural Gas Distribution Regions

- Aksa Afyon Natural Gas Distribution
- Aksa Ağrı Natural Gas Distribution*
- Aksa Balıkesir Natural Gas Distribution
- Aksa Bandırma Natural Gas Distribution
- Aksa Bilecik-Bolu Natural Gas Distribution
- Aksa Çanakkale Natural Gas Distribution
- Aksa Gaz Distribution
- Aksa Düzce-Ereğli Natural Gas Distribution
- Aksa Elazığ Natural Gas Distribution
- Aksa Gemlik Natural Gas Distribution
- Aksa Gümüşhane-Bayburt Natural Gas Distribution
- Aksa Karadeniz Natural Gas Distribution
- Aksa Malatya Natural Gas Distribution
- Aksa Manisa Natural Gas Distribution
- Aksa M. Kemalpaşa-Susurluk-Karacabey Natural Gas Distribution
- Aksa Ordu-Giresun Natural Gas Distribution
- Aksa Siirt Batman Natural Gas Distribution*
- Aksa Sivas Natural Gas Distribution
- Aksa Şanlıurfa Natural Gas Distribution
- Aksa Tokat-Amasya Natural Gas Distribution
- Aksa Van Natural Gas Distribution



■ Aksa Natural Gas Distribution Regions

* Aksa Ağrı Natural Gas Distribution and Aksa Siirt Batman Natural Gas Distribution became operational in 2017.

Aksa Natural Gas is expected to achieve strong growth of over 35% per year due to its future investments and the resulting potential.

Notes for the period after the balance sheet date

- Aksa Ağrı Natural Gas Distribution and Aksa Siirt-Batman Natural Gas Distribution were also added to Aksa Natural Gas's natural gas distribution regions in 2017.

Future outlook

The tender for the Ağrı and Doğubayazıt Natural Gas Distribution Licenses were held by the Energy Market Regulatory Authority (EMRA) on December 26, 2016. At this first TL-denominated energy tender held in Turkey, on the 26th round of underbidding, Aksa Natural Gas won the tender by submitting the lowest offer for System Usage Fee at "4.460 kuruş/KWh" ($= 4.460 \times 10.64/100 \text{ TL/m}^3$) ($= 0.474544 \text{ TL/m}^3$). Aksa Natural Gas Distribution's wholly-owned subsidiary Aksa Ağrı Natural Gas Distribution received the Ağrı Doğubayazıt Natural Gas Distribution License on April 13, 2017 and the company has started operations.

A consensus was reached among the investors to allow Aksa Natural Gas Distribution to take over a 90% stake in Siirt Batman Natural Gas Distribution, which conducts natural gas distribution activities in Siirt, Batman and Kurtalan. The necessary application was made to EMRA for the share transfer.

In line with its targets and policies to extend natural gas use across the country, the Council of Ministers decided to deliver natural gas to districts with a central population of 10,000 and above in its Resolution numbered 2013/4347 and to districts with a central population of 20,000 and above in its Resolution numbered 2016/9382. It was declared that natural gas will be provided to those districts which fulfill the conditions listed in the Principles Governing the Implementation of the Resolution, by expanding the existing natural gas licenses.

Upon the expansion of license areas to 92 more districts, which correspond to 45% of all the districts falling within this scope, Aksa Natural Gas will undertake the infrastructure investments to bring its potential residential customers up to 4.5 million. Due to future investments and the ensuing potential, the company is expected to achieve robust growth of above 35% per year.

In line with these expansion plans, Aksa Natural Gas aims to deliver natural gas to 27 cities and 183 districts and neighborhoods, within 31 cities' boundaries, thanks to its 21 natural gas distribution licenses.

Shareholders' Equity

TL **39** million

Net Profit for the Period

TL **136** million

Aksa Electricity Sales

Aksa Electricity Sales was established in 1998 as a Kazancı Holding subsidiary. The company started marketing electricity to independent consumers across Turkey in accordance with the license it received from EMRA in 2004. With the liberalization of bilateral agreements in the energy sector and the reduction in consumer eligibility limit, the company has stepped up its electricity

sales efforts and started directly supplying electricity to all tariff groups that exceed the consumer eligibility limit, regardless of consumption quantity. Aksa Electricity Sales leads the sector by providing quality services with its strong financial structure, expert staff, integration with the Group companies and wide service network spread all across Turkey.

Aksa Electricity Sales delivers electricity across Turkey to all tariff groups that exceed the consumer eligibility limit, regardless of consumption quantity.



Aksa Electricity Sales

2016 Electricity Sales

(excludes the retail and distribution companies in licence regions)

6.5 TWh

Number of Dealers

100+

Aksa Electricity Sales provides electricity to eligible consumers at a discount.

operations

Aksa Electricity Sales provides direct service to all users who exceed the eligibility limit. The company analyzes customer consumption habits and prepares the most competitive tariffs with different savings options. With these tariffs, consumers can enjoy the advantages of a constant discount and a stable price, or alternatively, they can obtain a different price advantage with tariffs that do not have a time commitment.

Aksa Electricity Sales Tariffs

CONTINUOUS AKSA: Fixed discount rate every month

AKSA WITHOUT PRICE INCREASE: Exempt from electricity tariff increases

HELLO AKSA: No electricity bill payment in the first month

FLEXIBLE AKSA: No time commitment

Aksa Electricity Sales offers electricity at a discount to a number of large projects and to Turkey's largest well-established companies. Today, the Aksa Electricity Sales portfolio includes many leading brands from the banking industry, retail, ready-to-wear brand chain stores, as well as the biggest hotel groups. With reduction in eligibility limit, the company adds residential customers from all across Turkey to its portfolio, and provides them with uninterrupted service in an increasingly competitive environment.

Future outlook

As an integrated retail company, Aksa Electricity Sales prioritizes maintaining and enhancing its customer-focused sales strategy. The company aims to diversify its sales channels and acquire more customers across all of Turkey's geographic regions and in all consumer segments. In addition, Aksa Electricity Sales plans to shift more weight to digital projects to shorten the distance to its customers. The company will also join forces with the sector's strong brands to create business partnerships and offer shared value to customers.

Aksa Electricity Sales's main objectives for the coming period include creating a stable, well-balanced and sustainable portfolio, and maintaining market leadership in terms of volume. With the reduction in eligibility limit, the company plans to play an active role in the recently created residential market and small businesses market in order to reach a large number of customers; meanwhile, it will ramp up its activities to current high consumption industrial customers. In 2017, Aksa Electricity Sales aims to raise its revenues to above TL 1 billion.

Aksa Electricity Sales leads the sector by providing quality services with its strong financial structure, expert staff, integration with Group companies and wide service network spread across Turkey.

Aksa Electricity Sales in figures

As of end-2016, Aksa Electricity Sales has sold 6.6 TWh of electricity, excluding the retail companies in licence regions. Serving the entire country with more than 100 dealers and its specialized sales staff, Aksa Electricity ranks 115th on Capital magazine's Top 500 Turkish Companies list, based on 2016 data. In addition, the company ranks 100th on the Fortune 500 Turkey list for 2016.

Aksa Electricity has three segments in its customer portfolio: Residential, Commercial and Industrial, which respectively make up 43%, 55% and 2% of the customer base.

A breakdown of total consumption among these segments shows that the residential customers constitute 5%, commercial customers make up 61%, and industrial customers account for 34% of total consumption.

Aksa Electricity serves customers through four sales channels: Corporate Sales, Dealership Sales Channel, Business Partnerships and Online Sales Channel.

The Corporate Sales Channel serves customers mainly in the Commercial and Industrial Customer segments, via in-person contact by sales teams located in eight different regions of Turkey.

The Dealership Sales Channel sells tariff packages mainly to Residential and Commercial Customer segments via over 100 dealerships located in different regions of Turkey.

Through its Business Partnerships Sales Channel, Aksa Electricity offers shared benefits to its customers in cooperation with leading Turkish companies, as it understands and values the success brought about by joint efforts. As a result of the company's business partnership with Arçelik, consumers can now become Aksa customers at Arçelik dealerships and win prizes. Additionally, special campaigns are offered to pharmacists via a partnership with the All Pharmacy Cooperatives Association (TEKB).

The Online Sales Channel shares Aksa Electric's tariff and campaign information with customers through Aksa's own platforms or via the companies with which it cooperates, and offers the most suitable tariffs to customers online.

**Fortune 500
Turkey List**

100

**Capital 500
List**

115

Electricity Distribution Companies (EDAŞ)

Çoruh Electricity Distribution Region's Area

29,211 km²

Çoruh Electricity Distribution's Lines

54,949 km

Firat Electricity Distribution Region's Area

37,441 km²

Firat Electricity Distribution's Lines

45,889 km

In all the cities, districts and villages within their license areas, Çoruh Electricity Distribution and Firat Electricity Distribution conduct a wide range of operations to meet the energy demands of consumers. These include distributing electricity, installing new distribution lines, maintaining and repairing existing lines, reading consumers' electric meters, preventing loss and leakage.

In 2016, Çoruh Electricity Distribution and Firat Electricity Distribution focused on investment in and maintenance-repair of existing facilities, and undertook technological investments to boost consumer satisfaction and ensure a smooth flow of energy.

Çoruh Electricity Distribution's Activities

Since 2010, Çoruh Electricity Distribution has conducted electricity distribution activities in the cities of Artvin, Giresun, Gümüşhane, Rize and Trabzon, pursuant to a resolution of the High Commission for Privatization.

With its 1,008-strong workforce, Çoruh Electricity Distribution provides services to 1,269,278 customers in a 29,211 km²

area spanning five cities, 60 districts and 1,542 villages. The distribution area has a total of 56,949 km of distribution lines - 41,936 km of low voltage lines and 15,013 km of medium voltage lines - as well as 11,177 transformer stations. As of 2016, the company has distributed 3.4 million KWh of energy in the region, with a loss&theft ratio of 9.25%.

Firat Electricity Distribution's Activities

Since 2010, Firat Electricity Distribution has conducted electricity distribution activities in the cities of Elazığ, Malatya, Bingöl and Tunceli, pursuant to a resolution of the High Commission for Privatization.

With its 813-strong workforce, Firat Electricity Distribution provides services to 877,749 customers in a 37,441 km² area spanning four cities, 41 districts and 1,950 villages. The distribution area has a total of 45,889 km of distribution lines - 26,683 km of low voltage lines and 19,206 km of medium voltage lines - as well as 11,524 transformer stations. As of 2016, the company has distributed 2.3 million KWh of energy in the region, with a loss&theft ratio of 10.56%.

In 2016, Çoruh Electricity Distribution and Firat Electricity Distribution companies focused on technology investments designed to boost consumer satisfaction and ensure a smooth flow of energy.

Electricity Retail Sales Companies (EPSAŞ)

In 2016, work started on the “Life Companion” project to help disabled customers enjoy uninterrupted electricity service.

Çoruh Electricity Retail Sales and Fırat Electricity Retail Sales are supply companies in charge of providing electricity in their license areas. These companies provide electricity to consumers who purchase electricity at the national tariff rate, and sell electricity to eligible consumers on the basis of special contracts, in their respective provinces and across the country. Their corporate organization in the operation areas consists of a company office, provincial offices, and customer service centers offering collection and subscription service in the districts. Customer service centers process consumer inquiries and demands, and provide services such as subscription contracts and bill collection.

Çoruh Retail Electricity Sales

Çoruh Retail Electricity Sales is the supply company in charge of delivering electricity to consumers in the provinces of Artvin, Rize, Trabzon, Gümüşhane and Giresun.

Fırat Retail Electricity Sales

Fırat Retail Electricity Sales is the supply company in charge of delivering electricity to consumers in the provinces of Bingöl, Tunceli, Elazığ and Malatya.

Projects

“Life Companion”

In 2016, work started on the “Life Companion” project to help disabled customers enjoy uninterrupted electricity service. Designed to foster customer satisfaction, the Life Companion project offers electricity exception to the disabled customers of Fırat Electricity Distribution. Furthermore, a database of disabled

customers will be created to facilitate rapid customer contact and provide ease of payment upon demand.

Web Sites

To enhance customer satisfaction, the companies' web sites were revamped in line with consumer expectations and recommendations. Following a redesign of their information content and layout, the corporate web sites are now regularly updated according to customer demands and expectations, thanks to the internet's personal customization capability.

In addition, the infrastructure was modified as per consumer demands for a more user-friendly web site. Customers can communicate their complaints, requests and suggestions via the web site, access news, service and contact information about the company, file an application for rate discounts, and enjoy other online services.

Future outlook

The electricity distribution companies (EDAŞ) and retail electricity sales companies (EPSAŞ) have become pioneering brands of electricity retail sales and distribution in Turkey with investments that prioritize the satisfaction of customers, employees and business partners. These companies will continue to regularly enhance the infrastructure in their license areas, in parallel with the sector's development and international standards. Keen to boost energy continuity, consumer satisfaction and service quality with technology investments, Aksa plans to gear up its capital investment spending to renew those facilities that are at the end of their economic life cycle.

Aksa Energy

Established in 1997, Aksa Energy is Turkey's largest publicly traded power producer, and a global energy company with domestic and overseas power plants running on lignite, natural gas, fuel oil, wind and hydroelectric power, built and operated by the Company.

Some 21.4% of Aksa Energy's capital is in free float, and Goldman Sachs owns a 16.6% stake in the company. Aksa Energy has a total installed capacity of 2,472 MW as of end-August 2017. Included in the BIST Sustainability Index since 2015, Aksa Energy's shares are also trading in the BIST 100 index.

In line with its globalization strategy, Aksa Energy has focused more on overseas investments while continuing its investments in Turkey. The company has moved toward becoming a global brand with new investments realized in Africa.



Aksa Energy

Installed Capacity

2,472 MW

2016 Electricity Sales Volume

18,028 GWh

Long Term National Credit Rating Score

TR A+

Activities

Bolu Göynük Thermal Power Plant

Bolu Göynük Thermal Power Plant was inaugurated in 2015, and its second phase with an installed capacity of 135 MW became operational in January 2016. Currently, the power plant generates 2 billion KWh of energy with a total installed capacity of 270 MW and a productivity rate of 89%.

Ghana HFO Power Plant

After reaching an agreement with the Republic of Ghana to build a 370 MW heavy fuel oil power plant and to sell the electricity generated at a US dollar-denominated tariff under a 6.5-year power purchase agreement (PPA), Aksa Energy completed construction of this power plant in 9.5 months. In first quarter 2017, the plant initiated commercial activities with an installed capacity of 192.5 MW, and has reached a total capacity of 280 MW as of August 2017. By end-2017, the power plant will produce energy with a minimum installed capacity of 320 MW.

Madagascar HFO Power Plant

Aksa Energy established Aksaf Power Ltd. in Mauritius, in which it holds a 58.35% stake, to build a heavy fuel oil power plant in Madagascar with an installed capacity of 120 MW and to sell the electricity generated under a 20-year guarantee via a long term power purchase agreement (PPA). Construction work began in fourth quarter 2016; 50 MW of the first phase of 66 MW became operational in July 2017, with the remaining 16 MW coming on

stream in August. The second phase of 54 MW is planned to be commissioned in 2018.

Mali HFO Power Plant

Aksa Energy reached an agreement to establish a heavy fuel oil power plant with an installed capacity of 40 MW in Mali and to sell the generated electricity under a guarantee. The electricity produced at the power plant located in the capital city of Bamako is sold on the basis of a Euro-denominated tariff, under a 3-year purchase guarantee. Construction of the plant was completed rapidly and commercial operations started in August 2017.

Credit Rating

In 2016, TURKrating assigned a national category investment grade to Aksa Energy in terms of local currency. TURKrating also affirmed the company's Long Term National Credit Rating as TR A+, Short Term National Credit Rating as TR A2 and its outlook as Stable due to the uncertainty and risks associated with the successive elections in Turkey.

Aksa Energy in the Sustainability Index

Aksa Energy has been included in Borsa İstanbul's Sustainability Index since 2015, which features listed companies demonstrating a superior corporate sustainability performance. Aksa Energy, which was among the 14 companies that made it into the Sustainability Index in 2015, continues to remain in the Index.

Energy Sales in 2016

Having recorded a sales volume of 18,028 GWh in 2016, Aksa Energy carried out 90% of this total under bilateral sales contracts, thus optimized its production and procurement planning while protecting its sales activities from market fluctuations. While the average price in the spot market was TL 146/MWh in 2016, Aksa Energy's average sale price was 20% higher, at TL 175/MWh.

Focused on fully seizing market opportunities arising during the year, Aksa Energy boosted its revenues by 28% to TL 3.2 billion in 2016. The company recorded EBITDA (earnings before interest, taxes, depreciation and amortization) of TL 435 million in 2016.

Investments in 2016

In line with its globalization strategy, Aksa Energy has focused more on overseas investments while continuing its investments in Turkey. The company has moved toward becoming a global brand with new investments realized in Africa.

Investments in 2016

TL **265** million

Revenues

TL **3.2** billion

PROJECTS	Expenditure (TL)	Technical Completion
		Rate (%)
Bolu Göynük Thermal Power Plant Investment	19,015,117	100
Ghana Investment	289,933,213	94
TRNC Kalecik - Mobile Plant Investment	6,952,044	99
Other	53,885,626	

Akso Energy

Turkey* 1,933 MW

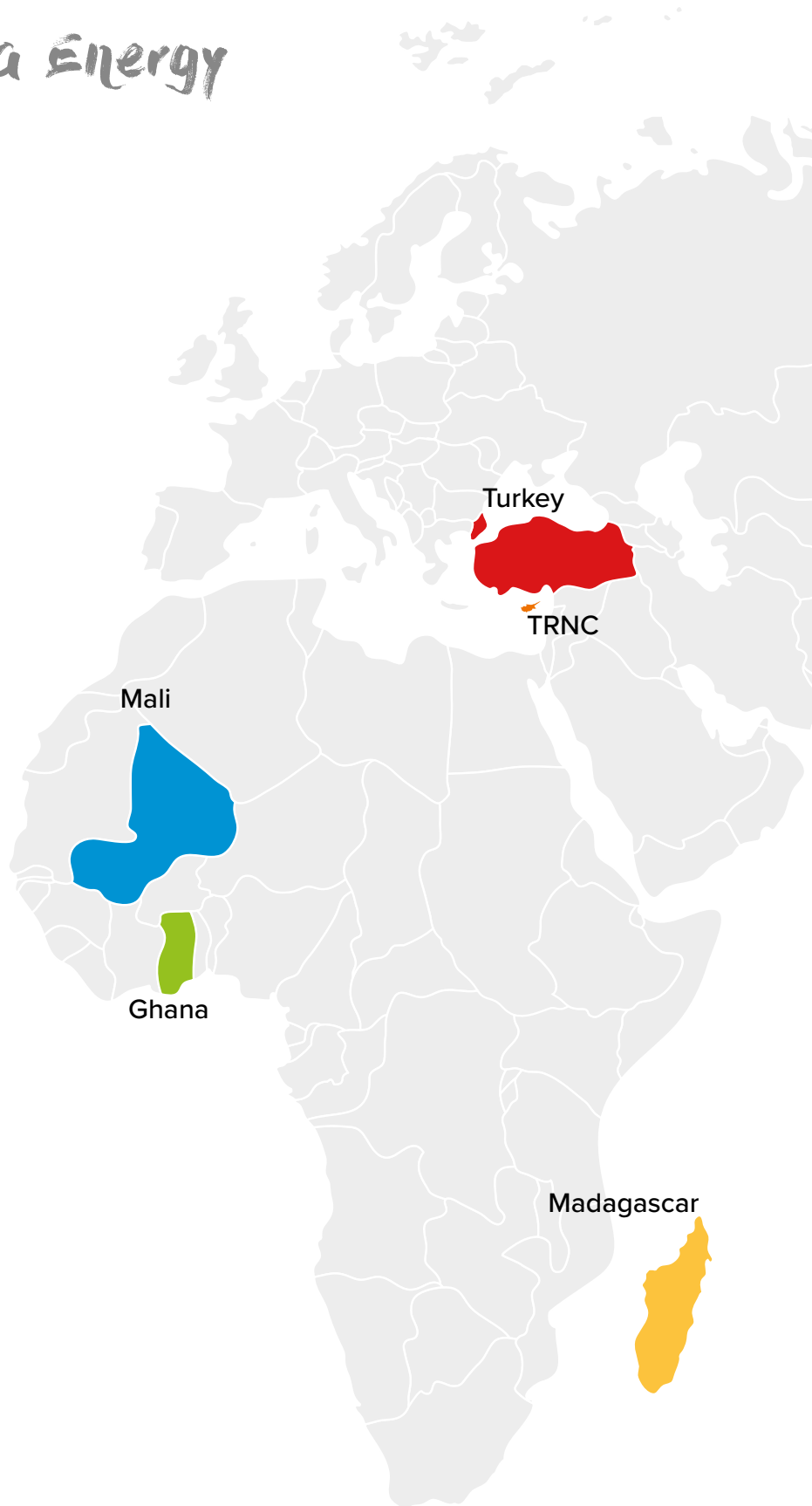
TRNC 153 MW

Mali** 40 MW

Ghana** 280 MW

Madagascar** 66 MW

Total 2,472 MW



* Installed capacity as of August 2017.

** African power plants became operational in 2017.

Aksa Energy is a global energy company with lignite, natural gas, fuel-oil, wind and hydroelectric power plants that it builds and operates in Turkey and abroad.

EBITDA

TL **435** million

Assets

TL **4.2** billion



Aksa Energy in figures

CONSOLIDATED (TL MILLION)	2012	2013	2014	2015	2016
Revenues	1,841	1,786	1,957	2,307	3,178
Net Profit/Loss for the Period	231	(133)	39	(216)	(363)
EBITDA	323	312	344	443	435
Total Assets	2,936	2,876	3,460	4,042	4,153
Shareholders' Equity	1,116	984	1,022	771	387
EBITDA Margin (%)	18	18	18	19	14
Total Investments	136	640	753	592	265

Aksa Energy

Aksa Energy provides its full support to Turkey's economy and plans to continue expanding its installed capacity overseas as a global energy company.

Developments after the balance sheet date

- In 2017, 89 MW of the company's fuel oil licenses were cancelled and the equipments were used in the power plants constructed in Africa.
- The Ghana HFO Power Plant was commissioned in March with an installed capacity of 192.5 MW; the facility reached a capacity of 280 MW in August.
- The first phase of the Madagascar HFO Power Plant became operational in July at 36 MW and later reached 50 MW; the total capacity of the facility reached 66 MW as of end-August.
- Some 10 MW of the Mali HFO Power Plant was commissioned in early August; the facility reached its full capacity of 40 MW in September.

Future outlook

Aksa Energy has become one of the major energy players in Africa with its investments in Ghana, Madagascar and Mali. Aksa Energy aims to reduce the exchange rate effect on its finances by boosting its profitability and foreign exchange-denominated sales via its investments in African countries, which have an urgent demand for energy and infrastructure investment.

In addition to the plants in Africa, Eastern Mediterranean gas also has strategic importance for both Turkey and the company. Aksa Energy is currently in discussions with related parties on this issue.

Transitioning from a local energy company to a regional powerhouse, and subsequently to a global energy player, Aksa Energy delivers increasing support to Turkey's economy. The company provides foreign exchange revenues to Turkey and will continue expanding its installed capacity abroad as a global energy company.



Aksa Power Generation

Aksa Power Generation started its business journey with the electric engine factory established by Ali Metin Kazancı in 1968. The company manufactured its first power generator in 1984, and quickly specialized in the production of machinery and hardware to deliver electric energy, becoming one of the top generator set manufacturers in the world. In 1994, the Aksa companies were consolidated and reorganized under Kazancı Holding, establishing Aksa Power Generation's current corporate structure. Aksa Power Generation, the leader of the Turkish generator set market for many years, ranks among Turkey's top 200 industrial enterprises and export firms.

Aksa Power Generation is one of the world's first producers of natural gas generator sets and boasts undisputed leadership in synchronized generator set projects. Through its intensive R&D efforts, Aksa Power Generation works continuously to design environmentally friendly generator sets with lower fuel consumption and lower noise levels. The company always invests heavily in technology to be the pioneer of change in the industry.

In 2016, Aksa Power Generation added hybrid generator sets to its product portfolio thanks to the company's internal R&D efforts. Considered to be the technology of the future, hybrid generator sets draw their energy from renewable energy sources and provide fuel savings of up to 70%.



Aksa Power Generation

Sales Points in Turkey

23

Global Offices

13

Activities

Production & Sales

Aksa Power Generation manufactures gasoline, diesel, natural gas, powered generator sets, marine auxiliary generator sets, lighting towers and generator set hardware, ranging between 1 kVA to 3,000 kVA. The company operates production facilities in Istanbul (Turkey, 20,000 m² covered area) and Changzhou (China, 100,000 m² covered area) and Louisiana (United States, 10,000 m² covered area), and is a well-established industry leader and pioneer. As of end-2016, Aksa Power Generation has an annual production capacity of 40,000 diesel generators.

In 2016, Aksa Power Generation added hybrid generator sets to its product portfolio thanks to the company's internal R&D efforts. Considered to be the technology of the future, hybrid generator sets draw their energy from renewable energy sources and provide fuel savings of up to 70%. The hybrid generator system offers an economical and efficient alternative to the consumers with up to 70% fuel savings, as well as being environmentally friendly. The Aksa Hybrid Generator also offers users the opportunity to control remote access and data entry, thanks to its innovative software system: Remote Monitoring System (RMS).

Currently, Aksa Power Generation operates a total of 23 sales points across Turkey, with the addition of seven APCs (Aksa Power Center) in 2016.

Exporting more than 50% of its production, Aksa Power Generation figures among the top 10 companies in the industry worldwide, with 13 offices in Asia, Europe, Africa and North America. With the addition of three new countries to its service network in 2016, the company now has offices in China, Singapore, USA, Kazakhstan, Algeria, South Africa, Ghana, Dubai, Iraq, Iran, Russia, UK and Vietnam.

Domestic Sales Points

- Aksa Ankara
- Aksa Ankara Branch
- Aksa Trakya
- Aksa Anadolu
- Aksa Gebze
- Aksa Adana
- Aksa İzmir
- Aksa Antalya
- Aksa Bursa
- Aksa Kayseri
- Aksa Bodrum
- Aksa Gaziantep
- Aksa Denizli
- Aksa Marmaris
- Aksa Bağcılar
- Aksa Trabzon
- Aksa Çorlu
- Aksa Eskişehir
- Aksa Beyoğlu
- Aksa Kağıthane
- Aksa Diyarbakır
- Aksa Samsun
- Aksa Şanlıurfa

To meet the short-mid or long-term energy demand of customers, Aksa Rental can provide solution packages including reconnaissance, installation, service and transportation solutions, and offers Turkey's largest genset fleet ranging between 1 kVA and 2,500 kVA.

Aksa Rental

Aksa Rental's Istanbul and Dubai head offices respond to domestic and overseas generator set leasing demands with a wide product range of diesel and gasoline-powered generator sets and a well-experienced staff.

To meet the short-mid or long-term energy demand of customers, Aksa Rental can provide solution packages including reconnaissance, installation, service and transportation solutions, and offers Turkey's largest generator set fleet ranging between 1 kVA and 2.500 kVA.

A groundbreaking innovation, Aksa's Mobile Generators for Rent are designed to respond to emergency situations, and can provide power up to 400 kVA with a single mobile genset, and up to 1,200 kVA in the form of synchronized gensets. Mobile Generators operate in "Super Silent" mode thanks to their sound insulation systems. With their advanced operation features, Aksa Mobile Generators have met the energy needs of a large number of highly popular events in Turkey, while becoming an indispensable part of many large-scale projects and construction sites.

Second Hand Gensets

Aksa Second Hand Department was established to deliver reliable and professional second-hand services to customers seeking an alternative genset solution. The Department is active in the full range of second-hand genset purchase and sale transactions. Previously used generator sets are appraised on-site by qualified engineers specialized in the field, under the best terms and at optimal prices. Gensets that pass quality testing and undergo the necessary maintenance procedures are offered for sale by Akxa Second Hand Department. The sold second-hand genset groups are covered by a guarantee via a periodic maintenance agreement. Additionally, in line with customer demands, old gensets are replaced with new ones at the optimal power level, on-site.

Aksa Power Generation has become the leading company in second-hand genset sales, by offering:

- Brand experience and assurance,
- Quality control testing before second-hand genset sales,
- Sale of approved products at the right price,
- Full after-sales support,
- Guaranteed second hand generators,
- Spare parts support,
- Instant solutions through an extensive service network

Revenues in 2016

TL **969** million

Exports in 2016

TL **502** million



Aksa Power Generation

Aksa Service and Rental

Established in 1994, Aksa Service and Rental provides after-sales services and spare parts support for the industrial products sold by the entire Aksa Group. With the support of well-experienced technicians, mechanics and engineers, the company strives to resolve all technical problems faced by customers in the shortest possible time, thanks to a 24/7 service network located across Turkey.

Aksa Service and Rental provides after-sales support and service at 81 service points 24/7, including national

and religious holidays, with its 300 technicians, engineers, administrative staff and 150 vehicles. The company stays ahead of the competition thanks to its expert staff in the Regional Offices and APCs, high service quality, and spare parts stock for highly mobile parts. In addition, Aksa Service and Rental continues its investments to establish a training network to inform its authorized service providers in Turkey about innovations in the sector.

Aksa Power Generation aims to reach USD 1 billion in exports by 2025 and become one of the world's top three generator producers.

Future outlook

Aksa Power Generation, the leading player in Turkey's power generator market, has set long-term, global targets as part of its growth strategy. The company aims to reach USD 1 billion in exports by 2025 and become one of the world's top three genset producers. Aksa Power Generation plans to expand its satisfied customer base by continuing to lead the industry in Turkey with an innovative approach.

Closely monitoring opportunities in the African and South American markets, Aksa Power Generation aims to gear up its development by expanding its worldwide sales network.

Aksa Power Generation in figures

(TL MILLION)	2012	2013	2014	2015	2016
Revenues	520	607	821	1,019	969
Exports	305	352	470	560	502



Aksa Agriculture

Gelemen Enterprise

Cattle barns with
34,860 m²
of covered area and
9,240 m²
of open area

İnanlı Enterprise

Investment in a drip irrigation
system expanding across
5,000 decares

Aksa Agriculture has entered the agriculture and livestock sector by leasing İnanlı Agricultural Enterprise (Tekirdağ) and Gelemen Agricultural Enterprise (Samsun) for 30-years which were privatized by the General Directorate of Agricultural Affairs in 2004.

Investments realized at İnanlı and Gelemen facilities since 2014 are as follows:

İnanlı Enterprise

- Construction of four half-covered barn systems for 480-head of cattle
- Construction of two covered barn systems for 240-head of cattle
- Construction of an open barn system for 500-head of cattle
- Construction of a half-covered barn system for a young 1,000-head animal herd
- Construction of a half-covered, feeding barn system for 3,000-head of cattle
- Investment in calf sheds for 450-head of cattle
- Investment in a delivery facility for 250-head of cattle
- Two German-made rotary milking facilities with 40 units
- One 2x20 parallel milking system
- Investment in 12 silage wells of 2,000 tons
- Animal feed factory with 3,000 tons/month pellet feed capacity
- Investment in a drip irrigation system of 5,000 decares
- Walnut orchard covering 700 decares

The following investments are planned to be undertaken at the enterprise:

- Cattle barns with a 10,000-head capacity
- Silage storehouse
- Feed storehouse
- Drying concrete
- Grass storehouse
- Separator
- Solid feed pool
- Eight liquid feed pools

Gelemen Enterprise

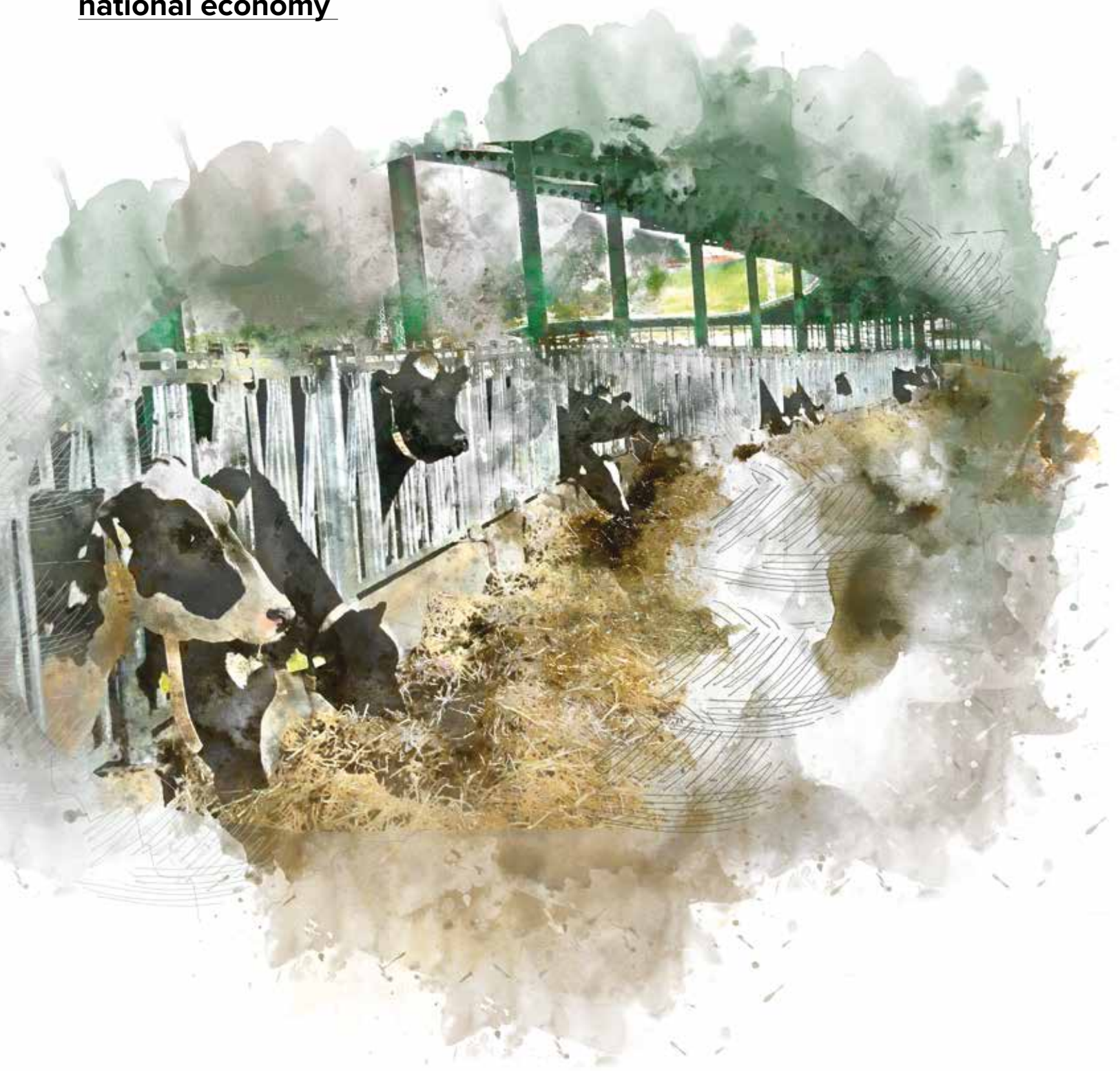
- Construction of three barn systems with a covered area of 5,200 m² and an open area of 3,840 m²
- Construction of three barn systems with a covered area of 4,200 m² and an open area of 3,200 m²
- Barns with a covered area of 34,860 m² and an open area of 9,240 m²
- Investment in a 1,000-decare apple orchard
- Investment in drip irrigation system of 3,000 decares

Planned investments following the capacity increase (16,000 heads of cattle):

- Three covered areas of 8,100 m², one open area of 3,840 m²
- Two covered areas of 10,125 m², one open area of 3,840 m²
- Two covered areas of 5,400 m², one open area of 3,840 m²

The barns planned for the Gelemen Enterprise will have a total covered area of 55,350 m² and a total open area of 26,880 m².

**Contributing to both the regional and
national economy**



Aksa Agriculture

Total Agricultural Land

24,000 decares

Milk Production

22,000 tons

Cattle Raised

2,500 heads

Activities

At its İnanlı Enterprise, Aksa Agriculture produces barley, corn for silage and grass across 8,600 decares by planting two crops per year; 1,700 to 1,900 tons of EU-approved, refrigerated, raw cow's milk from 2,000 female animals per month; 1,200-1,500 tons of concentrate feed per month; nut production from its walnut orchard with 5,000 trees. The company also engages in livestock farming with a capacity of 3,000 heads of cattle at this site.

At its Gelemen Enterprise, Aksa Agriculture produces barley, wheat and silage corn on an area of 7,000 decares, and EU-approved and good agriculture practice-certified apples over 1,000 decares, by planting two crops per year.

Since 2004, Aksa Agriculture has successfully engaged in dairy farming at its İnanlı Enterprise with highly specialized zoo-technicians, veterinarians and agricultural engineers, and has undertaken investments to extend this expertise to livestock breeding. A total of 2,000 heads of cattle have been imported from Australia and Uruguay. The company has established all the necessary infrastructure systems to create an environmentally-friendly facility. In agriculture and animal husbandry, Aksa Agriculture moves forward with a fully collaborative perspective. To this end, the company realized a joint project on animal husbandry with the Foreign Economic Relations Board (DEİK) and the Netherlands in 2016.

In 2016, the İnanlı Enterprise produced:

- 22,000 tons of milk
- 2,500 heads of cattle
- 20,000 tons of corn for silage
- 2,500 tons of grass
- 1,000 tons of barley

In 2016, the Gelemen Enterprise produced:

- 800 tons of apples
- 140 tons of soybean
- 13,000 tons of corn for silage
- 500 tons of barley
- 700 tons of grass

Aksa Agriculture aims to expand its livestock breeding operations from 3,000 to 16,000 heads of cattle in 2016 at İnanlı Enterprise to contribute to the national economy by engaging in modern livestock breeding.

Aksa Agriculture in figures

İNANLI ENTERPRISE	2014	2015	2016
Milk Production	18,000 tons	19,000 tons	22,000 tons
Livestock Breeding	-	-	2,500 heads
Corn Production for Silage	13,000 tons	16,000 tons	20,000 tons
Grass Production	2,500 tons	2,500 tons	2,500 tons
Barley Production	100 tons	650 tons	1,000 tons

GELEMEN ENTERPRISE	2014	2015	2016
Milk Production	4,453 tons	-	-
Livestock Breeding	-	6,500 heads	9,500 heads
Corn Production for Silage	3,000 tons	6,000 tons	13,000 tons
Grass Production	2,350 tons	250 tons	350 tons
Barley Production	250 tons	350 tons	450 tons

Walnut Orchard

700 decares

Apple Production

800 tons

Future outlook

Aksa Agriculture's İnanlı Enterprise utilizes state-of-the-art milking systems. The enterprise engages in modern dairy farming with 2,000 heads of female animals, whose movements are monitored via a computer integrated barcode system. In the coming years, the company plans to meet Turkey's demand for pregnant heifers with high genetic capacity from this enterprise.

Aksa Agriculture aims to expand its livestock breeding operations from 3,000 to 16,000 heads of cattle in 2016 at İnanlı Enterprise to contribute to the national economy by engaging in modern livestock breeding.

Aksa Agriculture aims to contribute to both the regional economy and the national economy by producing apples and breeding livestock at its Gelemen Enterprise.

Aksa Tourism

Hotels

3

Aksa Tourism Total Bed Capacity

1,460

Aksa Tourism entered the tourism industry by purchasing Sultan Saray Hotel in Antalya in a privatization transaction. The hotel was taken over and renovated, with tourism related activities launched in 2005. In 2006, the company acquired two social facilities located on Kayseri's Erciyes Mountain; refurbished and reopened the properties in 2007, as 4-star and 3-star hotels.

Activities

In the years following its initial investment period, Aksa Tourism has regularly renewed its hotels by undertaking capital investments to better serve its guests, in parallel with advances in the tourism business. As of end-2016, the company has a total capacity of 685 rooms and 1,460 beds in three hotel properties.

Mirada Del Lago Hotel

Located in Kayseri, Mirada Del Lago is 28 km from the airport. Mirada Del Lago, the first hotel on Mount Erciyes, has 105 modern guest rooms and 264 beds. The facility's architectural style is inspired from the Seljuk civilization. The hotel boasts the highest bed capacity in the region.

Mirada Del Lago Hotel is 300 meters from ski tracks with a total length of 37 km and offers cable car, as well as ski lift services. The hotel property includes a main restaurant and an a la carte restaurant where special delicacies can be sampled. Featuring a heated swimming pool, sauna and Turkish bath, Mirada Del Lago Hotel has a state-of-the-art meeting room that can accommodate up to 150 persons and play host to various events.

Mirada Del Mar Hotel

The 5-star Mirada Del Mar Hotel, Kazancı Holding's first tourism related investment, is located in the Göynük area of Antalya's Kemer district.

Situated on a 100,000 m² tract of pine trees, Mirada Del Mar Hotel features a special architectural style and landscape design, and welcomes its guests in 542 rooms all with views over the sea, forest and garden. In addition, the hotel property plays host to various events with its 14 meeting rooms in various sizes, largest of which has an 800-person capacity, equipped with the latest technology.

Mirada Del Monte Hotel

The 100-bed capacity, 3-star Mirada Del Monte Hotel is located 50 meters from an activity center for winter sports on the outskirts of Erciyes, the highest mountain of Central Anatolia.

Aksa Tourism in 2016

Due to terrorism incidents in Turkey and the sharp decline of the Russian market, one of the sector's largest, 2016 was a challenging year for Turkish tourism. Of the three hotels of Aksa Tourism, Mirada Del Mar Hotel in Antalya was hit hardest by these adversities.

2016 witnessed significant year-on-year decreases in the Russian and German markets, the company's primary market segments. However, the domestic market, Ukraine, Azerbaijan and seminar groups segments went up significantly, though not enough to fully compensate for the aforementioned declines.

In the years following its initial investment period, Akxa Tourism has regularly renewed its hotels by undertaking capital investments to better serve its guests, in parallel with advances in the tourism business.

Akxa Tourism in figures

	Accommodation	
Markets	2015	2016
Russia	62,670	18,477
Kazakhstan	20,503	11,425
Domestic Market	16,602	20,931
Seminar Groups	28,709	47,612
Ukraine	7,934	14,009
Moldova	7,634	3,355
Germany	7,080	2,984
Azerbaijan	1,520	3,663
Total	152,652	122,456

Total Room Capacity

685

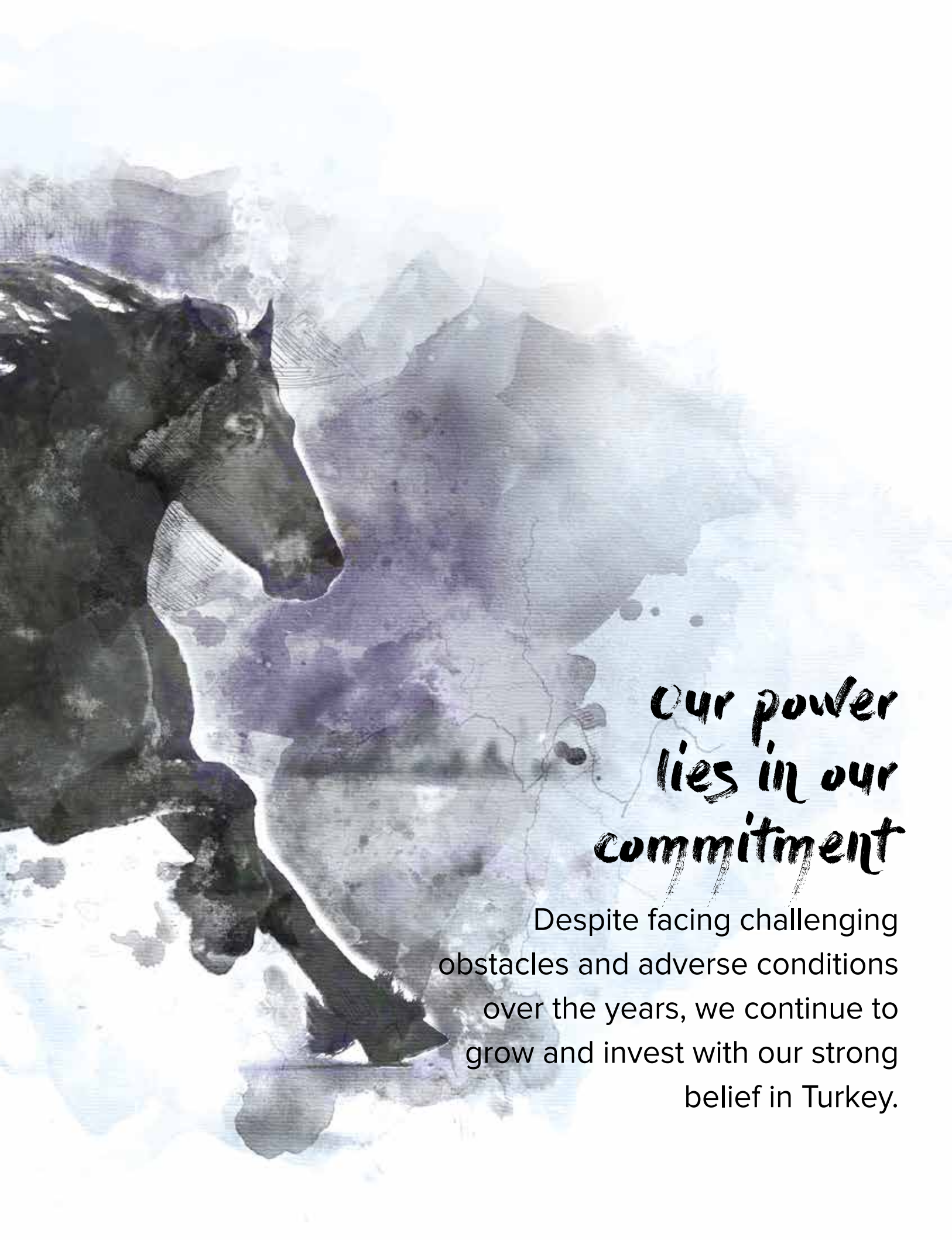
Future outlook

Tourism is an industry directly impacted by the political and economic developments in our country and the region. We believe that a return to stability in the region will quickly bring Turkish tourism back to its rightful position in terms of both infrastructure and service quality. The recent normalization of political relations with Russia is expected to have a positive effect on the company's results in 2017.

Depending on the development of the tourism sector, Akxa Tourism aims to boost its bed capacity in existing hotels, and upgrade the properties via various capital investments.







Our power lies in our commitment

Despite facing challenging obstacles and adverse conditions over the years, we continue to grow and invest with our strong belief in Turkey.

Human resources

Employees

7,220

Employees Overseas

709

Employees of Foreign Nationality

589

Kazancı Group's motto "Our most valuable asset is our human resources" forms the basis of its Human Resources Policy. Kazancı Holding's main objectives in its human resources activities include:

- Setting a "best practice" in human resources in the sector,
- Managing all human resources processes effectively in order to create a competitive edge,
- Building the organizational structure of all Kazancı Holding companies with people who are strong team workers, open to change, productive, dynamic, and well-suited to our corporate values,
- Enhancing performance by coordination and providing performance support.

With its human resources practices, Kazancı Holding aims to ensure that its organizational structure remains dynamic and competitive, in line with the Company's strategic plans and targets.

Kazancı Holding places great importance on creating a sustainable workforce with a view toward realizing its long-term goals. The Company's human resources policies are designed to ensure the continuous improvement of employee competencies and are shaped in accordance with long-term corporate goals.

Kazancı Holding aims to become the "employer of choice among development-oriented and productive professionals" in the sector. Kazancı Holding's human resources approach is built on core values that include:

- Right person for the right job,
- Management of diversity,
- Equal opportunity for all, and
- Personal and professional development.

The Kazancı Holding Human Resources Department provides services to the

Group companies divided into six business lines through a centralized human resources structure. The human resources areas covered include selection and placement, wages and fringe benefits, training and development, and organizational process management.

Kazancı Holding Human Resources works to ensure that Group companies are ready for the present and the future, by adopting the right strategies best suited to their respective organizational structures. The basis of Kazancı Holding's Human Resources activities consists of an accurate understanding of the human resources needs of employees, and meeting these needs with the most appropriate and efficient solutions.

Kazancı Group's total workforce rose from 5,781 employees as of December 31, 2016 to 7,220 employees in July 2017.

Human Resources Activities and Employee Satisfaction

Kazancı Holding employees are open to innovation and change, dynamic, and aware of their potential to move both the business and themselves forward. From recruitment onwards, they are also members of a team that embraces development and creativity, rewards their effort and appreciates their achievements.

Employee satisfaction and sense of belonging are the core components of Kazancı Holding's human resources vision. The Company develops and implements the policies necessary to foster the commitment in its workforce.

Kazancı Holding views the diversity of its staff as a valuable aspect of its organizational structure, and a fundamental feature of its human resources, which forms the Company's intellectual capital. Kazancı Holding aims to ensure equal opportunities for employees in all processes

Kazancı Holding provides swift and effective support to employees via its human resources practices, which play a major role in further boosting the efficiency and performance of different units of the Company.

and applications of its human resources policy. The Company is firmly against any discrimination based on race, religion, language, gender and sexual orientation.

Additionally, Kazancı Holding has embraced the universally accepted principles of human rights, and is opposed to child labor and forced labor.

Kazancı Holding provides swift and effective support to employees via its human resources practices, which plays a major role in further boosting the efficiency and performance of different units of the Company.

Placing great importance on employee satisfaction, Kazancı Holding provides its workforce with various privileges via agreements and discounts by Group companies. Group companies Cookshop and Aksa Tourism hotels offer discounts to all personnel. In addition, the Group has various special agreements with health care and educational institutions among others.

A more target-oriented human resources vision is in place for 2017 and beyond. Performance criteria will be defined and the process will be put in place according to the plan. In the field of training, the Company is devising plans to help the staff further their professional and personal development, thus creating an aware workforce.

Occupational Health and Safety (OHS)

Kazancı Holding has shaped its occupational health and safety policy to raise the awareness of its personnel on the issue and establishing occupational safety. The Group continues to deliver occupational health and safety training to employees in the regions and at the Holding headquarters every year.

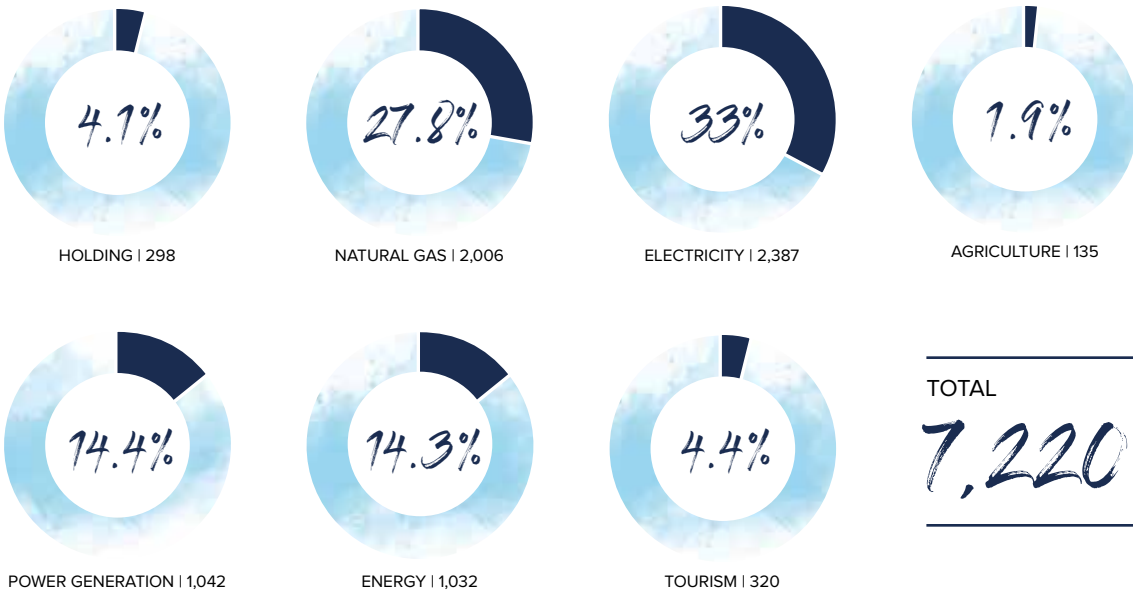
The following activities were conducted at the Holding headquarters in 2016 to create an awareness among the staff and help prepare them for potential risks:

- Emergency Drills were performed in the Holding building.
- Periodic Health Checks were carried out.
- Occupational Health training programs were conducted.

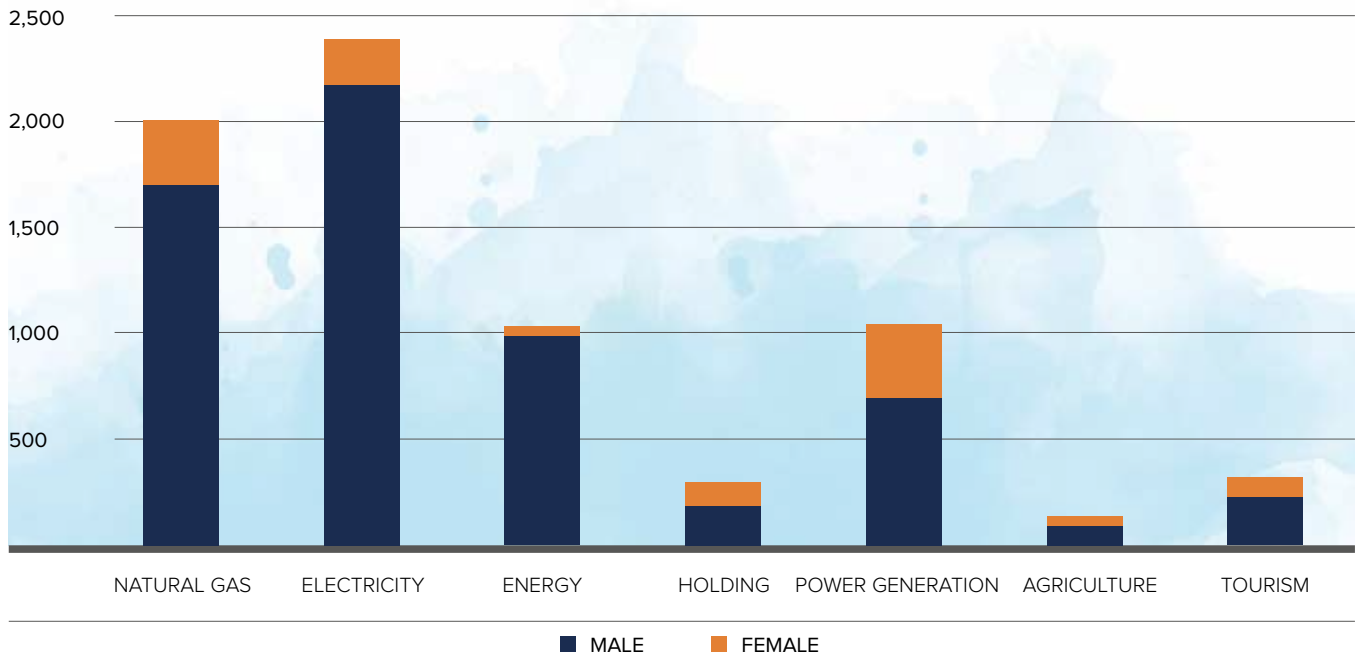
GROUP	TRAINING TOPIC	NO. OF PARTICIPANTS	TRAINING HOURS
HOLDING	OHS	110	220
HOLDING	IT SECURITY	183	183
NATURAL GAS	OHS	1,268	12,918
NATURAL GAS	PROFESSIONAL COMPETENCE	534	5,264
NATURAL GAS	IT SECURITY	958	958
ENERGY	OHS	839	4,203
ENERGY	PROFESSIONAL COMPETENCE	14	1,304
ENERGY	TECHNICAL	90	1,260
ENERGY	IT SECURITY	522	522
ELECTRICITY	OHS	1,546	24,512
ELECTRICITY	PROFESSIONAL COMPETENCE	274	12,596
ELECTRICITY	IT SECURITY	723	723
POWER GENERATION	OHS	424	3,342
POWER GENERATION	TECHNICAL	370	6,999
POWER GENERATION	IT SECURITY	235	235
TOTAL		8,090	75,239

Human resources

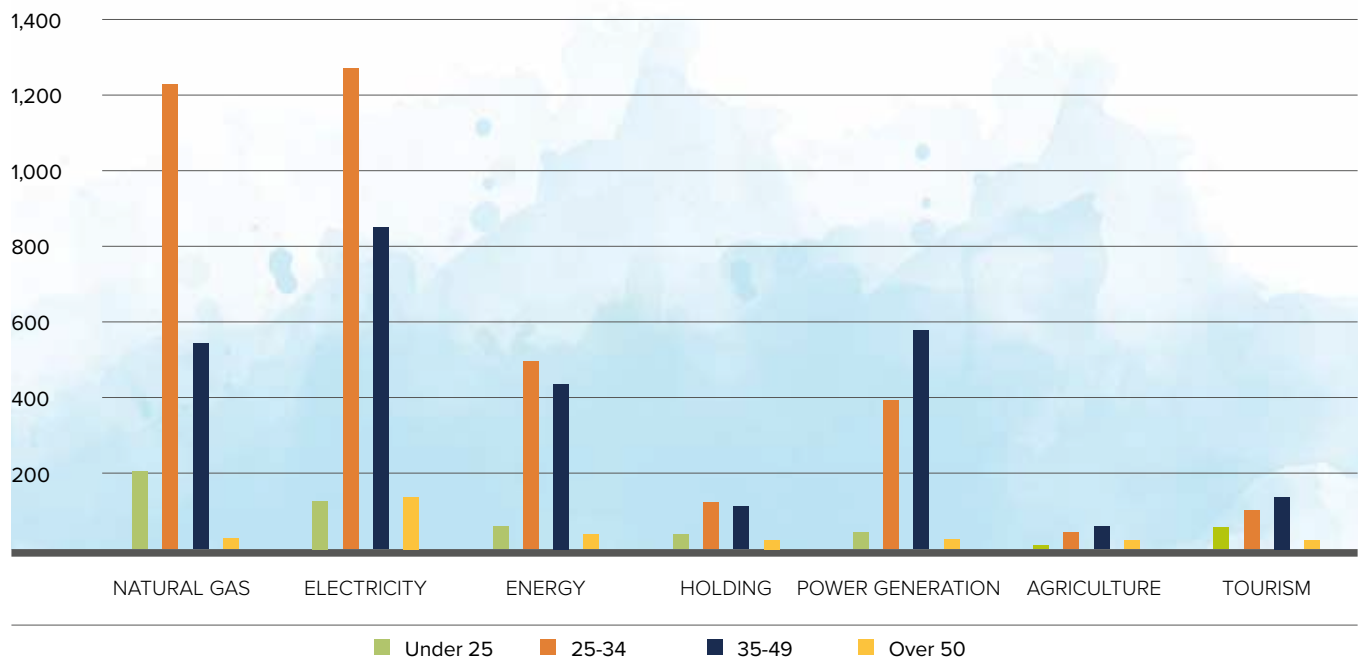
Company headcount (%)



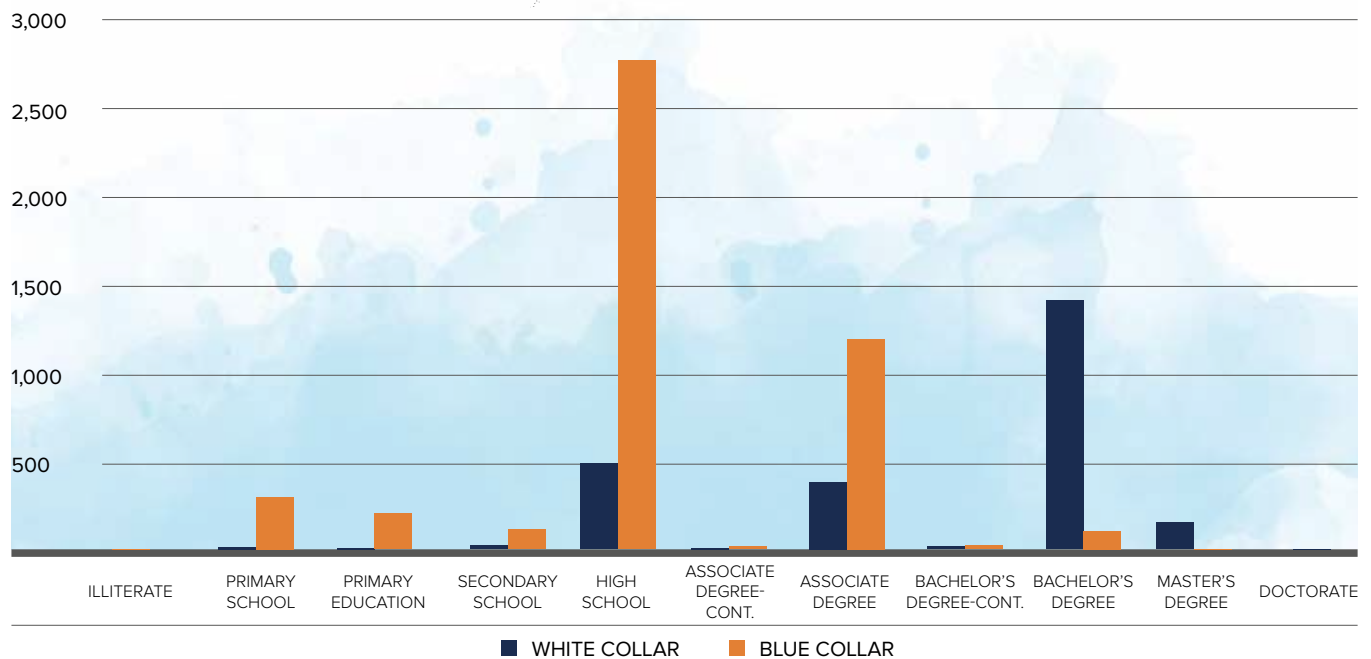
Gender breakdown by group



Age breakdown by group



Educational breakdown of employees



Environment

Aksa Natural Gas has geared up efforts to establish the ISO 50001 Energy Management System and its certification.

Placing great importance on the protection of nature in all its business activities, Kazancı Holding embraces a vision at universal standards in its environmental policies. The Company translates this vision into action through holistic and best practices.

Kazancı Group companies shape all their business operations around “respect for nature”, and realize model initiatives and projects related to the sustainability of natural resources, minimization of waste and prevention of soil, air and water pollution - all of which are vitally important for a sustainable world.

AKSA NATURAL GAS AND THE ENVIRONMENT

Aksa Natural Gas's Environmental Policy

Aksa Natural Gas views the protection of nature as a precondition of growth. The company shapes its operations to minimize the environmental footprint of its business activities and contribute to the protection of the natural environment. With this vision, Aksa Natural Gas has formulated an Environmental Policy based on the following principles:

- Safely minimizing the environmental footprint of its business activities, harmoniously joining forces with all its stakeholders, and leaving a healthy natural environment to future generations;
- Aiming for continuous development and making positive contributions to living standards in compliance with the requirements of applicable environmental laws, rules and

regulations, and in line with the ISO 14001 Environmental Management and OHSAS 18001 Occupational Health and Safety Management Systems;

- Making efficient use of natural resources, minimizing waste and preventing pollution at the source;
- Keeping check on any possible environmental impact of subcontractors' operations;
- Offering training and operational support to stakeholders when deemed necessary in order to uphold development and continuity.

Aksa Natural Gas's Environmental Practices

Aksa Natural Gas sees the use of renewable energy resources and their expansion both domestically and globally as a top priority and urgent necessity for a sustainable and harmonious life. In line with this mission, the company manages its operations as a whole.

As part of the ISO 14001 Environmental Management System, Aksa Natural Gas has performed all its activities with a sense of responsibility in terms of minimizing their environmental impact, preventing pollution, and protecting natural resources. As a result, the company has rendered these activities open to continuous improvement. The efficiency and continuity of the ISO 14001 Environmental Management System are guaranteed through audits by independent institutions and periodic in-house system audits.

Kazancı Group companies shape all their business operations around the fundamental respect for the natural environment.

In addition to its ISO 14001 efforts, Aksa Natural Gas has started work on the ISO 50001 Energy Management System in order to reduce waste, alleviate the impact of energy costs on the economy, and boost productivity in the use of energy and resources to protect nature. The company continues working at full speed to establish and certify the systemic operation of the ISO 50001 Energy Management System.

At Aksa Natural Gas, waste management and environmental permits make up the most important part of the company's environmental management approach. The company opts to reduce, reuse, recycle and eliminate the waste generated during distribution companies' operations, and fully meets all its requirements as stipulated by applicable laws, rules and regulations.

After being categorized accurately, waste is stored in duly organized waste storage areas. Waste storage is conducted in a way that prevents contamination of the soil and water. The waste is subsequently delivered to Ministry of Environment and Urbanization-licensed waste elimination firms within the deadline prescribed by waste management regulations.

Aksa Natural Gas's priority targets include ensuring the development of environmental awareness among both employees and stakeholders, and complying with all legal requirements in order to leave a healthy environment for future generations.



Environment

Gearing up its efforts to mitigate the greenhouse gas emissions of its power plants, Aksa Energy attained in 2015 the mandatory emission values required by European Union legislation for 2018, thanks in part to the Bolu Göynük Thermal Power Plant's flue gas treatment system - the first of its kind in Turkey.

AKSA ELECTRICITY SALES AND DISTRIBUTION COMPANIES AND THE ENVIRONMENT

Aksa Electricity retail sales and distribution companies aim to preserve natural resources, use these in the most efficient manner, and support various eco-friendly activities.

AKSA ENERGY AND THE ENVIRONMENT

Aksa Energy has established an environmental policy that brings an institutional format to its environmental approach, ensuring that it is embraced and implemented by all its stakeholders. Having formed a Framework Environment Management System to identify its environmental policy targets and goals, and to shape, monitor and audit its activities in line with this policy, the company holds ISO 14001 Environmental Management System certification. Akxa Energy's operations at the power plants comply with the ISO 50001 Energy Management System.

Aksa Energy Environmental Policy is based on four pillars: climate change, natural resource management, waste management and protection of biodiversity.

Climate Change

In a clear demonstration of its transformation into a sustainable and environmentally responsible firm, Akxa Energy became a signatory to The Trillion Tonne Communiqué, a call to arms issued to the global public by corporations sensitive to climate change. The Communiqué demanded that measures

be taken to combat climate change. The company also published Greenhouse Gas Emission Reports in 2015 and 2016 to keep track of its CO₂ emissions. Gearing up efforts to mitigate the greenhouse gas emissions of its power plants, Akxa Energy achieved in 2015 the mandatory emission values required by European Union legislation for 2018. This strong performance is in part thanks to the Bolu Göynük Thermal Power Plant's flue gas treatment system - the first of its kind in Turkey.

Natural Resource Management

Aksa Energy carries out efforts to preserve and save water resources by managing water consumption efficiently. While there is no operational water consumption at the hydroelectric and wind power plants, coal, natural gas and fuel oil power plants utilize tap water, ground water and underground water resources during the operations depending on the location.

Waste Management

Waste is disposed of in accordance with all applicable legal and regulatory requirements. Akxa Energy's Waste Management policy, which is applied in line with the Environmental Policy, shapes all of the company's business procedures.

Protection of Biodiversity

Aksa Energy's biodiversity strategy focuses on establishing business partnerships in order to prevent the destruction of nature, minimize negative effects on biodiversity, and protect and develop local biodiversity. The company develops projects together with the Association for the Protection of Turkey's Nature (TTKD).

Aksa Energy Environmental Policy rises on four pillars: climate change, natural resource management, waste management and protection of biodiversity.

Under the Hatay Mountain Gazelle Protection Project, carried out in cooperation with TTKD in 2015, support was given to protect the mountain gazelle species and its habitat in Turkey.

The company continued to cooperate with TTKD in 2016 in support of its effort to determine the current situation of striped hyenas (*hyaena hyaena*) living in the area of Kırıkhan Gölbaşı village in Hatay, where Belen Atik and Sebenoba Wind Energy Power Plants are located. The project aimed to obtain information about the animals' habitats and ecology. Thanks to photo and monitoring traps placed in the animal habitats, scientists not only had the chance to observe the striped hyenas but also confirmed that the rock gerbil (*gerbillus dasyurus*), which was thought to be extinct, still lived in Turkey.

In addition, birdwatching activities are conducted at the Belen Atik, Kapıdağ, Sebenoba and Kıyıköy wind power plants during four periods: wintering, spring migrations, breeding and autumn migrations.

Committed to making sustainability an integral part of its operations and long-term strategic approach, Aksa Energy voluntarily published GRI-approved Sustainability Reports in 2015, 2016 and 2017.

AKSA POWER GENERATION AND THE ENVIRONMENT

Aksa Power Generation's environmental protection efforts can be divided into the three categories that follow.

Production

- For dyeing the cabins and casks it produces, Aksa Power Generation uses TGIC-free Triglycidyl Isocyanurate and lead-free polyester powder coatings, which are both eco-friendly and harmless for employee health.
- The waste water generated at the company's production facilities is discharged to İSKİ after being treated at the treatment plant to prevent any damage to the environment. For this purpose, Aksa Power Generation holds an İSKİ Discharge Quality Control License.
- Upon demand, Aksa Power Generation supplies its customers with diesel engine gensets certified at European EU Stage 2, and American EPA (Environmental Protection Agency) Tier 2 and Tier 3 emission levels.



Environment

The only Turkish genset manufacturer to conduct its own sound testing, Aksa Power Generation produces 28 different products that comply with the universally accepted IEC 34 (International Electrotechnical Commission) standards and undergoes audits by the certification firm Szutest.

Recycling

- Aksa Power Generation sends the packaging, nylon and parcel waste from its sold products to ÇEVKO Foundation (Foundation for Environmental Protection and Packaging Waste Processing) under the contract signed with this entity. The packaging waste generated during production is collected separately and delivered to licensed recycling facilities for reuse.
- The company sends the waste oil created during engine testing to licensed firms for recycling.
- Aksa Power Generation dispatches the waste sludge generated at the water treatment facility to licensed hazardous waste elimination facilities.
- The company collects the waste batteries consumed in production or at the staff's homes and sends them to the municipality for recycling.
- Aksa Power Generation collects the cooking oil used in the cafeteria and delivers it to licensed firms for recycling purposes.
- The company's gensets are manufactured in line with the Waste Electrical and Electronic Equipment (WEEE) and Restriction of Hazardous Substances (ROHS) standards.

Prevention of Noise Pollution

- As the only Turkish genset manufacturer to conduct its own sound testing, Aksa Power Generation produces 28 different products that comply with the universally accepted IEC 34 (International Electrotechnical Commission) standards and undergoes audits by the certification firm Szutest.

AKSA AGRICULTURE AND THE ENVIRONMENT

Protection of nature lies at the heart of Aksa Agriculture's production approach. The company stores animal waste to prevent the contamination of soil, ground water and underground water; later, the animal waste is divided into solid and liquid waste via separators in order to use the waste as fertilizer to improve soil quality. The recycling and disposal operations of other waste are conducted by licensed companies.

Aksa Agriculture reorganized its waste storage area in 2016 and undertook efforts to ensure that it meets the requirements of temporary storage areas. In addition, small, container-type waste accumulation sites have been constructed in the livestock area to collect waste in a more regular fashion.

In the coming period, Aksa Agriculture plans to increase the number of its infrastructure facilities (i.e. solid fertilizer sites, liquid fertilizer pools, and the like), depending on future capacity increases.

Aksa Tourism has set up bulletin boards and panels in its facilities to share its environmental consciousness with its guests and raise their awareness on ecological matters.

AKSA TOURISM AND THE ENVIRONMENT

Aksa Tourism is committed to the principles of sustainable development and sustainable environment. To this end, the company strives to: minimize waste in all processes; prevent pollution at the source; reduce its negative impact on the environment; monitor scientific research and technology advancement to prevent pollution; and continuously enhance its environmental performance. To encourage its stakeholders to embrace the same level of awareness, the company urges supplier firms to take the necessary environmental measures; delivers environment related training programs to employees; and organizes informative activities for its guests.

Aksa Tourism has set up bulletin boards and panels in its facilities to share its environmental consciousness with its guests and raise their awareness on ecological matters. Keen to learn its guests' suggestions and ideas on protection of the natural environment, Aksa Tourism has designed a questionnaire in four languages to collect these.

In line with its waste management plan, Aksa Tourism eliminates all types of waste in accordance with legal and regulatory requirements. The company periodically confirms its environmental protection data via measurements based on statutory guidelines.

In the coming period, Aksa Tourism plans to certify and ensure the continuity of its environment related activities by obtaining Green Star and ISO 14001 Environmental Management System certifications.



Social responsibility activities

Kazancı Holding creates added value for the society and its stakeholders not only via investments in the regions where it operates and the products and services it delivers, but also by generating employment opportunities and developing social responsibility projects.

Shaping their business activities with a keen awareness of sustainable development and social responsibility, Kazancı Holding companies execute their operations by taking into account the social impact on their stakeholders. Group companies aim to contribute to the economic, cultural and social development of local residents in the regions where they operate. To these ends, the workforce needed in the operation areas is recruited locally, thereby creating employment opportunities for the residents and making significant contributions to the Turkish economy.

Placing its social development activities within a strategic framework, Kazancı Holding has undertaken to date numerous projects and initiatives that contribute to social development via its Group companies.

Life Companion

Aksa Natural Gas firmly believes in the importance of every segment of society to have equal opportunities in terms of economic and social development in our country. To this end, the company keeps close watch on the challenges faced by over 8 million disabled Turkish citizens in everyday life. In keeping with this

vision, Aksa Natural Gas initiated the “Life Companion” project in 2015 to facilitate the lives of the disabled in its business area.

Providing uninterrupted and dependable natural gas to its customers in 27 cities and 135 districts and neighborhoods, Aksa Natural Gas developed the Life Companion initiative to deliver very urgent services to disabled customers in case of an emergency. As part of the project, when disabled individuals registered in Aksa Natural Gas’ subscription system call the 187 Natural Gas Emergency Line or the 444 4 187 Solution Center, the system automatically shows that the call comes from a disabled customer. Without the customer having to explain their request in detail, the call center staff then dispatches emergency teams to the home or office in question. With this service, Aksa Natural Gas aims to save lives by delivering emergency services to disabled customers in a hazardous situation.

Under the Life Companion project, the company has initiated yet another exemplary effort by teaching sign language to its employees, mainly field personnel. It has also taken steps to spread this practice to other natural gas company members of GAZBİR.

Aksa Natural Gas’s Life Companion project, the first of its kind in the sector, received the Golden Valve award at the 2016 Turkey Energy Summit in recognition of its innovation and model service.

Placing its social development efforts within a strategic framework, Kazancı Holding has undertaken to date numerous projects that contribute to social development via its Group companies.

Kazancı Group's Aksa Retail Electricity Sales and Aksa Electricity Distribution companies also started to work on "Life Companion" initiatives in 2016 to allow disabled customers to benefit from uninterrupted electricity service. In the first stage of the project, First Electricity Distribution's disabled customers will be exempt from electricity cuts. In addition, disabled customers will be identified and offered advantageous benefits such as faster communication and payment services.

Energy Workshop

Aksa Energy executed the "Energy Workshop" initiative to help raise generations that have greater environmental awareness. The first stop of the project was Kovanlık Junior High School, located in Antalya Döşemealtı. Under the effort, Akxa Energy informed students about energy, energy resources, and the functioning of power plants.

Children who learned about energy resources via various activities were presented with an Energy Workshop Participation Certificate at the end of the event. The most eco-friendly class selected by the school administration was given the opportunity to visit the Antalya Ali Metin Kazancı Natural Gas Combined Cycle Power Plant and see the energy production process firsthand.

Painting Contest on the Environment

In 2016, Akxa Energy held a painting competition on the theme "Conservation of Energy and Natural Resources" to raise children's ecological awareness. In the contest, organized jointly with National Geographic Kids magazine, children between the ages of 6 to 12 described the use of renewable energy sources and natural resources in addition to the importance of natural resources for the environment through paintings.

The competition drew significant participation from numerous regions across Turkey. The two children sharing the first prize were awarded all-inclusive vacations at the 5-star Mirada Del Mar Hotel in Kemer, Antalya, while the other successful young entrants garnered various prizes. The paintings submitted to the contest were exhibited on May 23-28, 2016 at Kazancı Holding's headquarters.





Our power lies in fertile lands

We make a difference not only in energy, but also in agriculture and tourism. We continue to add value to these lands with our determination and entrepreneurship.

Corporate governance practices

Kazancı Holding embraces the belief that good corporate governance is the key to sustainability for companies.

Risks faced by Kazancı Holding are managed centrally, and the CFO Office assists the different levels of management in this regard. Operating in an investment-oriented sector, the Holding finances its investments via long-term syndication loans. Developments in the market, liquidity, exchange rate and interest rate risks are monitored regularly. When deemed necessary, the financial risks and opportunities faced are effectively managed through policy adjustments. Protective instruments are purchased within the framework of the policies set by top management; meanwhile, efforts are expended to limit the extent of risk exposure to the Holding. The CFO Office engages in various activities such as determining and implementing measures related to potential risks, and managing and monitoring these in accordance with a risk management system, and reporting these efforts to the Board of Directors.

Kazancı Holding has focused on further enhancing its high quality services in customer relationship management, technology, IT management and service provision. Analyzing and prioritizing sector-specific risks through a methodology aligned with strategic targets helps the Holding achieve its profit targets.

INTERNAL AUDIT, CONTROL AND RISK MANAGEMENT

The Risk Management and Internal Control Mechanism is under the responsibility and control of Kazancı Holding management. The Holding's risk management and internal control system is regularly audited to achieve the following objectives:

- Protection of company assets;
- Compliance with laws, rules, regulations and contracts;
- Operational efficiency and productivity;
- Accuracy and reliability of financial and operational information;
- Elimination or control of activities and transactions that contain previously identified and reported risk elements within the framework of recommendations approved by the management.

The Holding's operational results, the degree to which the targets are reached, and the risks that the Holding faces are evaluated at Board of Directors' meetings held periodically with the participation of the relevant managers.

Kazancı Holding's Internal Audit Department strives to assess and improve the effectiveness of its control and governance processes. Internal Audit reports its activities to the Board of Directors. With a risk-focused approach, audits are conducted regarding the reliability of the financial reporting system; the compliance of the Holding and Group companies with legal and internal regulations; the effectiveness and efficiency of their activities; and the security and reliability of their IT systems.

Both central internal audit activities and on-site internal audit activities were carried out in 2016. The audits verified that the effectiveness of internal control and corporate governance processes was at an adequate level. Additionally, the audits recommended various actions to the management units about specific control shortcomings that were identified, and monitored whether the actions were implemented on time.

KAZANCI HOLDING'S STRATEGIC TARGETS

The Board of Directors sets the Holding's strategic objectives in the previous year, and identifies the human and financial resources needed to achieve these objectives. The Board periodically checks whether the targets are reached or not.

The Board of Directors of Kazancı Holding is committed to performing its activities in a transparent, accountable, fair and responsible manner. The Board of Directors monitors compliance with applicable laws, rules and regulations, the Company's Articles of Association, internal regulations, and established policies in all kinds of Holding transactions and procedures.

CODE OF ETHICS

1. OBJECTIVE

At Kazancı Holding, all managers and employees must comply with the principles and rules that constitute the Code of Ethics, which was adopted to add financial value for shareholders and boost the corporate value of the Company. These rules aim to ensure that all Kazancı Holding managers and personnel exhibit high standards of conduct, become aware of the corporate results of their conduct and attitude, use the most accurate methods, and demonstrate the most professional behavior. The Board of Directors, managers and employees are all expected to comply with the Kazancı Holding Code of Ethics presented below.

2. SCOPE

The Code of Ethics pertains to the employees of Kazancı Holding, Groups under the Holding, as well as present and future affiliates and subsidiaries. The compliance of every Kazancı Holding staff member with these rules is obligatory, critically important. The consistent application of these rules serves as the guarantee for the perfection that Kazancı Holding aspires to in its operations. The rules have vast and overarching content, and outline the minimum standard demanded.

3. RESPONSIBILITY

The Company managers are responsible for creating a working environment closely aligned with the Code of Ethics. To this end, firstly the Board of Directors and other managers acknowledge the importance of the Code of Ethics and comply with it. They lead the way in establishing and upholding these rules in the departments that they are in charge of, setting an example for the other employees with their model conduct and perspective. The Board of Directors and other managers expend efforts to establish the Company culture, and help the staff embrace the norms, values and principles that they must adhere to in the course of performing their work. They provide an environment where the employees can communicate freely on issues related to the Company's functioning and ethical issues. In their conduct and decisions, Board members and other managers always demonstrate an honest and consistent attitude in any present or future conflicts of interest between their personal relationships, financial and commercial interests on the one hand, and their responsibilities to the Company on the other. They report any evident or suspected violation of the Code of Ethics to the Ethics Committee without delay.

All employees of Kazancı Holding are responsible for implementing the principles presented in this document, while managers at all levels are responsible for overseeing their application, identifying any noncompliance, and taking corrective measures as needed.

In addition, the Board Members, CEO and Human Resources Managers/Employees are responsible for facilitating the implementation of the Kazancı Holding Code of Ethics. These officials have the authority and competence to provide support in individual cases.

In case of any doubt pertaining to the implementation of the principles in a particular case, the issue should be communicated to one's immediate superior.

Corporate governance practices

Any Kazancı Holding employee who has questions or comments related to the Principles that are not limited to any particular case and may apply in other situations today or in the future, should bring this up in Kazancı Holding's internal communication channels.

4. CODE OF ETHICS

The Code of Ethics is vital for the success of the Company and of the individual staff members.

Company employees are required to adhere to ethical principles which are divided into the four categories below and presented in the articles that follow:

- General Rules,
- Use of Company Resources,
- Relations,
- Responsibilities towards the Company.

4.1. GENERAL RULES

4.1.1. Honesty

In all our business processes and relationships, integrity and honesty are our core values. We act with integrity and honesty in our relations with employees and all our stakeholders.

4.1.2. Respect for Law

We act in accordance with all the legal and regulatory requirements that govern our business activities. Employees are not allowed to conduct any business in breach of the law, that may be thought to serve the Company or their personal interests.

Accuracy and legal and regulatory compliance are essential in our financial and commercial records.

If there are any legal questions related to the job at hand, the issue must be forwarded to the Ethics Committee, CEO of the Company, and the Director of Legal Affairs.

4.1.3. Confidentiality

Confidential information consists of information about the Company unknown by third parties, which, if known, may result in damage to the Company and/or its stakeholders, on issues such as finance, strategy, trade, employee rights, and matters covered by confidentiality agreements with third parties.

Our personnel are expected to protect the aforementioned confidential information and use it only in Company activities.

Employees make a point of preserving the information that belongs to Kazancı Holding and all its stakeholders. Our staff members share this information only with specific individuals that have designated authority. They may not use confidential and insider information for their own purposes to provide any commercial gain, for example by trading stocks on the stock exchange.

Even after they leave the Company, employees do not share any confidential information with third parties.

The personnel must return any confidential documents or electronic copies thereof belonging to the Company, obtained during their period of employment

All official statements are communicated in a complete, simultaneous and comprehensible manner to investors, partners and the public in line with the core principle of equality, by the units designated by Kazancı Holding.

4.1.4. Personal Investment in Securities

While deciding on their personal investments, our staff cannot invest in stocks or other investment instruments of companies that may lead to a potential conflict of interest with their duties and responsibilities at the Company.

Persons who may possess information undisclosed to the public cannot obtain benefits for themselves and/or third parties by using such information (insider trading).

Individuals who could engage in insider trading are the publicly traded company's chairman and board members, directors (managers and above), auditors, those who may obtain information while performing their work and duties, and those may directly or indirectly receive such information through their contacts with the former.

These individuals may trade in the shares of Kazancı Holding's publicly traded companies by using publicly available information and for investment purposes only (i.e. holding the shares for three months or more is considered an investment in this case).

Kazancı Holding employees outside those abovementioned persons may freely buy and sell shares of Kazancı Holding's publicly traded companies without any time limitation, by using publicly available information.

The above clauses also apply for the spouses and children of employees, with any transactions by spouses and children considered to be made by the employee.

4.2. USE OF COMPANY RESOURCES

Utmost care is taken while using the Company's monetary and non-monetary resources. These resources are not to be employed for personal use, spending, gifts, donations or political contributions.

4.2.1. Fixtures and Stationery

Stationery, print materials and company fixtures are to be used exclusively for company business, and cannot be taken off the Company premises. Employees should use these materials in an economical manner.

An employee who leaves the job has to return and hand over all assets, documents and fixtures given to them to perform their work duties, and sign the record ledger.

4.2.2. Means of Communication

Email is used only for professional communication purposes, and not for matters unrelated to business.

Wherever possible, employees should try to use email instead of telephone.

Fax, photocopy, internet and similar means are not to be used for personal affairs.

Corporate governance practices

4.2.3. Company Cars

Employees demonstrate the necessary attention and care while using the vehicles assigned to them by the Company.

Employees must pay their own traffic tickets, and cannot demand any payment from the Company for losses incurred because of their personal errors.

4.2.4. Work Spaces

In the Company buildings and facilities, no goods and services outside the business line can be bought or sold. No documents or files that may compromise confidentiality can be left on tables or out in the open, outside of working hours.

The following rules are adhered to in the use of Company office space:

- No posters or hand-written notes can be hung.
- Organizing political campaigns and/or collecting funds for such campaigns are forbidden.
- Publications contrary to applicable laws or Company policies cannot be distributed.
- Keeping alcohol, drug, arms or other hazardous material is forbidden.
- Files and documents under the personal responsibility of employees featuring critical or confidential information should not be left on tables or on top of closets within or outside of working hours.
- Office spaces should be kept in order.
- Playing, distributing or selling games of chance is forbidden.

4.2.5. Representation Expenses

Representation expenses are only made for customers and business meetings.

Representation expenses are to be used only in designated fields, and no transfers can be made between different fields of expenditures.

4.2.6. Giving Gifts or Making Donations on Behalf of the Company

Offering gifts on behalf of the Company, is possible only in line with the principles outlined by Company management, in harmony with corporate business targets, and in compliance with applicable legal and regulatory requirements, unless public knowledge of the gift would put the Company in an awkward position.

The gifts and promotional material to be given to third parties as part of business relations must be approved by senior management; there is no need to obtain further permission for their distribution.

4.2.7. Time Management

Time is one of the most important resources of the Company. Company employees use time wisely and do not spend time for private affairs during working hours. Managers do not assign employees to perform or tend to their personal affairs. The organizer of a meeting is responsible to ensure the efficient use of meeting time, and it is essential that all participants attend the meeting with prior preparation. All attendees should respect the meeting start and end times.

4.3. RELATIONS

4.3.1. Business Relations with Individuals, Companies and Institutions

All employees make a point of acting in an appropriate, coherent, reliable, helpful and timely manner in their dealings with customers and enterprises that have commercial relations with the Company.

Product/service agreements with those in a business relationship with the Company are managed within the framework of applicable legal and regulatory requirements, and Company policies and principles. When executing such contracts, the following points are to be taken into consideration:

- Those who are to enter into a business relationship with the Company are determined according to Company regulations; procedures and operations are carried out according to set principles.
- The opinions of the Legal Department and other related units are received for the contracts and agreements to be executed with those in a business relationship with the Company. Firms are chosen according to objective criteria such as benefit/cost, and without personal influence.

4.3.2. Relations with the Media

The approval of top management must be obtained before making a statement or granting an interview to the media, or delivering speeches at seminars and conferences. No personal gain can be obtained from such activities.

4.3.3. Relations with Public Authorities

Relations with public authorities are managed in line with applicable legal and regulatory requirements and Company policies and procedures. Any information requested by these authorities is provided in an accurate and timely manner.

4.3.4. Shareholders

Kazancı Holding's main goal is to provide sustainable economic value to all its stakeholders. To this end, the Company strives to serve the interests of all its stakeholders.

Partnership and business relationships are structured on a long-term basis and are built on trust.

The interests and rights of stakeholders are protected equally and fairly in the regulation of in-house activities.

The objective is to create value for all stakeholders.

All Company activities are shaped by financial discipline and accountability.

Statements communicated to the partners and the public feature accurate, timely, complete and comprehensible information about the Company's financial statements, corporate strategies and investments.

4.4. RESPONSIBILITIES TOWARDS THE COMPANY

4.4.1. Accepting Gifts, Invitations, Assistance and Donations

Accepting Gifts: Asking for, or even implying a wish for, gifts from customers, subcontractors or suppliers is forbidden. No gifts, money, cheques, free holidays, special discounts, and the like which may place the Company or the gift-receiver under an obligation should be accepted. Gifts whose value exceeds TL 50, which are not considered to have an effect on decisions to be made, may be accepted with prior notice to one's immediate superior. The sum of the gifts received in this manner may not, under any circumstances, exceed TL 500.

Accepting Invitations: Employees may participate in business meetings, which will not affect their decisions or violate Company policies or interests, upon the written or verbal consent of their immediate superior.

Corporate governance practices

Accepting Assistance or Donations: No assistance or donations can be accepted from individuals or firms that have any relations with the Company. In any event, any assistance or donations accepted must be reported to one's superior.

4.4.2. Avoiding Action That May Lead to Conflict of Interest

Conflict of interest is a contradictory relationship among the Company's interests, personal interests, and the interests of customers or suppliers. It is essential that Kazancı Holding employees refrain from participating or engaging in any activities that may create a conflict of interest. One of the most important responsibilities of all employees is to avoid using the Company name, resources, and influence for personal benefit, or any situation that may negatively affect the Company reputation and image.

Our employees, managers and Board members abstain from any attempt to seek benefits for themselves or their relatives. One's position within the Company or information about Company property and services are not to be used for personal gain.

No personal benefit can be obtained from customers or suppliers, and no benefit can be provided to them by intermediating between customers and suppliers.

In the event of a conflict of interest between customers and suppliers, one must act in an equal and fair manner to all parties involved. Our employees act impartially and do their utmost to this end.

To prevent conflicts of interest, our employees adhere to the following rules:

- Not entering into debt/credit relationships with customers or suppliers; not offering them surety nor accepting their surety.
- Not engaging in receptions or domestic or overseas travel whose costs are fully or partially covered by customers or suppliers, without the prior knowledge and approval of a superior.
- Not accepting from customers or suppliers any unconventional gifts with a content or value that may place one under obligation, and not using one's authority to obtain out-of-the-ordinary, excessive advantages (e.g. purchases at a special discount) in the business field of the customer or supplier.
- Not entering into business relations with spouses, relatives and friends. (If beneficial to the Company, such a relationship may be established upon the prior approval of one's immediate superior.)
- Not asserting one's influence in decisions concerning the promotion of or awards to one's spouse or close relative at the Company or its subsidiaries.

4.4.3. Doing Business or Assuming Duties outside the Company

Employees cannot assume any official or private, permanent or temporary, paid or unpaid duty, or engage in trade without the express permission of the Company.

4.4.4. Protecting Health, Safety and the Environment

Managers and employees show the attention and care necessary to ensure that Company business activities continue in the most healthy and safe manner for employees, and with minimal impact on the natural environment.

4.4.5. Discrimination

Managers and employees treat everyone fairly and equally without any prejudice or bias, and do not tolerate any kind of harassment. No one can be subjected to discriminatory treatment for reasons such as age, language, race, nationality, health status, gender, marital status, religion, denomination, political thought or philosophical belief. The Company may impose sanctions that go as far as termination of the employment contract to those who violate these rules. Preventing the reporting of complaints on these issues is forbidden. Employees may skip their first and second immediate superiors to report their complaints directly to the Human Resources Department.

4.4.6. Personal Assistance and Donations

Company employees may provide material or moral assistance, make donations to third companies outside the Company, and play an active role in aid associations.

5. SETTLEMENT OF VIOLATIONS OF THE CODE OF ETHICS

Those who violate the Code of Ethics or Company policies and procedures will be subject to various disciplinary sanctions, that may go as far as termination of employment if necessary. Disciplinary sanctions also apply to individuals who approve or direct such inappropriate or transgressive behavior, or who do not report such actions as required despite having knowledge thereof.

5.1. ETHICS BODIES

5.1.1. Holding Ethics Committee

The Ethics Committee consists of a Board member of the Holding, President/CEO of the business line in question, Human Resources Director, Director of Legal Affairs and Audit Director. The Human Resources Department is responsible for the secretariat function for the Committee. The Committee is presided over by the Holding Chairman or Vice Chairman, who may grant consent to the inclusion or exclusion of members to the Committee. The decisions reached are executed upon the approval of the Chairman or Vice Chairman.

The Holding Ethics Committee that convenes to settle issues regarding employees below the Manager level at the Holding's Common Units consists of the concerned employee's Department Senior Manager, Human Resources Director, Director of Legal Affairs and Audit Director. New members may be added to the Committee upon the approval of the Holding Common Unit Senior Manager, who presides over the Committee.

5.1.2. Company Ethics Committee

The Company Ethics Committee is presided over by a Company Senior Manager (APC General Manager, Company Manager, Regional Manager, Power Plant Manager, Factory Manager), and consists of a Company Senior Manager and Human Resources Business Partner to be appointed by the concerned General Manager/Group President, and Auditor and Lawyer (if available a Staff Lawyer, if not a Contracted Lawyer) to be appointed by the Audit Director. New members may be added to the Committee upon the approval of the Company Senior Manager. The new members to be included should preferably be chosen among individuals related to the matter and/or department in question.

The Company Ethics Committee convenes for issues related to employees below the Manager level. The secretariat function of the Committee is performed by an employee appointed by the Company Senior Manager.

5.2. RESPONSIBILITIES OF THE ETHICS COMMITTEE

The Ethics Committee is responsible for investigating and resolving complaints and reports pertaining to violations of Kazancı Holding's Code of Ethics.

Corporate governance practices

5.3. ETHIC COMMITTEE MEETING AND DECISION-MAKING PRINCIPLES

When a violation of the Code of Ethics occurs, or is reported in any unit of the Group/ Company, the Human Resources Department must be immediately notified of the situation in writing or by email via a superior in charge.

Within six working days of the date of notification, the Human Resources Department will invite the Ethics Committee in writing to a meeting about the violation reported.

In case of an event requiring disciplinary punishment, the Board will convene within at most six working days and initiate an investigation if deemed necessary. Once the investigation is completed, the Ethics Committee is again invited to a meeting to make the decision. The decision is made and implemented by the Committee, and recorded in the decisions ledger. Committee decisions are made by a majority of the votes. In case of a tie, the vote of the Chairman will count as two votes.

After a decision is reached, it is communicated to the employee in question within six working days and any necessary action is taken. Until the Ethics Committee clarifies the issue and makes a decision, it is presumed that the employer is unaware of the situation and the employee is innocent with regard to the matter.

5.4. AUTHORITIES OF THE ETHICS COMMITTEE

To evaluate the files and documents related to the matter at hand and reach a sound conclusion, the Ethics Committee is authorized to do the following:

- Examine the record files of the persons involved,
- Request/receive information from the officers concerned,
- Hear witnesses and experts directly,
- Hear the defense of the personnel investigated,
- Conduct other kinds of research and investigation.

The Committee may, if it deems necessary, seek expert advice and contact specialists, after taking measures to ensure that the confidentiality principles are not compromised during the investigation.

6. VALIDITY

The Code of Ethics shall be effective as of May 29, 2015. In matters not covered here, the course of action is determined by the Company's Senior Management.

7. PUBLIC DISCLOSURE

Kazancı Holding's Code of Ethics is obliged to be disclosed to the public and the workforce. The same obligation applies in case any changes are made to the Code of Ethics.

IT security policy

Kazancı Holding's Information Technology Security Policy encompasses the following topics:

PERSONAL USE

Kazancı Holding personnel are obliged to comply with the applicable laws and regulations of the Republic of Turkey (especially Law No. 5651), international law and general rules of ethics, during their use or allocation of information systems and communication means, including internet use and voice communication activities.

ACCOUNTABILITY

Means of access assigned to the user cannot be shared with anyone, including technical personnel, under any circumstances.

INTERNET USE

Users must not share the Company's address and telephone information, employee names, titles, email addresses and other personal information on online discussion groups, chat rooms and other forums in situations other than business obligations and statutory requirements.

MESSAGING

The same rules apply for electronic messaging, whether written or face-to-face. When face-to-face communication is not possible, electronic messaging is used. While sending messages to groups in a list of contacts, employees must make sure that all the recipients will want to receive the message sent.

OFFICE EQUIPMENT, PRINTED DOCUMENTS AND PORTABLE DATA STORAGE DEVICES

When printing a highly confidential document, users must remain near the printer to prevent unauthorized individuals from viewing or obtaining the information. Users must not leave the original or duplicate documents, whether confidential or not, in the printer or photocopier, even if these get stuck in the equipment.

MONITORING AND RECORDING ACTIVITIES, PRIVACY

Kazancı Holding reserves the right to inspect all information stored in its systems or communicated via Kazancı Holding systems. Users should not expect privacy for the personal information that they store on Kazancı Holding systems or communicate through Kazancı Holding's systems.

GENERAL RESPONSIBILITIES FOR DATA PROTECTION AND CLASSIFICATION

Information can be shared in-house only among the individuals who are authorized to access the data due to their position. Only specially appointed contact personnel are authorized to share information with public authorities and members.

KAZANCI HOLDING A.Ş.
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL
STATEMENTS TOGETHER WITH
INDEPENDENT AUDITOR'S
REPORT AS OF 31 DECEMBER 2016



Eren Bağımsız Denetim ve
Yeminli Mali Müşavirlik A.Ş.
Abide-i Hürriyet Caddesi
Bolkan Center 211 C Kat 3
34381 Şişli / İstanbul, Turkey

T + 90 212 373 00 00
F + 90 212 291 77 97
www.gtturkey.com

INDEPENDENT AUDITOR'S REPORT OF KAZANCI HOLDİNG A.Ş. AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

**To the Shareholders and Board of Directors of
Kazancı Holding A.Ş.
İstanbul**

1. We have audited the accompanying consolidated financial statements of Kazancı Holding A.Ş. and its subsidiaries (together, the Group), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kazancı Holding A.Ş. and its subsidiaries as of 31 December 2016 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.
7. We would like to draw attention to the points below;

Although there is TL 928.316.250 (31.12.2015: TL 866.763.854) operating profit in the accompanying income statement of the Group; as of 31.12.2016 shareholders equity is negative TL 828.099.586 (31.12.2015: positive TL 96.416.124). The main reasons related to the turning of the Group's shareholders equity to negative as of 31.12.2016 are explained below;

- a) The Group has net loss TL 383.809.413 TL and TL 332.917.182 in 2015 and 2016 respectively. The main reason of the losses is foreign exchange loss and financing expenses generated from financial liabilities in foreign currency due to devaluation of Turkish Lira against major currencies (note 26).

- b) The minority put option liability reserve under shareholder's equity in the consolidated financial statements was related to transaction between Goldman Sachs and Kazancı Holding's shares transfer calculation in accordance with IFRS (note 22-d). The Group has estimated a value on market value of the Aksa Enerji shares at Istanbul Stock Exchange (ISE). As of 31.12.2016, while determining the fair value of minority put option liability reserve, the reserve has been decreased by TL 137.619.705. This is as a result of decrease in market value of Aksa Enerji shares at Istanbul Stock Exchange and devaluation of Turkish lira against US Dollar as of 31.12.2016.
- c) There is TL 272.840.872 decrease in shareholders equity of the Group due to netting off positive goodwill in equity which has emerged as a result of purchasing of the majority shares of the companies included in the Group consolidation within the scope of IFRS 10 based on controlling interest.
- d) There is TL 63.443.404 decrease in shareholders equity since the Group has benefited from Law numbered 6736 "Law Regarding the Restructuring of Certain Receivables" (note 2).

Accordingly, the Group management is obliged to take action which can increase the profit and/or strengthen the Group shareholders equity in the following periods. Therefore, the Group management has decided to take the following actions as below:

- The Group is investing in three new Power Plant Projects in Africa, located in Ghana, Madagascar and Mali (note 29). Such investments are carried out based on Power Purchase Agreements signed with authorities with guaranteed USD and/or EURO prices. Therefore, once the Group starts to accumulate revenue from such investments, the additional profitability and possible foreign exchange gain will contribute substantially to the increase of the Shareholders Equity. Power Plant in Ghana has become operational on 10.04.2017 and the other two power plants are planned to start production in the third quarter of 2017.
- The Group has signed an agreement with Gürış Group to sell its 232 MW installed capacity wind power plants for USD 259.000.000 on 30 November 2016. Following closing off these transactions the Group aims to improve the Shareholders Equity balance as follows:
 - Based on Statutory Accounts as of 31.12.2016, the RES portfolio has 265m TL book value, where the amount of total sales is 911m TL (259m USD). The Equity balance will increase significantly from the asset sale profit.
 - On the other hand, the mentioned RES portfolio has 357m TL Financial loans as of 31.12.2016 incurring financial expense and FX loss. The sale of such assets will lead to decrease in financial loans which will result in no further financial expenses and potential foreign exchange losses to the Shareholders Equity.

EREN Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Member Firm of GRANT THORNTON International

Nazım Hikmet
Partner

Istanbul, 25 April 2017

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31.12.2016 AND 2015

(Currency - Turkish Lira)

ASSETS	Note	31/12/2016	31/12/2015
CURRENT ASSETS			
Cash and Cash Equivalents	4	854.903.267	372.213.292
Trade Receivables	5	1.138.131.120	1.085.133.076
Due from Related Parties and Shareholders	6	-	175.188.987
Derivative Financial Instruments	27	6.505.190	-
Inventories	7	879.191.373	780.686.086
Cost of Construction and Repair	9	8.044.033	17.541.337
Other Current Assets	8	474.237.925	505.925.739
		3.361.012.908	2.936.688.517
Assets Held For Sale	28	448.888.338	-
NON - CURRENT ASSETS			
Investments In Associates	10	3.867.174	3.782.137
Property, Plant and Equipment	11	4.386.321.080	4.804.684.118
Goodwill	13	204.790.155	187.815.689
Intangible Assets	12	1.113.105.698	936.391.371
Other Non-Current Assets	8	1.098.381.694	934.854.246
Deferred Tax Assets	16	198.391.180	110.300.892
		7.004.856.981	6.977.828.453
TOTAL ASSETS		10.814.758.227	9.914.516.970

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31.12.2016 AND 2015
(Currency - Turkish Lira)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31/12/2016	31/12/2015
CURRENT LIABILITIES			
Financial Liabilities (Borrowings)	14	2.928.933.021	2.725.372.904
Derivative Financial Instruments	27	-	7.207.234
Trade Payables	15	1.327.444.270	1.677.665.618
Due to Related Parties and Shareholders	6	130.039.208	-
Deferred Revenue in Excess of Costs on Uncompleted Construction Contracts	9	11.736.879	24.453.526
Current Tax Liabilities	16	20.000.693	26.834.501
Other Current Liabilities	17	224.799.201	231.219.031
Total Liability is in relation to Assets	28	369.543.650	-
		5.012.496.922	4.692.752.814
NON CURRENT LIABILITIES			
Financial Liabilities (Borrowings)	14	4.836.927.289	3.641.906.277
Minority put option liability	22	752.062.940	614.443.235
Trade Payables	15	7.591.259	9.739.691
Employee Termination Benefit Liability	18	49.043.809	43.491.501
Other Non Current Liabilities	17	892.724.837	743.891.035
Deferred Tax Liability	16	92.010.757	71.876.293
		6.630.360.891	5.125.348.032
SHAREHOLDERS' EQUITY			
Share Capital	19	113.535.870	113.505.839
General Reserves	20	(326.286.599)	78.942.435
Share Premium	21	153.167.594	153.167.594
Minority put option liability reserve	22	(752.062.940)	(614.443.235)
Cash Flow Hedge Reserve	27	663.225	(3.569.599)
Non-controlling interest		315.800.446	752.622.503
Net loss for the year		(332.917.182)	(383.809.413)
		(828.099.586)	96.416.124
Commitments and Contingencies	22		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10.814.758.227	9.914.516.970

The accompanying notes are an integral part of these consolidated financial statements.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31.12.2016 AND 2015

(Currency - Turkish Lira)

INCOME STATEMENT	Note	01.01.- 31.12.2016	01.01.- 31.12.2015
Revenue	23	9.045.215.492	9.279.750.120
Cost of Sales	23	(7.905.815.163)	(8.235.264.939)
GROSS PROFIT		1.139.400.329	1.044.485.181
Research and Development Expenses	24	(301.531)	-
Marketing, Selling and Distribution Expenses	24	(69.763.530)	(58.615.407)
General Administrative Expenses	24	(141.019.018)	(119.105.920)
BASIC OPERATING PROFIT		928.316.250	866.763.854
Other Income	25	171.431.728	117.170.734
Other Expenses	25	(196.909.046)	(84.833.374)
Financing Income	26	653.968.349	649.675.629
Financing Expenses	26	(1.986.565.622)	(1.954.272.949)
LOSS BEFORE TAX FOR THE YEAR		(429.758.341)	(405.496.106)
Taxation on Profit			
- Current	16	(84.375.889)	(67.902.193)
- Deferred	16	69.854.506	23.987.417
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(444.279.724)	(449.410.882)
Non-controlling interest		111.362.542	65.601.469
NET LOSS FOR THE YEAR		(332.917.182)	(383.809.413)
Earnings before interest, tax, depreciation and amortization (EBITDA)		1.282.220.038	1.155.126.251

The accompanying notes are an integral part of these consolidated financial statements.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'EQUITY
FOR THE YEARS ENDED 31.12.2016 AND 2015
(Currency - Turkish Lira)

	Share Capital	General Reserves	Minority put option liability reserve	Non- controlling interest	Share Premium	Cash Flow Hedge Reserve	Net Profit / (Loss) for the Year	Total
Balance, 01.01.2015 (reported)	113.505.839	247.671.697	(397.068.529)	811.389.918	153.167.594	594.984	(191.821.849)	737.439.654
Balance, 01.01.2015 (restated)	113.505.839	247.671.697	(397.068.529)	811.389.918	153.167.594	594.984	(209.340.865)	719.920.638
Transfer to reserves	-	(209.340.865)	-	-	-	-	209.340.865	-
Effective portion of changes	-	6.025.447	-	222.428	-	-	-	6.247.875
Share capital increase from minority	-	-	-	2.400.300	-	-	-	2.400.300
Minority put option liability	-	-	(217.374.706)	-	-	-	-	(217.374.706)
Effective portion of changes in fair value of cash hedges	-	-	-	(2.562.251)	-	(4.164.583)	-	(6.726.834)
Translation gain / (loss)	-	26.550.138	-	28.714	-	-	-	26.578.852
Sales of investments	-	3.609.186	-	1.867.302	-	-	-	5.476.488
Prior year adjustment	-	3.944.421	-	3.959.992	-	-	-	7.904.413
Dividend paid	-	(88.627)	-	-	-	-	-	(88.627)
Actuarial gain / (loss)	-	571.038	-	917.569	-	-	-	1.488.607
Net loss for the year	-	-	-	(65.601.469)	-	-	(383.809.413)	(449.410.882)
Balance, 31.12.2015 (restated)	113.505.839	78.942.435	(614.443.235)	752.622.503	153.167.594	(3.569.599)	(383.809.413)	96.416.124
Transfer to reserves	-	(383.809.413)	-	-	-	-	383.809.413	-
Effect of changes in shareholdings in group companies	-	44.477.539	-	(317.318.411)	-	-	-	(272.840.872)
Share capital increase in cash	30.031	-	-	-	-	-	-	30.031
Minority put option liability	-	-	(137.619.705)	-	-	-	-	(137.619.705)
Effective portion of changes in fair value of cash hedges	-	-	-	2.603.832	-	4.232.824	-	6.836.656
Effect of companies included in consolidation first time	-	(15.572.930)	-	(31.208)	-	-	-	(15.604.138)
Law numbered 6736 (note 2)	-	(63.443.404)	-	-	-	-	-	(63.443.404)
Translation gain / (loss)	-	13.784.825	-	(11.802.378)	-	-	-	1.982.447
Prior year adjustment	-	1.451.427	-	892.987	-	-	-	2.344.414
Dividend paid	-	-	-	(202.264)	-	-	-	(202.264)
Actuarial gain / (loss)	-	(2.117.078)	-	397.927	-	-	-	(1719.151)
Net loss for the year	-	-	-	(111.362.542)	-	-	(332.917.182)	(444.279.724)
Balance, 31.12.2016	113.535.870	(326.286.599)	(752.062.940)	315.800.446	153.167.594	663.225	(332.917.182)	(828.099.586)

The accompanying notes are an integral part of these consolidated financial statements.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED 31.12.2016 AND 2015

(Currency - Turkish Lira)

CASH FLOWS FROM OPERATING ACTIVITIES	Note	01.01.-31/12/16	01.01.-31/12/15
Net Loss before tax		(429.758.341)	(405.496.106)
Adjustment for:			
Depreciation and amortization	11-12	353.903.788	288.362.397
Decrease in value of inventory	7	195.637	750.000
Provision for retirement pay	18	5.552.308	4.496.833
Unrealised foreign exchange gains / (losses) on loans	14	792.100.484	725.684.020
Interest accrual on loans	14	3.224.387	7.618.404
Discount on receivables / (payables), net	5-15	3.344.996	4.825.721
Change in allowance for doubtful trade receivables	5	50.150.046	34.855.924
Change in allowance for doubtful other receivables	8	(8.109.559)	4.669.490
(Income) / Expense accrual		(8.396.479)	1.404.876
Effect of changes in shareholdings in group companies		(272.840.872)	6.247.875
Unrealised foreign exchange gain	8	(183.479.793)	(176.610.000)
Provision for disputed liabilities	17	(6.023.703)	(11.462.050)
Translation gain / (loss)	20	1.982.447	26.578.852
Operating profit before working capital changes		301.845.346	511.926.236
Trade receivables	5	(104.027.394)	(279.719.168)
Inventory	7	(98.700.924)	(210.208.116)
Cost of Construction and Repair		9.497.304	(9.658.595)
Other current assets	8	48.193.852	(138.127.682)
Other non current assets	8	19.952.345	32.740.523
Trade payables	15	(354.835.472)	58.919.563
Deferred Revenue in Excess of Costs on Uncompleted Construction Contracts		(12.716.647)	11.048.289
Other payables and accrued liabilities	17	(6.419.830)	30.291.009
Other long term liabilities	17	154.857.505	140.734.833
Taxes paid	16	(89.311.015)	(75.558.378)
Net Cash Flows Generated From / (Used in) Operating Activities		(131.664.930)	72.388.514

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31.12.2016 AND 2015
(Currency - Turkish Lira)

CASH FLOWS FROM INVESTMENT ACTIVITIES	Note	01.01.-31/12/16	01.01.-31/12/15
Assets held for sale (net of the relevant liabilities)	28	(79.344.688)	394.032
Purchases / (proceeds) of property, plant and equipment, net	11-12	(112.255.077)	(847.427.069)
Goodwill stems	13	(16.974.466)	(1.650)
Proceeds of investments in associates	10	(85.037)	1.506.945
Net Cash Flows Used in Investment Activities		(208.659.268)	(845.527.742)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term financial liabilities	14	200.335.730	1.091.755.211
Long-term financial liabilities	14	402.920.528	(287.871.435)
Due from/to related parties and shareholders	6	305.228.195	(61.710.903)
Dividend paid		(202.264)	(88.627)
Share capital increase in cash		30.031	2.400.300
Effect of companies included in consolidation first time		(15.604.138)	-
Actuarial gain / (loss)		(1.719.151)	1.488.607
Law numbered 6736		(63.443.404)	-
Effective portion of changes in fair value of cash hedges		(6.875.768)	1.681.707
Sales of investments		-	5.476.488
Prior year adjustment		2.344.414	1.533.195
Net Cash Flows Generated From Financing Activities		823.014.173	754.664.543
Net Increase / (Decrease) in Cash and Cash Equivalents		482.689.975	(18.474.685)
Cash and Cash Equivalents at the Beginning of the Year		372.213.292	390.687.977
Cash and Cash Equivalents at the End of the Year		854.903.267	372.213.292

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

1. ORGANIZATION AND NATURE OF ACTIVITIES

Kazancı Holding A.Ş. (“the Group”) is a holding company which was established on 16 November 1994 and has participations in energy (production and sale of electricity and distribution of natural gas), manufacturing of generators, tourism, after sale service and marketing companies. The registered office is located at Beşiktaş / İstanbul. During 2016, the average number of personnel employed by the Group was about 6.033 (31.12.2015: 5.286).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect.

The Group maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The consolidated financial statements have been prepared from statutory financial statements of the Group and presented in Turkish Lira (TL) with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. Foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

Reporting Currency

The currency used in these consolidated financial statements is Turkish Lira, which is denoted by the symbol TL.

Translation of Financial Statements of Foreign Subsidiaries

The foreign subsidiaries’ assets and liabilities are translated into TL from their local currencies at the balance sheet date and income and expenses are translated into TL at the average foreign exchange rate. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the “translation differences” in the comprehensive income and in the equity under the general reserves.

Going Concern

The financial statements including the accounts of the parent company, its subsidiaries, joint operations and associates have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

Law numbered 6736

The Law numbered 6736 “Law Regarding the Restructuring of Certain Receivables” has entered into force on 19 August 2016 after publishment in the Official Gazette.

According to this law, if taxpayers increase basis of tax assesment, no tax inspection and additional assessment will be performed for the relevant years. The increased corporate tax bases will be subject to the corporate tax at a rate of 15% on the condition that the taxpayers have submitted annual declarations and have paid accrued tax within specified time. No additional delay interest and fee will be calculated.

According to this law, the Group companies had benefited from;

- Corporate tax bases increase for the years of 2011, 2012, 2013, 2014 and 2015 in relation to this law.
- Restructuring the Social Security Institution premium payables relating to or prior to June 2016 which have not been paid as of the date of the law numbered 6736.
- Adjustment/ writing off the receivables from shareholders at the amount of TL 63.443.404 (see statement of changes in shareholders equity).

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

Provision for Employment Termination Benefits – Accounting of Actuarial Gains / Losses

The provision for employment termination benefits, as required by Turkish Labour Law represents the present value of the future probable obligation of the Group arising from the retirement of its employees based on the actuarial projections.

“IAS 19 Employee Benefits” requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity’s obligation for employment termination benefits. The effects differences between the actuarial assumptions and the actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains / losses.

In accordance with “IAS 19 Employee Benefits” effective before 1 January 2013, the actuarial gains / losses were recognised in the statement of income whereas the amendment, effective as of 1 January 2013, requires the actuarial gains / losses to be recognised under the other comprehensive income. With this amendment, the Group accounted for its actuarial gains / losses under other comprehensive income in conformity with the transitional provisions stated in “IAS 19 Employee Benefits”.

Restatement and Errors in the Accounting Policies and Estimates

The effect of a change in accounting prediction is reflected to financial statements in determination of net profit or loss as forward looking both in future period and in period in which the change is made if the effect is regarding to future periods. If it is regarding to just one period, it is reflected in current period in which the change is made.

Effects of accounting adjustments have been applied retrospectively. If a mistake occurs in the rearranging of comparative amounts related to previous periods in which it emerged, or occurs before the next reporting period, it is revised by the way of arranging of Retained Earnings belonging respective period.

- In the Group consolidated financial statements as of 31.12.2015, accrual adjustment of “electricity sales price equation income/ expense” in net sales was made in accordance with accruals principle. During 2016, more realistic estimates have been made together with TETAŞ and as a result net sales for 2014 and 2015 have been revised. As a result net sales to 31.12.2015 decreased by TL 1.404.876. Accordingly, the net effect of the mentioned adjustment to consolidated net profit as of 31.12.2015 decreased by TL 1.123.901 after deduction of its deferred tax effect at TL 280.975.
- The Group revised the consolidated financial statements in accordance with IFRIC 20 Stripping Costs In The Production Phase of A Surface Mine. As a result of this revision, the Group’s restated consolidated statement of financial position as of 31.12.2015 have been adjusted as follows: an increase in Stripping Assets and Development Assets by TL 70.729.178 (under Property, Plant and Equipments), a decrease in the Inventory account by TL 84.555.274 and a decrease in General Reserves by TL 13.826.096. All of these adjustments have been recognised in the restated consolidated financial statements as of 31.12.2015.

As of 31 December 2015, Letter of credits (TL 133.025.154) was previously disclosed under “Trade Payables”, starting from 31.12.2015 it has been disclosed under “Financial Liabilities”.

As of 31.12.2015, as a result of other various adjustments in the Group’s consolidated financial statements; a decrease in Inventory by TL 21.305.101, a decrease in Goodwill by TL 223.983, an increase in Property, Plant and Equipments by TL 87.898.576, an increase in Intangible Assets by TL 774.256, an increase in non controlling interest by TL 2.426.797 and the resulting net increase in General Reserves by TL 64.716.951 have been recognised in the restated consolidated financial statements.

As of 31.12.2015, a result of overall tax effect of the above adjustments; Deferred Tax Asset decreased by TL 32.944.507, Deferred Tax Liabilities increased by TL 9.622.173 and General Reserves decreased by TL 42.566.681.

Basis of Consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2016 and 2015. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies.

With regard to IFRS 10 (Published on 12.05.2011 and amendment on 28.05.2012 and which is effective from 1 January 2013) Kazancı Holding management has adopted this standard. Within this framework the issues of ‘control’ and ‘exposure to risks and rewards of the investee’ have been considered and consolidated entities have been determined accordingly.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interest is computed by multiplying the percentage of minority to the fair value of assets and liabilities. The operating results starting from the purchasing date or occurring till the date of sale of the investments that are being sold or purchased within the year are included in the consolidated income statement.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to the consolidated until the date when such control ceases.

The Group has equity investments in companies which are not publicly traded. These equity investments are not held for trading. They are stated at costs less any impairment charges. The Group plans to continue to hold its investments in these companies. These equity investments are entities over which the Group is able to exert significant influence over their economic activities (note 10) which were not significant as of 31 December 2016 and 2015.

Amendments in International Financial Reporting Standards (“IFRS”)

The Group has applied new standards, amendments and interpretations to existing IAS/ IFRS standards published by IASB and IFRIC that are effective as at 1 January 2016 and are relevant to the Group’s operations. There are no relevant amendments or interpretations for the Group which have been enforced as of 1 January 2016 and in year ends to 31 December 2016.

a. The new standards, amendments and interpretations which are effective for the financial statements as of 31 December 2016:

- Accounting for acquisition of interests in joint operations (Amendments to IFRS 11)
- Agricultural Activities: Bearer Plants (Amendments to IAS 16 and IAS 41)
- Clarification of acceptable methods of depreciation and amortization (Amendments to IAS 16 and IAS 38)
- IFRS 14 Regulatory Deferral Accounts
- Equity method in separate financial statements (Amendments to IAS 27)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)
- Presentation of Financial Statements (Amendments to IAS 1)
- Application of the consolidation exception for investment entities (Amendments to IFRS 10 and IAS 28)

Annual Improvements to IFRS 2014 Cycle

- IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”
- IFRS 7 “Financial Instruments: Disclosures”
- IAS 19 “Employee Benefits”
- IAS 34 “Interim Financial Reporting”

b. Standards, amendments and interpretations effective after 31 December 2016:

- IAS 7 Cash flow statements
- IAS 12 Income tax
- IFRS 2 Share based payments
- IFRS 15 Revenue from contracts with customers
- IFRS 9 Financial instruments
- IFRS 16 Leases transactions
- IFRS 4 Insurance contracts
- IAS 40 Investment property
- IFRIC 22 Foreign currency transactions and advance consideration

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

Annual Improvements 2014-2016 Cycle

- IFRS 1 “First time adoption of IFRS”
- IFRS 12 “Disclosure of interests in other entities”
- IAS 28 “Investments in associates and joint ventures”

The Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date. It is expected that the application of the standards and the interpretations except for the ones the impacts of which were disclosed above will not have a significant effect on the consolidated financial statements of the Group.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of the accompanying consolidated financial statements are set forth below:

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in hand, bank deposits and short-term investments, which can easily be converted into cash for a known amount, has high liquidity with maturities of 3 months or less. The amounts paid under the reverse repurchase agreements are included in the cash and cash equivalents. Recorded value is estimated market value of other cash and bank deposits on the balance.

Marketable securities are shown at market value which approximate their fair values. Marketable securities are public sector bonds, notes and bills which have a maturity of less than one month, which are classified under cash and cash equivalents.

Trade Receivables and Allowance For Doubtful Receivables

Trade receivables and notes receivable are recognized at original invoice amount and discounted to present value less an allowance for any uncollectible amounts. An estimate for doubtful receivable is made when collection of the full amount is no longer probable. Bad debts are written off when identified. In case the provision decreases as a result of an event that occurs after write off, the amount is reflected on the income statement in the current period.

Based on an evaluation of its trade portfolio such as volume, character of outstanding loans, past loan experience and general economic conditions management provides a general reserve that it believes is adequate to cover possible losses and uncollectible amounts in the Group's receivables, in addition to specific reserves provided for receivables in legal follow-up.

Related Parties

For the purpose of the accompanying consolidated financial statements, key personnel in management and board of directors, their family and controlled or dependent companies, participations and subsidiaries of the Group are referred to as related parties.

Inventory

Inventory (including finished goods and raw materials) are valued at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution. The cost of inventories cover all purchasing costs, conversion costs and other expenses made to bring the inventories into their current state and condition.

Investments in associates

The unconsolidated equity investments are carried at cost, reduced where necessary to reflect permanent impairment in value.

Goodwill

Goodwill is taken into account at the consolidation stage. Goodwill is the difference of the realizable value and cost of a subsidiary. Goodwill is carried at cost as reduced by appropriate provisions for diminution in the value of goodwill (if one exists) in the accompanying financial statements.

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.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

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.

Property, Plant and Equipment Related Depreciation

Property, plant and equipment are carried at cost, less any accumulated depreciation and any impairment loss. Depreciation and amortization are provided on pro-rata basis. Repair and maintenance expenditure related to property, plant and equipment is expensed as incurred. The depreciation and amortization periods for property, plant, equipment which approximate the economic useful lives of such assets, are as follows:

	Year
Buildings	10-50
Leasehold improvements	5-10
Machinery and equipment ^(*)	4-40
Motor vehicles	5-8
Furniture and fixtures	4-50
Biological assets	10

^(*) Breakdown of machinery and equipment is as follows:

Wind Electricity Powerhouse	20
Natural Gas Power Plants	20
Fuel Oil Power Plants	15
Natural Gas Distribution Machinery and Equipments	4-25
Hidroelectric Power Plants	40

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.

Intangible assets and amortization

An intangible asset is recognized if it meets the identifiably criterion of intangibles, control exists over the asset, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the costs can be measured reliably. Amortization is provided on the restated amounts on a straight-line basis.

The distribution systems and plants constructed in the aftermath of the Agreement for Operating Rights Transfer signed on 24.07.2006, between the Group and Türkiye Elektrik Dağıtım A.Ş. were determined to be within the scope of IFRIC 12 and were classified as intangible assets in the accompanying consolidated financial statements.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

Under the Agreement for Operating Right Transfer agreement signed on 24.07.2006, between Group and Türkiye Elektrik Dağıtım A.Ş. (TEDAŞ), the operating rights of the distribution systems, distribution plants and other immovable and movable plant assets required for operating the distribution systems, that are owned by TEDAŞ were transferred to the Group at a value of TL 173.073.300. The Group booked these rights under “Intangible Assets” (note 12).

	Useful lives
Operating rights	30 years
Other rights	5-15 years
Other intangible assets	3 years
Network and distribution facilities	(*)

(*) All the distribution plants and facilities are amortized over the remaining period of the operating right transfer agreement.

Impairment of Assets

Assets that have indefinite useful lives, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial Liabilities

Interest bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and shown in other liabilities and expense accruals to the extent they are not settled in the period in which they arise.

Finance leases

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property after tax advantages or incentives have been deducted, or the present value of the minimum lease payments. Principal lease payments are recorded as a payable and are reduced as paid; the interest element is charged to the statement of income as expense during the lease period. Property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset.

Trade Payables

Trade payables are stated at their nominal values, discounted as appropriate.

Minority put option liability

Minority put option liability is valued according to their fair value (note 22-d).

Taxation and Deferred Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax: The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax: Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

Employee Benefits / Retirement Pay Provision

Under the Turkish Labor Law and union agreements, severance payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No: 19 (revised) “Employee Benefits” (“IAS 19”). The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Operating Expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized.

Revenue Recognition

Revenue involves the goods and service sales invoiced value. Revenues are recognized on an accrual basis at the time deliveries of goods and services or acceptances are made, the transfer of risks and benefits related to good are realized, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of the consideration received or receivable. The significant risks and benefits in sales are transferred when the goods are delivered or legal proprietorship is transferred to the customer. Interest income and expenses are recognized in the income statement on an accrual basis. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes.

Aksa Enerji: Electric energy revenue is recognized upon transmission to the customer.

Aksa Jeneratör: Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Aksa Electricity and Natural Gas Distribution: Revenues on sales of electricity and gas are recognized when monthly billings are made. In addition, estimated unbilled revenues are accrued for services provided to retail customers from the meter read date to month-end. Unbilled revenues are calculated based upon each month's actual net system load, the number of days from meter-reading date to month-end, and current retail customer prices.

Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Development costs that have been capitalised are amortised over five years.

Derivative financial instruments

Derivative financial instruments are initially recognized at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency / interest rate swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the financial statements.

The fair value changes for these derivatives are recognized in the income statement.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Foreign currency transactions and translation

Transactions in foreign currencies during the periods have been translated at the exchange rates prevailing at the dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. The foreign exchange gains and losses are recognized in the income statement.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

The year-end rates used for USD, EURO, CHF, GBP, AED and CNY are shown below:

Currency	31.12.2016	31.12.2015
USD	3,5192	2,9076
EURO	3,7099	3,1776
CHF	3,4454	2,9278
GBP	4,3189	4,3007
AED	0,9582	0,7924
CNY	0,5050	0,4460

Provisions A provision is recognized when, and only when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Commitments and contingencies

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the consolidated financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

Use of estimates

The preparation of financial statements in conformity with IAS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Significant management judgment in applying accounting policies

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements:

Impairment: An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management makes assumptions about future events and circumstances.

Provisions: The Group is currently defending certain lawsuits where the actual outcome may vary from the amount recognized in the financial statements. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Group's position in the related disputes.

Inventories: in estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made.

EBITDA

EBITDA is defined as earnings before interest expense, income tax expense (benefit), depreciation and amortization. This information should be read with the statements of cash flows contained in the accompanying consolidated financial statements.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

4. CASH AND CASH EQUIVALENTS

	31.12.2016	31.12.2015
Cash on hand	5.165.264	2.850.530
Cash at banks		
-Demand deposits	327.918.104	230.115.136
-Time deposits and blocked accounts ^(*)	488.998.607	108.313.727
Other liquid assets ^(**)	32.821.292	30.933.899
	854.903.267	372.213.292

^(*) The effective interest rates as follows;

	Interest Rate (%)	
Currency	31.12.2016	31.12.2015
TL	8	10
USD	2,3	1,5
EURO	1,5	1,3
CNY	1,36	0

As of 31 December 2016, blocked accounts amount is TL 246.565.337 and it is related to the liabilities of the Group, in accordance with provision of the loan agreements (31.12.2015: TL 17.445.600).

^(**) Mainly consists of collections made with credit cards.

5. TRADE RECEIVABLES

Current trade receivables	31.12.2016	31.12.2015
Customers' current accounts	1.260.177.965	1.146.549.617
Notes receivable	58.565.958	68.166.912
Unearned interest on receivable (-)	(5.758.240)	(4.878.936)
Provision for doubtful receivables (-)	(174.854.563)	(124.704.517)
	1.138.131.120	1.085.133.076

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

As of 31 December 2016 and 2015, the movement of the allowance for doubtful trade receivables is as follows:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Opening balances at 1 January	124.704.517	112.341.730
Reversal of provisions and collections received (note 25)	(23.311.579)	(22.473.522)
Foreign currency translation differences (-)	79.149	(19.615)
Increase in provisions (note 24-25)	57.354.459	34.855.924
Merging effect	1.165.658	-
Restatement difference	14.862.359	-
Ending balance	174.854.563	124.704.517

6. DUE FROM / TO RELATED PARTIES AND SHAREHOLDERS

Due from/to related parties and shareholders are comprised of balances with Kazancı Family and companies which are related to Kazancı Group Companies.

7. INVENTORIES

	31.12.2016	31.12.2015
Raw materials	261.762.768	328.406.575
Finished goods	107.476.151	39.105.175
Work in process	45.809.326	71.563.875
Merchandise	44.763.415	89.101.586
Other inventories	432.991.624	265.925.149
Provision for diminution in value of inventory (-)	(13.611.911)	(13.416.274)
	879.191.373	780.686.086

8. OTHER CURRENT / NON-CURRENT ASSETS

Other Current Assets	31.12.2016	31.12.2015
VAT carried forward	300.625.375	329.454.671
Advances given ^(*)	99.799.630	140.406.386
Prepaid expenses ^(**)	25.133.988	14.045.481
Advances given for business purposes	16.543.725	5.167.039
Prepaid taxes and funds	12.714.826	11.523.739
Deposits given	2.588.113	1.563.012
Advances given to personnel	718.206	757.107
Other doubtful receivables	1.195.771	9.305.330
Provision for other sundry receivables	(1.195.771)	(9.305.330)
Sundry debtors	16.114.062	3.008.304
	474.237.925	505.925.739

^(*) The amount of TL 43.575.160 (31.12.2015: TL 101.820.193) is related to advances given to EPIAŞ by Aksa Elektrik Satış A.Ş..

^(**) Prepaid expenses are mainly related to rent and insurance expenses.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

As of 31 December 2016 and 2015, the movement of the allowance for doubtful receivables is as follows:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Opening balances at 1 January	9.305.330	5.235.742
Reversal of provisions and collections received (note 25)	-	(599.902)
Restatement difference	(8.173.855)	-
Increase in provisions (note 25)	64.296	4.669.490
Ending balance	1.195.771	9.305.330
Other Non - Current Assets	31.12.2016	31.12.2015
Deposits given (Goldman Sachs transaction- note 22-d)	1.055.759.793	872.280.000
Advances given	2.264.370	44.761.867
Deposits given	37.741.049	16.873.125
Prepaid expenses	1.159.374	939.254
Other	1.763.627	-
	1.098.381.694	934.854.246

9. COST OF CONSTRUCTION AND REPAIR / DEFERRED REVENUE IN EXCESS OF COSTS ON UNCOMPLETED CONTRACTS

Services given to Çoruh and Fırat Elektrik Dağıtım A.Ş. for the energy transmission facility costs and progress payments.

The portion of the ongoing construction of the transmission line portion of facility costs jobs that is not reflected to the costs, is the cost of long-term construction and repair. The amounts collected for the ongoing construction of the amounts charged for the power transmission line installation work, is the progress payments of construction and repair.

10. INVESTMENTS IN ASSOCIATES

	31.12.2016	31.12.2015
Enerji Piyasaları İşletme A.Ş. ⁽¹⁾	1.649.632	1.649.632
Rize İnşaat Yatırım A.Ş. ⁽²⁾	1.522.500	1.522.500
Rize Spor Futbol Yatırım ⁽²⁾	575.000	575.000
African Power Investments B.V. ⁽²⁾	85.037	-
Other	35.005	35.005
	3.867.174	3.782.137

⁽¹⁾ As of 20.11.2014, the Group participated in the shareholding structure of EPIAŞ as one of the Kazancı Holding Group Companies, by investing TL 1.649.632 cash in the paid in capital of EPIAŞ and became 2,68% shareholder EPIAŞ.

⁽²⁾ No consolidation or equity accounting has been applied due to immateriality of the above noted entities' economic activities.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

11. PROPERTY, PLANT AND EQUIPMENT

Cost	01.01.2016 (restated)	Additions	Disposals (*)	Transfer (****)	Transfer to Consolidation Inventory (**)	Effect	Foreign Currency Translation Differences	Transfer to asset held for sale (*)	Disposal of Subsidiaries	31.12.2016
Land and buildings	307,332.178	3.306.402	(3.064.494)	184.950	-	-	11.271.103	(965.707)	(148.115)	317.916.317
Leased buildings	153.271.621	-	-	-	-	-	-	-	-	153.271.621
Leasehold improvements	38.508.717	1.290.125	(234.691)	548.748	-	49.997	63.393	(4120)	(1.080.427)	39.141.742
Machinery and equipment	4.921.985.941	45.971.241	(43.425.566)	334.967.701	(37.202.053)	-	66.967.914	(582.050.386)	(73.886.212)	4.633.328.580
Motor vehicles	27.167.219	2.509.815	(1.598.819)	-	-	103.167	928.078	-	(69.206)	29.040.254
Furniture and fixtures (including biological assets)	124.034.253	11.098.909	(5.957.855)	(146.898)	(36.506)	445.404	(477.639)	(1.898.839)	(698.134)	126.362.695
Leased furniture and fixtures	1.739.243	-	-	-	-	-	-	-	-	1.739.243
Other tangible fixed assets	3.632.516	311.918	(13.552)	-	-	-	1.034.797	-	-	4.965.679
Construction in progress (***)	471.722.854	684.265.023	(291.688.143)	(500.707.942)	-	-	52.546.143	(1.373.962)	(20.237)	414.743.736
Stripping and development assets	73.321.600	26.041.110	-	-	-	-	-	-	-	99.362.710
	6.122.716.142	774.794.543	(345.983.120)	(165.153.441)	(37.238.559)	598.568	132.333.789	(586.293.014)	(75.902.331)	5.819.872.577
Accumulated depreciation										
Buildings	39.032.143	9.448.401	(1750.085)	-	-	-	3.419.366	(372.771)	(20.278)	49.756.776
Leased buildings	17.878.414	4.536.184	-	-	-	-	-	-	-	22.414.598
Leasehold improvements	12.563.856	1.440.884	(151.582)	-	-	22.541	21.787	-	(483.393)	13.414.093
Machinery and equipment	1.164.405.153	264.042.610	(14.085.082)	(3.576.912)	(22.938.587)	-	37.688.128	(166.657.047)	(9.345.232)	1.249.533.031
Motor vehicles	18.356.943	3.068.396	(1.398.710)	-	-	90.616	457.747	(1.207.163)	(64.178)	19.303.651
Furniture and fixtures	60.528.003	13.295.294	(4.401.053)	-	(146.898)	318.909	(425.206)	-	(495.886)	68.673.163
Leased furniture and fixtures	254.477	394.262	-	-	-	-	-	(3.582)	-	645.157
Other tangible fixed assets	2.420.613	769.483	-	-	-	-	746.765	-	-	3.936.861
Stripping and development assets	2.592.422	3.281.745	-	-	-	-	-	-	-	5.874.167
	1.318.032.024	300.277.259	(21.786.512)	(3.576.912)	(23.085.485)	432.066	41.908.587	(168.240.563)	(10.408.967)	1.433.551.497
Net book value	4.804.684.118									4.386.321.080

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016 AND 2015 (Currency – Turkish Lira “TL” unless otherwise expressed)

Cost	01.01.2015	Additions	Disposals	Transfers	Foreign Currency Translation Differences	31.12.2015 (Reported)	Restatement difference	31.12.2015 (Restated)
Land and buildings	258.646.862	4.472.337	(3.277.547)	44.103.897	10.610.582	314.556.131	(7.223.953)	307.332.178
Leased buildings	152.454.712	816.909	-	-	-	153.271.621	-	153.271.621
Leasehold improvements	35.681.041	3.128.082	(215.381)	-	69.579	38.663.321	(154.604)	38.508.717
Machinery and equipment	3.807.600.922	82.878.757	(9.475.099)	1.031.199.275	417.415	4.912.621.270	9.364.671	4.921.985.941
Motor vehicles	26.538.182	1.614.869	(2.183.276)	-	411.044	26.380.819	786.400	27.167.219
Furniture and fixtures (including biological assets)	99.632.136	16.200.170	(4.657.619)	14.705.722	42.674	125.923.083	(1.888.830)	124.034.253
Leased furniture and fixtures	-	1.739.243	-	-	-	1.739.243	-	1.739.243
Other tangible fixed assets	3.104.891	340.886	(1.026)	-	187.765	3.632.516	-	3.632.516
Construction in progress ⁽¹⁾	941.660.520	731.953.565	(505.691)	(1.205.353.370)	(102.811)	467.652.213	4.070.641	471.722.854
Stripping and development assets	-	-	-	-	-	-	73.321.600	73.321.600
	5.325.319.266	843.144.818	(20.315.639)	(115.344.476)	11.636.248	6.044.440.217	78.275.925	6.122.716.142
Accumulated depreciation								
Buildings	29.144.197	7.337.764	(16.988)	-	1.441.745	37.906.718	1.125.425	39.032.143
Leased buildings	13.357.449	4.520.965	-	-	-	17.878.414	-	17.878.414
Leasehold improvements	11.396.122	1.483.746	(1.811)	-	(222.754)	12.655.303	(91.447)	12.563.856
Machinery and equipment	1.038.024.593	211.947.276	(3.851.921)	34.046	553.110	1.246.707.104	(82.301.951)	1.164.405.153
Motor vehicles	16.233.681	3.343.573	(2.106.803)	-	187.529	17.657.980	698.963	18.356.943
Furniture and fixtures	52.814.223	12.264.924	(3.148.692)	-	(638.013)	61.292.442	(764.913)	60.528.003
Leased furniture and fixtures	-	254.477	-	-	-	254.477	-	254.477
Other tangible fixed assets	3.527.920	443.463	(1.026)	-	61.058	4.031.415	(1.610.328)	2.420.613
Stripping and development assets	-	-	-	-	-	-	2.592.422	2.592.422
	1.164.498.185	241.596.188	(9.127.241)	34.046	1.382.675	1.398.383.853	(80.351.829)	1.318.032.024
Net book value	4.160.821.081					4.646.056.364		4.804.684.118

During the year ended 31 December 2016, TL 26.995.465 (31 December 2015: TL 62.165.274) of interest expenses and foreign exchange losses have been capitalized.

⁽¹⁾ The disposals in 2016 are mainly due to sale of Kozbüklü power plant which have been sold to Nas Enerji A.Ş. on 26 December 2016 amounting to USD 89.440.905 subsequent to the completion of its construction.

⁽²⁾ Property, plant and equipments of Ayres Ayvack Rüzgar, Baki Elektrik, Deniz Elektrik and Kapıdağ Rüzgar Enerjisi and Belen/Atik wind power plants which are contained within Aksa Enerji have been classified as "Asset held for sale" as of 31.12.2016.

⁽³⁾ Consist of transferred amount of machinery and equipments of power plants with the intention of transfer to Ghana.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** **AS OF 31 DECEMBER 2016 AND 2015**

(Currency – Turkish Lira “TL” unless otherwise expressed)

(****)The breakdown of construction in progress is as follows:

	Technical Completion	Investment Expenditures
Ghana investment ⁽ⁱ⁾	94,00%	289.933.213
Bolu Göynük Power plant investment	100,00%	19.015.117
Kıbrıs Kalecik – Mobile power plant investment	99,00%	6.952.044
Other		98.843.362
		414.743.736

⁽ⁱ⁾ The construction of power plant with a capacity of 370 MW in Ghana.

(****)The transferred amount of TL 157.053.291 is related to completion of investment in network and distribution facilities (note 12).

The allocation of depreciation and amortization expenses for the years ended 31 December 2016 and 2015 are as follows:

	01.01.-31.12.2016	01.01.-31.12.2015
Cost of sales	339.058.152	275.017.296
General administrative expenses (note 24)	11.953.975	10.583.157
Marketing, selling and distribution expenses (note 24)	2.891.661	2.761.944
	353.903.788	288.362.397

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

12. INTANGIBLE ASSETS

Cost	01.01.2016 (restated)	Consolidation		Transfer to assets held for sales	Foreign Currency Translation Differences	Transfer	Disposals	31.12.2016
		Additions	Effect					
Rights ⁽¹⁾	203.909.220	49.035.967	-	(534.082)	7.730.321	4.376.340	(167.444)	264.350.322
Network and distribution facilities	930.889.077	10.542.825	-	-	-	157.053.291	(916.036)	1.097.569.157
Other intangible assets	6.138.638	3.079.992	33.951	(52.440)	-	-	(283.335)	8.916.806
	1.140.936.935	62.658.784	33.951	(586.522)	7.730.321	161.429.631	(1.366.815)	1.370.836.285
Accumulated amortization								
Rights	71.720.133	10.983.784	-	(188.726)	76.410	-	(73.908)	82.517.693
Network and distribution facilities	128.326.779	42.052.110	-	-	-	-	(78.841)	170.300.048
Other intangible assets	4.498.652	590.635	33.190	-	(302)	-	(209.329)	4.912.846
	204.545.564	53.626.529	33.190	(188.726)	76.108	-	(362.078)	257.730.587
Net book value	936.391.371							1.113.105.698

⁽¹⁾ Under the Agreement for Operating Right Transfer agreement signed on 24.07.2006, between Group and Türkiye Elektrik Dağıtım A.Ş. (TEDAŞ), the operating rights of the distribution systems, distribution plants and other immovable and movable plant assets required for operating the distribution systems, that are owned by TEDAŞ were transferred to the Group at a value of TL 173.073.300.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2016 AND 2015
(Currency – Turkish Lira “TL” unless otherwise expressed)

Cost	Foreign Currency Translation Differences					Transfer	31.12.2015 (Reported)	Restatment differences	31.12.2015 (Restated)
	01.01.2015	Additions	Disposals						
Rights	198.711.298	4.965.241	-	(146.016)	(120.284)	203.410.239	498.981	203.909.220	
Network and distribution facilities	816.207.700	-	-	(783.383)	115.464.760	930.889.077	-	930.889.077	
Other intangible assets	4.854.975	1.027.499	192.205	(47.795)	-	6.026.884	111.754	6.138.638	
	1.019.773.973	5.992.740	192.205	(977.194)	115.344.476	1.140.326.200	610.735	1.140.936.935	
Accumulated amortization									
Rights	61.656.188	10.236.497	-	(16.280)	(34.046)	71.842.359	(122.226)	71.720.133	
Network and distribution facilities	92.637.216	35.763.895	-	(74.332)	-	128.326.779	-	128.326.779	
Other intangible assets	3.692.843	765.817	81.686	(399)	-	4.539.947	(41.295)	4.498.652	
	157.986.247	46.766.209	81.686	(91.011)	(34.046)	204.709.085	(163.521)	204.545.564	
Net book value	861.787.726					935.617.115		936.391.371	

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

13. GOODWILL

Goodwill is analysed as excess payments in relation to acquisition of the following companies:

	31.12.2016	31.12.2015
Firat Aksa Elektrik Hizmetleri A.Ş.	103.024.893	103.024.893
Çoruh Aksa Elektrik Hizmetleri A.Ş.	62.626.429	62.626.429
Natural Gas Investments ⁽¹⁾	7.728.393	7.728.393
ATK Sigorta ve Aracılık Hizmetleri Ltd. Şti.	16.974.466	-
Other	14.435.974	14.435.974
	204.790.155	187.815.689

These goodwill amounts are further analysed as follows:

Firat Aksa Elektrik Hizmetleri A.Ş. during 2010

Payment (USD 230.250.000)	355.966.500
Less: Fair value of the asset acquired	219.691.433
Goodwill	136.275.067

As of 31 December 2013, goodwill is revised as TL 103.024.893. The reason for decrease in goodwill is due to revision of the fair value of the assets acquired at acquisition date. In particular, this is in relation to subsequent collection of trade receivables for which bad debt provision had been set aside.

Çoruh Aksa Elektrik Hizmetleri A.Ş. during 2010

Payment (USD 227.000.000)	332.981.834
Less: Fair value of the asset acquired	266.657.346
Goodwill	66.324.488

As of 31 December 2013, goodwill is revised as TL 62.626.429. The reason for decrease in goodwill is due to revision of the fair value of the assets acquired at acquisition date. In particular, this is in relation to subsequent collection of trade receivables for which bad debt provision had been set aside.

Investments in Natural gas Companies during 2010

Payment	600.000
Less: Fair value of the asset acquired	(7.128.393)
Goodwill	7.728.393

⁽¹⁾ Investments in natural gas companies are comprised of Bandırma Doğalgaz Dağıtım A.Ş., Elazığ Doğalgaz Dağıtım A.Ş., Sivas Doğalgaz Dağıtım A.Ş., Tokat Doğalgaz Dağıtım A.Ş., Trakya Doğalgaz Dağıtım A.Ş., Gemlik Doğalgaz Dağıtım A.Ş. and Anadolu Doğalgaz Töptan A.Ş..

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

ATK Sigorta ve Aracılık Hizmetleri during 2016

Payment (21.03.2016)	22.843.200
Less: Fair value of the asset acquired	5.868.734
Goodwill	16.974.466

14. FINANCIAL LIABILITIES

	31.12.2016	31.12.2015
Short-term bank loans	923.071.086	668.649.241
Current portion of long-term bank loans	1.360.874.237	1.638.432.901
Factoring payables	351.176.285	285.472.901
Finance lease liabilities, net	62.255.263	67.548.327
Bond issuance	163.062.229	-
Interest expense accruals	68.493.921	65.269.534
Total short term financial liabilities	2.928.933.021	2.725.372.904
Long-term bank loans	4.439.986.302	3.240.794.042
Factoring payables	77.228.970	50.990.042
Finance lease liabilities, net	145.628.521	212.993.092
Bond issuance	174.083.496	137.129.101
Total long term financial liabilities	4.836.927.289	3.641.906.277
Grand Total	7.765.860.310	6.367.279.181

As of 31 December 2016, the effective interest rate of the long term TL loans is between 7%-18,50%, USD loans is between 1%-7,98%, EURO loans is between 1,80%-7,30%, GBP loans is 1,75%, CNY loans is between 4,35%-4,75% and AED loans is 4,25% (31.12.2015: TL loans varied between 10%-16,60%, USD loans varied between 0,62%-9,35% and EURO loans varied between 2,12%-7,41%, GBP loans is 6%, CNY loans is 5% and AED loans is 3,6%).

The Group have 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 Group have 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 Group have 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.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

As of 31 December 2016, the repayment schedule of short term and long term loans is as follows:

Payment Year	USD	EURO	GBP	CNY	AED	TL	Total TL Equivalent
Payable in 1 year	287.898.984	87.506.406	968.508	100.278.055	117.289	891.191.515	2.283.945.323
Payable in 1-2 years	144.768.515	13.738.009	17.058	100.000.000	89.654	297.777.644	908.877.283
Payable in 2-3 years	145.067.864	9.894.615	-	-	-	113.540.312	660.771.171
Payable in 3-4 years	139.758.732	3.338.969	-	-	-	90.690.468	594.916.639
Payable over 4 years	458.148.909	1.508.857	-	-	-	657.505.861	2.275.421.209
	1.175.643.004	115.986.856	985.566	200.278.055	206.943	2.050.705.800	6.723.931.625

Factoring Payables

As of 31 December 2016 and 2015, the breakdown of the factoring payables is as follows:

	31.12.2016	31.12.2015
Short-term ⁽¹⁾	351.176.285	285.472.901
Total short term	351.176.285	285.472.901
Long-term ⁽¹⁾	77.228.970	50.990.042
Total long term	77.228.970	50.990.042
Total	428.405.255	336.462.943

⁽¹⁾As of 31.12.2016, TL 204.965.219 (31.12.2015: TL 104.210.205) of total liabilities has occurred by the service purchase agreement signed via leasing between KIBTEK and the Group which is based on electricity receivable for the future periods by factoring.

Lease Payables

The Group acquired machinery and equipment via financial leasing. As of 31 December 2016, the repayment schedule of short term and long term leasing obligations is as follows:

Lease Payables	USD	EURO	Total TL Equivalent
Payable in 1 year	11.837.959	5.551.394	62.255.263
Payable in 1-2 years	6.604.504	4.971.672	41.686.978
Payable in 2-3 years	4.879.388	3.997.449	32.001.680
Payable in 3-4 years	2.062.811	3.651.731	20.807.003
Payable over 4 years	-	13.782.816	51.132.860
	25.384.662	31.955.062	207.883.784

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

15. TRADE PAYABLES

Current:	31.12.2016	31.12.2015
Suppliers' current accounts	1.243.671.805	1.581.892.677
Notes payable	34.271.071	49.352.418
Electricity and transmission system payables	56.453.402	54.937.414
Unearned interest on payables (-)	(10.982.583)	(8.516.891)
Other	4.030.575	-
Total	1.327.444.270	1.677.665.618

⁽¹⁾ As of 31.12.2016, the amount of TL 450.244.720 was related to short term payables to Boru Hatları ile Petrol Taşıma A.Ş. (BOTAS) (31.12.2015: TL 769.379.103).

Non - Current:	31.12.2016	31.12.2015
Suppliers' current accounts	8.442.717	10.832.710
Unearned interest on trade payable (-)	(851.458)	(1.093.019)
	7.591.259	9.739.691

16. CURRENT TAX LIABILITIES

The corporation tax rate in Turkey on the profits for the calendar year 2016 is 20% (2015: 20%). Taxable profits are calculated by modifying accounting income for certain exclusions and allowances for tax purposes from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed. In Turkey, no taxes are withheld from undistributed profits, profits added to share capital (bonus shares) and dividends paid to other resident companies. Other than those, profits distributed in dividends to individuals and non-resident companies are subject to withholding at the rate of 15%.

The Turkish Tax Procedural Law does not include a procedure for formally agreeing tax assessments. Tax returns must be filed within three and a half months of the year-end and may be subject to investigation, together with their underlying accounting records, by the tax authorities at any stage during the following five years.

In China, Aksa Power Generators – Changzou is subject to corporation tax rate at the rate of 12,5%, Aksa Power Generators – China is subject to corporation tax rate at the rate of 25% and Aksa Jiangyin is subject to corporation tax rate at the rate of 25%.

In Kazakhstan, Aksa Kazakhstan Ltd. is subject to corporation tax rate at the rate of 20%.

In Russia, Aksa Russia Limited Liability Company is subject to corporation tax rate at the rate of 20%.

In Algeria, Eurl Aksa Generateurs Algeria is subject to corporation tax rate at the rate of 25%.

In England, Aksa International UK Ltd. is subject to corporation tax rate at the rate of 20%.

In Singapore, Aksa Far East Pte Ltd. is subject to corporation tax rate at the rate of 17%.

In Dubai, Aksa Power Generation Fze (Dubai) is tax exempt.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

The tax liabilities included in the accompanying financial statements comprise:

a) Included in the income statement:	31.12.2016	31.12.2015
Current tax charge	(84.375.889)	(67.902.193)
Deferred tax credit / (charge), net	69.854.506	23.987.417
	(14.521.383)	(43.914.776)
b) Included in the balance sheet:		
Taxation payable on income (current)	20.000.693	26.834.501
Deferred tax assets	198.391.180	110.300.892
Deferred tax liabilities	92.010.757	71.876.293

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IAS and tax purposes.

17. OTHER CURRENT AND NON-CURRENT LIABILITIES

Current	31.12.2016	31.12.2015
Taxes, dues and social security premiums payable	61.374.228	58.106.637
Order advances received	39.902.025	57.223.759
Deposits and guarantees received	33.153.953	31.329.159
Deferred income ⁽¹⁾	27.999.572	5.041.519
Due to personnel	19.241.918	21.036.755
Other expense accruals	8.525.437	26.779.998
Other provisions	6.042.213	6.759.989
Vacation provision	5.133.312	-
Other sundry payables	23.426.543	24.941.215
	224.799.201	231.219.031

⁽¹⁾ Deferred income is mainly accrual for interest income regarding overdue receivables of Fırat Aksa Elektrik Hizmetleri A.Ş. and Çoruh Aksa Elektrik Hizmetleri A.Ş. and income accruals of Aksa Jeneratör Sanayi A.Ş. related to international sales which customs operations are still continuing.

Non - Current	31.12.2016	31.12.2015
Deposits and guarantees received ⁽²⁾	855.383.795	704.913.320
Payable to TEDAŞ ⁽³⁾	25.172.815	22.976.099
Disputed debt to TEİAŞ ⁽⁴⁾	5.921.565	11.945.268
Order advances received	2.316.151	2.464.231
Overdue or deferred taxes and dues payable (Law no 6736) (note 2)	2.238.399	-
Other	1.692.112	1.592.117
	892.724.837	743.891.035

⁽²⁾ These are mainly in the nature of deposits received from consumers which are held as guarantees for the receivables risk.

⁽³⁾ Prior to the scope of Çoruh Elektrik Dağıtım A.Ş. and Fırat Elektrik Dağıtım A.Ş. privatization, the amount of loan provided by European Investment Bank (EIB) to TEDAŞ regional distribution offices for investment and consumption expenditures. The amount is being paid by TEDAŞ and reflected to the Group.

⁽⁴⁾ Provision for disputed liability to TEİAŞ is in relation to excess utilisation of electricity limit. The penalty covers the period between the years 2007 and 2015 which also includes the pre-privatization period (September 2010 for the Group). The Group has exercised the right of appeal and applied to the court. As of 31 December 2016, the Group management decided to use a conservative approach and made full provision for the related amount.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

18. EMPLOYEE TERMINATION BENEFIT LIABILITY

Under the Turkish Labour Law, the Group is required to pay employment 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 achieves the retirement age (58 for women and 60 for men). The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The amount payable consists of one month's salary limited to a maximum of TL 4.297 for each year of service as of 31 December 2016 (31.12.2015 : TL 3.828).

The liability is not funded, as there is no funding requirement.

Under the China Labor Law, an employee shall be paid severance pay based on the number of years worked with the employer at the rate of one month's wage for each full year worked. Any period of not less than six months but less than one year shall be counted as one year. The severance pay payable to a employee for any period of less than six months shall be one-half of his/ her monthly wages.

If the monthly wage of an employee is greater than three times the average monthly wage of employees in the employer's area as published by the People's Government at the level of municipality directly under the central government or municipality divided into districts of the area where the Employer is located, the rate for the severance pay paid to him shall be three times the average monthly wage of employees and shall be for not more than 12 years of work.

For the purposes of this Article 47, the term “monthly wage” means the employee's average monthly wage for the 12 months prior to the termination or ending of his /her employment contract.

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.

Communiqué require actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31.12.2016	31.12.2015
Discount rate %	11,00	10,50
Inflation rate %	7,00	7,00

Movements of the provision for employee termination benefits during the period are as follows:

	31.12.2016	31.12.2015
Balance at 1 January	43.491.501	38.994.668
Service cost ⁽¹⁾	8.026.122	8.002.935
Interest cost ⁽¹⁾	4.107.496	3.104.078
Actuarial difference	2.053.066	(1.877.648)
Transfer to liabilities held for sale	(526.877)	-
Payments made during the year (-)	(6.948.100)	(4.732.532)
Disposal of subsidiaries	(1.309.827)	-
Translation difference	150.427	-
Balance at end of the year	49.043.809	43.491.501

⁽¹⁾ The provision of employment termination benefits in income statement:

	01.01.-31.12.2016	01.01.-31.12.2015
Cost of Sales	7.388.209	6.581.348
Marketing, Selling and Distribution Expenses (note 24)	273.054	246.050
General Administrative Expenses (note 24)	4.472.355	4.279.615
Total	12.133.618	11.107.013

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

19. SHARE CAPITAL

The share capital of Kazancı Holding A.Ş. consists of ordinary shares with a par value of TL 1. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders’ meeting of Kazancı Holding A.Ş..

	31.12.2016	%	31.12.2015	%
Şaban Cemil Kazancı	66.911.492	60,28	65.930.242	59,40
Ali Metin Kazancı	32.200.008	29,01	31.218.758	28,12
Mehmet Kazancı	6.531.250	5,88	5.550.000	5,00
Tülay Kazancı	5.356.250	4,83	4.375.000	3,94
Necati Baykal	1.000	-	1.000	-
Gönül Kazancı	-	-	3.925.000	3,54
Historic share capital	111.000.000	100	111.000.000	100
Unpaid portion of share capital (-)	-		(30.031)	
Inflation adjustment to share capital	2.535.870		2.535.870	
Inflation adjusted share capital	113.535.870		113.505.839	

20. GENERAL RESERVES

General reserves comprise retained earnings (prior years’ undistributed income), translation gain / (loss), actuarial gain / (loss) and legal reserves.

The legal reserves are appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. The legal reserves are not available for distribution unless they exceed 50% of the paid-in share capital but may be used to offset losses in the event that the general reserve is exhausted.

Retained earnings are available for distribution. However if this reserve is distributed as dividends, a further legal reserve is required to be provided equal to 10% of dividend declared.

21. SHARE PREMIUM

These are comprised of proceeds received in addition to the nominal value of the shares, as a result of public offering of Aksa Enerji Üretim A.Ş. issued during 2010. TL 153.167.594 (31.12.2015: TL 153.167.594) has been included in share premium account, after netting off registration and other regulatory fees and taxes.

	31.12.2016	31.12.2015
Opening balance at 1 January	153.167.594	153.167.594
Balance at end of the year	153.167.594	153.167.594

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

22. COMMITMENTS AND CONTINGENCIES

(a) Letters of guarantee given to:

31.12.2016	TL	USD	EURO	TL Equivalent
TEİAŞ, SEDAŞ, TEAŞ, TEDAŞ, EÜAŞ, etc.	209.895.252	4.068.097	-	224.211.700
Energy Market Regulatory Authority (EMRA)	32.204.220	52.663.000	-	217.535.850
KKTC Electricity Administration	-	3.000.000	-	10.557.600
General Directorate of Agriculture Enterprises	10.128.193	-	-	10.128.193
BOTAŞ - Petroleum Pipeline Corporation	1.560.000	18.914.184	-	68.122.796
Banks	7.500.000	5.410.903	16.894.604	89.219.341
Electricity Distribution Companies	42.021.715	-	-	42.021.715
Other	208.249.312	5.711.360	9.559.616	263.813.950
Total	511.558.692	89.767.544	26.454.220	925.611.145
31.12.2015	TL	USD	EURO	TL Equivalent
TEİAŞ, SEDAŞ, TEAŞ, TEDAŞ, EÜAŞ, etc.	204.177.084	4.068.097	190.000	216.609.228
Energy Market Regulatory Authority (EMRA)	87.133.800	53.163.000	-	241.710.539
KKTC Electricity Administration	-	3.000.000	-	8.722.800
General Directorate of Agriculture Enterprises	9.581.193	-	-	9.581.193
BOTAŞ - Petroleum Pipeline Corporation	-	16.553.184	-	48.130.038
General Directorate of Turkish Coal Group	3.894.007	-	-	3.894.007
Banks	7.500.000	6.693.163	21.260.080	94.517.072
Electricity Distribution Companies	63.085.655	-	-	63.085.655
Other	162.140.697	3.366.682	4.813.278	187.224.333
Total	537.512.434	86.844.126	26.263.358	873.474.865

(b) Guarantees given for the Group's loans:

Guarantee Types – 31.12.2016	Foreign Currency	Currency Amount	Total (TL)
Pledge (*)	EUR	51.000.000	189.204.900
Commercial Enterprise Pledge(*)	USD	133.000.000	468.053.600
Bank Deposit Blockage (Note 4)	USD	66.608.000	234.406.874
Bank Deposit Blockage (Note 4)	TL	12.295.963	12.295.963
Assignment of Claim	TL	1.096.424.507	1.096.424.507
Total			2.000.385.844

(*) The amount is related to Antalya power plant.

(*) As of 31.12.2016, a collateral of TL 189.204.900 (EURO 51.000.000) (31.12.2015: 162.057.600- EURO 51.000.000) have been pledged on the powerplant estate of Kapıdağ Rüzgar Enerjisi Üretim Sanayi ve Ticaret A.Ş., a consolidated subsidiary.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

In relation to two bank loans from Commerzbank AG (total of EURO 97.292.148) 51% of Baki Elektrik’s shares have been pledged as security.

In addition Çoruh Aksa Elektrik Hizmetleri A.Ş. and Fırat Aksa Elektrik Hizmetleri A.Ş. shares have been pledged in favour of the relevant bank loans at the amount of TL 145.000.000 and Aksa Doğalgaz Group Companies shares have been pledged in favour of the relevant bank loans at the amount of TL 326.827.000.

Kazancı Holding, being the Parent Company of Aksa Enerji, secured 500 million USD long term credit facility arranged by Goldman Sachs, China Development Bank, Garanti Bankası and İş Bankası on 26.02.2013. 68,86% of issued capital of Aksa Enerji were pledged as security of the credit facility to Garanti Bankası acting as Security Agent. In August 2016, this loan has been fully repaid.

On 2 August 2016, Kazancı Holding and Aksa Doğal Gaz Dağıtım A.Ş. entered into a new loan agreement in the amount of \$800 million ("New Loan") with the consortium led by Türkiye Garanti Bankası A.Ş. and Türkiye İş Bankası A.Ş. with participations 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.. The aforementioned Old Loan (Goldman Sachs Loan) has been fully repaid with the proceeds of New Loan and the pledged Aksa Energy shares in Kazancı Holding’s ownership have been released.

In addition to these released Aksa Energy shares belonging to Kazancı Holding, representing 61,98 % capital shares of Aksa Energy and 9,74% shares of Kazancı Holding, are now pledged to be a guarantee for the new loan, to the Guarantee Representative Türkiye İş Bankası A.Ş. by Kazancı Holding A.Ş..

Additionally, the shareholders and related Group companies gave suretyships (corporate guarantees) to Kazancı Holding A.Ş. and Group companies for their bank loans. As of 31.12.2016, the Group’s total financial loan risk was TL 7.765.860.310 (31.12.2015: TL 6.367.279.181) (note 14).

Guarantee Types – 31.12.2015	Foreign Currency	Currency Amount	Total (TL)
Pledge (“”)	EUR	51.000.000	162.057.600
Commercial Enterprise Pledge(“)	USD	133.000.000	386.710.800
Machinery and Equipment Pledge (“)	EUR	24.914.673	79.168.865
Bank Deposit Blockage (Note 4)	USD	6.000.000	17.445.600
Bank Deposit Blockage (Note 4)	TL	12.283.555	12.283.555
Assignment of Claim	TL	731.377.778	731.377.778
Total			1.389.044.198

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

(c) Legal lawsuits

As of 31 December 2016, there are 60.078 lawsuits pending in favor of the Group at the amount of TL 193.782.367 and there are 2.451 lawsuits pending against the Group at the amount of TL 220.964.123.

Contingent Liabilities arising from Lawsuits concerning the Reimbursement of Loss and Theft Costs in Electricity Distribution Companies to Subscribers:

The Energy Market Regulatory Authority determines the loss and theft cost, the meter reading cost, the retail service cost, the transmission system usage cost, and the distribution cost within the framework of the authority vested to it by the Electricity Market Law no 6446 and the Law no 4628 on the Organization and Duties of the Energy Market Regulatory Authority. Electricity distribution and assigned supplier companies collect such costs determined by the Authority from the consumers.

Individual cases were initiated against distribution companies during the recent years on grounds that “the loss and theft costs paid were unfairly collected amounts without any basis and that they did not reflect any services”. At the end of the legal process, these lawsuits were approved and finalized by the Supreme Court of Appeals against distribution companies within 2014 based on the grounds that “the collection of the costs of the losses that arose during the transmission of the electric energy and the electricity used by other persons through stealing (theft) from law-abiding subscribers did not agree with the notions of the rule of law and justice”. In addition, other lawsuits were also initiated concurrently with these cases concerning the calculation method of the TRT fund share as well as meter reading, distribution, transmission, and retail service fees, which were again finalized by the Supreme Court of Appeals against distribution companies. These lawsuits approved by the Supreme Court of Appeals will establish a precedent for any other lawsuits that might be filed in the future.

According to a calculation made by the Ministry of Energy, approximately 33 billion TL was collected from the consumers throughout Turkey concerning the loss and theft costs only, excluding the meter reading cost, the transmission cost, and the distribution cost, between the years 2006 and 2014 and this amount can increase by several times, when interest and counsel’s fees are added.

On the other hand, the “Draft Law on Making Amendments in the Electricity Market Law and Certain Other Laws”, which was prepared by the Ministry of Energy and Natural Resources, was submitted to the Turkish Grand National Assembly on 26 January 2015.

This draft law aims to introduce provisions concerning the following matters:

- Distribution tariffs comprise of the amounts that would meet all costs and services within the scope of the performance of the distribution activity such as the distribution system operation cost, the technical and non-technical loss cost, the cut-off and connection service cost, the meter reading cost, and the reactive energy cost.
- The target rates concerning the technical and non-technical losses to be taken as basis for the tariffs of distribution companies shall be determined by the Authority in a way to encourage the reduction of these losses. The costs concerning the technical and non-technical losses shall be included in distribution tariffs and reflected to consumers, provided that they do not exceed the target rates determined by the Authority.
- The aforementioned costs are cost elements in the nature of product or service price within the scope of the distribution tariffs, retail tariffs, and final source supply tariffs determined by the Authority. The jurisdiction of consumer arbitral tribunals and courts in any applications made and lawsuits filed concerning the product or service price shall be limited with the supervision of the compliance of such product or service fees with the regulatory procedures of the Authority.
- Any reimbursements made by distribution companies or the supplier based on a decision of the court or consumer arbitral tribunal related to these costs and the expenses included in such decision of the court shall be met through distribution tariffs.

Even though this draft law introduces a regulation in a way not to impose an additional liability on distribution companies concerning the subject matters of lawsuits, it has not been passed into law yet and a significant uncertainty exists with respect to the determination of the potential total liabilities of distribution companies.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

(d) Minority put option liability

Goldman Sachs, Türkiye İs Bankası A.Ş. and Türkiye Garanti Bankası A.Ş. have arranged USD 400 million syndicated secured loan to Kazancı Holding (the “New Loan Facility”). The New Loan Facility provides additional financing and is to be used to repay the bridge facility (in part on initial utilisation with the balance on final maturity of the bridge facility). In consideration for arranging the Transaction, Goldman Sachs has received (i) a right to the equity upside on 13,30% of shares in Aksa Enerji at any time before the sixth anniversary of the date of utilisation of the New Loan Facility, and (ii) downside protection, through a cash collateralised repurchase obligation at 6th year of Kazancı Holding at Goldman Sachs’ initial purchase price, on any shares in Aksa Enerji purchased by Goldman Sachs.

As of 26.02.2013, according to the public disclosure of “New Credit”, they agreed to increase “New Credit” from USD 400 million to USD 500 million. GS and Kazancı Holding A.Ş. agreed for purchasing of Aksa Enerji’s capital representing 3,32% of additional shares through the sale of common. Following the completion of this transaction, GS’s shares on Aksa Enerji will be increased from 13,30% to 16,62%.

Further information about the transaction is summarised below:

Simultaneously with the execution of the New Loan Facility, the board of directors of Aksa Enerji initiated a process of capital increase through private placement under registered capital system by restricting the pre-emptive rights of current shareholders. Goldman Sachs has committed to subscribe for 35.669.118 shares with a nominal value of TL 1.00 each corresponding to circa 5,82% of the total issued share capital of Aksa Enerji (post money) for a total price of USD 105 million (to be converted into TL at an exchange rate determined by the parties). Aksa Enerji adopted the necessary board resolutions and made the necessary approval applications to the Capital Markets Board of Turkey, Energy Market Regulatory Authority and other authorities for the registration of the shares that are subject to this capital increase.

- a) In parallel to such private placement, Goldman Sachs has committed to purchase from Kazancı Holding existing B-type Aksa Enerji shares representing circa 7,48% (post money) of the total issued share capital of Aksa Enerji for a total price of USD 135 million.
- b) After the successful completion of the capital increase through private placement and share transfer, Goldman Sachs has subject to the downside protection provided by Kazancı Holding, the ownership approximately 13,30% (post money) of the total issued share capital of Aksa Enerji. The total price to be paid by Goldman Sachs for those shares (“GS Shares”) has been determined as USD 240 million which equates to a market price per share which is different to the then exchange traded price.
- c) It has been agreed that the New Loan Facility will be used, among other things, for general corporate purposes and to repay the bridge facility. It has a 6 year tenor with a 3 years’ grace period and secured over 65,54% shares of Aksa Enerji. Upon completion of the equity purchase by Goldman Sachs described above, the GS Shares has been pledged as security for the New Loan Facility and a corresponding number of shares secured under the bridge facility has been released. Consequently, 52,24% of the Aksa Enerji shares pledged under the New Loan Facility is provided by Kazancı Holding and 13,30% is agreed to be GS Shares. The lenders have no recourse to Goldman Sachs other than in respect of the GS Shares.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

d) On the six year anniversary of the Transaction, Goldman Sachs will sell the remaining GS Shares back to Kazancı Holding at a price per share equal to the initial purchase price. In order to secure this repurchase obligation of Kazancı Holding, and in consideration for Goldman Sachs providing security over GS Shares, Kazancı Holding delivered cash collateral to Goldman Sachs in an amount equal to the total price of the Aksa Enerji shares acquired by Goldman Sachs. As of 26.02.2013, the statement made with GS and Kazancı Holding agreed to increase “new loan” from USD 400 million to USD 500 million and GS will purchase 3,32% of Aksa Enerji’s capital through sale of partner for the USD 60 million from Kazancı Holding. Following the completion of this transaction, GS’s share on Aksa Enerji will increase from 13,30% to 16,62%. In order to reflect the cash collateral and minority put option liability in the consolidated financial statements, carrying value of the shares subject to option amounting to TL 1.055.759.793 (31.12.2015: TL 872.280.000) which is paid as cash collateral is reclassified under long-term assets (note 8).

Difference between initial minority interest amount and the fair value amount calculated as TL 752.062.940 (31.12.2015: TL 614.443.235) and classified as “minority put option liability” under long-term liabilities and “minority put option liability reserve” under equity is calculated in accordance with IFRS. While determining the fair value of minority put option liability as of 31 December 2016, the Company has estimated a value based on market value of the Aksa Enerji shares at Istanbul Stock Exchange (ISE).

23. REVENUE AND COST OF SALES

Total Sales	01.01.-31.12.2016	01.01.-31.12.2015
Domestic sales	8.880.621.595	8.886.114.354
Exports	271.076.717	432.110.079
Sale returns and discounts (-)	(106.482.820)	(38.474.313)
	9.045.215.492	9.279.750.120
Cost of Sales	(7.905.815.163)	(8.235.264.939)
	1.139.400.329	1.044.485.181

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

24. RESEARCH AND DEVELOPMENT, MARKETING, SELLING, DISTRIBUTION AND GENERAL ADMINISTRATIVE EXPENSES

	01.01.-31.12.2016	01.01.-31.12.2015
Research and development expenses	301.531	-
Marketing, selling and distribution expenses	69.763.530	58.615.407
General administrative expenses	141.019.018	119.105.920
	211.084.079	177.721.327

Breakdown of operating expenses are as follows:

Marketing, selling and distribution expenses	01.01.-31.12.2016	01.01.-31.12.2015
Personnel cost	27.480.347	24.745.370
Entertainment and advertisement expenses	10.913.403	8.849.180
Taxes paid	5.558.034	4.588.638
Transportation expenses	3.895.434	2.144.609
Rent expenses	3.046.189	1.808.570
Depreciation and amortization expense (note 11)	2.891.661	2.761.944
Assemblage and service expenses	2.482.026	1.660.398
Travelling expenses	1.784.744	1.634.361
Motor vehicle expenses	1.435.074	1.559.974
Office expenses	1.175.879	906.080
Export commission expenses	1.173.146	926.864
Court and notary expenses	852.855	627.914
Consulting and audit expenses	722.320	674.896
Retirement pay provision (note 18)	273.054	246.050
Other	6.079.364	5.480.559
	69.763.530	58.615.407

General administrative expenses	01.01.-31.12.2016	01.01.-31.12.2015
Personnel cost	53.351.910	50.431.051
Consulting and audit expenses	16.235.883	7.157.274
Depreciation and amortization expense (note 11)	11.953.975	10.583.157
Traveling expenses	9.385.890	4.355.240
Rent expenses	7.216.889	8.403.462
Provision for doubtful receivables (note 5)	6.579.083	10.594.469
Office expenses	4.836.972	6.617.836
Tax expenses	6.171.691	5.894.060
Retirement pay provision (note 18)	4.472.355	4.279.615
Outsourced benefits and services	4.269.134	2.066.398
Communication expenses	2.227.362	2.729.261
Other	14.317.874	5.994.097
	141.019.018	119.105.920

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

25. OTHER INCOME AND OTHER EXPENSES

Other income	01.01.-31.12.2016	01.01.-31.12.2015
Profit on sale of fixed assets ^(*)	100.181.463	35.739.238
Profit on sale of investment ^(*)	4.527.843	30.398.053
Reversal of unnecessary doubtful debt provision (note 5-8)	23.311.579	23.073.424
Release of part of provision for disputed debt to TEİAŞ	6.394.460	11.505.901
Income on insurance claims	5.611.526	1.689.660
Other income	31.404.857	14.764.458
	171.431.728	117.170.734

^(*) TL 3.546.364 of gain on sale of investment is related to sale of Siirt Akköy Enerji.

^(*) The amount is related to sale of Aksa Trakya Doğalgaz Dağıtım A.Ş.'s shares and licence to İstanbul Gaz Dağıtım Sanayi ve Ticaret A.Ş. (İGDAŞ) with the permission of EPDK on 01.08.2016.

Other expenses	01.01.-31.12.2016	01.01.-31.12.2015
Loss on sale of fixed assets ^(*)	73.105.214	1.313.982
Doubtful debt provision (note 5-8)	50.839.672	28.930.945
Unrealized tender specification expenses	18.022.256	70.134
Natural gas subscription update	16.946.384	10.873.022
Disallowable expenses	4.910.870	2.296.616
Compensation expenses	4.729.000	205.886
Idle capacity expenses	4.112.226	3.752.246
Donation and grants	3.870.761	6.580.535
Loss on sale of investments	-	4.396.006
Other expense	20.372.663	26.414.002
	196.909.046	84.833.374

^(*) TL 58.259.209 of loss on sale of fixed assets is related to sale of Kozbükü PP.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

26. FINANCING INCOME AND FINANCING EXPENSES

Financing income	01.01.-31.12.2016	01.01.-31.12.2015
Foreign exchange gains	584.496.965	591.508.582
Interest income on time deposits at banks and group companies	50.235.927	45.771.590
Discount on trade payable	9.381.718	5.891.530
Income from derivative transactions	5.165.563	-
Late payment penalties	4.687.869	6.499.856
Other	307	4.071
	653.968.349	649.675.629
Financing expenses	01.01.-31.12.2016	01.01.-31.12.2015
Foreign exchange losses	1.149.779.562	1.424.105.582
Interest paid on loans	603.567.365	438.861.282
Bank commission expenses ⁽¹⁾	122.823.494	23.904.267
Interest expense on related parties	50.176.516	51.806.173
Expenses from derivative transactions	35.915.342	-
Letters of Guarantee expenses	7.114.133	12.125.417
Discount on trade receivable	5.698.549	3.274.426
Other	11.490.661	195.802
	1.986.565.622	1.954.272.949

⁽¹⁾ The major amount of the balance is related to refinancing of financial liabilities (note 22-b).

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

27. DERIVATIVE FINANCIAL INSTRUMENTS

Current derivative financial instruments asset	31.12.2016	31.12.2015
Held for trading	5.165.563	-
Cash flow hedges	1.339.627	-
Total	6.505.190	-
Current derivative financial instruments liabilities	31.12.2016	31.12.2015
Foreign Exchange Option	-	-
Interest rate swap	-	7.207.234
Total	-	7.207.234

28. 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 investments in foreign countries (such as in Africa) on 10 November 2016. An agreement has been reached with Gürış Group for the sales of Hatay Sebenoba Wind Power Plant, Manisa Karakurt Wind Power Plant, Balıkesir Şamlı Wind Power Plant, Ayvacık 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 on 30 November 2016. In relation to the sales process of these Wind Power Plants (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 Kazancı shareholders by general assembly held on 3 February 2017. Total assets and liabilities of the subsidiaries Ayres Ayvacık Rüzgar, Baki Elektrik, Deniz Elektrik and Kapıdağ Rüzgar Enerjisi and Belen-Atik which were recognized as property, plant and equipment are classified as “Assets held for sale” and “Liabilities in relation to assets held for sale” as of 31.12.2016.

As at 31 December 2016, assets and liabilities including those of discontinued operations are TL 448.888.338 and TL 369.543.650, respectively, and details are as follows:

Assets held for sale	31 December 2016
Cash and cash equivalents	15.662.073
Trade receivables	4.137.169
Inventories	4.397.724
Property, plant and equipment	418.052.451
Intangible assets	397.794
Deferred tax asset	4.857.121
Other assets	1.384.006
Total	448.888.338
Liabilities held for sale	31 December 2016
Loan and borrowings	357.470.411
Trade payable	5.394.941
Other liabilities	3.014.209
Deferred tax liability	3.137.212
Provisions	526.877
Total	369.543.650

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

29. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The table below summarizes the foreign monetary position risk of the Group as of 31 December 2016. The recorded amounts of the foreign monetary assets are kept by the Group and those of the payables in terms of total amounts and foreign exchange are as follows:

31.12.2016	USD	EUR	GBP	AED	CNY	OTHER	TL Equivalent
Cash and cash equivalents	124.705.694	5.781.246	10.029	-	-	403.544	460.421.861
Trade receivables	12.317.522	11.151.705	35.458	-	-	2.360	84.882.868
Other current assets	4.121.457	1.940.480	-	-	-	17.115	21.703.731
Total foreign currency assets	141.144.673	18.873.431	45.487	-	-	423.019	567.008.460
Financial liabilities	1.201.027.666	147.941.918	985.566	206.943	200.278.055	-	4.881.109.609
Trade payables	23.894.411	25.367.380	37.883	-	-	312.207	179.711.655
Other current liabilities	8.496.750	7.405.158	-	-	-	-	57.374.159
Total foreign currency liabilities	1.233.418.827	180.714.456	1.023.449	206.943	200.278.055	312.207	5.118.195.423
Net foreign currency position	(1.092.274.154)	(161.841.025)	(977.962)	(206.943)	(200.278.055)	110.812	(4.551.186.963)

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

Supplementary Disclosures on financial instruments

(a) Capital Management Policies and Procedures

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 cash and non cash (bonus shares) 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, trade letters of credit, less cash and cash equivalents. Financing used is the sum of total equity and net financial debt.

The following table sets out the gearing ratios as of 31 December 2016 and 31 December 2015:

	31.12.2016	31.12.2015
Total financial liabilities	7.765.860.310	6.367.279.181
Less: cash and cash equivalents	(854.903.267)	(372.213.292)
Net financial debt	6.910.957.043	5.995.065.889
Total equity	(828.099.586)	96.416.124
Total financing used	6.082.857.457	6.091.482.013
Gearing ratio (net financial debt to overall financing used ratio)	114%	98%

(b) Financial instruments and categories

	31.12.2016	31.12.2015
Financial assets		
Cash and cash equivalents	854.903.267	372.213.292
Derivative financial instruments	6.505.190	-
Trade receivables	1.138.131.120	1.085.133.076
	1.999.539.577	1.457.346.368
Financial liabilities		
Financial payables	7.765.860.310	6.367.279.181
Derivative financial instruments	-	7.207.234
Trade payables	1.335.035.529	1.687.405.309
	9.100.895.839	8.061.891.724

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

(c) Market risk

The Group is exposed to financial risks arising from changes in currency rate (paragraph d), interest rate (paragraph e) and price risk (paragraph f) which arise directly from its operations.

The market risks that the Group is exposed to are measured on the basis of sensitivity analysis.

The Group's risk management policies and processes used to measure those risks have been similar to previous periods.

(d) Foreign currency risk

The Group is exposed to foreign currency risk arising from the translation of foreign currency denominated assets and liabilities to TL, the foreign currency denominated assets and liabilities mainly include bank deposits, bank borrowings, trade payables, trade receivables, other assets and other liabilities.

(e) Interest rate risk management

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Certain parts of the interest rates related to borrowings are based on market interest rates; therefore the Group is exposed to interest rate fluctuations on domestic and international markets. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

The majority of the Group's financial obligations consist of fixed and variable interest rate borrowings.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

(f) Price risk

The Group may be exposed to price risk arising from decreases in prices. This is a combination of currency, interest and market risks which the Group manages through natural hedges that arise from offsetting the same currency receivables and payables, interest bearing assets and liabilities. Although sales invoices are issued in TL, sales prices are fixed in foreign currency. Market risk is closely monitored by the management using the available market information and appropriate valuation methods.

The Group’s energy Companies’s sales invoices to TEİAŞ and EÜAŞ are issued in Turkish Lira and sales unit prices are fixed, the management of the Group is carefully monitoring the costs. When needed appropriate measures are taken.

(g) Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of the counterparties. The Group monitors credit risks by establishing credit limits for each customer who wish to trade on credit terms and obtaining sufficient collateral. Trade receivables are evaluated by management in the light of the Group’s procedure and policies and are carried in the balance sheet net of impairment provision.

(h) Liquidity risk management

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The Group manages its liquidity needs by regularly planning its cash flows or by maintaining sufficient funds and borrowing sources by matching the maturities of liabilities and assets. Prudent liquidity risk management implies maintaining sufficient cash, securing availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2016 AND 2015

(Currency – Turkish Lira “TL” unless otherwise expressed)

30 POST BALANCE SHEET EVENTS

As the announcement on 07.04.2017, Belen Atik WPP (Wind Power Plant) has been sold to Gürış İnşaat ve Mühendislik A.Ş. at the amount of USD 27.000.000 and as the announcement on 16.03.2017, Ayres Ayvacık WPP (Wind Power Plant) has been sold to Gürış Group at the amount of USD 8.500.000.

The Group is investing in three new Power Plant Projects in Africa, located in Ghana, Madagascar and Mali. Such investments are carried out based on Power Purchase Agreements signed with authorities with guaranteed USD and/or EURO prices.

The Group has signed an agreement with Gürış Group to sell its 232 MW installed capacity wind power plants for USD 259.000.000 on 30 November 2016 (see also note 28).



KAZANCI HOLDING

