

ANNUAL REPORT 2018

# THINK DIFFERENT

The future belongs to those who think different



KAZANCI HOLDING

## CONTENTS

### INTRODUCTION

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

### FROM MANAGEMENT

- 17 Message from the Chairman
- 18 Board of Directors
- 21 Message from the CEO
- 24 Senior Management

### OPERATIONS

- 28 Natural Gas Distribution and Sales
  - 28 Aksa Natural Gas
- 38 Electricity Distribution and Sales
  - 40 Electricity Sales Companies
  - 44 Electricity Distribution Companies
- 56 Electricity Generation
  - 56 Aksa Energy
- 66 Generator Manufacturing and Sales
  - 66 Aksa Power Generation
- 72 Agriculture
  - 74 İnanlı Enterprise
  - 75 Gelemen Enterprise
- 78 Tourism
  - 80 Mirada Del Mar Hotel
  - 80 Mirada Del Lago Hotel
  - 81 Mirada Del Monte Hotel

### SUSTAINABILITY

- 86 Human Resources
- 90 Environment
- 100 Occupational Health and Safety
- 104 Corporate Social Responsibility

### CORPORATE GOVERNANCE

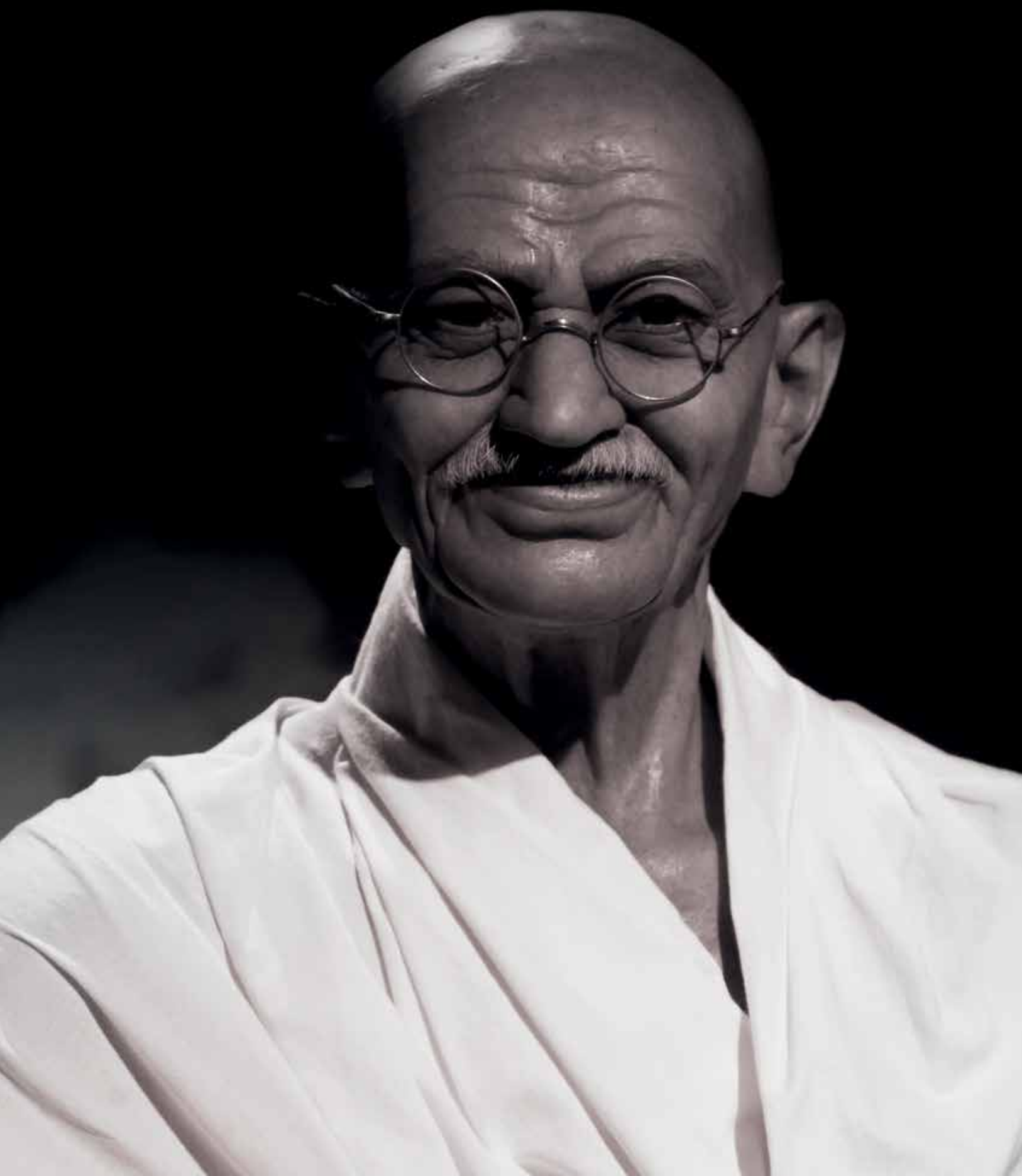
- 110 Corporate Governance Practices
- 111 Internal Audit, Control and Risk Management
- 112 Strategic Goals
- 113 Code of Ethics
- 119 Information Technologies
- 122 Information Security Policy

### FINANCIAL INFORMATION

- 124 Independent Auditor's Report
- 128 Consolidated Financial Statements

Those who envisaged today and the future by thinking different have played a significant role in reaching the point where we now stand as the human race. We are steadily moving forward to a new future with our visionary approach, taking inspiration from those who think different.

As one of the leading groups in the energy industry with energy generation, electricity distribution and sales, natural gas distribution, generator manufacturing and sales operations, we continue to assume a pioneering role and serve as a model in our sector.



“Curbing of  
thought means  
curbing of  
the mind which  
is even more  
difficult than to  
curb the wind.”

- Mahatma Gandhi

Mohandas Karamchand Gandhi believed that he could stop the bleak course of events in the world by thinking different. He pioneered the philosophy of Satyagraha, an active but nonviolent form of resistance against evil. This philosophy led India to its eventual independence. Gandhi became an inspiration, role model and leader for civil rights activists and freedom fighters all around the world.

# KAZANCI IN THE WORLD



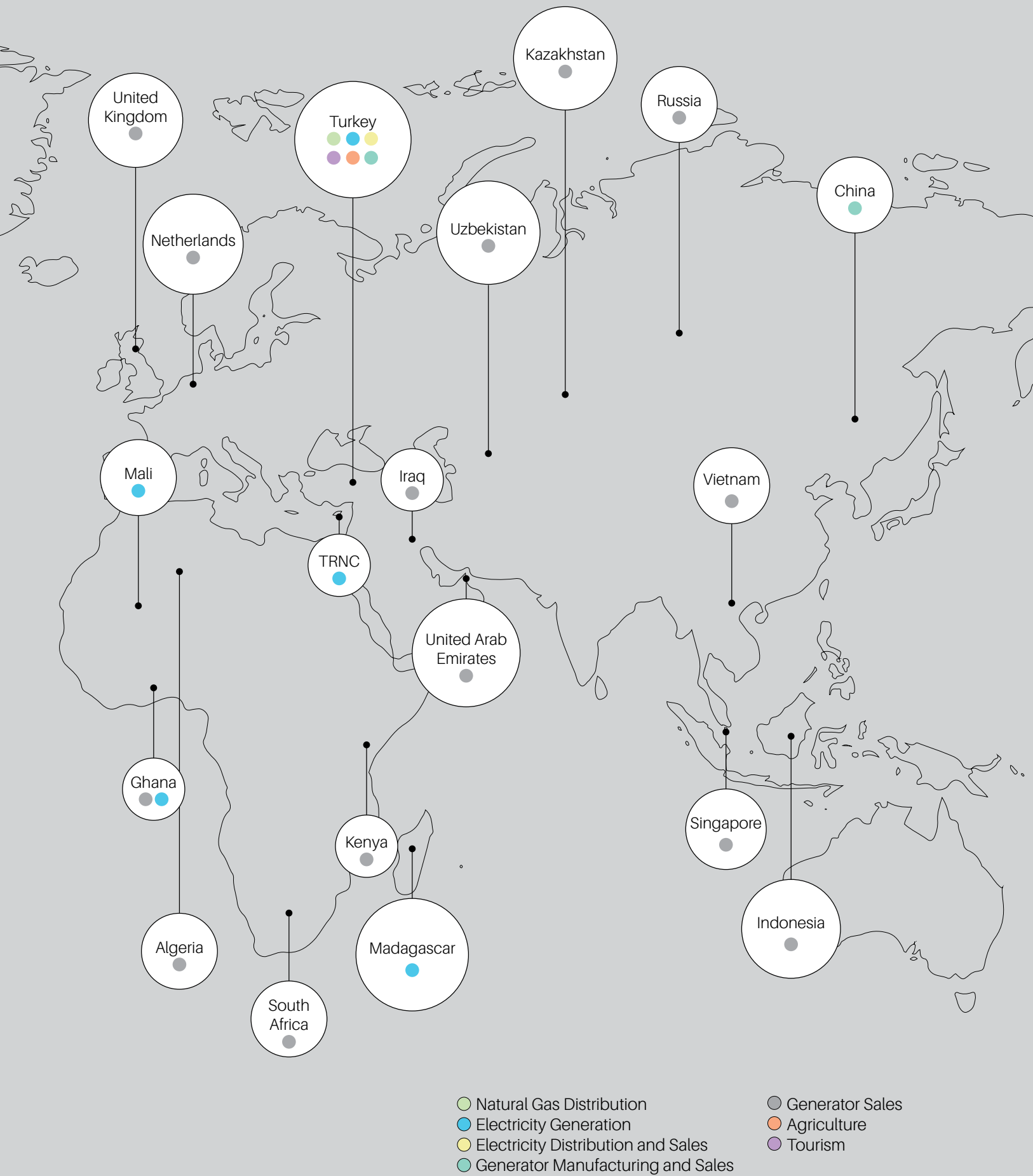
MORE THAN **7,700** EMPLOYEES

FROM **74** DIFFERENT NATIONS

PRODUCTION ON **4** CONTINENTS

OPERATIONS IN **20** COUNTRIES

EXPORTS TO OVER **160** COUNTRIES

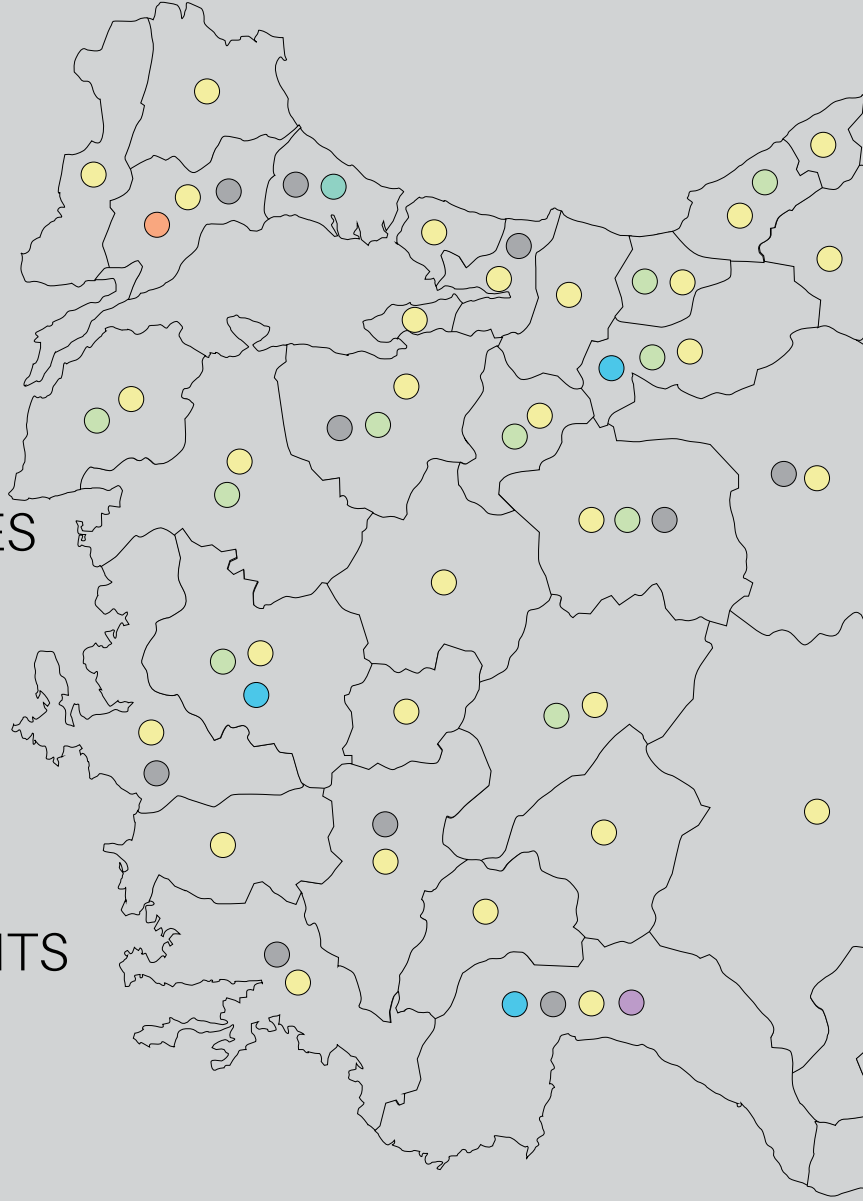


# KAZANCI IN TURKEY

TRY **14.2** BILLION  
REVENUES

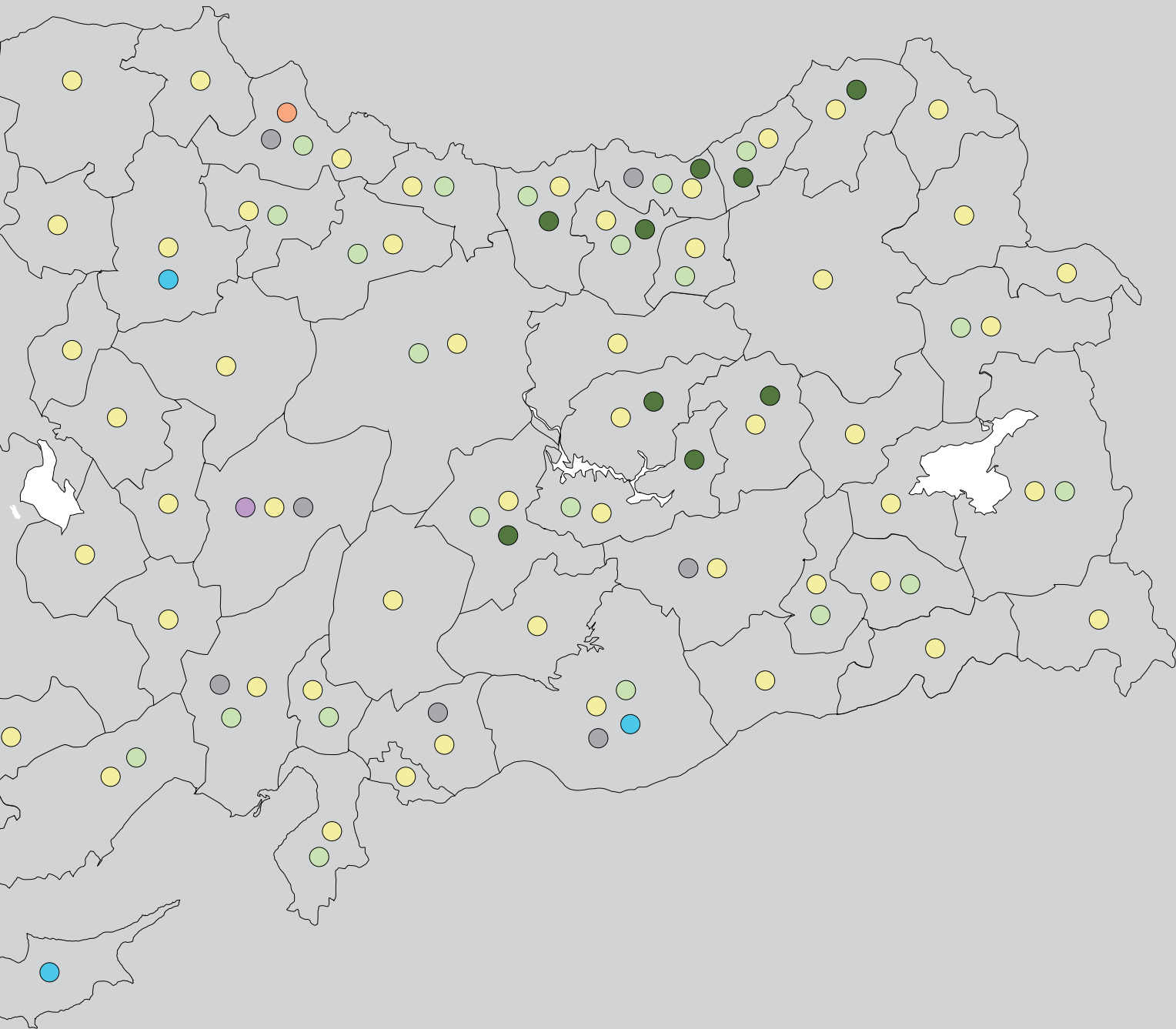
TRY **2.7** BILLION  
EBITDA

TRY **1.3** BILLION  
INVESTMENTS



With a history dating back to the 1950s, Kazancı Holding has always focused on the core principles of customer satisfaction and trust during its journey of over half a century. The Holding is one of the leading companies in the energy industry with its major investments in electricity generation, electricity distribution and sales, natural gas distribution and generator manufacturing and sales. Kazancı Holding also creates added value for the Turkish economy with its operations in the agriculture and tourism sectors.





- Natural Gas Distribution
- Electricity Generation
- Electricity Sales
- Electricity Distribution
- Generator Manufacturing
- Generator Sales
- Agriculture
- Tourism

# ABOUT KAZANCI HOLDING

A journey over a half century...

---

**7,700+**  
EMPLOYEES

Founded in the 1950s, Kazancı Holding is one of the leading groups in the energy sector. Shaping its activities always based on the principles of customer satisfaction and trust during its journey of more than half a century, the Group has become a global powerhouse through investments made all over the world with its visionary approach and innovative perspective.

The subsidiaries of the Holding are among the leading companies in their respective fields due to the achievements they have attained. Amongst those companies operating under the brand Aksa;

Aksa Natural Gas provides natural gas distribution services to a population of about 15 million and 2.9 million customers. The Company safely operates a 27,833 km network infrastructure in 27 provinces, 180 districts and towns under 21 distribution licenses. Serving Turkey's widest geographical distribution area, Aksa Natural Gas is the country's largest private natural gas distribution company, distributing 8.5 billion m<sup>3</sup> of gas and boasting 19.3% market share.

---

**OPERATIONS IN  
20  
COUNTRIES**

Kazancı Holding started its journey, which laid the foundation for the Group companies in the energy sector, with Watt Electric Motor Factory in 1968. The Group commenced generator manufacturing in the 1980s, power plant construction and electricity generation in the 1990s, natural gas distribution in the early 2000s, and electricity distribution and sales in 2010. As a result, Kazancı Holding gradually built its vertical and horizontal structure in the energy sector and reached a unique position in the industry.

Aksa Energy is the largest publicly-listed independent power producer in Turkey with its power plants established and operated in the country and abroad. Taking important initiatives in line with its globalization drive in recent years, Aksa Energy, once a local energy company, has transformed into a global power company with its power plants in the Turkish Republic of Northern Cyprus and Africa.

---

**EXPORTS TO  
160+  
COUNTRIES**

Positioned ahead of its competitors thanks to its expertise and integrated service competence in the energy industry, the Group aims to grow within the sector through long-term strategic focusing, and retain its leading position. The Group continuously increases the added value it creates for the Turkish economy with its investments in agriculture and tourism sectors in addition to energy, taxes it pays and employment opportunities it creates.

Aksa Electricity is one of the pioneering electricity enterprises in Turkey with its customer-orientation and innovative approach. It is the incumbent supply company providing energy to consumers within its licensed regions of Çoruh and Fırat. Serving 2 million customers and a population of 3.7 million across 81 provinces, Aksa Electricity sold 9 billion KWh of electricity across Turkey in 2018.

---

**TRY  
14.2  
BILLION  
REVENUES**

Today, Kazancı Holding is a global power with manufacturing facilities on 4 continents, more than 7,700 employees from 74 countries, and operations in 20 countries, exporting goods to more than 160 countries around the world.

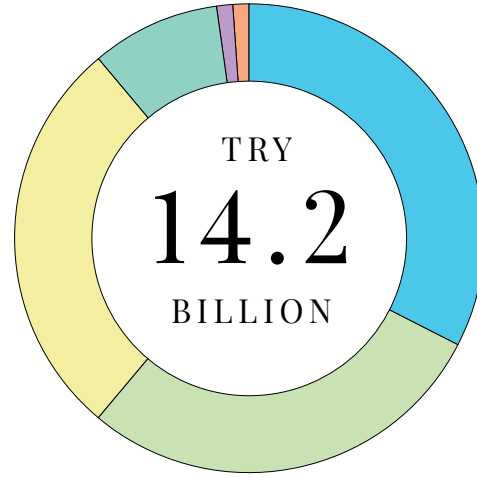
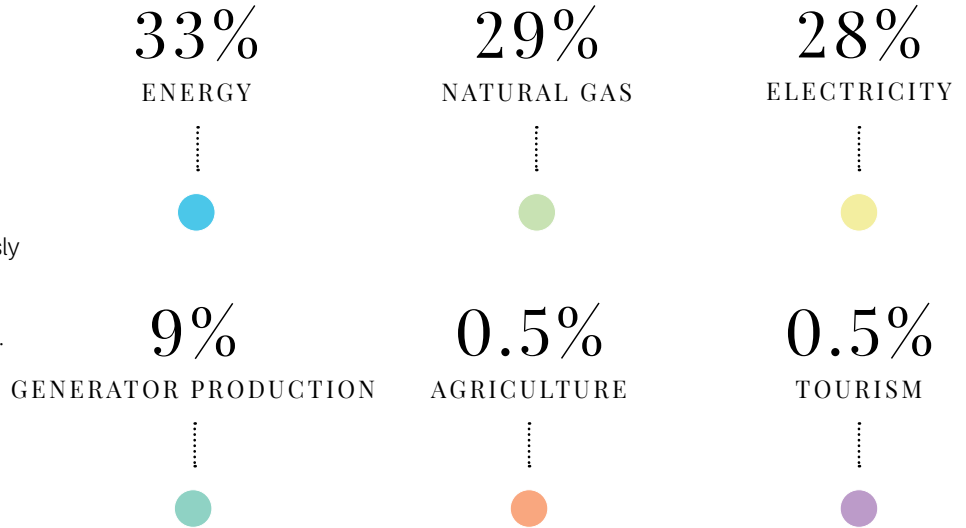
## Kazancı Holding 2018 Revenue Distribution

Çoruh and Fırat electricity distribution companies are committed to continuously boosting customer satisfaction with an uninterrupted distribution approach without compromising quality standards. These companies meet the electricity needs of a population of 3.7 million located in the service regions by distributing 6 billion KWh of energy annually.

Leader of the Turkish generator market, Aksa Power Generation is one of Turkey's biggest exporters, shipping its products to over 160 countries. Aksa Power Generation, which exports more than 50% of the production of its plants located in Turkey, China and the US, is one of the top five power generator manufacturers in the world with 21 sales points in Asia, Europe, Africa and America.

Introducing a corporate modus operandi to the agriculture sector since 2005, Aksa Agriculture has become one of the major companies engaged in cattle breeding, dairy farming and arboriculture. The Company operates in line with EU standards at its two farms in Samsun and Tekirdağ.

Aksa Tourism is a major player in summer tourism and convention tourism with the 5-star Mirada Del Mar Hotel in Göynük, Antalya, whilst the 4-star Mirada Del Lago Hotel and the 3-star Mirada Del Monte Hotel in Mount Erciyes attract winter tourism.



Shareholding Structure	Number of Shares	%
Ş. 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	-
<b>Total</b>	<b>111,000,000</b>	<b>100</b>

# OUR VALUES

The trust our shareholders place in our brand is the greatest reason for our aspiration for ever higher standards in all aspects.

---

OUR KNOW-HOW  
AND EXPERIENCED  
STAFF ENSURE THE  
CONTINUITY OF  
OUR INVESTMENTS  
AND THE SENSE OF  
PRIDE THAT COMES  
FROM BEING A  
GLOBAL GROUP OF  
COMPANIES.

At Kazancı Holding, we have been working relentlessly since the 1950s to always provide dependable and high quality products and services. The trust our shareholders place in our brand is the greatest reason for our aspiration for ever higher standards in all aspects.

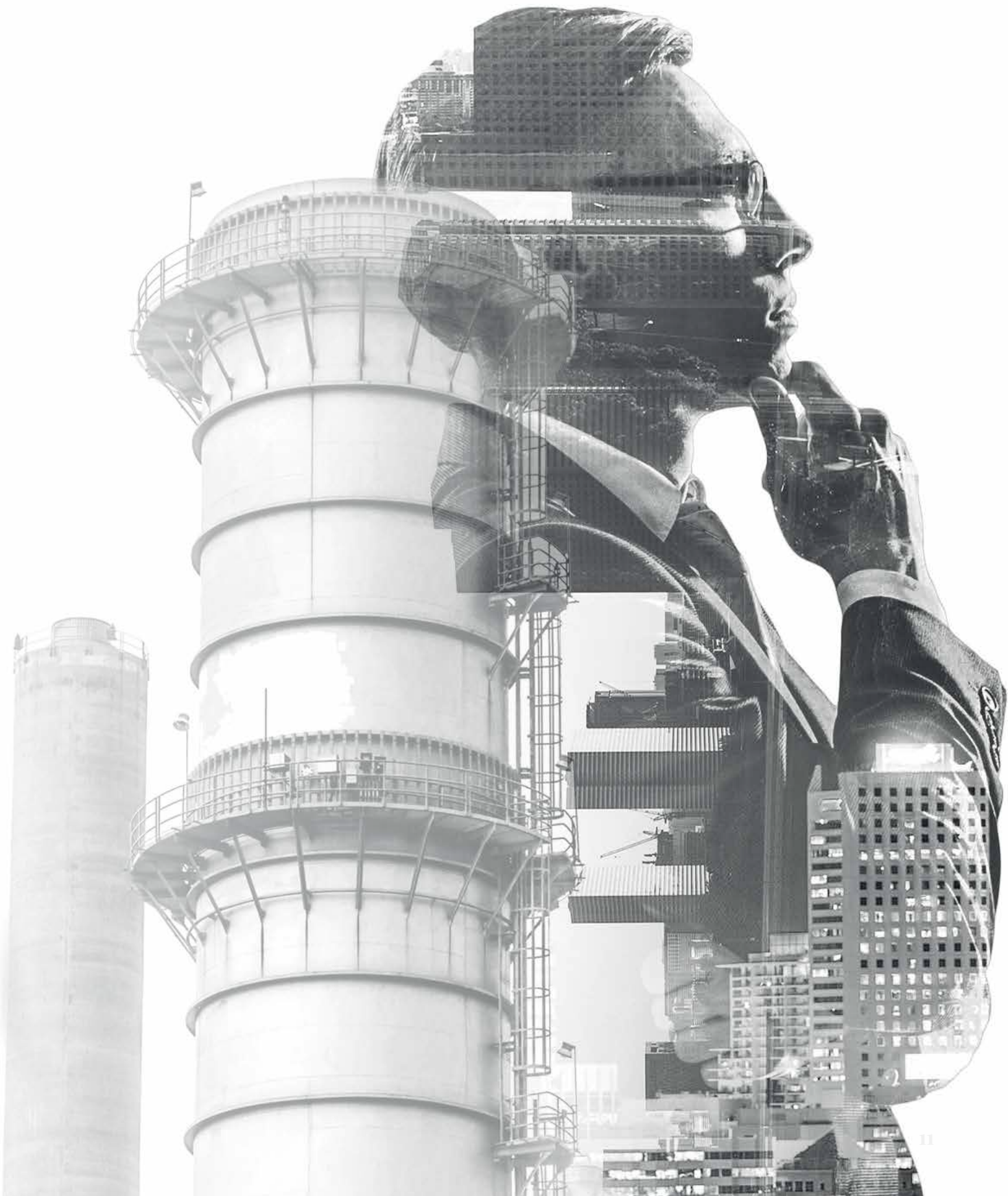
Over half a century's experience allows us to see more clearly the steps we will be taking in the future, and this means we can look ahead with hope. We regard all our stakeholders and employees as part of a whole, and we work hard to function as a team and make sure this awareness is embraced by all our employees.

One of the biggest reasons ensuring that we look ahead with hope is our unshakable trust in children, the guarantors of our future. We know that our children are our past, present, and future. With this awareness, we design and realize projects focused on the personal development of our children.

We support public campaigns and activities designed for the improvement of children's self-esteem; we organize sports, art, and chess events; and we are proud to become involved in beneficial organizations.

All the companies in our Group are customer satisfaction oriented, and constantly improving. We place a huge importance on customer demand and feedback for our services, offer adequate solutions, fulfill our responsibilities at every stage from manufacturing to sales, and continue to channel our knowledge towards the newest and the best.

Our know-how and experienced staff ensure the continuity of our investments and the sense of pride that comes from being a global group of companies.



# MILESTONES

We have strived to offer reliable and high quality products and services since the 1950s.

THE INSTALLED CAPACITY OF GHANA HEAVY FUEL OIL POWER PLANT WAS INCREASED FROM 280 MW TO 370 MW IN 2018.	1950	Commercial foundation of the Group.	2002	The Group entered natural gas distribution sector.
	1968	Watt Electric Engines, the Group's first energy sector company, was founded.	2004	First natural gas distribution license was obtained.
	1984	Generator manufacturing started.		Aksa Electricity Wholesales was founded.
	1986	Aksa Service and Rental was founded.		Aksa Agriculture commenced commercial operations.
	1994	Kazancı Holding A.Ş. was founded.	2006	Mirada Del Mar Hotel became operational.
	1997	Aksa Power Generation's Istanbul factory was inaugurated.		The first privately-owned natural gas wholesale trade company in Turkey, Aksa Natural Gas Wholesales, was established.
			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 took place.

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

## 2011

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

## 2012

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

## 2013

Aksa Power Generation's factory in USA was inaugurated.

## 2015

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

Aksa Aksen Energy Trading was founded.

Aksa Energy entered the African market by executing a power plant construction and guaranteed 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 fuel oil power plants commenced commercial operations.

## 2018

AKSA ENERGY SIGNED A PURCHASE GUARANTEED SALES CONTRACT FOR THE REHABILITATION AND OPERATION OF MADAGASCAR CTA-2 HEAVY FUEL OIL POWER PLANT WITH 24 MW INSTALLED CAPACITY. 12 MW CAPACITY OF THE FACILITY WAS COMMISSIONED AND BEGAN COMMERCIAL OPERATIONS.

THE INSTALLED CAPACITY OF AKSA ENERGY'S GHANA HEAVY FUEL OIL POWER PLANT INCREASED FROM 280 MW TO 370 MW.

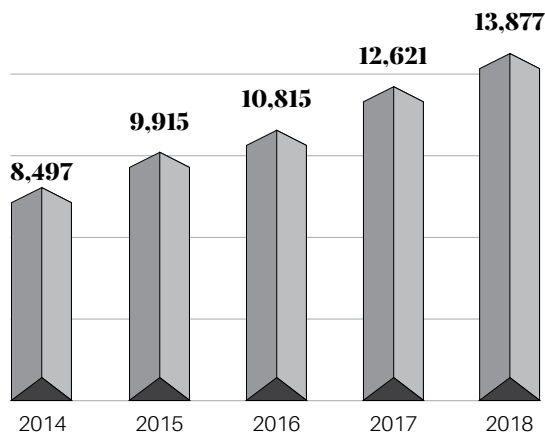
AKSA NATURAL GAS ADDED 36 NEW DISTRICTS TO ITS SERVICE NETWORK AND INCREASED THE NUMBER OF DISTRICTS AND TOWNS WHERE IT OPERATES TO 180.

AKSA POWER GENERATION'S MIAMI AND UZBEKISTAN SALES OFFICES WERE INAUGURATED.

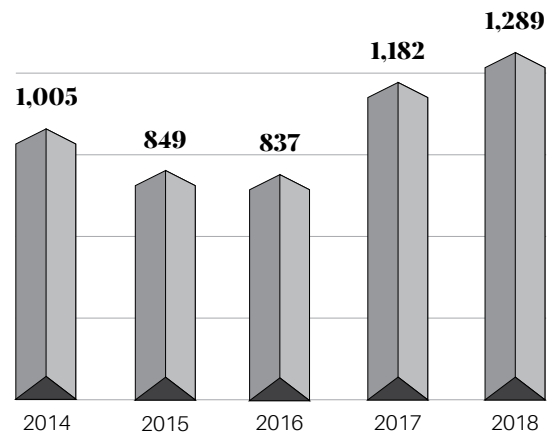
# KEY FINANCIAL INDICATORS

In 2018, Kazancı Holding boosted its revenues by 46% and increased its EBITDA by 69%.

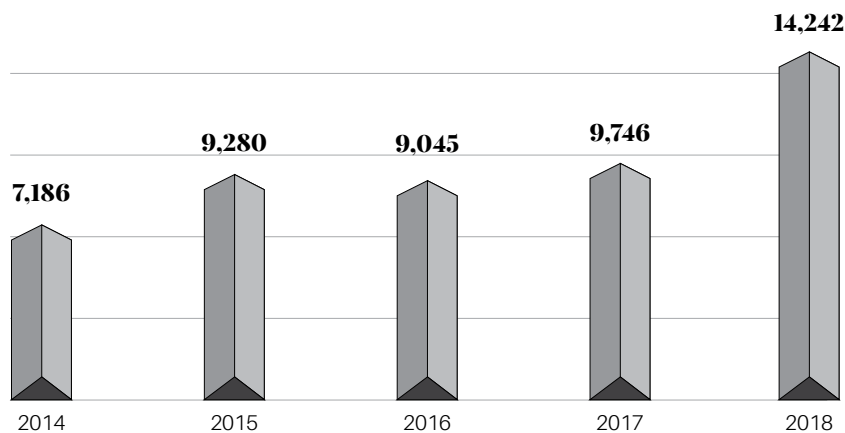
ASSETS (TRY MILLION)



INVESTMENTS (TRY MILLION)



REVENUES (TRY MILLION)

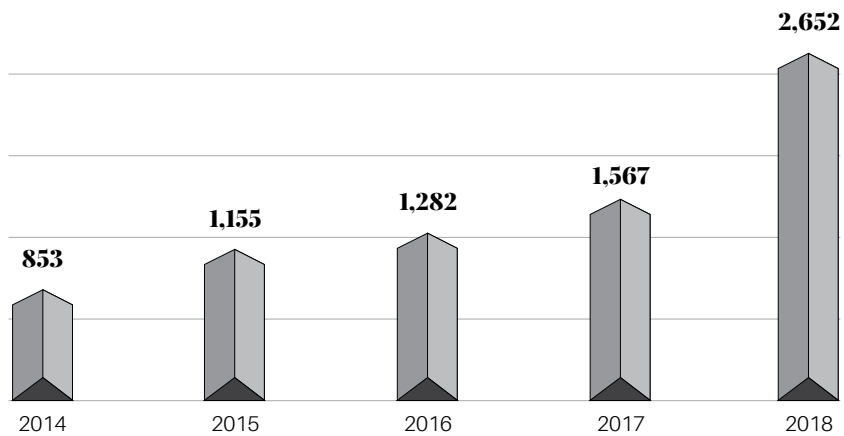


REVENUE  
GROWTH RATE

**46%**



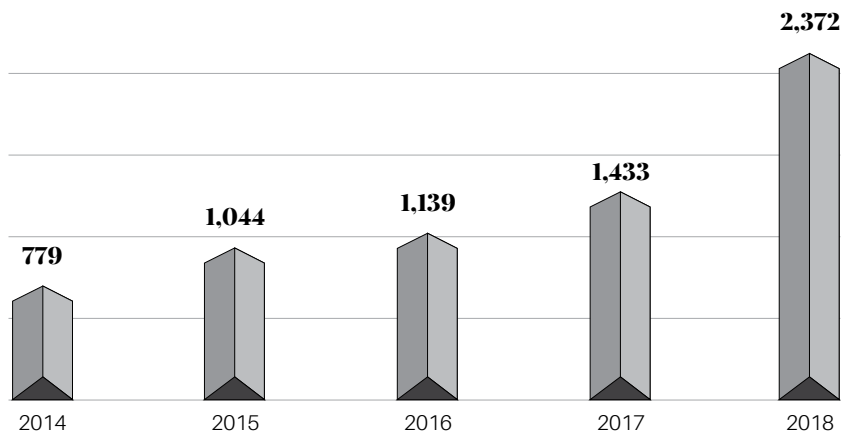
### EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA) (TRY MILLION)



EBITDA  
GROWTH RATE

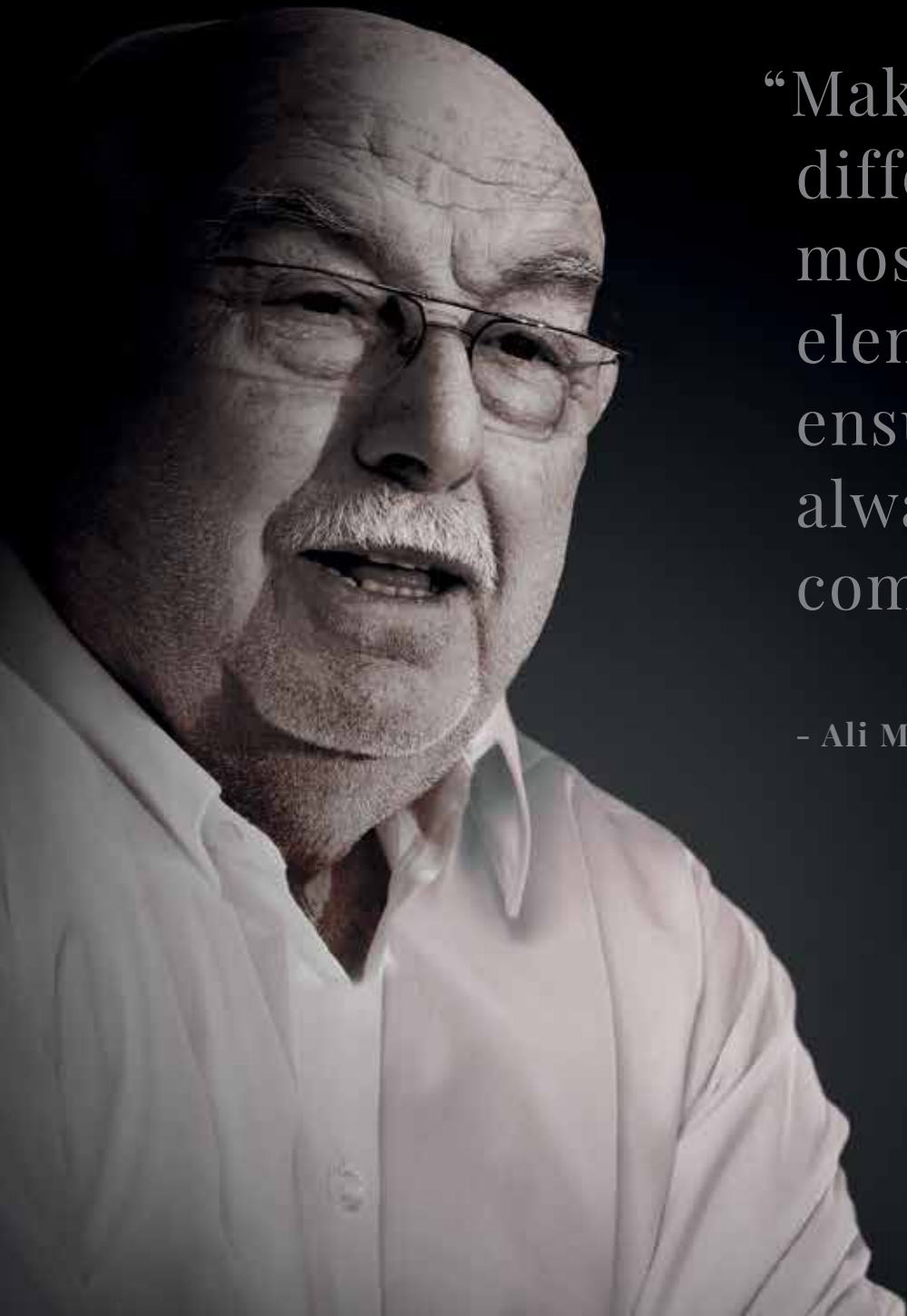
**69%**

### GROSS PROFIT (TRY MILLION)



GROSS PROFIT  
GROWTH RATE

**66%**



“Making a  
difference is the  
most important  
element that  
ensures you are  
always ahead in  
competition.”

- Ali Metin Kazancı

# MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

2018 was a difficult year whose impacts we will feel in the coming period in terms of the global economy. Increased global trade competition has revealed divergence between countries and power struggles that have intensified. During the year, we witnessed the deterioration of global economic activity due to difficulties in cooperation and trade coupled with the structural problems of developing countries.

Although 2018 started with a strong economic performance, our country experienced the negative effects of the turmoil that began to increase starting from August. Turkey was particularly exposed to speculative foreign currency exchange attacks after heightened political tensions with the US. The deterioration in key indicators caused considerable damage to our economy. However, pragmatic steps taken by our government with determination quickly yielded positive results. Once again, Turkey demonstrated the resilience of its economy against internal and external factors.

For Kazancı Holding, 2018 was a year that will be remembered for significant achievements on its journey of sustainable success, consistently maintained for more than half a century. We extended our strong performance despite varied challenging circumstances in Turkey and worldwide. We outperformed our targets set at the beginning of the year in key areas including production, employment and revenues. Thanks to the strong stewardship of our management team and our highly competent human resources that adapt to changing conditions in the field, we successfully overcame difficulties encountered during the year.

In line with Kazancı Holding's mission of becoming a global player, our objective of achieving growth with our investments continued to determine the Company's main course in 2018. Throughout the year, we stepped up efforts to prepare our business for the future and coming changes. We analyzed the direction that business will take in order to anticipate and eliminate possible risks. We focused on improving all our operations in terms of efficiency and savings, innovation and technology, while taking major steps forward in our various transformation initiatives.

All signs point to 2019 being even more challenging than the previous year. Come what may, at Kazancı Holding, we will not compromise on our commitment to our core values and our sharp focus on profitability. We plan to continue creating more value for our country, people and all our stakeholders. We will achieve these goals by closely monitoring the changing conditions in all our various areas of business operations both in our country and abroad while raising the bar ever higher. I would like to take this opportunity to express my gratitude to all our esteemed employees, business partners and other stakeholders.

Sincerely,



**Ali Metin Kazancı**  
Chairman

---

FOR KAZANCI  
HOLDING, 2018 WAS  
A YEAR THAT WILL  
BE REMEMBERED  
FOR SIGNIFICANT  
ACHIEVEMENTS  
ON ITS JOURNEY  
OF SUSTAINABLE  
SUCCESS,  
CONSISTENTLY  
MAINTAINED FOR  
MORE THAN HALF  
A CENTURY.

# BOARD OF DIRECTORS

## ALİ METİN KAZANCI

### *Chairman*

Ali Metin Kazancı's professional life began in 1950. The foundations for what would later become Kazancı Holding were laid during this time. Watt Electric Motor Factory, which is the initial venture that created the Group's companies, was founded in 1968. Thanks to Ali Metin Kazancı's successful ventures, by 1983 Kazancı Holding established various Group companies in the energy sector, and by 1994 it became a holding company specializing in the energy sector, its primary line of business. Ali Metin Kazancı continues his duties as the chairman of Kazancı Holding's Board of Directors.

## CEMİL KAZANCI

### *CEO and Vice Chairman*

Cemil Kazancı commenced his business career in the family's Group companies. Initially, he held managerial positions 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 CEO and Chairman at Aksa Energy, and Board Member at various Group companies.

## ÖMER MUZAFFER BAKTIR

### *Vice Chairman*

Ömer Muzaffer Baktır graduated from Istanbul Technical University Mining Engineering Department in 1986. He began his career in Pamukbank and continued as a manager in the banking sector. He served as the Executive Vice President of Marketing at Halk Bank, CFO and Executive Board Member of Electricity Distribution Companies at Cengiz Holding, Deputy General Manager in charge of Marketing and Transformation at Ziraat Bank and held office at the Surveillance and Management Boards of the various overseas companies of Ziraat Bank. He also served as Chairman at Ereğli Group. Baktır serves as Vice Chairman at Kazancı Holding and as Board Member at Aksa Energy.



**TÜLAY KAZANCI*****Board Member***


Tülay Kazancı is a Member of the Board of Directors at Kazancı Holding as well as at ATK Insurance Brokerage Services and Aksa Anatolian Machinery Sales and Services. She has been serving as a Board Member at Aksa Energy since April 2010.

**BARIŞ ERDENİZ*****Board Member***

Bariş Erdeniz graduated from Doğuş College and went on to study International Trade and Business Management at Yeditepe University. In 2012, he worked as a Business Development Director at TÜRMAK Machinery Manufacturing and Trade Corporation. In 2013, he founded Turuncu Marketing and assumed the position of General Manager. In 2014, Barış Erdeniz founded Erdeniz Consultancy, an administrative consultancy firm, and the same year he joined the ranks of Kazancı Holding as Executive Advisor. Barış Erdeniz has contributed to the goals of Kazancı Holding by conducting many successful projects in the field of operational efficiency since 2014 and he was appointed as a Board Member in August 2017.



FROM MANAGEMENT

A portrait of Cemil Kazancı, a middle-aged man with short dark hair, wearing a dark suit, white shirt, and dark tie. He is looking directly at the camera with a slight smile. The background is dark and out of focus.

“Thinking different  
is the first step  
taken towards a  
successful future.”

- Cemil Kazancı

# MESSAGE FROM THE CEO

Dear Stakeholders,

We are leaving behind an active year where negative developments both for the world and Turkey came to the forefront. While global trade wars disrupted financing conditions, Turkey was more affected by global volatility due to regional and geopolitical risks. The sharp devaluation in the Turkish lira, especially from the second half of the year, pushed real interest rates upwards, causing inflation to reach its highest level in recent years – 20.3%. However, our government's unveiling of the New Economy Program, based on the three main pillars of "stabilization, discipline and transformation," helped control foreign exchange rate and inflation fluctuations.

Kazancı Holding recorded a highly successful performance in 2018 despite the fragile operating environment in Turkey and worldwide thanks to increasing support from its overseas business activities and its focus on operational efficiency. While total assets increased 10% to TRY 13.9 billion, total revenues jumped an impressive 46% to TRY 14.2 billion compared to the previous year. Thanks to our foreign currency-based operations, EBITDA rose 69% to TRY 2.7 billion, while the EBITDA margin went up to 19%. Despite the challenging operating conditions, our exceptional EBITDA and revenues growth once again demonstrated our robust financial performance.

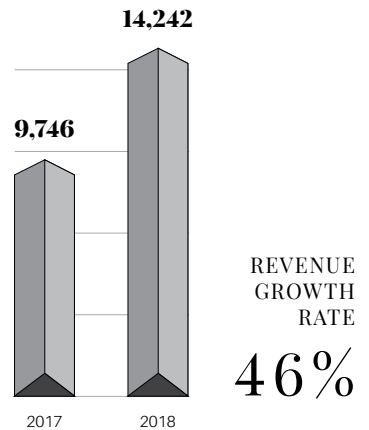
Since its founding, Kazancı Holding has remained committed to transferring its gains to our home country. We consider supporting Turkey's economy as one of our primary responsibilities. In 2018, our investment expenditure in Turkey and abroad totaled TRY 1.3 billion, while our workforce grew to over 7,700 employees. Underlying this success is the effective organizational structure and strong corporate governance that our Group companies have established in line with our sustainable development goals.

***In 2018, our Energy Group companies reported exemplary achievements***

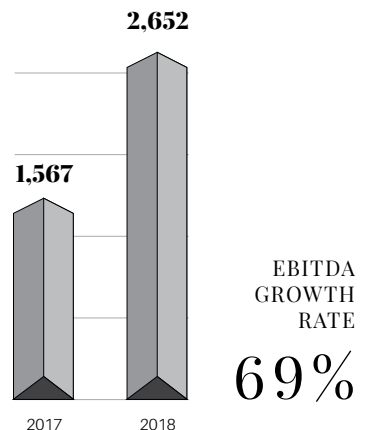
Aksa Natural Gas launched initiatives in 2002 that continue today in 27 provinces and 180 districts/towns. By taking assured and strong steps since that time, the Company securely operates Turkey's largest natural gas distribution network today. With a total investment figure of TRY 693 million in 2018, Aksa Natural Gas has made direct investments amounting to TRY 3 billion since its founding and expanded its network length to 27,833 km.

In line with the goal of supplying natural gas to 40 districts in Turkey by November 10, 2018 pursuant to the Presidential Cabinet's 100-day action plan which was announced in August and included 400 projects, Aksa Natural Gas supplied natural gas to 18 districts in license areas that constituted 50% of the project scope by the target date. For the rest of the project, Aksa Natural Gas provided natural gas to 18 additional districts, delivering natural gas to Turkish citizens in a total of 36 districts in 2018. This effort also boosted the Company's contribution to improving Turkey's air quality.

## REVENUES (TRY MILLION)



## EBITDA (TRY MILLION)



## MESSAGE FROM THE CEO

---

KAZANCI HOLDING  
RECORDED A  
HIGHLY SUCCESSFUL  
PERFORMANCE IN  
2018 DESPITE THE  
FRAGILE OPERATING  
ENVIRONMENT  
IN TURKEY AND  
WORLDWIDE THANKS  
TO INCREASING  
SUPPORT FROM ITS  
OVERSEAS BUSINESS  
ACTIVITIES AND  
ITS FOCUS ON  
OPERATIONAL  
EFFICIENCY.

Aksa Natural Gas was not content to invest solely in pursuing quantitative growth. During the year, the Company carried out pioneering efforts to improve all its business processes. To ensure the same level of service across all distribution regions, Aksa Natural Gas updated its integrated management structure in only six months. At the completion of this integration, the Company was eligible for ISO 9001:2015 and ISO 14001:2015 certifications.

Aksa Electricity – boasting major investments, a strong financial structure, integration with Group companies and an extensive service network – is one of Turkey’s leading electricity sales companies. In 2018, Aksa Electricity sold 9 TWh of electricity. The Company boosts its brand value each day with services centered around customer satisfaction.

Our electricity distribution companies – Çoruh Elektrik Dağıtım A.Ş. and Fırat Elektrik Dağıtım A.Ş. – ensure the continuity of life for a population of more than 3.7 million in 101 districts by distributing electricity with a focus on advanced technology. These enterprises set trends in the industry in 2018 by implementing digitalization and automation across their network investments, improving supply quality and boosting productivity.

Çoruh EDAŞ and Fırat EDAŞ bolstered their ability to provide their customers with quality and sustainable energy with investments exceeding TRY 230 million during the year. As part of these investments, we implemented the Outage Management System in both distribution regions and completed mobile device transformation for field teams by deploying more than 1 thousand next generation devices. We further reduced loss-theft by 50 million KWh in Turkey with our advanced technology investments throughout the year.

Aksa Energy has recently transitioned from a local energy company to a global energy player with its investments abroad. During the year, the Company further strengthened its market position in Africa. In 2018, with the capacity increase in our Ghana Heavy Fuel Oil Power Plant, the total installed capacity of the power plant increased from 280 MW to 370 MW. With this increase, the total installed capacity of our plants in Africa climbed to 476 MW.

Our innovative solutions to meet the urgent energy needs of Africa with low cost and rapid power plant installations and our committed support for regional development have made Aksa Energy one of the most reliable energy producers on the continent. In April 2018, we signed a five-year agreement with the Malagasy government to refurbish and operate the power plant of Societe Jiro Sy Rano Malagasy (Jirama), a state-owned power utility and water services company in the Republic of Madagascar, with 24 MW installed capacity. A total of 12 MW capacity of the plant was commissioned in December 2018; the entire installed capacity was commissioned in January 2019. Electricity produced at the plant is being sold to Jirama under a guaranteed sales contract for five years. This agreement is of particular importance for us as it demonstrates the trust between the government of Madagascar and Aksa Energy – and their belief in the Company’s experience and professionalism.

Aksa Power Generation exports to more than 160 countries with production facilities on three continents. Exporting more than 50% of its total production, the Company makes a difference in the industry with its strong ties to the global market and its innovative approach to product development. Aksa Power Generation, the market leader in Turkey and one of the top five producers worldwide, aims to rank among the top three companies globally.



Aksa Power Generation flies its flag over a vast geographic area with 21 sales points in Asia, Europe, Africa and America. We have stepped up efforts to take our brand value to the next level and extend our sphere of influence with our innovative, low-emission products. In 2018, we bolstered our position in markets where we dominate with active participation in fairs and sponsorships at events and forums. In addition, we increased our visibility in our potential target markets. During the year, we were proud to receive the "Project of the Year" designation at Power Industry Awards, organized as part of the Critical Power & Decentralized Energy Fair in the United Kingdom, for our support for Istanbul New Airport.

**2018 was an active year for agriculture and tourism as well**

In addition to being a major player in the energy industry, Kazancı Holding assumed a significant role in the sustainable future of agriculture and livestock in Turkey with key investments by Aksa Agriculture. Extending its deep experience and leadership of many years in the energy sector towards agricultural production and livestock, our Group provides significant support to Turkey's economy with initiatives in this critically important area. Aksa Agriculture's biogas recycling project is currently set up at Gelemen Enterprise and planned to be set up at İnanlı Enterprise in 2020 for the purpose of recycling and repurposing solid animal waste. These projects demonstrate that we approach this line of work with a sense of social responsibility that transcends financial expectations.

The tourism industry was one of the main drivers of the Turkish economy in 2018, setting new records after starting to rebound in 2017. Kazancı Group conducts activities that create value in the tourism sector with an approach based on customer orientation and productivity. During the year, we recorded a significant increase in the total number of visitors and revenues

at our three hotels in the Aksa Tourism portfolio. We completed preparations for the new season with renovations and upgrades throughout the year.

**We are firmly committed to a sustainable tomorrow**

Kazancı Holding takes into account that economic, social and environmental opportunities and risks are rapidly diversifying in today's world. Organizations that cannot effectively position themselves in the face of these opportunities and risks lose their competitive power over time. Every decision and action we take is made with this awareness. We give weight to the continuous development of business models of all our Group companies in a direction that is transparent, participatory, accountable, respectful to both people and the natural environment.

Kazancı Holding is a group of companies that aims to deliver the greatest benefit for all our stakeholders. We implement the best environmental practices across our operations and support social and cultural development via our wide sphere of influence. Our Group companies help develop environmental awareness and improve the quality of life in all countries where they operate, especially our home country, with numerous quality projects.

In the next reporting period, Kazancı Holding will fulfill its responsibility toward society and the environment to ensure a better tomorrow while continuing to focus on efficiency and profitability. We will continue to grow in cooperation with our employees and stakeholders, driving steadily forward with our corporate values, as we have done from the start.

Sincerely,



**Cemil Kazancı**  
CEO and Vice Chairman

---

IN THE NEXT  
REPORTING PERIOD,  
KAZANCI HOLDING  
WILL FULFILL ITS  
RESPONSIBILITY  
TOWARD SOCIETY AND  
THE ENVIRONMENT  
TO ENSURE A BETTER  
TOMORROW WHILE  
CONTINUING TO  
FOCUS ON EFFICIENCY  
AND PROFITABILITY.

# 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 and received his Executive MBA from Harvard University in the US. 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<sup>(\*)</sup>

*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 operations in Ukraine. In 2010, Mr. Uygun joined Kazancı Holding, and was appointed as the CEO of Aksa Energy in 2013. He also served as Board Member at Aksa Energy and as President of the Energy Group and CFO at Kazancı Holding.

<sup>(\*)</sup> Cüneyt Uygun resigned from his duties as the CEO and Board Member at Aksa Energy which he had held since 2013 and from his position as President of Kazancı Holding Energy Group on 31 December 2018.



## YAŞAR ARSLAN

*President, Natural Gas Group*

Yaşar Arslan graduated from Istanbul Technical University Metallurgical Engineering Department and worked as Operations Manager at EMAŞ A.Ş. between 1985-1987. Subsequently, he held managerial positions at Al-Fahd Company, Saudi Arabia, for five years and held various managerial positions at the Istanbul Natural Gas Project at İGDAŞ for five years. He began working as Project Manager at Vinsan in 1996 and then at Yapısal as Coordinator in 2003. Following these positions, he began working as General Coordinator and Vice Chairman at Aksa Natural Gas in 2004 and was appointed as the Head of Aksa Natural Gas Distribution and Trade Group in 2010. He currently serves as the Vice Chairman of two electricity distribution companies under Kazancı Holding and Chairman of 21 natural gas distribution companies; two natural gas wholesale firms, and CNG and LNG companies. Mr. Arslan, who is one of the founders of Natural Gas Distribution Companies Association of Turkey (GAZBİR) and who has assumed the General Secretary position for three terms, also serves as Vice President of the Natural Gas Council of the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and Vice Chairman of the Association of Distribution System Operators (ELDER).



## 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.





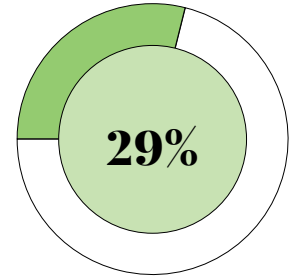
“Imagination  
means nothing  
without doing.”

- Charlie Chaplin

Charlie Chaplin revolutionized the world of cinema both in terms of content and technique by thinking different in a situation with limited options. He did not need to talk a lot or shout at the top of his voice. He became the voice in silence. The master of silent cinema was so confident in his abilities that he refused to do talking pictures for a long time. Chaplin wrote, directed, acted in leading roles in his films and composed their music for more than 40 years. He became a legend through his masterful work.

# AKSA NATURAL GAS

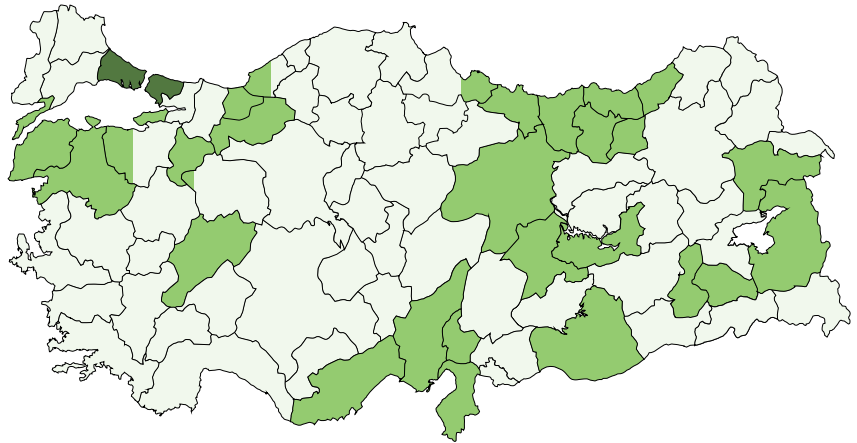
In 2018, Aksa Natural Gas **increased its network size** by approximately **14% to 27,833 km.**



SHARE IN REVENUES

## Natural Gas Distribution and Sales

-  Aksa Natural Gas Head Office
-  Aksa Natural Gas Distribution Areas



## NATURAL GAS DISTRIBUTION VOLUME

**8.5** BILLION CUBIC METERS

Operation Area

**21** LICENSE REGIONS

Customers

**2.9** MILLION

Network Length

**27,833** KM

Market Share

**19.3%**

Revenues

**4.2** BILLION

EBITDA

TRY **497** MILLION

Net Profit

TRY **219** MILLION

Assets

TRY **4.9** BILLION

- ➔ Distribution operations in 21 license regions out of a total of 72
- ➔ Serving Turkey's largest natural gas distribution region
- ➔ Turkey's largest private natural gas distribution company
- ➔ Distribution of 19.3% of all natural gas distributed in Turkey
- ➔ Distribution in 27 provinces and 180 districts and towns





**DOĞALGAZ  
ACİL  
187**

# AKSA NATURAL GAS

Aksa Natural Gas serves a population of 15 million in Turkey's largest natural gas distribution area.

---

OPERATIONS IN

21

LICENSE REGIONS

---

Founded as a subsidiary of Kazancı Holding in 2002, Aksa Natural Gas operates in 21 license regions out of 72 in Turkey today. The Company has LNG import and CNG sales licenses in addition to natural gas distribution and natural gas trade, which are its core business lines.

Aksa Natural Gas conducts distribution operations in 21 license regions accredited and taken over from the Energy Market Regulations Authority (EMRA). Aksa Natural Gas is the largest private natural gas distribution company in Turkey with 2.9 million customers, a 27,833 km distribution network and 19.3% market share as of end-2018.

Swiftly undertaking investments in its operation regions and adapting quality of service as a core principle, Aksa Natural Gas has carried out 40% of all natural gas investments in the last decade in Turkey and completed most of its mandatory investments in distribution regions before the end of their deadlines to deliver natural gas to its customers in the fastest way possible.

Of the 31 provinces covered by license, the Company has invested in a total of 27 provinces and 180 districts and towns, serving the largest natural gas distribution area with a population of 15 million people.

Aksa Natural Gas continues to contribute to the Turkish economy through its investments. Ever since it was founded, it has provided its customers with high-quality and affordable services, and provided job opportunities directly or indirectly to 20 thousand citizens in addition to the employment it created, resulting in savings of almost TRY 30 billion in the energy sector in the national budget. The industry-specific additional growth created by distribution investments created a natural gas conversion market worth TRY 21.2 billion, TRY 15.3 billion of which was effectively completed. In regions with access to natural gas, the advantages created by a diverse selection of energy also helped industrial investments gain more momentum.

## DEVELOPMENTS IN 2018

In 2018, Aksa Natural Gas distributed a total of 8.5 billion m<sup>3</sup> of gas in the regions it serves. The Company recorded revenues of TRY 4.2 billion, up 45% year-on-year.

Having invested TRY 693 million in 2018, Aksa Natural Gas reached a total direct investment figure of TRY 3 billion and achieved a total network length of 27.833 kilometers as of end-2018.

---

TRY

4.2

BILLION

REVENUES





## AKSA NATURAL GAS

8.5<sub>BCM</sub>

GAS DISTRIBUTION

27,833<sub>KM</sub>

NETWORK LENGTH

In 2018, Aksa Natural Gas ranked 76<sup>th</sup> on Fortune 500's "Turkey's Largest Companies" list on the basis of revenues, 69<sup>th</sup> in terms of pre-tax loss-profit, and third in return on equity (ROE).

Under the project for the supply of natural gas to 40 districts in Turkey by November 10, 2018 included in the Presidential Cabinet's 100-day action plan, Aksa Natural Gas supplied natural gas to 18 new districts in license areas within a period of only three months. In the second phase of the initiative, the Company delivered natural gas to 18 additional districts in the license region by end-of-year, providing a total of 36 districts with natural gas that is environmentally friendly, safe and clean.

Aksa Natural Gas's primary goals include maintaining the highest level of customer satisfaction by delivering 24/7 uninterrupted service with its expert staff and ensuring the continuous improvement of its operations. The Company works toward these objectives by being

accessible to customers through the 187 Natural Gas Emergency telephone hotline and the 444 4 187 Customer Relations line. Aksa Solution Center's technical and software infrastructure meets international standards with its modern and comfortable work environment and high service quality standards, making it a model for the industry.

Aksa Natural Gas updated its Integrated Management System in accordance with the revision made at ISO standards. The Company completed its external audits within a two-month period after the preparation phase. Following these inspections, the compliance of all distribution companies operating in 27 provinces with ISO 9001: 2015 Quality Management System and ISO 14001: 2015 Environmental Management System standards were approved.

In 2018, Aksa Natural Gas launched the Online Transactions menu on the corporate website to allow customers to access company services quickly and easily.

AKSA NATURAL GAS'S  
PRIMARY GOALS  
INCLUDE MAINTAINING  
THE HIGHEST LEVEL  
OF CUSTOMER  
SATISFACTION BY  
DELIVERING 24/7  
UNINTERRUPTED  
SERVICE WITH  
ITS EXPERT STAFF  
AND ENSURING  
THE CONTINUOUS  
IMPROVEMENT OF ITS  
OPERATIONS.






---

TRY  
**4.9**  
BILLION  
ASSETS

---

TRY  
**693**  
MILLION  
INVESTMENTS

---

## AKSA NATURAL GAS IN FIGURES

Financial Indicators (TRY Million)	2017	2018	Change (%)
Revenues	2,890	4,180	45
EBITDA	391	497	27
Assets	3,664	4,939	35
Equity	147	366	148
Investments	469	693	48
Gross Profit	334	413	24
Net Profit	169	219	23

Operational Indicators	2017	2018	Change (%)
Natural Gas Distribution Licenses	21	21	-
Total Customers	2,535,782	2,894,164	14
Residential Customers	2,095,874	2,404,192	15
Potential Residential Customers	4,400,995	4,734,010	8
Network Length (km)	24,423	27,833	14

IN 2018, AKSA NATURAL GAS RANKED 76<sup>TH</sup> ON FORTUNE 500'S "TURKEY'S LARGEST COMPANIES" LIST ON THE BASIS OF REVENUES, 69<sup>TH</sup> IN TERMS OF PRE-TAX PROFIT, AND THIRD IN RETURN ON EQUITY (ROE).



## AKSA NATURAL GAS



---

TRY  
**497**  
MILLION  
EBITDA

---

**15**  
MILLION  
USER POPULATION

---

AKSA NATURAL GAS  
OPERATES IN 27  
PROVINCES AND 180  
DISTRICTS/TOWNS.

### GEOGRAPHICAL 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 Çukurova Natural Gas Distribution
- Aksa Düzce Ereğili 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 Mustafakemalpaşa 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  
AIMS TO EXPAND ITS  
NETWORK TO  
42,000 KM,  
INCREASE ITS  
CUSTOMER BASE TO  
3.8 MILLION, BOOST  
THE AMOUNT OF GAS  
DISTRIBUTED TO  
11 BILLION M<sup>3</sup> AND  
RAISE EBITDA TO  
TRY 1 BILLION  
BY END-2021.

## FUTURE OUTLOOK

Aksa Natural Gas's present scale, investments, and service quality contribute immensely to the national economy and help raise the employment level. In addition to meeting 26% of the employment in Turkey's natural gas industry single-handedly, Aksa Natural Gas is the largest private natural gas distributor in Turkey. Maintaining its strong acceleration, it aims to transfer its experience in this field to international platforms.

Aksa Natural Gas aims to expand its network to 42,000 km, increase its customer base to 3.8 million, boost the amount of gas distributed to 11 billion m<sup>3</sup> and raise EBITDA to TRY 1 billion by end-2021. As a result of planned expansion, the Company also targets providing services in 27 cities and 191 districts and towns within the boundaries of 31 provinces under the scope of its 21 natural gas distribution licenses by year-end 2021. With this expansion, Aksa Natural Gas will increase its potential customer reach to 5.3 million.



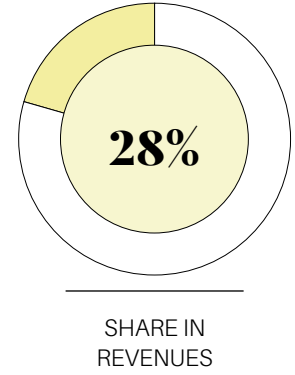
“Intelligence is the ability to adapt to change.”

- Stephen Hawking

Doctors had said that British physicist, cosmologist, astronomer, theorist and author Dr. Stephen Hawking would at most live two years when he was in his 20s. He went on to challenge the prognosis and conventional wisdom. Hawking worked on the basic principles of the universe. Together with Roger Penrose, he proved that Einstein's theory of general relativity, including space and time, began with the Big Bang and ended with black holes. This result suggested that quantum mechanics should be combined with general relativity theory. Hawking's work led to one of the greatest discoveries of the second half of the 20<sup>th</sup> century.

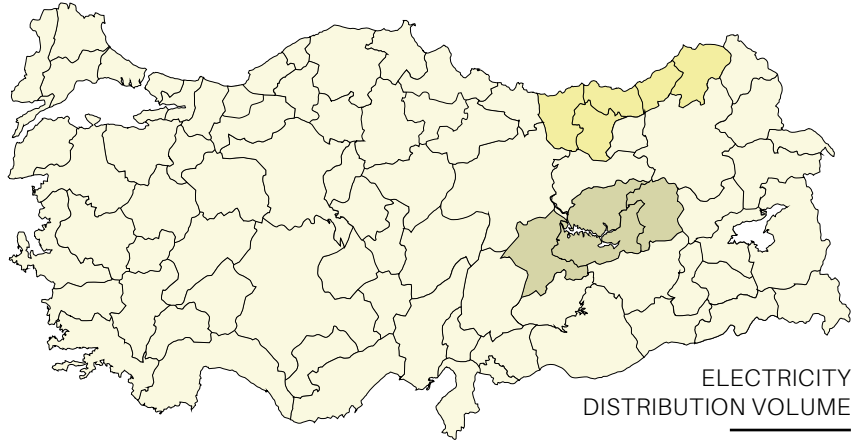
# AKSA ELECTRICITY\*

Aksa Electricity serves a population of 3.7 million in its licensed areas as the incumbent supply company and sells electricity in 81 cities across Turkey.



## Electricity Distribution and Sales

- Çoruh Electricity Distribution Regions/  
Çoruh Electricity Retail Sales Regions
- Fırat Electricity Distribution Regions/  
Fırat Electricity Retail Sales Regions
- Aksa Electricity Sales Regions



6 TWh

9 TWh

Number of Customers

2+ MILLION

Distribution Line

106,253 KM

Transformer Stations

24,315

Customer Service Center

80

Revenues

TRY 4 BILLION

EBITDA

TRY 600 MILLION

Investments

TRY 236 MILLION

Net Profit

TRY 6 MILLION

- ➔ 9 TWh electricity sales in 81 provinces
- ➔ Electricity distribution of 6 TWh in 9 provinces, 101 districts, and 3,505 villages
- ➔ Strong financial structure, expert staff, integration with group companies, and a wide service network across Turkey
- ➔ Services provided to 3.7 million people in Çoruh and Fırat regions
- ➔ High-quality service with 80 Customer Service Centers within Çoruh and Fırat regions

\* Aksa Electricity includes Retail Sales Companies and Çoruh Electricity Distribution and Fırat Electricity Distribution companies.





# ELECTRICITY SALES COMPANIES

Aksa Electricity sales companies deliver quality electricity supply services to consumers with a business model focused on customer satisfaction.

9<sup>TWh</sup>  
SALES VOLUME

Aksa Electricity companies are among the leading players in the electricity industry in Turkey with their business model focused on customer satisfaction. The companies offer quality electricity supply services to consumers across Turkey and in their respective license regions.

An integrated retail sales company, Aksa Electricity stands out in the sector with its strong financial structure, efficiency-oriented strategic approach, expert staff, integration with Group companies and a wide service network that extends across Turkey.

TRY  
4  
BILLION  
REVENUES

Aksa Electricity Sales, a subsidiary of Aksa Electricity, sells electricity to eligible consumers and provides consultancy across Turkey. In Firat and Çoruh regions, Aksa Electricity Sales provides retail sales, collection and customer services as an incumbent supply company.

Aksa Electricity offers electricity supply and consultancy services to Turkey's largest industrial and service enterprises in addition to the regions it serves as the incumbent supply company. The Company has successfully maintained its leadership position and consolidated its portfolio during the ongoing liberalization process under the eligible consumer and end user supply in the retail electricity sector.

Aksa Electricity delivers electricity supply services to 101 districts across nine provinces as part of its activities as the incumbent supply company. It serves a population of 3.7 million customers in Trabzon, Rize, Giresun, Artvin and Gümüşhane in the Çoruh region and 2 million customers in Bingöl, Elazığ, Malatya and Tunceli in Firat region.

Aksa Electricity's customer portfolio is primarily comprised of Industry (46%), Residential (26%) and Business (26%) customer groups. Other customer groups constitute 2% of total consumption.

2.1  
MILLION  
CUSTOMERS

<b>Aksa Electricity in Numbers<sup>(*)</sup></b>	<b>2017</b>	<b>2018</b>	<b>Change (%)</b>
Sales Volume (TWh)	7.5	9	20
Revenues (TRY billion)	2.6	4	54
Customers (million)	2	2.1	5
Total Population (million)	3.6	3.7	3
Customer Service Center (CSC)	66	80	21

<sup>(\*)</sup> Combined figures for Aksa Electricity Sales, Çoruh Electricity Retail Sales and Firat Electricity Retail Sales.





---

3.7

MILLION

USER POPULATION

---

80

CUSTOMER SERVICE  
CENTERS

## ELECTRICITY SALES COMPANIES

### DEVELOPMENTS IN 2018

In 2018, Aksa Electricity's customer service centers in Çoruh and Firat retail sales regions were revamped to allow customers to easily complete all procedures related to their service subscription through these offices. Starting out with 66 customer service centers, the Company ended the year with over 80 centers where customers are provided with high-quality, solution-oriented and people-centered services.

2018 was a successful year for Aksa Electricity companies. On "Turkey's Largest 500 Companies" list compiled by Fortune 500, Çoruh Electricity ranked 235<sup>th</sup>, Aksa Electricity Sales ranked 251<sup>st</sup>, and Firat Electricity ranked 292<sup>nd</sup>. On "Turkey's Largest 500 Companies" list by Capital magazine, Çoruh Electricity ranked 316<sup>th</sup>, Aksa Electricity Sales ranked 322<sup>nd</sup>, and Firat Electricity ranked 396<sup>th</sup>.

Upgrade efforts for the websites [www.coruhaksa.com](http://www.coruhaksa.com) and [www.firataksa.com](http://www.firataksa.com) to improve accessibility and customer satisfaction continued in 2018. Online registration and cancellation systems were initiated to facilitate the lives of consumers. The Company also focused on digital practices to bolster brand recognition.

In 2018, Aksa Electricity launched a barrier-free office implementation at its customer service centers. Aiming to further boost service quality and ease of operation offered to consumers, the Company installed disability buttons at the offices for disabled customers to access and receive assistance.

In today's world where competitive conditions are changing constantly, Aksa Electricity also cooperates with stakeholders in the insurance, telecommunication and retail sectors at its customer service centers to meet the demands of consumers and offer the best services.

---

ON "TURKEY'S  
LARGEST 500  
COMPANIES" LIST  
COMPILED BY  
FORTUNE 500,  
ÇORUH ELECTRICITY  
RANKED 235<sup>TH</sup>, AKSA  
ELECTRICITY SALES  
RANKED 251<sup>ST</sup>, AND  
FIRAT ELECTRICITY  
RANKED 292<sup>ND</sup>.






---

AKSA ELECTRICITY'S  
PRIMARY  
OBJECTIVES FOR  
THE COMING PERIOD  
INCLUDE CREATING  
A STABLE, BALANCED  
AND SUSTAINABLE  
PORTFOLIO AND  
MAINTAINING  
MARKET  
LEADERSHIP IN  
TERMS OF VOLUME.

Believing in the importance of synergy on the road to sustainable success, Aksa Electricity uses the Cooperations Sales Channel to offer various advantages to its customers via collaborations with Turkey's leading companies.

## FUTURE OUTLOOK

The aim to continue and develop its customer-oriented sales strategy is at the center of Aksa Electricity's operations. The Company, in this context, aims to increase the number of customers with its innovative perspective in all regions of Turkey and at all customer segments. Aksa Electricity also aims to shorten the distance between its customers and itself by further focusing on digital projects and to take along the strong brands in the industry through various business partnerships in order to be able to offer common values to its customers.

Aksa Electricity's primary objectives for the coming period include creating a stable, balanced and sustainable portfolio and maintaining market leadership in terms of volume. Aksa Electricity has successfully maintained its leadership position and consolidated its portfolio through the ongoing market liberalization process within the scope of eligible consumer and end user supply in the retail electricity sector. The Company plans to continue pursuing growth as a leading energy company with new projects and investments that will contribute to Turkey's economy and employment.



# ELECTRICITY DISTRIBUTION COMPANIES

Çoruh and Fırat Electricity Distribution companies operate with the aim of meeting the electricity needs of a population of 3.7 million in Çoruh and Fırat distribution regions without interruption.

24,315

TRANSFORMER

STATIONS

106,253 KM

DISTRIBUTION LINE

Aksa Electricity distribution companies – Çoruh Electricity Distribution and Fırat Electricity Distribution – operate to meet the electricity need, one of modern day life's most basic requirements, of a population of 3.7 million without interruption in Çoruh and Fırat distribution regions. Aksa Electricity distribution companies boost their network and infrastructure investments each year to continuously maintain quality electricity supply. The Companies also focus on enriching the innovative services and solutions offered to their customers.

Electricity Distribution Companies in Numbers	2017	2018	Change (%)
Electricity Distribution Volume (billion KWh)	3.56	6.13	72
Customers (million)	1.3	2.3	77
Area of Distribution Region (km <sup>2</sup> )	29,211	66,992	129
Length of Distribution Line (km)	56,500	106,253	88
Transformer Stations	11,177	24,315	118
Investments (TRY Million)	156.3	235.1	50

## ÇORUH ELECTRICITY DISTRIBUTION

Çoruh Electricity Distribution (Çoruh EDAŞ) has been supplying electricity to the cities of Artvin, Giresun, Gümüşhane, Rize, and Trabzon since 2010, in accordance with the High Council for Privatization's resolution.

Çoruh EDAŞ's 29,551 km<sup>2</sup> distribution area includes a population of 1,359,781 in five provinces, 61 districts and 1,542 villages. Within the distribution area, the Company operates 59,014 km of power lines (44,404 km low voltage and 14,610 km medium voltage) and 12,062 transformer stations. As of end-2018, Çoruh EDAŞ distributed 3.62 billion KWh energy in the region with a loss/theft ratio of 7.85%.

This ratio was well below Energy Market Regulatory Authority (EMRA)'s target ratio of 9.02% for energy loss in 2018.

Çoruh EDAŞ's main activities for its consumers' energy needs include;

- Installing electricity distribution lines in all provinces, districts and villages in its license region,
- Maintenance and repair of existing lines,
- Reading consumers' electricity meters,
- Preventing loss and theft. In this regard, the Company takes advantage of the latest technologies to manage faults and increase its service quality, and it has operational offices in 61 towns, carrying out tasks to prevent and fix outages that might take place as soon as possible.



ÇORUH ELECTRICITY  
DISTRIBUTION  
HAS AN ADVANCED  
TECHNOLOGY  
INFRASTRUCTURE IN  
PLACE THAT ALLOWS  
IT TO MONITOR  
THE DISTRIBUTION  
NETWORK UP TO  
THE CUSTOMER  
CONNECTION  
POINT IN ORDER  
TO FACILITATE  
SURVEILLANCE,  
MAINTENANCE, AND  
REMOTE CONTROL.

Çoruh EDAŞ is responsible for providing the supply of general luminous energy and troubleshooting in the region. The Company also conducts billing of the consumption of general lighting facilities, building new facilities and maintaining these facilities. Çoruh EDAŞ continually works to prevent illegal energy consumption and technical losses in the region.

## DEVELOPMENTS IN 2018

Çoruh EDAŞ continued its investments within the scope of the renovation of existing facilities and accelerated maintenance-repair activities in 2018. Accordingly, the Company made major technology investments that will increase customer satisfaction and ensure an uninterrupted supply of electricity.

In 2018, Çoruh EDAŞ recorded investment expenditure totaling TRY 121.3 million. During the year, 1,062 km of overhead lines, 125 km of underground lines, 38 km of lighting network lines and 179 km of energy transmission lines were completed. In total, 145 new distribution transformers with 38.7 MVA installed capacity were commissioned.

Çoruh EDAŞ has an advanced technology infrastructure in place that allows it to monitor the distribution network up to the customer connection point in order to facilitate surveillance, maintenance, and remote control. As part of the distribution network's transition to automation, projects to remotely monitor and control certain switching points of the medium-voltage distribution network are prioritized and ongoing.

Çoruh EDAŞ is committed to ensuring supply continuity, boosting commercial and technical quality, meeting the increasing energy needs of customers drawing supply from the existing distribution network, meeting the energy demands of new customers, and establishing new lighting facilities in accordance with the provisions of the general lighting regulation. To these ends, the Company conducted the following maintenance-repair activities in 2018:

- Energy transmission lines were maintained for TRY 4.67 million through contractors across the Company's license region.
- Some 476,311 fixtures with varying levels of power at 8,990 lighting facilities underwent overhaul; 46,099 fixtures, 88,857 light bulbs and 79,361 components were used in these facilities.
- Maintenance efforts were carried out by the Company's personnel on 9,106 km low voltage (LV) and medium voltage (MV) lines, 4,031 transformers and 1,655 distribution centers.

## ELECTRICITY DISTRIBUTION COMPANIES

A dynamic company that always follows technological developments closely, Çoruh EDAŞ places great importance on R&D activities.

### ÇORUH EDAŞ

12,062

TRANSFORMER  
STATIONS

59,014<sup>KM</sup>

DISTRIBUTION LINE

Çoruh EDAŞ effectively used advanced technology in all its project implementations in 2018 in order to provide world-class distribution service. As part of its digital transformation program, the Company formulated a two-year road map and completed installation of the Outage Management System (OMS) in all provinces across its license regions. OMS operates in coordination with systems such as Remote Monitoring and Control System, Geographical Information System, Call Center, and Automatic Meter Reading System (AMRS). Thanks to OMS, customers affected by all outages, whether planned or unplanned, are recorded automatically. Çoruh EDAŞ also updated and enriched its mobile workforce application both in terms of design and content. Under this effort, 660 tablets and push-to-talk mobile devices were transformed to be used in distribution operations.

Due to the legal requirement to include general lighting, high consumption and manufacturer meters in the AMRS, Çoruh EDAŞ rapidly continued installations in the field for remote reading of meters in distribution regions. Consumption under AMRS made up 43% of total consumption as of year-end 2018.

#### **R&D Projects**

A dynamic company that always follows technological developments closely, Çoruh EDAŞ places a great importance on R&D activities. The Company stands out in the sector with initiatives supported by

Energy Market Regulatory Authority (EMRA). In 2018, Çoruh EDAŞ applied for two new R&D projects which were approved by EMRA's R&D Commission.

#### **Off-Grid Hydroelectric Power Plant Project**

Many of the river-type hydroelectric power plants connected to Çoruh EDAŞ's power distribution network supply energy to the network in synchronization with it under normal operating conditions. These hydro-facilities are deactivated during possible long-term outages in the distribution network, causing the water to drain. Launched in 2018, the "Off-Grid Hydroelectric Power Plant Project" is designed to improve supply continuity indicators and supply energy to areas experiencing the outage. The plants are operated in off-grid mode in cases where possible long-term outages affect a large area in the distribution networks.

#### **Smart Lighting Project**

Çoruh EDAŞ figures among the distribution companies with the most lighting fixtures in Turkey. In 2018, the Company initiated the "Smart Lighting Project" due to the difficulty of identifying fixture failures under challenging land conditions in the operation area. This effort aims to develop a central lighting automation system that will allow determining which climate and network conditions cause failures. Under the project, lighting fixture failure status is monitored via PLC communication system and solutions are identified accordingly.





## FIRAT EDAŞ

---

# 12,253

TRANSFORMER  
STATIONS

---

# 47,239<sup>KM</sup>

DISTRIBUTION LINE

---

## FIRAT ELECTRICITY DISTRIBUTION

Firat Electricity Distribution (Firat EDAŞ) has been supplying electricity to the cities of Elazığ, Malatya, Bingöl, and Tunceli since 2010 in accordance with the High Council for Privatization's resolution.

Firat EDAŞ's 37,441 km<sup>2</sup> distribution area includes a population of 957,081 in 4 provinces, 40 districts and 1,963 villages. Within the distribution area, the Company operates 47,239 km of distribution lines (27,397 km low voltage and 19,842 km of medium voltage), and 12,253 transformer stations. As of year-end 2018, Firat EDAŞ distributed 2.51 billion kWh energy in the area with a loss/theft ratio of 10.32%. This ratio is below Energy Market Regulatory Authority (EMRA)'s target ratio of 10.47% for energy loss in 2018.

The Company's main activities related to meeting its consumers' energy needs include:

- Installing electricity distribution lines in all provinces, districts and villages across its license region,
- Conducting maintenance and repair of existing lines,
- Reading consumers' electricity meters,
- Preventing loss and theft. Firat EDAŞ capitalizes on the latest advanced technologies to manage faults and boost its service quality. The Company has 47 operational offices in 40 districts that conduct efforts to prevent and fix outages that might take place as soon as possible.

Firat EDAŞ is responsible for providing the supply of general luminous energy and maintenance in the region. The Company also conducts billing of the consumption of general lighting facilities, building new facilities and maintaining these facilities. Firat EDAŞ is working on preventing illegal energy consumption and technical losses in the region.

## FIRAT ELECTRICITY DISTRIBUTION

DISTRIBUTED 2.51

BILLION KWh OF

ENERGY AS OF

END-2018 TO 957,081

CUSTOMERS IN

4 PROVINCES, 40

DISTRICTS AND 1,963

VILLAGES ACROSS

TURKEY.

## ELECTRICITY DISTRIBUTION COMPANIES

Firat EDAŞ completed 265 km of overhead lines, 94 km of underground lines, 39 km of lighting network lines and 1,389 km of power transmission lines with an investment of TRY 113.8 million during the year.

### DEVELOPMENTS IN 2018

Firat EDAŞ continued its capital investments related to renovation of existing facilities and accelerated maintenance-repair activities in 2018. The Company made major technology investments that will boost customer satisfaction and ensure an uninterrupted supply of electricity.

In 2018, Firat EDAŞ recorded investment expenditure totaling TRY 113.8 million. During the year, 265 km of overhead lines, 94 km of underground lines, 39 km of lighting network lines and 1,389 km of energy transmission lines were completed. In total, 114 new distribution transformers with 33.1 MVA installed capacity were commissioned.

Firat EDAŞ has an advanced technology infrastructure in place that allows it to monitor the distribution network up to the customer connection point in order to facilitate surveillance, maintenance, and remote control. As part of the distribution network's transition to automation, projects to remotely monitor and control certain switching points of the medium-voltage distribution network are prioritized and ongoing. In the region where solar power plants are prevalent, 270 of these plants were integrated into the Company's monitoring system.

Firat EDAŞ is committed to ensuring supply continuity, boosting commercial and technical quality, meeting the increasing energy needs of customers drawing supply from the existing distribution network,

meeting the energy demands of new customers, and establishing new lighting facilities in accordance with the provisions of the general lighting regulation. To these ends, the Company conducted the following maintenance-repair activities in 2018:

- Energy transmission lines were maintained for TRY 7.4 million through contractors across the Company's license region.
- Some 206,497 fixtures with varying levels of power in 7,079 lighting facilities underwent overhaul; 18,057 fixtures, 60,022 light bulbs and 57,006 components were used in these facilities.
- Maintenance efforts were conducted by the Company's personnel on 10,347.30 km low voltage (LV) and 6,372.81 km medium voltage (MV) lines, 3,015 transformers and 1,738 distribution centers. In addition, 3,334 meters were isolated and covered with spikes to prevent power outages caused by bird strikes.

Firat EDAŞ effectively used advanced technology in all its project implementations in 2018 in order to provide world-class distribution service. As part of its digital transformation program, the Company formulated a two-year road map and completed installation of the Outage Management System (OMS) in all provinces across its license regions. OMS operates in coordination with other key systems such as the Remote Monitoring and Control System, Geographical Information System, Call Center, and Automatic Meter Reading System (AMRS). Thanks to OMS, customers affected by all outages, whether planned

---

IN 2018, FIRAT  
EDAŞ EFFECTIVELY  
USED ADVANCED  
TECHNOLOGY IN  
ALL ITS PROJECT  
IMPLEMENTATIONS  
TO PROVIDE  
WORLD-CLASS  
DISTRIBUTION  
SERVICE.



ELECTRICITY  
DISTRIBUTION  
COMPANIES PLAN  
TO DEVELOP AN  
INFRASTRUCTURE  
AND IMPLEMENT A  
PILOT STUDY FOR  
A MOBILE SYSTEM  
THAT WILL QUICKLY  
MEET ELECTRICITY  
REQUIREMENTS  
ACROSS LARGE  
AREAS, SUCH AS  
PUBLIC SPACES,  
WITH THE “ENERGY  
EVERYWHERE”  
INITIATIVE.

or unplanned, are recorded automatically. Firat EDAŞ also updated and enriched its mobile workforce application both in terms of design and content. Under this effort, 350 tablets and push-to-talk mobile devices were transformed to be used in distribution operations.

Due to the legal requirement to include general lighting, high consumption and manufacturer meters in the AMRS, Firat EDAŞ rapidly continued installations in the field for remote reading of meters in distribution regions. Consumption under AMRS made up 35% of total consumption as of year-end 2018.

#### **R&D Projects**

A dynamic company that always monitors technological developments closely, Firat EDAŞ places great importance on R&D activities. The Company, which stands out in the sector with its initiatives supported by Energy Market Regulatory Authority (EMRA), applied for three new R&D projects in 2018. The projects were approved by EMRA's R&D Commission.

#### ***Energy Everywhere Project***

The “Energy Everywhere Project” initiative aims to develop an infrastructure and implement a pilot study for a mobile system that will quickly meet electricity requirements across large areas, such as public spaces. The system’s infrastructure is provided by the distribution company and is independent from the supplier and user. It also includes mobilization of usage and payment methods. “Energy Everywhere” is designed to be used in a wide range of areas, such as charging stations for electric bikes and cars in parks and bus stops, mobile charging stations and multi-purpose power outlets in public spaces.

#### ***Smart Distribution Center Project***

The “Smart Distribution Center Project” is designed to control and inspect all feeder equipment from a single post in distribution centers. As a result, frequent coordination and communication problems are eliminated, ensuring a secure and efficient protection system. After the project is complete, different brand/model relays

## ELECTRICITY DISTRIBUTION COMPANIES



ÇORUH EDAŞ  
AND FIRAT EDAŞ  
CARRIED OUT  
PIONEERING  
IMPLEMENTATIONS  
IN THE INDUSTRY  
WITH THEIR  
CAPITAL  
INVESTMENTS  
IN 2018. THE  
TWO COMPANIES  
RECORDED TOTAL  
INVESTMENT  
EXPENDITURE OF  
TRY 235 MILLION  
DURING THE YEAR.

in each center (DM/IM) at the application point will be connected to a single Smart Distribution Center Controller. This modification boosts their communication effectiveness and allows all management and field work to be carried on a single device.

### ***Chemical Storage R&D Project***

Although the application of electrical storage systems in distribution networks is a global trend, they have not yet been used in our country. In 2018, Fırat EDAŞ launched the “Chemical Storage R&D Project” to install storage systems with different purposes, structures and capacities in distribution networks. This effort aims to ensure that these systems are operated in accordance with their intended purposes and to compare the applications.

## CUSTOMER SATISFACTION

Focusing on advanced technology and digital transformation, Akse Electricity's distribution companies enable some 3.7 million residents in 101 districts in their license areas to live modern-day lives by providing uninterrupted, reliable and quality electricity distribution service. In 2018, Çoruh EDAŞ and Fırat EDAŞ undertook pioneering projects in the industry related to fulfillment of capacity needs, improvement of supply quality, productivity, and similar issues. These efforts served to create higher standards of service and boost customer satisfaction through their investments. In 2018, the distribution companies recorded total investment expenditures of TRY 235 million to improve their competence in delivering their customers quality and sustainable energy.





ÇORUH EDAŞ  
AND FIRAT EDAŞ  
LAUNCHED OUTAGE  
MANAGEMENT  
SYSTEM TO BOOST  
THEIR COMPETENCE  
IN DELIVERING  
QUALITY AND  
SUSTAINABLE  
ENERGY TO THEIR  
CUSTOMERS.

The Outage Management System (OMS) was established and integrated with other monitoring systems in 2018 by Çoruh EDAŞ and Fırat EDAŞ, which are the holders of ISO 10002:2014 Customer Satisfaction Management System Certification. OMS is designed to quickly determine the location of the failure thanks to automation systems, isolate the failure area so that the least number of users are affected, and increase alternative feeding options. Development efforts are continuing rapidly with the aim of intervening in all possible outages – planned or unplanned – in the field more efficiently and quickly.

The 186 Call Center Hotline is available 24/7 for Çoruh EDAŞ and Fırat EDAŞ customers. The telephone hotline enables the companies to respond to possible power outages as soon as possible, ensures that all kinds of failures are retroactively reported

and that capital investments are made in the right places to prevent future outages. Every report submitted to the 186 Hotline is immediately transferred to the relevant CRM center. From these centers, outage reports are conveyed to the cutting-edge hand-held terminals of repair and maintenance crews working in the field. These terminals were renewed in 2018 as part of the field mobile transformation initiative. All operations conducted by repair and maintenance crews to eliminate failures can be marked as repaired, monitored and recorded with the use of hand-held terminals in the field.

Çoruh EDAŞ and Fırat EDAŞ customers are increasingly more satisfied with the 186 Failure Notification and Solution Center thanks to its continuously rising service quality. In 2018, 99% and 98% of all calls received at the Call Center were answered at Çoruh EDAŞ and Fırat EDAŞ, respectively.

## ELECTRICITY DISTRIBUTION COMPANIES

Since their privatization in 2010, Çoruh and Fırat electricity distribution companies have recorded a total of TRY 1.3 billion in capital investment expenditure.

---

APPLYING THE  
LATEST TRENDS  
IN ADVANCED  
TECHNOLOGY,  
AKSA ELECTRICITY  
DISTRIBUTION  
COMPANIES AIM TO  
BREAK NEW GROUND  
IN THE INDUSTRY,  
ESPECIALLY IN  
DIGITALIZATION  
AND AUTOMATION.

To better respond to customer needs, the Call Center Satisfaction Survey was initiated at Fırat EDAŞ with Bingöl designated as the pilot province. Early feedback from the field indicates that customer satisfaction has increased. Surveys implemented throughout the region are analyzed extensively; effective and strategic actions are taken to achieve the appropriate objective.

Çoruh EDAŞ and Fırat EDAŞ customers are notified of planned outages via text message in order to respond swiftly to customer requests within the respective service regions and keep consumers updated about the Companies' operations. Local authorities across the region have been directly registered into this notification system. As a result, all notices and complaints originating from local authorities are considered a priority as part of VIP designation in the system and are finalized quickly. Additionally, customers who have submitted their mobile phone information into the system are notified of overdue bills via SMS prior to the disconnecting of the electricity supply.

Customer relations trainings are planned in order to establish healthier, better quality and more efficient communication with customers one-to-one. These training sessions are conducted throughout the year. Meetings with local authorities are organized to analyze customer complaints and demands; WhatsApp chat groups, which are available 24/7, are used in this regard.

Çoruh EDAŞ and Fırat EDAŞ prioritize their customers whose quality of life critically depends on electrical devices through VIP designation. One-to-one communication channels are established with these customers at their request. In addition, all company communication channels are open to all stakeholders, including customers, members of the public, NGOs, local and national press. Stakeholder gatherings are held regularly through various events and organizations.

Aksa Electricity distribution companies actively use social media channels – a must in today's digital world. The Companies use social media to change customer perception in a positive direction and to capitalize on alternative means of communications. Besides social media, instant communication with customers is also possible via the websites of both companies at [www.coruhedas.com.tr](http://www.coruhedas.com.tr) and [www.firatedas.com.tr](http://www.firatedas.com.tr).

Applying the latest trends in advanced technology, Aksa Electricity Distribution Companies aim to set an example for the industry especially in digitalization and automation.

### FUTURE OUTLOOK

Since their privatization in 2010, Çoruh and Fırat Electricity Distribution Companies have recorded a total of TRY 1.3 billion in capital investment expenditure. Both companies continue to make new investments in order to add value to our country, the industry and all their stakeholders by providing uninterrupted and high quality electricity to customers in the distribution regions.



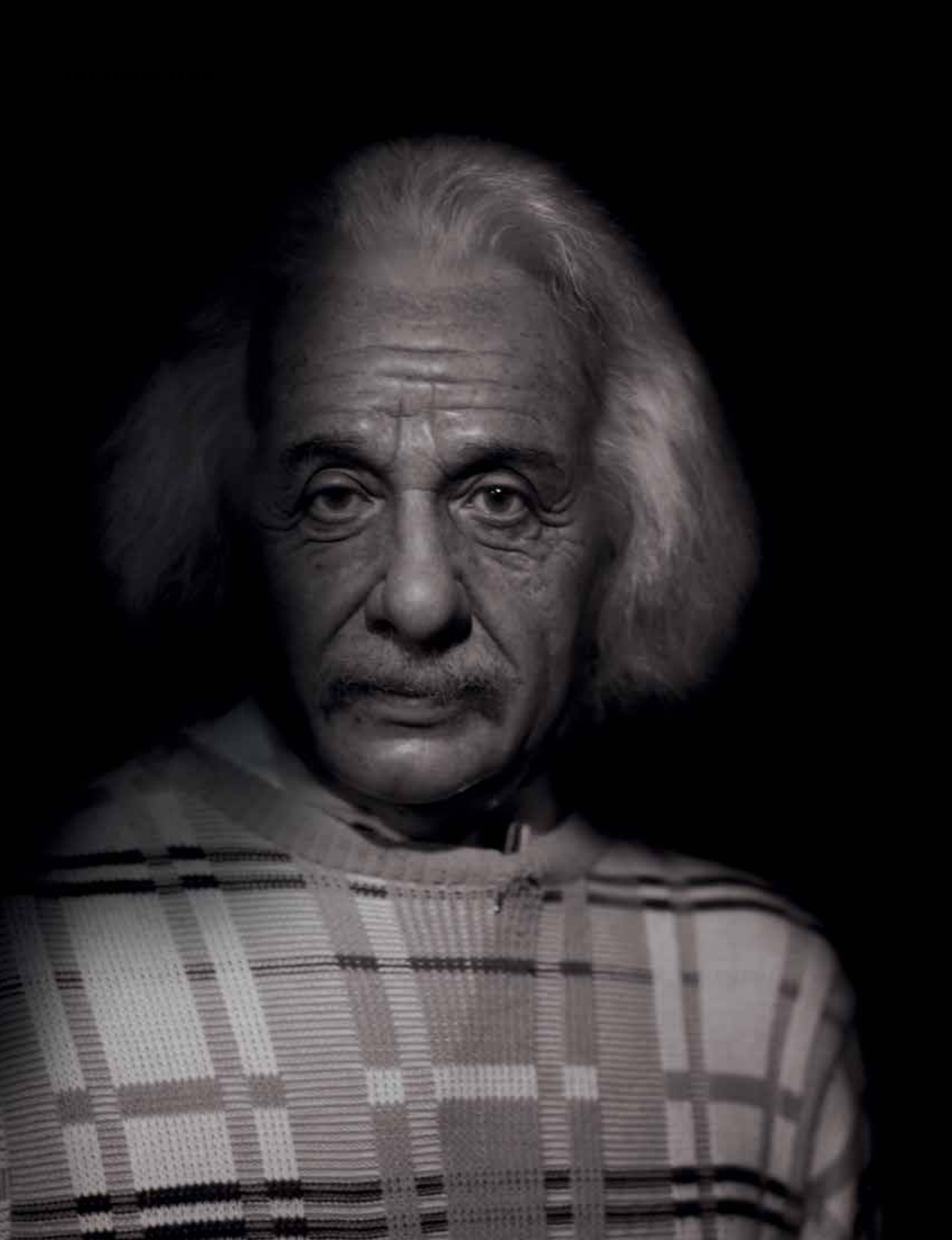
ÇORUH AND FIRAT  
ELECTRICITY  
DISTRIBUTION  
COMPANIES  
PRIORITIZE THEIR  
CUSTOMERS  
WHOSE QUALITY OF  
LIFE CRITICALLY  
DEPENDS ON  
ELECTRICAL  
DEVICES THROUGH  
VIP DESIGNATION.  
WITH THIS  
SPECIAL SERVICE,  
THE COMPANIES  
ESTABLISH  
ONE-TO-ONE  
COMMUNICATION  
CHANNELS WITH  
DESIGNATED  
CUSTOMERS AT  
THEIR REQUEST.

Çoruh EDAŞ is planning to invest TRY 69 million in 256 projects in 2019. These investments and ongoing planned repair and maintenance works are designed to increase the technical quality of the electricity supplied to customers within the Company's distribution region. Studies suggest that significant improvements can be expected with respect to the average outage duration per customer and its frequency. Other primary aims of Çoruh EDAŞ for 2019 include increasing the meter reading ratio to 93% from 90%, to replace outdated meters with high-technology precision meters, and to lower the percentage of technical and non-technical losses to 7.95% below the EMRA's theft-loss ratio of 8.08% for 2019.

Firat EDAŞ is planning to make an investment of TRY 59 million in 2019. To achieve the level aimed for by the Company's quality targets, repair and maintenance works and projects to increase the service quality will continue in a manner that will not disrupt service. Plans are currently underway to

develop projects that identify failures more rapidly and effectively via high-technology R&D efforts and to prepare maps for distribution facilities.

The Company aims to increase the meter reading ratio from 92% to 94% and to replace meters that need to be renewed periodically with high-technology precision meters. Another aim of the Company is to maximize (99%) the Automatic Meter Reading System (OSOS) reading and billing level, and to enroll the majority of the customers on the OSOS system to allow them to remotely access billing and index information. Firat EDAŞ also aims to lower the technical and non-technical losses from 10.53%, the Energy Market Regulatory Authority's (EMRA) 2019 target loss-theft ratio, to 9.50%.





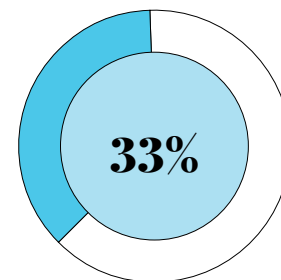
“The only source  
of knowledge is  
experience.”

- Albert Einstein

Until his gifted intelligence was discovered, Albert Einstein had experienced many difficulties and was even thought to be incompetent. Einstein was just a very curious boy with a vivid imagination. When he grew up, he created inventions that changed the world. Einstein revolutionized the notion of space, which Newtonian mechanics dominated for two centuries. The mass-energy equivalence that he formulated with the equation  $E = mc^2$  explained how stars generate their energy and paved the way for nuclear technology.

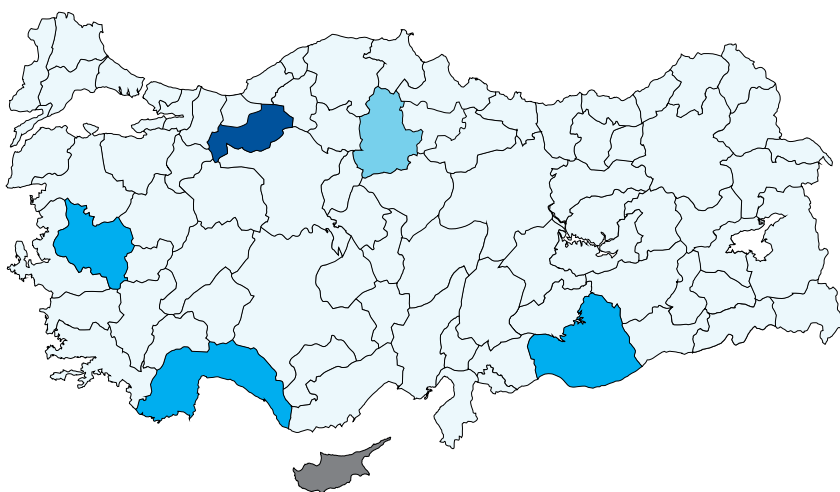
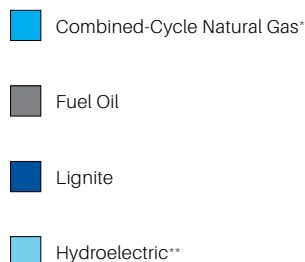
# AKSA ENERGY

Aksa Energy has become a global player in the industry with its power plants in TRNC and Africa.



SHARE IN REVENUES

## Electricity Generation



## ACTIVE INSTALLED CAPACITY

**1,946** MW\*\*\*

\*Manisa Combined-Cycle Natural Gas Plant's generation license was revoked and the plant was not included in the installed capacity figure.  
 \*\*Çorum, İncesu Hydroelectric Power Plant was sold on January 17, 2018; therefore it is not included in the installed capacity.  
 \*\*\*Installed capacity as of year-end 2018.

### Sales Volume

**15.1** BILLION KWh

### Revenues

TRY **4.7** BILLION

### EBITDA

TRY **1,033** MILLION

### Net Profit

TRY **150** MILLION

### Assets

TRY **6.4** BILLION

### Shareholders' Equity

TRY **1.8** BILLION

### Investments

TRY **498** MILLION

### EBITDA Margin

**22%**

- ➔ Turkey's largest publicly traded independent power producer
- ➔ Production on 2 continents in 5 countries
- ➔ Power plants in Turkey, Northern Cyprus, Ghana, Madagascar, and Mali
- ➔ Over TRY 4.7 billion of investments between 2009-2018
- ➔ 21.4% free float rate



*Ali Metin Kazancı Antalya Natural Gas Combined Cycle Power Plant*

# AKSA ENERGY

Aksa Energy is the largest publicly-listed independent power producer with its power plants established and operated in Turkey and abroad.

1,317<sub>MW</sub>  
DOMESTIC  
INSTALLED  
CAPACITY

Established as a subsidiary of the Kazancı Holding in 1997, Aksa Energy is the largest publicly-listed independent power producer with its power plants established and operated in Turkey and abroad. Taking important initiatives in line with its recent globalization drive, Aksa Energy transformed from a local energy company into a global power producer with its power plants in the Turkish Republic of Northern Cyprus and Africa. As at 2018 year-end, the Company has an active installed capacity of 1,946 MW.

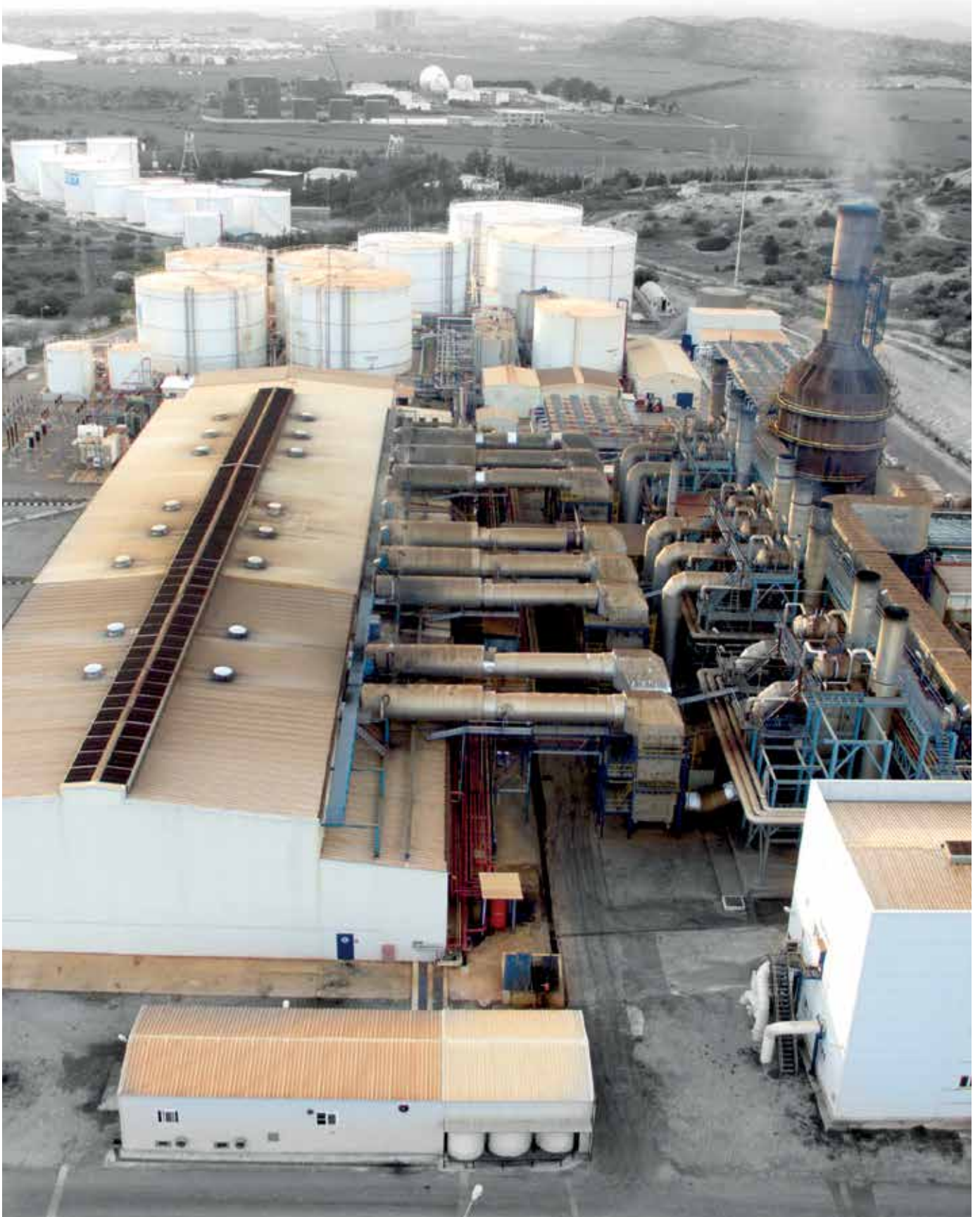
21,4% of Aksa Energy’s capital is free float and its shares are publicly traded at Borsa İstanbul’s BIST 50, BIST 100, as well as at the Sustainability indices, under the ticker AKSEN.

629<sub>MW</sub>  
OVERSEAS  
INSTALLED  
CAPACITY

Active Installed Capacity (MW)		
2 Natural Gas Combined Cycle Power Plants	Antalya	900
	Şanlıurfa	147
<b>TOTAL INSTALLED CAPACITY 1,047 MW</b>		
4 Heavy Fuel Oil Power Plants	Ghana	370
	TRNC	153
	Madagascar	66
	Mali	40
1 Thermal Power Plant	Bolu, Göynük	270
<b>TOTAL INSTALLED CAPACITY 270 MW</b>		

1,946<sub>MW</sub>  
TOTAL  
INSTALLED  
CAPACITY





*Northern Cyprus Kalecik Heavy Fuel Oil Power Plant*

## AKSA ENERGY

In 2018, Turkcrating once again confirmed that Aksa Energy has a high credit rating and strong debt repayment capabilities.

---

IN 2018, THE  
INSTALLED CAPACITY  
OF GHANA HEAVY  
FUEL OIL POWER  
PLANT INCREASED  
FROM 280 MW TO  
370 MW.

### DEVELOPMENTS IN 2018

#### **Capacity Increase at Ghana Heavy Fuel Oil Power Plant**

In November 2018, the installed capacity of Ghana Heavy Fuel Oil Power Plant was increased to 370 MW from 280 MW, with the 90 MW equipment commissioned by the Ghanaian Delegation of the Ministry.

Ghana Heavy Fuel Oil Power Plant's guaranteed capacity expanded from 223.5 MW to 332 MW, thereby boosting Aksa Energy's total installed capacity in Africa to 476 MW.

#### **Aksa Energy's New Contract in Madagascar**

Aksa Energy signed a contract for the rehabilitation and operation of a power plant with 24 MW installed capacity owned by Societe Jiro Sy Rano Malagasy (Jirama). The facility is located adjacent to the Company's existing power plant with an installed capacity of 66 MW in Madagascar. Under this contract, Aksa Energy rehabilitated the power plant to operate it for five years. CTA-2 Heavy Fuel Oil Power Plant was commissioned with 12 MW capacity in December 2018; the facility reached 24 MW installed capacity in January 2019.

Electricity generated by the power plant is being sold to Jirama in US dollars under a guaranteed purchase agreement (take-or-pay) for five years. The facility is located next to Aksa Energy's power plant, resulting in logistical advantages and the ability to use existing labor capacity.

#### **Partial License Cancellation at Ali Metin Kazancı Antalya Natural Gas Combined Cycle Power Plant**

Ali Metin Kazancı Antalya Natural Gas Combined Cycle Power Plant's installed capacity of 1,150 MW was reduced to 900 MW with the license amendment application filed with EMRA. With this partial license revocation in the production block that has no contribution to actual production, the production capacity of the plant decreased from 9 billion KWh to 7 billion KWh.

#### **License Revocation of Manisa Natural Gas Combined Cycle Power Plant**

The application to revoke the license of Manisa Natural Gas Combined Cycle Power Plant with an installed capacity of 115 MW was submitted to Energy Market Regulatory Authority in November 2018. The facility's license was canceled in April 2019. The power plant, which has diminished prospects of electricity generation at a competitive price in the free market conditions within Turkey, is planned to be used in potential projects abroad on a US dollar-based contract with higher margins. The equipment may also be utilized to meet the equipment needs of both domestic and overseas power plants.

#### **Transfer of Goldman Sachs Stake in Aksa Energy to Kazancı Holding Completed**

Goldman Sachs (GSI)'s 16.62% stake in Aksa Energy was transferred to Kazancı Holding following approval of the transaction from EMRA. In April 2018, pursuant to the provisions of the agreement between Kazancı Holding and GSI, 101,911,765 shares were bought back from GSI by Kazancı Holding for a total consideration of USD 300 million and USD 2.9437229 per share.



*Bolu Göynük Thermal Power Plant*

---

**476** MW

AKSA ENERGY'S  
INSTALLED  
CAPACITY IN  
AFRICA

---

#### **Bolu Göynük Thermal Power Plant Garnered an Award**

Aksa Energy's Bolu Göynük Thermal Power Plant received an award from the Coal Producers Association (KÖMÜRDER). The plant, the first in Turkey to use a flue gas treatment system, was presented with the "Investment in Energy Award" at the Clean Coal Technologies Summit held on April 10-11, 2018.

#### **Sale of İncesu Hydroelectric Power Plant Completed**

Aksa Energy completed the sale of İncesu Hydroelectric Power Plant to Fernas Group of Companies. With the approval of the Energy Market Regulatory Authority and the Competition Authority, the power plant with 15 MW capacity was sold to Deniz Elektrik Üretim A.Ş. of Fernas Group of Companies for a consideration of USD 15 million in January 2018.

#### **Credit Rating**

In 2018, Aksa Energy's high credit rating and strong debt repayment capabilities were confirmed once again with the credit rating given by Turkrating, one of Turkey's leading credit rating agencies. In its latest report published on October 12, 2018, Turkrating affirmed Aksa Energy's Long Term National Credit Rating as 'TR A+' and Short Term National Credit Rating as 'TR A2', with a 'stable' outlook.

#### **Aksa Energy in the Sustainability Index**

Since 2015, Aksa Energy has continued to be listed in the Sustainability Index at Borsa Istanbul, which includes companies with a high level of corporate sustainability performance traded at Borsa Istanbul. One of the 14 companies included in this list in 2015, Aksa Energy was also listed in the Sustainability Index in November 2017-October 2018 period, as well as November 2018-October 2019 period.

THE FIRST POWER  
PLANT TO USE  
THE FLUE GAS  
TREATMENT SYSTEM,  
BOLU GÖYNÜK  
THERMAL POWER  
PLANT RECEIVED  
THE "ENERGY  
INVESTMENT  
AWARD" AT THE  
CLEAN COAL  
TECHNOLOGIES  
SUMMIT.



## AKSA ENERGY

Aksa Energy invested TRY 498 million in 2018, bringing its total investments for the 2009-2018 period to more than TRY 4.7 billion.

TRY  
**6.4**  
BILLION  
ASSETS

TRY  
**4.7**  
BILLION  
REVENUES

Having established a Sustainability Committee to create strategies, policies and goals necessary for managing environmental, social and managerial risks including climate change in compliance with Corporate Governance Principles, Aksa Energy continues to take steps to ensure that actions for sustainability can be monitored and improved.

#### Strong Financial Performance

In 2018, Aksa Energy recorded a strong financial performance thanks to its strategy to seize opportunities in the global market starting with Africa, superior production capabilities and a business model focused on operational efficiency. Remaining committed to sustainability, the Company reported EBITDA of TRY 1,033 million and net profit of TRY 150 million for the year. Aksa Energy ranked 14<sup>th</sup> on "Turkey's 50

Largest Energy Companies" list compiled by Capital magazine based on revenues, crowning the Company's solid financial performance in 2018.

#### 2018 Investments

As part of its globalization strategy, Aksa Energy focused on foreign investments, particularly those in Africa, and further demonstrated its role as a major player and global brand. Despite fluctuations in international markets, Aksa Energy continued its investments without deceleration and began to reap the rewards from this approach during the year.

Aksa Energy invested TRY 498 million in 2018, bringing its total investments for the 2009-2018 period to more than TRY 4.7 billion.

## AKSA ENERGY IN FIGURES

Consolidated (TRY Million)	2014	2015	2016	2017	2018	CHANGE % (2017-2018)
Revenues	1,957	2,307	3,178	3,599	4,669	29.7
Profit/Loss	39	(216)	(363)	390	150	-61.5
Assets	3,460	4,042	4,153	5,202	6,438	23.8
Shareholders' Equity	1,022	771	387	1,661	1,818	9.5
Investments	753	592	265	318	498	56.6
EBITDA	344	443	435	493	1,033	109.5
EBITDA Margin (%)	18	19	14	14	22	57.1

## EXPLANATIONS RELATED TO THE POST BALANCE SHEET PERIOD

### Capacity Increase at the Refurbished Power Plant in Madagascar

As part of the contract for the rehabilitation and operation of a power plant with 24 MW installed capacity owned by Societe Jiro Sy Rano Malagasy (Jirama), 12 MW capacity became operational on December 6, 2018. The other engines were commercially accepted by Ministry Authorities and the plant reached 24 MW installed capacity in January 2019.

### Bolu Göynük Thermal Power Plant's Energy Sale

Pursuant to the agreement for the "Purchase of Electric Energy from Private Companies Operating Power Plants Using Only Domestic Coal as Fuel" announced on January 23, 2019, electricity purchases made in Turkish lira were pegged to US dollar along with 3% additional incentive given to plants that have completed investments and acquired the necessary permits in accordance with the environmental legislation.

Per the agreement, the purchase price for the remaining six years of the seven year purchase guarantee under Decision No. 2017/11070 of the Council of Ministers was set as TRY 285/MWh for the first quarter of 2019. The purchase price will be revised for the following months with a price index based on CPI, PPI and USD. The price of TRY 285 set for first quarter 2019 is higher than the December 2018 weighted average market clearing price of TRY 263.99 and the weighted average market clearing price of TRY 233.09 for 2018.

The lower limit of the price to be revised is set at USD 51.5/MWh and the upper limit is set at USD 56.65/MWh. The sales volume of Bolu Göynük Thermal Power Plant under the tender was determined as 1,135,521.704 MWh. Accordingly, income of USD 58.5-64.3 million is expected for 2019. In the event that the purchase amount and price range remain the same, income for 2020 and the subsequent five years is expected to be at the same level.

Apart from the energy that will be sold to EÜAŞ in US dollars under the tender, Bolu Göynük Thermal Power Plant will continue selling the remaining amount of the total energy to be generated in Turkish lira within the scope of spot market transactions or bilateral agreements and continue generating income within the framework of the capacity mechanism.

The hard currency-denominated revenues of Bolu Göynük Thermal Power Plant, coupled with those of Northern Cyprus, Ghana, Mali and Madagascar, are expected to positively affect the foreign currency-based EBITDA of Aksa Energy in 2019.

## FUTURE OUTLOOK

Aksa Energy made a radical change to its strategic investment plan, and turned its course to overseas following Northern Cyprus with the aim of becoming a global power.

With this understanding, the Company set its course for Africa, becoming one of the important players of the African energy sector with the power plants it established in Ghana, Madagascar, and Mali. By investing in African countries in need of energy and infrastructure investments, Aksa Energy also aims to increase its profit levels and foreign-currency based sales.

Aksa Energy's investment plans for the coming period include the commissioning of 54 MW of the second phase of Madagascar Heavy Fuel Oil Power Plant, 66 MW, subsequent to the completion of the transmission lines in the region.

Having transformed itself from a domestic energy company to an international power producer and supporting the Turkish economy with its foreign currency revenues, Aksa Energy will continue to increase its installed capacity abroad.

To this end, the Company follows investment opportunities abroad, and evaluates them as they arise. Discussions are underway with the countries in urgent need of energy, who favor fast-track solutions created with already existing equipment.

---

HAVING  
TRANSFORMED  
FROM A DOMESTIC  
ENERGY COMPANY  
INTO A GLOBAL  
ENERGY GIANT  
AND SUPPORTING  
TURKEY'S ECONOMY  
WITH ITS FOREIGN  
CURRENCY REVENUES,  
AKSA ENERGY PLANS  
TO CONTINUE  
EXPANDING ITS  
INSTALLED CAPACITY  
ABROAD.



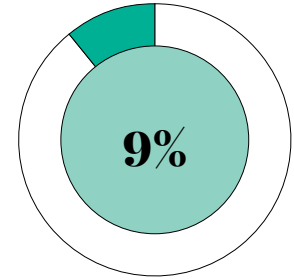
“Sometimes it is the people no one can imagine anything of who do the things no one can imagine.”

- Alan Turing

Alan Turing was a genius who is considered a war hero as he played a crucial role in deciphering the Nazi codes during the Second World War. With the definition of an algorithm called a Turing machine, he laid the foundations for modern computers and, hence, the world of today. He also contributed to the history of mathematics with the Church-Turing Hypothesis he developed. In addition, Turing formulated the reaction-diffusion model, one of the most important mathematical models in developmental biology. With the Turing Award, which is considered the Nobel Prize of computer science, Turing's name has been engraved in the academic IT world.

# AKSA POWER GENERATION

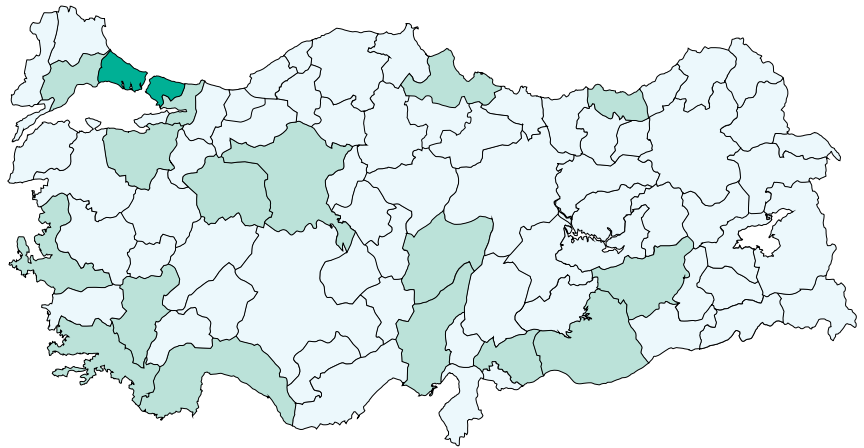
Aksa Power Generation is **one of the five largest generator manufacturers in the world.**



SHARE IN REVENUES

## Generator Manufacturing and Sales

- Aksa Power Generation Istanbul Factory
- Aksa Power Generation Sales Offices



## PRODUCTION CAPACITY

# 40 THOUSAND

Production Facility

**150,000** M<sup>2</sup>

Sales Points Abroad

**21**

Sales Points in Turkey

**23** APCs (AKSA POWER CENTER)

Service Points in Turkey

**81**

Revenues

TRY **1.3** BILLION

EBITDA

TRY **171** MILLION

Exports

TRY **649** MILLION

- ➔ Manufacturing in 3 continents, sales to 168 countries
- ➔ Power generator factory with the world's largest production capacity
- ➔ The first and only Turkish generator company to manufacture in the US
- ➔ Turkey's leading generator brand, exporting more than 50% of its production
- ➔ 18 overseas sales points and 3 representation offices





*Aksa Power Generation Factory in China*

# AKSA POWER GENERATION

Aksa Power Generation has successfully maintained its undisputed leadership in the Turkish generator market for many years.

---

TRY  
**1.3**  
BILLION  
REVENUES

---

Aksa Power Generation began its production journey with the electrical motor factory established by Ali Metin Kazancı in 1968. In 1984, it manufactured its first generator and in a short time became a specialist in the field of machine and hardware production, turning into one of the leading generator manufacturers in the world. After the Aksa Group became a holding company and was reorganized under the name Kazancı Holding in 1994, Aksa Power Generation took its present form. Aksa Power Generation, which has maintained its leading position by a landslide for many years and has constantly produced added value for the Turkish economy with exports to 168 countries, is among the 200 largest industrial establishments in Turkey.

## OPERATIONS

### Manufacturing and Sales

Aksa Power Generation manufactures generators between 1 kVA and 3,125 kVA which can run on petrol, diesel, and natural gas, supplementary marine generators, lighting masts, and generator hardware in its factories in Istanbul (Turkey, 20,000 m<sup>2</sup> indoor space), Changzhou (China, 120,000 m<sup>2</sup> indoor space), and Louisiana (USA, 10,000 m<sup>2</sup> indoor space), and it is one of the leaders and pioneers of the industry. As of end-2018, the Company has a diesel generator production capacity of 40,000.

In 2016, Aksa Power Generation added to its product portfolio the hybrid generator, which it designed completely based on its own research and development works, and which can derive its energy from renewable sources, such as wind and solar energy, making it a technology for the future. Providing fuel savings up to 70% and offering an economical and efficient alternative to customers as an environmentally friendly generator, the hybrid generator also comes equipped with Remote Management System (RMS), allowing users to remotely access and check data entries.

---

**21**  
SALES POINTS  
ABROAD

---

Always a pioneer for change, Aksa Power Generation closely monitors technological and scientific developments and sets standards in the industry with its own innovative products. The Company was one of the first companies in the world to manufacture generators that run on natural gas, and it is indisputably the leader when it comes to synchronized generators. Aksa Power Generation continues to work more intensively on environmentally friendly generators with lower fuel consumption and lower noise levels through its R&D investments.

---

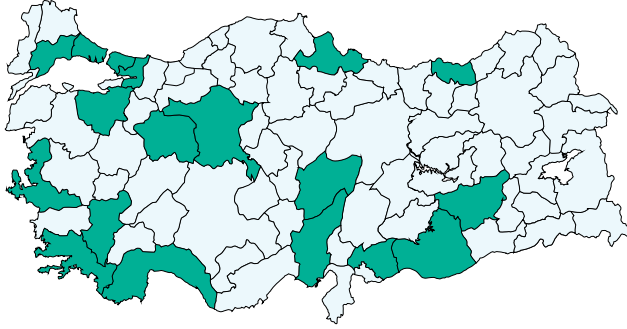
**150,000**<sub>M<sup>2</sup></sub>  
PRODUCTION  
FACILITY

---



Aksa Power Generation delivers services at the following 23 APCs located across Turkey:

Domestic Sales Points



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

More than 50% of Aksa Power Generation's production is exported; with 18 overseas sales offices and 3 representation offices in Asia, Europe, Africa, and America, it is amongst the top 5 companies in the industry globally. In 2018, the Company added 2 new sales offices to its service network. It has offices in China, Singapore, USA, Kazakhstan, Algeria, South Africa, Ghana, Dubai, Iraq, Russia, United Kingdom, Uzbekistan and Vietnam, and representative offices in Indonesia, the Netherlands, and Kenya.

#### Aksa Rental

Aksa Rental provides generator rentals in Turkey and abroad through its experienced staff in the head offices in Istanbul and Dubai, offering a large product range consisting of fuel and diesel based generator sets.

Aksa Rental can also provide package deals to meet its customers' periodic and ongoing energy needs - including exploration, assembly, service, and transportation solutions. Aksa Generator Rental boasts Turkey's biggest generator fleet with capacities ranging from 1 kVA to 2,500 kVA.

Aksa Rental Mobile Generators are designed for situations which might call for an urgent energy supply and constitute a first in this field in Turkey. It can supply energy up to 400 kVA with a single mobile generator, and up to 1,200 kVA in the form of synchronized gensets.

Thanks to their sound insulation properties, the Aksa Mobile Generators are classified as "Super Quiet." Their advanced working properties have allowed Aksa Mobile Generators to provide energy for many important events in Turkey, and they are a must-have for many large projects and construction sites.

#### Second Hand Generators

Aksa Second Hand Generator Department was established to provide a reliable and professional service for second hand generator purchases and sales. Second hand generators are appraised on-site by qualified engineers specialized in the field and are evaluated under the best terms and at optimal prices.

Generators which have passed quality control tests and given extensive overhauls are put on sale by the Aksa Second Hand Department are placed under warranty along with a periodic maintenance agreement. Moreover, depending on customer requests, old generators can be removed from their locations and replaced with new generators which have the most appropriate power.

Aksa Power Generation is also a leader in the industry in secondhand generator purchase and sales thanks to;

- Brand experience and assurance,
- Quality control tests prior to the sale,
- Service by expert technical teams,
- Approved products' sales prices reflecting their value,
- Thorough support following the sale,
- Warranty for secondhand generators,
- Spare part support,
- Immediate solutions from a widespread service network.

WITH MORE  
THAN 50% OF ITS  
PRODUCTION  
EXPORTED THROUGH  
18 OVERSEAS SALES  
OFFICES AND  
3 REPRESENTATION  
OFFICES IN ASIA,  
EUROPE, AFRICA  
AND AMERICA,  
AKSA POWER  
GENERATION RANKS  
AMONG THE TOP  
FIVE COMPANIES  
IN THE INDUSTRY  
GLOBALLY.

## AKSA POWER GENERATION

---

TRY  
**649**  
MILLION  
EXPORTS

---



AKSA POWER  
GENERATION AIMS  
TO HAVE EXPORTS  
OF USD 1 BILLION  
BY 2025 AND RANK  
AMONG THE TOP  
THREE GENERATOR  
MANUFACTURERS  
WORLDWIDE.

### AKSA SERVICE AND RENTAL

Aksa Service and Rental was founded in 1994 to provide after-sales service and spare part support for all Aksa Power Generation products. Its service network provides 24/7 support across Turkey with teams of trained technicians, mechanics, and engineers, solving any technical problems customers might have in the shortest time possible.

Aksa Service and Rental operates at 81 service points in Turkey including Istanbul, with a team of 300 technical staff, engineers, administrative staff, and 150 vehicles, providing 24/7 after sales support and service, even on public holidays and non-working days. Its expert teams at Regional Head Offices and APCs, and its inventory of spare parts for the most often needed parts sets it apart from its rivals in terms of service quality. The Company is currently making investments for a training network that would introduce authorized services in Turkey to the latest developments in the industry.

### FUTURE OUTLOOK

The leader of the generator market in Turkey, Aksa Power Generation plans to maintain its domestic market leadership with its focus on innovation and expand its customer base. As part of its growth strategy, the Company has created long-term global targets as well. Aksa Power Generation aims to have exports of USD 1 billion by 2025 and rank among the top three generator manufacturers worldwide.

Aksa Power Generation keeps track of possible opportunities in the African and South American markets, and it aims to broaden its global sales network to expedite its growth.



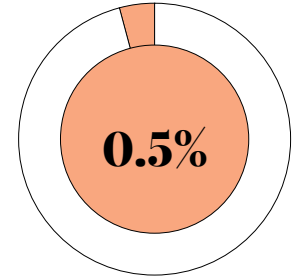
AKSA POWER GENERATION KEEPS TRACK OF POSSIBLE OPPORTUNITIES IN THE AFRICAN AND SOUTH AMERICAN MARKETS, AND IT AIMS TO BROADEN ITS GLOBAL SALES NETWORK TO EXPEDITE ITS GROWTH.

## AKSA POWER GENERATION IN FIGURES

(TRY Million)	2014	2015	2016	2017	2018	CHANGE % (2017-2018)
Revenues	821	1,019	969	1,154	1,297	12.4
Exports	470	560	502	588	649	10.4

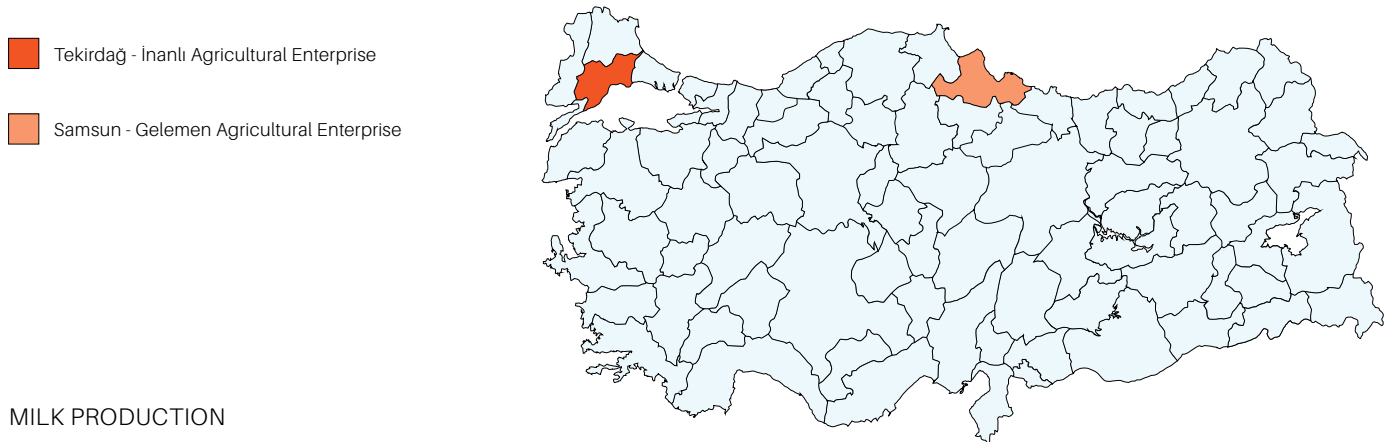
# AKSA AGRICULTURE

Aksa Agriculture operates in cattle breeding, dairy farming and agriculture over **24,000 decares**.



SHARE IN REVENUES

## Agricultural Enterprises



## MILK PRODUCTION

# 14,400 TONS

Cattle Breeding

**14,000** HEADS

Dairy Cattle Farming

**3,200** HEADS

Silage Corn Production

**27,000** TONS

Hay Production

**1,200** TONS

Apple Production

**2,100** TONS

Wheat Production

**2,050** TONS

Revenues

TRY **87** MILLION

EBITDA

TRY **18** MILLION

- ➔ One of the top 10 farms in Turkey in cattle breeding and milk production
- ➔ EU compliant production
- ➔ 450 decares apple orchard
- ➔ 1,200 tons of concentrate feed production per month







# AKSA AGRICULTURE

For Aksa Agriculture, 2018 has been a year of breakthrough in which the way for future investments were paved.

---

14,400

TONS

MILK PRODUCTION

---

20,000

TONS

SILAGE CORN  
PRODUCTION

---

Kazancı Holding founded Aksa Agriculture to take part in the development of agriculture and livestock in Turkey. In 2005, the Holding signed a 30-year lease for İnanlı Agriculture Enterprise and Gelemen Agriculture Enterprise which were offered for lease by the Department for Agricultural Enterprises. The Group engages in activities related to fruit gardening, grain production, silage corn production, rice planting, cattle breeding and dairy farming at these two enterprises running at EU standards. In addition, the Group is committed to steadily increasing the inputs it produces for the Turkish agriculture and livestock sector.

## DEVELOPMENTS IN 2018

For Aksa Agriculture, 2018 has been a year of breakthrough in which the way for future investments were paved. The Company's annual operations and investments continued to strengthen its position in the sector. Aksa Agriculture's enterprises in İnanlı and Gelemen contain a total of 17,200 heads of cattle.

## İNANLI ENTERPRISE

At its İnanlı Enterprise in Tekirdağ, Aksa Agriculture has been farming dairy cattle with an expert team of zootechnicians, veterinarians, and agricultural engineers. With a capacity of 1,600 heads of female cattle, it produces 1,200 tons of chilled raw cow's milk which is certified at EU standards.

The Company's expertise in farming dairy cattle was transferred to cattle breeding. Construction of the 6,000 head capacity barn for cattle at İnanlı Enterprise that started in 2016 was completed in 2017. The facility included all necessary infrastructure for an environmentally friendly operation. Aksa Agriculture entered the meat market in Turkey after the investment was completed and put its first lot of livestock on sale the same year.

In addition to dairy and cattle farming, Aksa Agriculture also sows two types of crops each year in İnanlı Enterprise. 1,200 tons of pellet feed are produced monthly alongside wheat, vetch, silage corn, and dry hay across an area of 8,600 decares.

As part of its environmentalist approach, the Company signed a contract for a biogas recycling project in 2018 with the aim of recycling and repurposing solid animal waste. The system is planned to become operational by the end of 2020.



At İnanlı Enterprise in 2018;

- 14,400 tons of milk,
  - 6,000 heads of cattle,
  - 3.200 heads of dairy cattle,
  - 20.000 tons of silage corn,
  - 500 tons of hay,
  - 650 tons of wheat
- have been produced.

As a result of regular investments made since 2015, İnanlı Enterprise includes following facilities as of year-end 2018:

- Four closed system barns with 480-head capacity,
- Two closed system barns with 240-head capacity,
- Semi-open system barn with 500-head capacity,
- Open system feeding barn with 6,000-head capacity,
- Calf sheds with 450-head capacity,
- Delivery barn with 250-head capacity,
- Two German Rotary milking facilities with 40 units,
- 2x20 parallel milking system,
- 12 silage wells with 2,000-ton capacity,
- Pellet feed facility with a production capacity of 5 tons/h,
- Drip irrigation system covering a 4,000-decare.

## GELEMEN ENTERPRISE

At its Gelemen Enterprise in Samsun, Aksa Agriculture plants two sets of crops each year on an area of 7,000 decares, producing barley, wheat, rice, and silage corn, and carries out EU and good farming practice certified apple production expanding across 450 decares. The farm also includes cattle barns, 28,200 m<sup>2</sup> of which are indoor and 7,040 m<sup>2</sup> of which are outdoor.

With the works initiated in 2017, suitable types of crop were chosen and the yield was increased by considering the crop productivity of previous years as well as the area's geographical and environmental properties. The yields for barley, wheat, and silage corn are above the regional average at the Gelemen Enterprise. Furthermore, a cooperative production model was formed with local farmers who know the region's particulars well to begin the production of rice.

In 2017 and 2018, Gelemen Enterprise produced sugar beet seedlings in association with KWS, one of the leading global brands in its field, and production continued on the apple orchards located in the farm.

Improving its collaboration with Namet for husbandry, Aksa Agriculture continued its activities in cattle farming in 2018. The Company's collaboration with Namet continues for feeder cattle which led to the signature of an agreement for a biogas project with Namkon Feeder Cattle, a JV between Namet and Kazancı Holding, for the repurposing and recycling of solid animal waste. The system was completed in 2018 and is planned to become operational in 2019.

At Gelemen Enterprise in 2018;

- 8,000 heads of cattle,
  - 2,100 tons of apples,
  - 7,000 tons of silage corn,
  - 1,400 tons of wheat,
  - 1,200 tons of hay
- have been produced.

As a result of regular investments made since 2015, Gelemen Enterprise has the following facilities as of end-2018:

- A barn with three 5,200 m<sup>2</sup> closed areas and 3,840 m<sup>2</sup> open area,
- A barn with three 4,200 m<sup>2</sup> closed areas and 3,200 m<sup>2</sup> open area,
- 450 m<sup>2</sup> covered apple orchard,
- Drip irrigation system covering a 3,000-decare.

---

# 35,240<sub>M<sup>2</sup></sub>

FEEDING BARNs

---

IN 2017 AND  
2018, GELEMEN  
ENTERPRISE  
PRODUCED SUGAR  
BEET SEEDLINGS  
IN CONJUNCTION  
WITH KWS, A GLOBAL  
BRAND IN SUGAR  
BEETS.

## AKSA AGRICULTURE

14,000  
HEADS  
BREEDING CATTLE



AKSA AGRICULTURE  
AIMS TO  
CONTRIBUTE TO  
BOTH REGIONAL  
AND NATIONAL  
ECONOMY WITH  
APPLE PRODUCTION  
AND CATTLE  
FARMING AT  
ITS GELEMEN  
ENTERPRISE.

### AKSA AGRICULTURE IN NUMBERS

<b>İnanlı Enterprise</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Milk Production	22,000 tons	18,000 tons	14,400 tons
Dairy Cattle Farming	3,649 heads	5,000 heads	3,200 heads
Cattle Breeding	2,500 heads	5,000 heads	6,000 heads
Silage Corn Production	20,000 tons	20,000 tons	20,000 tons
Hay Production	2,500 tons	2,500 tons	500 tons

<b>Gelemen Enterprise</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Cattle Breeding	6,500 heads	5,000 heads	8,000 heads
Silage Corn Production	13,000 tons	11,000 tons	7,000 tons
Apple Production	1,765 tons	1,305 tons	2,100 tons
Hay Production	350 tons	700 tons	1,200 tons
Wheat Production	-	1,100 tons	1,400 tons
Rice Production	-	-	750 tons

## FUTURE OUTLOOK

Aksa Agriculture's İnanlı Enterprise utilizes state-of-the-art milking systems. The enterprise engages in modern dairy cattle farming with 1,600 heads of female cattle, whose movements are monitored via a computer integrated barcode system. Within the next years, the Company plans to meet Turkey's demand for pregnant heifers with high genetic capacity from this enterprise.

By expanding its cattle operations from a barn capacity of 3,000 heads of cattle in 2016 to 15,000 heads, Aksa Agriculture aims to contribute to the national economy by engaging in modern cattle farming practices. To this end, efforts to increase the capacity of the enterprise will continue in 2018.

Aksa Agriculture aims to contribute to both the regional and national economy through its apple production and cattle farming operations at its Gelemen Enterprise. Additionally, the Company aims to increase its husbandry operations through a

capacity increase, to raise the number of cattle to 15,000 via collaborative projects, and to help meet Turkey's demand for meat, milk, and cattle.

### Planned Investments for İnanlı Enterprise

- Cattle barns with 9,000-head capacity
- Silage storehouse
- Feed storehouse
- Drying block
- Hay storehouse

### Planned investments for Gelemen Enterprise

Investments planned to be made following the increase of cattle capacity to 15,000 heads are as follows:

- 3 barns with 8,100 m<sup>2</sup> covered and 3,840 m<sup>2</sup> open area
- 2 barns with 10,125 m<sup>2</sup> covered and 3,840 m<sup>2</sup> open area
- 2 barns with 5,400 m<sup>2</sup> covered and 3,840 m<sup>2</sup> open area

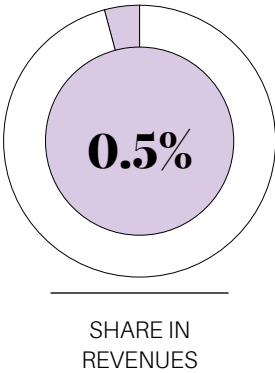
The barns planned for Gelemen Enterprise will operate on a total covered area of 55,350 m<sup>2</sup> and a total open area of 26,880 m<sup>2</sup>.

BY EXPANDING ITS CATTLE OPERATIONS FROM A BARN CAPACITY OF 3,000 HEADS OF CATTLE IN 2016 TO 15,000 HEADS IN 2018, AKSA AGRICULTURE AIMS TO CONTRIBUTE TO THE NATIONAL ECONOMY BY IMPLEMENTING ADVANCED CATTLE FARMING PRACTICES.



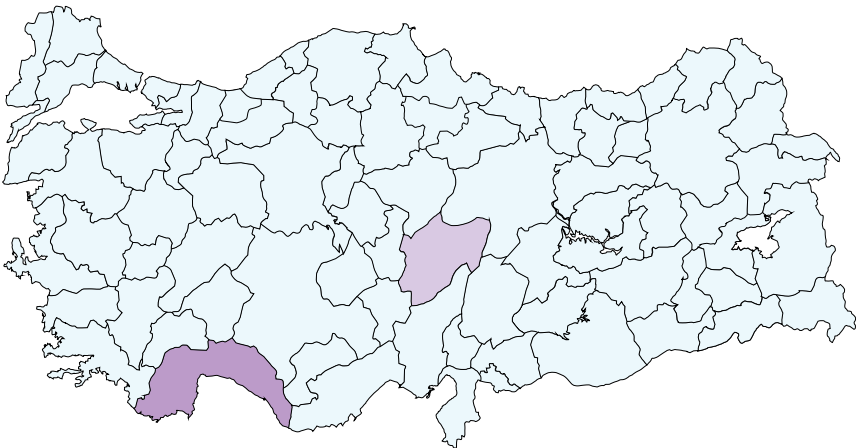
# AKSA TOURISM

Aksa Tourism has 3 hotels in the touristic regions of Turkey.



## Tourism Enterprises

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



### NUMBER OF HOTELS

3

Number of Rooms

687

Bed Capacity

1,433

Actual Overnight Stays

270 THOUSAND GUESTS

Revenues

TRY 76 MILLION

EBITDA

TRY 22 MILLION

- ➔ 3 Hotels in Antalya and Kayseri
- ➔ A total of 687 rooms and 1,433 beds
- ➔ A 9% increase in the number of overnight guests compared to 2017
- ➔ 270 thousand overnight guests





*Mirada Del Mar Hotel/Antalya*



# AKSA TOURISM

In 2018, Aksa Tourism's revenues jumped 85% while the number of overnight stays in hotels went up 9%.

---

687

ROOMS

---

1,433

BEDS

Assuming market leading roles with its innovative vision and striving to create sustainable models in every area where it operates, Kazancı Holding founded Aksa Tourism in 2004 and entered the tourism sector in 2005 with Mirada Del Mar Hotel in Antalya. Aksa Tourism purchased two leisure centers on the slopes of Mount Erciyes in Kayseri in 2006; following their renovation, they opened as 4-star and 3-star hotels, respectively, in 2007.

In the years following its initial investment period, in line with the developments in the tourism sector, Aksa Tourism continued to invest in the renovation of its hotels so as to provide better customer service. As of year-end 2018, Aksa Tourism has a total of 687 rooms and 1,433 beds across 3 hotels.

## DEVELOPMENTS IN 2018

In 2018, Aksa Tourism continued its investments by renovating the rooms in its hotels in Erciyes and Antalya in order to offer the guests a more comfortable and unforgettable holiday experience.

During the year, Aksa Tourism also boosted its contribution to Turkish tourism by hosting Polish ski enthusiasts at its hotels Mirada Del Lago and Mirada Del Monte located in Mount Erciyes via an agreement with ITEKA, operating in the Polish market. In addition, the Company started hosting domestic and international sports teams by providing favorable conditions for high altitude performance training.

In fiscal year 2018, Aksa Tourism recorded significant successes both financially and operationally. While Mirada Del Mar Hotel's revenues jumped 66%, the number of overnight stays rose 8% over the previous year to 245 thousand. Similarly, Mirada Del Lago Hotel and Del Monte Hotel's total revenues went up 63%, while the number of overnight stays at these hotels increased 20% compared to the previous year.

## MIRADA DEL MAR HOTEL

Aiming for excellence in the tourism sector, the 5-star Mirada Del Mar Hotel is Kazancı Holding's first investment in the sector. It is located in the Göynük district in Kemer, Antalya.

Mirada Del Mar Hotel's architecture and landscaping boast a unique design; it is located in a 100 thousand m<sup>2</sup> area surrounded with pine trees, with a total of 542 rooms each with a view of the sea, forest, or garden. Additionally, it contains 14 meeting rooms, largest of which can seat 800 people, all equipped with the latest technology, that can be used for various gatherings and events.

## MIRADA DEL LAGO HOTEL

Located in Kayseri, the Mirada Del Lago Hotel is 28 km away from the airport. It is the first hotel to be opened on Mount Erciyes, and it boasts a modern architectural design inspired by Seljuk architecture. It contains 105 rooms and 229 beds. The Hotel also has the largest number of beds in the area.



*Mirada Del Mar Hotel/Antalya*

The Hotel provides its guests with cable car and chairlift services, it is located 300 meters away from ski slopes that are 37 km long. Mirada Del Lago Hotel contains a main restaurant and an à la carte restaurant where exceptional dishes can be sampled. It contains an indoor pool with heating, a sauna, and traditional Turkish baths, as well as a conference room equipped with the latest technology which can seat 150 people, making it suitable for various gatherings and events.

In the 2017-2018 winter season, Mirada Del Lago Hotel's ski lodge and lobby were expanded, renovated and redecored

to improve guest experience. In 2018, all rooms at Mirada Del Lago Hotel were also renovated. In addition, the spa center, restaurant and general visitor areas were refurbished and reopened for use.

## MIRADA DEL MONTE HOTEL

The 3-star Mirada Del Monte Hotel contains 96 beds in 40 rooms and is located 50 meters away from the winter sports activity center, serving its guests on the slopes of the highest mountain in Central Anatolia, Mount Erciyes.

---

TRY  
**76**  
MILLION  
REVENUES

---

AKSA TOURISM  
BOOSTED ITS  
CONTRIBUTION TO  
TURKISH TOURISM  
IN 2018 BY HOSTING  
POLISH SKI  
ENTHUSIASTS AT  
ITS HOTELS MIRADA  
DEL LAGO AND  
MIRADA DEL MONTE  
LOCATED IN MOUNT  
ERCIYES VIA AN  
AGREEMENT WITH  
ITEKA, OPERATING  
IN THE POLISH  
MARKET.

## AKSA TOURISM

---

# 270

THOUSAND GUESTS  
OVERNIGHT STAYS




---

MIRADA DEL LAGO  
HOTEL AND MIRADA  
DEL MONTE HOTEL,  
WHICH OPERATE  
WITH A FOCUS ON  
WINTER TOURISM,  
HOSTED RUSSIAN  
TOURISTS FOR  
THE FIRST TIME IN  
2017 AND POLISH  
TOURISTS IN 2018.

### AKSA TOURISM IN FIGURES

The recovery process which started in 2017 in the tourism sector has continued in 2018 with acceleration. The positive developments in the Russian market, one of the main markets for Turkish tourism, compensated for the loss in the European market in terms of the total number of people.

Mirada Del Lago Hotel and Mirada Del Monte Hotel, both of which operate mainly with respect to winter tourism, hosted Russian guests in 2017 and Polish guests in 2018 for the first time. The satisfaction of these customers indicate a gradual growth of this segment each year.

Markets	Overnight Stays			
	2017		2018	
	Rooms	Guests	Rooms	Guests
Russia/Middle East	51,304	102,451	54,873	109,640
Europe/Balkans	12,213	23,811	15,737	31,646
Domestic Market	12,963	26,172	16,445	33,679
Seminar	41,385	75,320	38,463	70,090
Others	9,385	20,402	11,756	24,721
<b>Total</b>	<b>127,250</b>	<b>248,156</b>	<b>137,274</b>	<b>269,776</b>

## FUTURE OUTLOOK

Tourism is a sector directly affected by all political and financial developments in our country and region. As the region is gaining stability, the Turkish tourism sector is expected to reach its well-deserved stance in a short time due to its infrastructure and quality of service and facilities. The recent positive political developments between Turkey and Russia are expected to reflect positively on the sector's prospects in 2019.

Mirada Del Mar Hotel entered the 2019 summer season with 256 of its 542 rooms completely renovated.

Aiming to achieve sustainable growth in tourism, Aksa Tourism continues its investments in line with visitor expectations each year. The Company plans to increase its bed capacity in line with possible opportunities that might arise in the medium term.

---

# 9%

GROWTH IN  
THE NUMBER OF  
OVERNIGHT GUESTS

---




---

AIMING TO ACHIEVE  
SUSTAINABLE  
GROWTH IN  
TOURISM,  
AKSA TOURISM  
CONTINUES  
ITS CAPITAL  
INVESTMENTS IN  
LINE WITH VISITOR  
EXPECTATIONS EACH  
YEAR. THE COMPANY  
PLANS TO INCREASE  
ITS BED CAPACITY  
IN ACCORDANCE  
WITH POSSIBLE  
OPPORTUNITIES  
THAT MIGHT ARISE  
IN THE MEDIUM  
TERM.





“Be less curious  
about people and  
more curious about  
ideas.”

- Marie Curie

In 1904, Marie Curie became the first woman in France to receive a doctorate in advanced science for her work on radium. Receiving the Nobel Prize in Physics, she became the first woman in history to be presented with this immense honor. Tragically, Curie died of blood cancer in France in 1934 because of the excessive radiation she was exposed to during her work. After her death, she became known as the “Woman Who Died for Science.” Curie’s notebooks were exposed to so much radiation that they are stored in lead-lined boxes and can only be examined with anti-radiation materials.

# HUMAN RESOURCES

Kazancı Group formulated its Human Resources Policy around the approach: “Our most valuable asset is our human resources.”

---

WORKFORCE  
COMPETENCIES IN  
KAZANCI HOLDING  
ARE CONTINUOUSLY  
SHAPED AND IMPROVED  
IN ACCORDANCE WITH  
LONG-TERM CORPORATE  
GOALS.

Kazancı Holding aims to create value on a global scale with its innovative corporate culture. To this end, the Holding considers highly qualified human resources as its greatest competitive strength. Kazancı Holding demonstrates this perspective in its Human Resources Policy, which is formulated around the approach: “Our most valuable asset is our human resources.” The main objectives of Kazancı Holding’s human resources activities are as follows:

- Setting a best practice in human resources practices in the sector,
- Managing all aspects of processes relating to human resources effectively, in order to create competitive edge,
- Forming the organizational structure of all companies with individuals who are team players, open to change, productive, dynamic, and well-suited to our corporate values,
- Increasing the Company’s efficiency by implementing practices aimed at improving the performance and development of human resources.

The Group’s human resources management approach includes preparing employees for the specific structure and needs of the industries where they operate. The Group also adopts principles and implements practices to ensure that the staff remains dynamic in line with the Holding’s strategic objectives.

Kazancı Holding places great importance on a sustainable human resources structure in the name of fulfilling its long term goals, and its HR policies are designed for constant improvement of the department’s capabilities, and amended in line with long-term corporate goals.

Kazancı Holding’s human resources management and practices are designed to position the organization as the most preferred employer by development-oriented and productive professionals for current and potential employees. This is achieved by creating an unrivaled work environment that supports employee participation and continuous improvement and that boosts staff performance and commitment.

Core values that form Kazancı Holding’s approach to human resources are:

- Respect for human,
- A sense of belonging,
- The right person for the right job,
- Management of diversities,
- Equal opportunities,
- Personal and professional development.

The Human Resources Directorate provides support with employee selection and placement, salaries and benefits, training-development, performance and the running of organizational processes through a centralized human resources structure to all Group companies operating under six different business lines.

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 Holding's total workforce rose from 7,538 as of end-2017 to 7,769 employees as of 31 December 2018.

### Human Resources Activities and Employee Satisfaction

Kazancı Holding employees are open to change and innovation, dynamic, aware of areas of improvement to themselves and their job, and members of a team in which constant development and creativity is fostered, efforts are rewarded, and successes appreciated.

Employee satisfaction and a sense of belonging are permanent elements of Kazancı Holding's human resources vision. To this end, the Group continues to develop and implement the necessary policies to increase employee loyalty.

Kazancı Holding regards the diversity of its human resources as a valuable part of its organizational structure and a fundamental feature of its intellectual capital. Throughout all processes and practices of the human resources policy, the aim is to provide employees with equal opportunities, and the Group is firmly against discrimination based on race, religion, language, gender, and sexual orientation. Kazancı Holding embraces

universally accepted human rights ideals, and it is against child labor and forced labor.

Kazancı Holding's human resources practices allow the Group to provide its employees with fast and efficient support, and play a huge part in increasing the productivity and performance of different units.

Kazancı Holding places great importance on employee satisfaction, and to this end provides certain benefits by business partnerships to provide discounts within the Group. Cookshop, one of the Group's brands, and hotels operated by Akxa Tourism provide all Holding employees with discounts. Additionally, agreements are underway with various institutions in the healthcare, education, and similar sectors.

With a more goal-based operation in the HR vision in 2018 and beyond, steps have been taken to implement the competency and performance management system. In terms of training, works are underway to offer courses that would contribute to employees' self-improvement by aiding both personal and professional development, thus creating a self-aware workforce.

GROUP	SUBJECT OF TRAINING	NUMBER OF ATTENDEES	TRAINING HOURS
HOLDING	OHS	72	144
HOLDING	INFORMATION SECURITY	134	134
NATURAL GAS	OHS	2,184	34,944
NATURAL GAS	PROFESSIONAL COMPETENCE	621	12,593
ENERGY	OHS	977	13,834
ENERGY	PROFESSIONAL COMPETENCE & OTHER	1,924	5,839
ELECTRICITY	OHS	2,153	33,888
ELECTRICITY	PROFESSIONAL COMPETENCE & OTHER	2,389	53,342
POWER GENERATION	OHS	283	2,924
POWER GENERATION	PROFESSIONAL COMPETENCE & OTHER	669	9,908
TOURISM	OHS	336	2,688
TOURISM	PROFESSIONAL COMPETENCE & OTHER	764	1,550
<b>TOTAL</b>		<b>12,506</b>	<b>171,788</b>

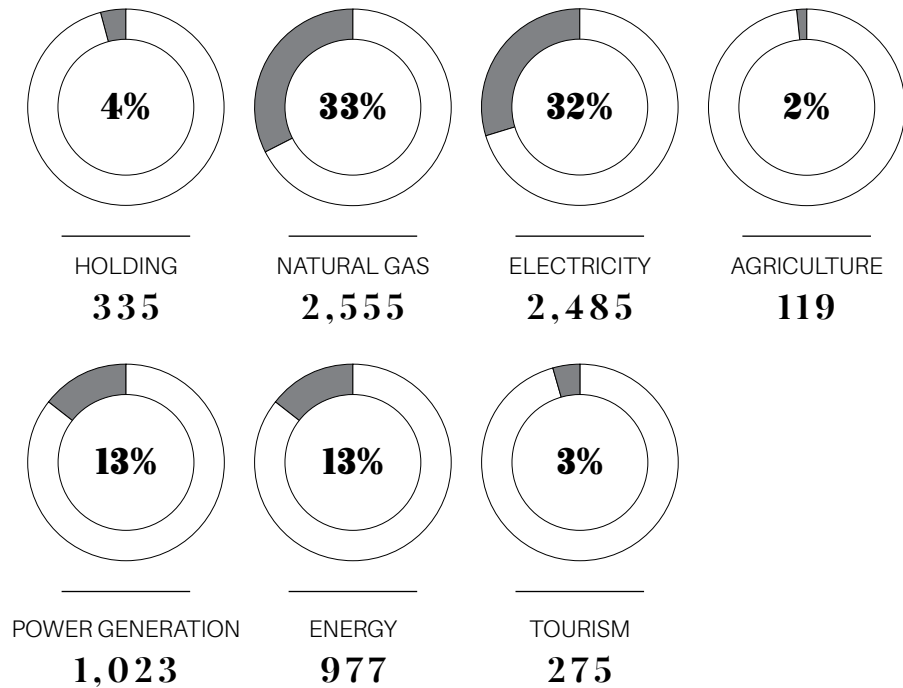
IN 2018, KAZANCI GROUP BOOSTED ITS TRAININGS TO FOSTER SELF-IMPROVEMENT OF EMPLOYEES AND CREATE A SELF-AWARE WORKFORCE.

## HUMAN RESOURCES

Kazancı Group's workforce is composed of 7,769 employees as of December 31, 2018.

EMPLOYEE SATISFACTION AND A SENSE OF BELONGING ARE CORE ELEMENTS OF KAZANCI HOLDING'S HUMAN RESOURCES VISION. TO THIS END, THE GROUP DEVELOPS AND IMPLEMENTS SPECIALLY DESIGNED POLICIES TO FOSTER EMPLOYEE LOYALTY AND COHESION.

### COMPANY HEADCOUNT



### BREAKDOWN OF EMPLOYEES BY COMPANY (%)

	NATURAL GAS	POWER GENERATION	ELECTRICITY	ENERGY	HOLDING	AGRICULTURE	TOURISM	TOTAL
MEN	85	70	90	91	61	73	84	85
WOMEN	15	30	10	9	39	27	16	15



## AGE DISTRIBUTION BY COMPANY (%)

	NATURAL GAS	POWER GENERATION	ELECTRICITY	ENERGY	HOLDING	AGRICULTURE	TOURISM	TOTAL
<25	11	3	8	6	10	17	16	9
25-34	61	38	49	58	45	28	31	51
35-49	27	56	38	33	36	38	45	36
>50	1	3	5	3	9	17	8	4

## EDUCATIONAL BACKGROUND OF THE EMPLOYEES (%)

Educational Background	Blue Collar	White Collar
Illiterate	0.1	0.0
Primary School	4.6	0.3
Elementary School	3.2	0.3
Secondary School	1.6	0.4
High School	57.0	17.0
Associate Degree	28.7	17.7
Associate Degree Student	0.6	0.3
Bachelor's Degree	3.6	58.1
Undergraduate Student	0.6	1.1
Master's Degree	0.0	4.7
PhD	0.0	0.1

# ENVIRONMENT

Respect for the natural environment shapes all business operations of Kazancı Holding and its group companies.

---

AKSA NATURAL GAS SEES PROTECTION OF THE ENVIRONMENT AS THE PREREQUISITE OF SUSTAINABLE DEVELOPMENT. WITH THIS INSIGHT, THE COMPANY WORKS TO MINIMIZE THE ENVIRONMENTAL EFFECTS OF ITS OPERATIONS AND CONTRIBUTES TO THE PROTECTION OF THE NATURAL ENVIRONMENT.

Kazancı Holding does not define growth solely in terms of financial success. Embracing a holistic perspective under its approach to sustainability, the Group formulates environmental policies in line with universal standards and supports them with integrative, contemporary practices. In addition, Kazancı Holding conducts continuous improvement studies regarding the environmental impacts arising from its activities while taking the entire value chain into consideration.

Respecting for nature forms all of Kazancı Holding companies' activities. The Group companies participate in exemplary practices and projects on issues that are vital to a sustainable earth, such as the sustainability of natural resources, cutting waste down to the bare minimum, and preventing soil, air, and water pollution.

## AKSA NATURAL GAS

### Environmental Policy

Aksa Natural Gas sees protection of the environment as the prerequisite of sustainable development. With this insight, the Company works to minimize the environmental effects of its operations and contributes to the protection of the natural environment. Aksa Natural Gas, which prioritizes creating a habitable environment for future generations by complying with all necessary legislative regulations, has formulated an environmental policy in line with this vision based on the following principles:

- Safely minimizing the environmental footprint of its operations and cooperating in a cohesive manner with all stakeholders, leaving behind a habitable environment for future generations,
- Aiming for constant development in line with the requisites of related environmental regulations and compliant with ISO 14001:2015 Environment and OHSAS 18001:2007 Occupational Health and Safety Management certifications, incorporating added value to the environment and quality of life,
- Using natural resources efficiently and cutting down waste to the bare minimum; preventing pollution at its source,
- Eliminating or controlling possible adverse environmental impacts which might be caused through the operations of contractor companies,
- Supporting environmental sustainability and development effectively by supporting all stakeholders it deems necessary in terms of training and implementations.

### Environmental Risk Management

All business operations conducted under Aksa Natural Gas are structured to comply with applicable environmental laws, rules and regulations. To ensure sustainability of the Company's activities, environmental impacts and components are carefully identified and input-outputs of all business processes are regularly updated.

Environmental risks are identified by an environment board in all natural gas distribution companies, revised every year and managed in line with proactive approaches.

Methods to control the risks identified are ranked from highest priority to lowest:

- Striving to eliminate risks at the source,
- Replacing hazardous risks with those less so,
- Applying engineering measures,
- Using ergonomic approaches.

Thanks to the transition to the ISO 14001:2015 revision in the ISO 14001 Environmental Management System, which has been implemented at Aksa Natural Gas for many years, the Company is better able to align its strategic orientation with the environmental management system and improve its environmental performance. Continuity of the system is confirmed by audits performed annually by external accredited institutions.

#### **Waste Management**

Waste management and environmental permissions constitute the core of Aksa Natural Gas's environmental management approach. Aksa Natural Gas reduces, reuses, recycles and eliminates waste generated by the operations of its distribution companies in accordance with methods and requirements stipulated by applicable laws, rules and regulations.

After being accurately categorized, waste is stored in controlled waste storage units to avoid contact with soil and water. Subsequently, waste is delivered to Ministry of Environment and Urbanization-licensed waste disposal firms within the deadline prescribed by the Waste Management Regulation.

Every year, all Company personnel, teams responsible for waste management in particular, receive specialized training in this area. Tasks are distributed among the staff and employee awareness is raised with respect to the requirement that waste should be collected according to type.

#### **Natural Resource Management**

Understanding that the biggest threat facing natural resources today is uncontrolled consumption, all distribution companies are committed to efficient use of natural resources. Under the Zero Waste project launched by the Presidency of the Republic of Turkey in 2018 and supervised by the Ministry of Environment and Urbanization, Aksa Natural Gas commenced efforts at 21 of its Regional Directorates. This effort has played a major role in sustainable resource management and preservation of natural resources at the Company. Aksa Natural Gas regularly monitors and minimizes its natural resource use on a monthly basis. As part of the Paperless Office project, the Company transferred people-dependent applications to digital platforms. This effort enabled business processes to flow more quickly, resulting in reduced paper, energy and cartridge usage.

#### **Cities Breathe Easier with Natural Gas**

One of the core components of combating climate change – a major threat for the future of the world and our country – is to turn toward clean energy, which offers the least environmental impacts. Natural gas stands out as an important, high quality, safe and clean energy source. The use of natural gas is gradually spreading due to the advantages it offers Europe and other world regions in terms of implementing sustainable energy policies and carbon economy management. Natural gas accessibility reached all of Turkey's 81 provinces in 2018 thanks to various distribution expansion efforts. During the year, over 14 million residential customers consumed 12.5 billion m<sup>3</sup> natural gas in Turkey. According to calculations assuming that households that do not have natural gas actually utilize coal and other fuels, Turkish households generated 60 million tons of carbon emissions in 2017.

The average carbon emission of a household using natural gas in 2018 is two tons. If coal and other fuels were used instead of natural gas, average carbon emissions per household would have totaled 4-4.5 tons. With the use of natural gas, carbon emissions per household were cut by 50%.

---

WITH THE USE  
OF NATURAL GAS,  
CARBON EMISSIONS  
PER HOUSEHOLD  
WERE CUT BY 50%.

## ENVIRONMENT

Aksa Natural Gas closely monitors its environmental impact to leave a more habitable world for future generations.

ONE OF THE  
PRIMARY  
OBJECTIVES OF  
ÇORUH EDAŞ AND  
FIRAT EDAŞ, WHICH  
HOLD ISO 14001  
QUALITY  
CERTIFICATION FOR  
ENVIRONMENTAL  
MANAGEMENT  
SYSTEMS, IS TO  
PREVENT  
DAMAGE TO THE  
ENVIRONMENT  
DURING THEIR  
INVESTMENT,  
TROUBLE SHOOTING,  
REPAIR, AND  
MAINTENANCE  
OPERATIONS.

### ***15 Million People and 260 Million Trees Breathe Easier with Aksa Natural Gas***

Every year, Aksa Natural Gas introduces more and more people to the comfort and convenience of natural gas. The Company closely monitors its environmental impacts to leave a more habitable world for future generations. Aksa Natural Gas engages in ongoing efforts to make natural gas use widespread across Turkey and raise awareness about the environmental impacts of carbon-rich fuels such as coal. With these efforts, the Company plays an active role in reducing air pollution in the cities where it operates. In the Company's distribution regions, which encompasses 27 provinces and 180 districts and towns, carbon emissions decreased by 6 million tons with the use of natural gas instead of coal in just one year. This is equivalent to the amount that only a 4 thousand km<sup>2</sup> forest of 260 million adult trees can clean. In Turkey, environmental pollution is the cause of 42 thousand deaths each year, with 30 thousand deaths from air pollution alone. As a result, reducing air pollution has significant health benefits for all of society.

### ***"Let It Stay Natural"***

Aksa Natural Gas engages in environmentally friendly efforts to eliminate the use of plastic bags. In January 2019, the Company launched its "Let It Stay Natural" campaign and started delivering natural gas meters to new customers in non-woven bags. By using this environmentally friendly alternative instead of single use plastic bags – which decompose in 500-1,000 years on average when left in nature and the vast majority of which are never recycled – Aksa Natural Gas plans to avoid production of 3,830 tons of plastic bags annually.

## AKSA ELECTRICITY DISTRIBUTION COMPANIES

One of the primary objectives of Çoruh EDAŞ and Firat EDAŞ, which hold ISO 14001 Quality Certification for Environmental Management Systems, is to prevent damage to the environment during their investment, trouble shooting, repair, and maintenance operations.

The Environmental Management Policy created by Çoruh EDAŞ and Firat EDAŞ is aimed at:

- Taking necessary precautions during business processes to reduce the amount of waste generated as a result of electricity distribution activities at the source;
- Reducing waste generated by their business activities via recycling and repurposing at the source;
- Ensuring elimination of waste that cannot be prevented at the source without damaging the environment to prevent pollution;
- Fulfilling all compliance obligations related to the scope of business operations and continuously improving the Environmental Management System in order to ensure compliance with relevant legal, regulatory and other environmental requirements;
- Regularly monitoring and controlling the environmental effects of its business operations;
- Ensuring employee participation in environmental management activities and endorsing environmental awareness and consciousness by all possible means;

- Working to ensure that the environment and natural resources we inherited from previous generations are transferred to future generations without pollution or damage.

Within this framework, all business activities of electricity distribution companies fall within the scope of relevant regulatory restrictions. Additionally, the Company fully complies with all laws, rules and regulations related to the natural environment and OHS. Risk assessments are also conducted regularly.

In line with national occupational standards, Operational Maintenance staff and Field Technical Operation staff implement environmental protection standards and methods as prescribed by trainings provided as part of environmental preservation efforts. With the aim of reducing environmental risks, Field Technical Operation staff also do the following:

- Conduct sorting and classification processes required for recycling of recyclable materials;
- Separate hazardous and dangerous waste from other materials in compliance with instructions and store them temporarily according to their code by taking precautions as necessary;
- Prevent waste in temporary storage areas from contacting soil and water and store it in accordance with waste management regulations;
- Deliver waste stored properly to licensed waste disposal companies authorized by the Ministry of Environment;
- Ensure that necessary occupational health and safety precautions are taken to shield the possible damaging environmental effects caused by certain functions of devices, hardware, tools and instruments used;
- Assess and eliminate security shortcomings inside and outside of assets and buildings within the electricity distribution network;
- Determine locations to securely store flammable and combustible material or support such efforts;
- Attach great importance to preventing environmental impacts within the scope of this environmental management awareness.

## AKSA ELECTRICITY RETAIL SALES COMPANIES

By evaluating the environmental footprints of their activities, Aksa Electricity Retail Sales companies aim to implement monitoring procedures and relevant precautions. The Companies seek to eliminate or minimize their negative environmental effects, design the necessary infrastructure, protect natural resources in the most efficient manner, and support the protection of natural environment.

## AKSA ENERGY

Aksa Energy operates with the core principle of respect for the environment and continuously improves its environmental performance. Environmental management is carried out with a risk-based, systematic approach, in compliance with legal and regulatory requirements, environmental and energy policies applicable in operating regions, as well as internationally accepted management systems.

Aksa Energy's Environmental Policy sets out the Company's responsibilities regarding environmental impacts in all its business activities – particularly climate change, natural resource management, waste management and biodiversity conservation. Akxa Energy manages its operations in a way that supports using natural resources in the most efficient way, reducing greenhouse gases and air emissions, minimizing waste generation and protecting biodiversity. The Company's Environmental Policy is based on efficiency, stakeholder engagement, cooperation and transparency. With this approach, Akxa Energy ensures that its sustainability performance is regularly audited, monitored and shared.

---

AKSA ENERGY  
IS COMMITTED  
TO REGULARLY  
SUPERVISING,  
MONITORING  
AND SHARING ITS  
PERFORMANCE  
RELATED TO  
THE COMPANY'S  
ENVIRONMENTAL  
POLICY AND  
SUSTAINABILITY  
GOALS.



## ENVIRONMENT

# Aksa Energy aims to improve its performance in terms of climate change and energy efficiency.

THANKS TO VARIOUS EFFICIENCY-BOOSTING PROJECTS IN 2018, AKSA ENERGY SAVED OVER 1,500 MWh OF ENERGY, 300,000 M<sup>3</sup> OF NATURAL GAS AND MORE THAN TRY 600,000.

Corporate headquarters holds ISO 14001 Environmental Management System, ISO 50001 Energy Management System, ISO 9001 Quality Management System and OHSAS 18001 Occupational Health and Safety Management System certifications. In addition, energy generation is executed in compliance with ISO 14001 and ISO 50001 management systems at the Company's power plants. Aksa Energy is currently working on making practices related to integrated management systems, which are applied at the headquarters, more widespread across the organization.

At present, the process to obtain ISO 14001, ISO 50001, ISO 14064, ISO 9001 and OHSAS 18001 certificates at Bolu Göynük Thermal Power Plant and Ali Metin Kazancı Antalya Natural Gas Combined Cycle Power Plant are underway. Meanwhile, steps are taken to implement integrated management at the facilities with 80% of the documentation completed as of year-end 2018. The Company plans to improve field implementations and obtain these certifications in 2019.

Aksa Energy implemented the Framework Environmental Management System in order to ensure compliance with environmental legislation; determine rules and authorizations to maintain environmental policy; and foster systematized, continuous improvement.

In 2018, Aksa Energy recorded environmental management related investments of about TRY 2 million.

### Climate Change and Energy

Aksa Energy continuously improves its performance in terms of climate change and energy efficiency within the framework of an environmental sustainability approach. The Company reduces its greenhouse gas emissions and costs by conducting energy management in compliance with the Energy Policy and ISO 50001 and by investing in more efficient technologies and applications.

While currently focused on minimizing energy consumption and greenhouse gas emissions in line with its existing targets, Aksa Energy plans to formulate new targets that take into consideration energy consumption and greenhouse gas emissions of its investments in Africa. The Company also reports its performance with respect to greenhouse gas emissions to stakeholders via sustainability reports and greenhouse gas emission reports that have been verified by an independent firm.

Thanks to various efficiency-boosting projects in 2018, the Company saved over 1,500 MWh of energy, 300,000 m<sup>3</sup> of natural gas and more than TRY 600,000. Major projects conducted in this regard during the year include:

- Efforts related to steam engine efficiency, loss and theft reduction, and boiler efficiency boosted the efficiency of intermediate loads at Şanlıurfa Natural Gas Combined Cycle Power Plant.
- At Şanlıurfa Natural Gas Combined Cycle Power Plant, about 1% energy savings was achieved via an increase in productivity in cooling tower and radiator fans.
- LED fixtures were introduced for lighting at Ghana Heavy Fuel Oil Power Plant, reducing energy consumption by around 60%.

As a signatory to the Trillion Tonne Communiqué, which was prepared by companies demanding that measures be taken to combat climate change, Aksa Energy also draws attention to the issue in terms of both the global agenda and its own corporate responsibilities.

### Air Emissions

Aksa Energy takes numerous steps to minimize risks related to air emissions caused by its business operations. To this end, the Company systematically monitors air emissions via regular measurements; monitoring efforts are conducted in accordance with relevant legal and regulatory requirements. In addition, Aksa Energy invests in advanced technologies to reduce air emissions. As a result, the Company aims to perform even better than what is legally required in the regions where it operates.

The flue gas treatment system at Bolu Göynük Thermal Power Plant is the first of its kind in Turkey. The system is designed with fluidized bed combustion technology, which is an alternative to pulverized coal-fired power plants. Thanks to this innovative technology, an air cushion is formed with air supplied from the bottom of the combustion chamber; combustion is made on this cushion with solid fuel consisting of coal and limestone. This ensures that the coal remains in the combustion chamber for a longer period of time and the combustion reaction takes place at a lower temperature. As a result, emission of NOx gas, which is harmful to the environment, is minimized. By using this solution, Aksa Energy achieved the European Union's emission targets for 2018 three years early – in 2015. Similarly, gas turbines at Ali Metin Kazancı Antalya Natural Gas Combined Cycle Power Plant with ultra-low NOx combustion system and the flue gas cleaning system to eliminate SOx emissions at Northern Cyprus Kalcık Heavy Fuel Oil Power Plant also play major roles in reducing air emissions of the Company.

### Waste Management

A core component of Aksa Energy's environmental sustainability approach is waste management. To reduce its footprint on the natural environment, the Company strives to minimize the amount of waste generated from its business operations.

Various efforts are conducted to reduce wastes generated by the plants at the source and minimize the amount of hazardous waste. All waste is disposed of in accordance with environmental legal and regulatory requirements. In addition to scrap materials, sludges formed from the accumulation of waste oil, contaminated packaging and cloth, absorbent filters, and oil-water separators are sent to licensed waste disposal firms. Similarly, scrap, mud, oily cloths and dirty oil wastes are disposed of in accordance with legal and regulatory requirements in the African countries where the Company operates.

In 2018, Aksa Energy sent 839 tons of waste to licensed recycling/disposal firms. Recycling of packaging wastes is carried out by recycling companies contracted by the municipalities in the regions where the Company's facilities are located. Under the waste project conducted at Ghana Heavy Fuel Oil Power Plant, a fast shutdown system is being installed to prevent waste from exiting rain ducts.

### Water and Wastewater Management

Aksa Energy aims to use resources in the most efficient way possible by reducing water use in its business processes. Wastewater resulting from the Company's activities is discharged in line with the Water Pollution Control Regulation and analyzed by accredited laboratories.

Over the last three years, Aksa Energy reduced its water use due to decreasing energy production. In 2018, the Company's water consumption declined 10% while wastewater generated declined 11% year-on-year.

---

OVER THE LAST  
THREE YEARS, AKSA  
ENERGY REDUCED  
ITS WATER USE DUE  
TO DECREASING  
ENERGY  
PRODUCTION.  
IN 2018, THE  
COMPANY'S WATER  
CONSUMPTION  
DECLINED 10%  
WHILE WASTEWATER  
GENERATED  
DECLINED 11%  
YEAR-ON-YEAR.

## ENVIRONMENT

Believing in the power of cooperation to preserve natural life, Akxa Energy has worked jointly with the Association for the Protection of Turkey's Nature (TTKD) since 2015.

---

IN 2018, BOLU  
GÖYNÜK THERMAL  
POWER PLANT  
REPORTED  
114 THOUSAND M<sup>3</sup>  
OF WATER SAVINGS  
OVER THE PREVIOUS  
YEAR.

Akxa Energy implements various methods to conserve water at its power plants and implements projects to this end, including:

- Manisa and Şanlıurfa Natural Gas Combined Cycle Power Plants use the reverse osmosis method to purify water. Water purified via this method is reclaimed and used in the cooling towers. In 2012, efforts to reduce the amount of water used in the cooling towers began; thanks to this initiative, 12% of the total water used since 2013 has been reclaimed. To date, some 97 thousand m<sup>3</sup> and 72 thousand m<sup>3</sup> of water have been conserved at Manisa and Şanlıurfa facilities, respectively.
- Decarbonization facilities were established at Ali Metin Kazancı Antalya Natural Gas Combined Cycle Power Plant and Bolu Göynük Thermal Power Plant at a cost of EUR 5.3 million. In 2018, over 235 thousand m<sup>3</sup> and 2 million m<sup>3</sup> of water was reclaimed at Antalya and Bolu plants, respectively, with these facilities.
- At Bolu Göynük Thermal Power Plant, reverse osmosis wastewater is collected in a separate pool without being discharged and used in the dampening of ashes. This effort resulted in 14.4 m<sup>3</sup> of water being conserved per hour. In 2018, some 114,000 m<sup>3</sup> of water was conserved in total. Additionally, Çatak Pond was built at the plant at a cost of TRY 17.5 million. This pond meets the water requirement of the plant; via the General Directorate of State Hydraulic Works, people in the region also benefit from this water resource.

- At Northern Cyprus Kalecik Heavy Fuel Oil Power Plant, a desalination system was implemented. This facility meets the water requirement of the plant at a rate of 100%. In addition, a Wastewater Evaporation System is used to evaporate wastewater and condense it to obtain purified water for closed cycle natural gas systems.

Akxa Energy is also developing various solutions for its power plants in Africa where water resources are extremely limited. Wastewater from the water softening unit at Ghana Heavy Fuel Power Plant is used for grounds irrigation system.

### Biodiversity

Akxa Energy supports monitoring and research activities to preserve natural life and biological diversity in the regions where it operates. Believing in the power of cooperation for the preservation of nature and natural habitats, the Company has worked jointly with the Association for the Protection of Turkey's Nature (TTKD) since 2015. Under this cooperation, projects are developed to monitor endangered species and reduce negative impacts on the habitats of these species. Thanks to the project to protect mountain gazelles, which was implemented for two years, the existence of this species was monitored. Changes recorded in the number of species were identified and inputs were created to carry out protection efforts.

In 2017, Aksa Energy conducted a project for the protection of striped hyenas, which are found in Hatay, one of its former regions of operation that is rich in biodiversity. As a result of the research study, the Company published a report entitled "Preliminary Studies for Determining the Distribution and Ecology of the Striped Hyenas in the Kırıkhan-Reyhanlı Region." Thanks to these efforts, the species of Wagner's Gerbil (*Gerbillus dasyurus*), not previously seen in the region for 22 years and thought to have been extinct, has been observed. Although it was not the target species in the project, observation of this species is critical to initiate protection efforts.

In 2018, Aksa Energy executed a project in cooperation with TTKD and Bülent Ecevit University to determine the presence and ecology of red deer (*Cervus elaphus*), a symbol species in terms of biodiversity in the vicinity of Yedigöller National Park. The protection of red deer, which are listed on the Red List of Threatened Species (IUCN) and whose number is gradually decreasing, is very important to ensure biodiversity.

Under the project sponsored by Aksa Energy, factors affecting the distribution of red deer population – height, slope, vegetation, water resources, road network, and state of agricultural activities – were determined. In addition, areas used by the species were mapped and information was obtained on the species' distribution map. In accordance with the outcomes of the mapping study, forest areas used by the species for feeding purposes and surrounding environs formed the focus areas in the research. Photo-traps were used as a monitoring method to determine the presence of red deer. This approach allowed for collection of visual records related to the species and precise information about the size of the population.

At the project's conclusion, the red deer's population size, density, distribution, habitat, nutrition and nutritional resources, social behavior, relationships with humans as well as factors threatening the species were determined. Using this data, precautionary actions were taken to protect this endangered species.

Aksa Energy adopts a responsible production approach that plays a significant role in preservation of biological diversity. In 2019, the Company plans to conduct studies in Bolu to protect brown bear (*Ursus arctos*), the largest predator and only bear species in Turkey. Aksa Energy aims to protect this species – which is endangered due to many human-induced reasons such as habitat loss and fragmentation, deterioration in habitat quality and poaching – with the support it will provide to preserve natural life. The project's scope includes executing preservation and awareness studies and contributing to the body of scientific literature in order to ensure continuity of the species in its natural habitat.

## AKSA POWER GENERATION

Aksa Power Generation pledges to all its employees, contractors, and related parties to continuously take and implement the necessary environmental precautions while conducting operations at its facilities. To this end, the Company has established the Environment Management System, which pledges to:

- Fulfill the legal obligations in Turkey and in other countries, to periodically evaluate them and ensure their continuity,
- Always strive to improve its environmental performance,
- Work to raise environmental awareness in its employees, their families, and society at large,
- Minimize the amount of waste causing water, air, and soil pollution and undesirable effects such as noise and vibrations, and to eliminate non-recyclable waste in the required manner,
- Ensure the re-utilization of recyclable waste generated as a result of its activities,
- Ensure that energy, raw materials, and natural sources are used efficiently,
- Consider environmental effects when evaluating new investments,
- Inform suppliers and contractors providing goods and services about the environment.

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

---

IN 2018, AKSA ENERGY CONDUCTED A PROJECT TO DETERMINE THE PRESENCE AND ECOLOGY OF RED DEER (*CERVUS ELAPHUS*), A SYMBOL SPECIES IN TERMS OF BIODIVERSITY, IN THE VICINITY OF YEDİGÖLLER NATIONAL PARK.

## ENVIRONMENT

Aksa Power Generation collects the packaging, nylon and parcel waste originating from its products for ÇEVKO Foundation (Foundation for Environmental Protection and Packaging Waste Processing) under the contract signed with this entity.

---

AS THE ONLY  
TURKISH GENSER  
MANUFACTURER  
TO CONDUCT  
ITS OWN SOUND  
TESTING, AKSA  
POWER GENERATION  
MANUFACTURES  
28 DIFFERENT  
PRODUCTS THAT  
COMPLY WITH  
THE UNIVERSALLY  
ACCEPTED IEC 34  
STANDARDS.

### 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.

### 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 waste oil generated during engine testing is sent to licensed firms for recycling.
- The waste sludge generated at the water treatment facility is dispatched to licensed hazardous waste elimination facilities.
- Waste batteries consumed in production or at the staff's homes are being collected and sent to the municipality for recycling.
- The Company 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.

### Preventing 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 notified body Szutest.



## AKSA AGRICULTURE

Protection of nature lies at the heart of Aksa Agriculture's production approach. The Company stores animal waste in impermeable places to prevent the contamination of soil, groundwater and underground water before the waste-sorting. Subsequently, 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 disposal companies.

Aksa Agriculture reorganized its waste storage area in 2018 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. Hazardous waste is accumulated in these sites to prevent contamination and subsequently eliminated or recycled through licensed firms.

In the coming period, Aksa Agriculture plans to complete the necessary infrastructure works (i.e. solid fertilizer sites, liquid fertilizer pools, and the like) and increase the number of waste storage areas depending on future capacity increases. In addition, the Company is currently in the process of establishing a biogas facility, one of the most environmentally friendly means of waste disposal. Subsequent to the commissioning of the biogas plant in 2019, all animal waste will be collected in this unit.

## AKSA TOURISM

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 impacts on the environment; monitor scientific research and technological advancements 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 its 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 verifies 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.

---

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 IMPACTS ON THE ENVIRONMENT; MONITOR SCIENTIFIC RESEARCH AND TECHNOLOGICAL ADVANCEMENT TO PREVENT POLLUTION; AND CONTINUOUSLY IMPROVE ITS ENVIRONMENTAL PERFORMANCE.

# OCCUPATIONAL HEALTH AND SAFETY

In 2018, Kazancı Holding provided 88,422 hours of OHS training to a total of 6,005 participants, including employees of Group companies.

THE OHSAS 18001: 2007 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM IS ONE OF THE PRIMARY OHS RELATED ACTIVITIES CONDUCTED BY AKSA NATURAL GAS.

Kazancı Holding sees Occupational Health and Safety (OHS) as a critical core value. The Holding works to constantly improve its standards in this key area with various efforts relating to infrastructure, implementation and certifications. Shaping its OHS policy in order to raise employee awareness and ensure occupational health, the Group provides OHS training to the workforce in its operation areas and at the headquarters. OHS activities are conducted by the OHS Board of Kazancı Holding.

In 2018, Kazancı Holding provided 88,422 hours of OHS training to a total of 6,005 participants, including employees of Group companies. In addition, periodic health screening and emergency drills are conducted to protect the health and safety of employees across the organization.

## OHS TRAININGS

Group	Number of Participants	Training Duration
HOLDING	72	144
NATURAL GAS	2,184	34,944
ELECTRICITY	2,153	33,888
POWER GENERATION	283	2,924
ENERGY	977	13,834
TOURISM	336	2,688
<b>TOTAL</b>	<b>6,005</b>	<b>88,422</b>

## AKSA NATURAL GAS

Pursuant to Occupational Health and Safety Law No. 6331, Aksa Natural Gas fully implements the necessary conditions for OHS practices for all its staff members and stakeholders.

One of the primary activities carried out by Aksa Natural Gas in this area is the "OHSAS 18001: 2007 OHS Management System." The Central Occupational Health and Safety project, launched in March 2015 to ensure sustainability of the OHS Management System, continues to improve everyday with the help of the best experts and physicians across Turkey.

With software prepared within the framework of OHS Law No. 6331 and the OHSAS 18001:2007 Management Systems, all business activities conducted with 2,184 personnel at 21 distribution companies are monitored and controlled dynamically. As part of corporate change management and continuous development, the transition to the updated version of ISO 45001: 2018 OHS Management System is included in the Company's plans for 2019. Preparations related to this effort are ongoing.

In 2018, the Company's OHS activities included the following:

- To measure the control and effectiveness of practices implemented across all distribution companies on site, unannounced OHS field audits were initiated with Aksa Natural Gas central staff.
- With the participation of the 21 distribution companies, a detailed Emergency Plan was prepared and put into force taking into consideration natural disasters such as earthquakes, floods, landslides, explosions, fire and risk factors such as electricity, line failures and sabotage. In this effort, the safety as well as the principles of action in emergencies of customers, civilians and Aksa Natural Gas staff were evaluated in every aspect.
- Special funds were created for occupational health and safety within the budgets of the distribution companies to proactively reduce losses that may occur due to occupational accidents and diseases.
- Throughout the year, all necessary efforts and activities under the scope of OHS were conducted diligently; a total of 34,944 person/hours of OHS training was provided to 2,184 participants. In addition, annual business and evaluation reports were prepared during the year. A wide range of many other activities, including employee representative meetings, planned health screenings, field observations, installation measurements and controls, and emergency drills were conducted as well.

## AKSA ENERGY

Operating over an extensive geographic area, Aksa Energy adopts an Occupational Health and Safety management approach that guarantees compliance with local and international regulations and other applicable requirements to ensure that its employees work in a healthy and safe environment.

Aksa Energy pursues a "zero occupational accident" goal in all aspects of its business operations, implements necessary safety precautions accordingly and conducts efforts to prevent occupational diseases.

During the year, a total of 2,888,260 person/hours of work was performed at Aksa Energy plants in Turkey and abroad; 13,384 person x hours of Occupational Health and Safety training was provided.

In addition, Aksa Energy took key steps towards achieving international standards with its Occupational Health and Safety Policy. In December 2018, the Company reached the 2 million person x hours of work without accidents milestone of its ultimate goal of 5 million person x hours of work without accidents, which was set out in May 2017 at its Ghana Heavy Fuel Power Plant. With this performance, Aksa Energy achieved significant success in terms of domestic and international occupational accident statistics and ranked among exemplary enterprises in the industry.

In 2018, Aksa Energy reported 10 accidents involving slight injuries (requiring only outpatient care or first aid), 1 accident involving a serious injury and 1 fatal occupational accident at the power plants in Turkey. Meanwhile, no work accident occurred at the Company's overseas power plant facilities.

In 2018, Aksa Energy continued efforts to improve the health and safety conditions of its employees at domestic and overseas power plants and to reduce the incidence of occupational accidents and diseases. Since 2015, Aksa Energy has steadily reduced the rate of accidents at its facilities. In 2018, the Company recorded a 23% decline in its accident rate year-on-year.

Aksa Energy fully complies with all applicable OHS related laws, rules and regulations. Beyond legal requirements, the Company implements OHS best practices and international standards.

Aksa Energy internalized effective management processes related to occupational health and safety with OHSAS 18001 Occupational Health and Safety Management System certification.

The Company applies OHS measures at all its establishments in Turkey, in all subcontractors relations, and with other enterprises it enters into business relationships with.

---

**AKSA ENERGY  
PURSUES A "ZERO  
OCCUPATIONAL  
ACCIDENT" GOAL IN  
ALL ITS BUSINESS  
OPERATIONS,  
IMPLEMENTS  
NECESSARY SAFETY  
PRECAUTIONS  
ACCORDINGLY AND  
CONDUCTS EFFORTS  
TO PREVENT  
OCCUPATIONAL  
DISEASES.**

## OCCUPATIONAL HEALTH AND SAFETY

Aksa Power Generation embraces a proactive approach to occupational health and safety.

---

IN ADDITION TO  
ADHERING TO LEGAL  
AND REGULATORY  
REQUIREMENTS  
RELATED TO OHS  
IN COUNTRIES AND  
REGIONS WHERE  
IT OPERATES, AKSA  
POWER GENERATION  
IMPLEMENTS BEST  
PRACTICES IN  
INTERNATIONAL  
MARKETS AND  
STRIVES TO  
CONTINUOUSLY  
IMPROVE ITS  
OPERATIONS.

### AKSA POWER GENERATION

Aksa Power Generation undertakes comprehensive measures to protect the health and safety of employees and visitors at its facilities during business operations and implements these measures continuously. The Company also places great importance on its subcontractors and other contracting enterprises complying with OHS principles.

In addition to adhering to legal and regulatory requirements related to OHS in countries and regions where it operates, Aksa Power Generation also adopts best international practices and improves its activities accordingly. The Company implements the OHS Management System, identifies risks associated with its business activities, performs risk assessments, sets various goals to minimize the risks identified, and continuously monitors the status of these goals.

Aksa Power Generation takes a proactive approach to OHS. The Company also strives to continuously improve its OHS Management System and OHS performance. For this purpose, Aksa Power Generation organizes trainings for employees and subcontractors and provides all resources necessary to this end. In addition, all necessary measures are taken to prevent injuries and occupational diseases during electrical, mechanical, chemical and test processes and at all other stages of business operations. As part of the Company's OHS Policy:

- Internal Environment Measurements are conducted periodically at the plants and other facilities. Conditions and comfort of the work environment, including lighting, dust, vibration, noise, temperature, chemicals, and VOC, are reviewed after these measurements and improved if deemed necessary.
- Staff protective equipment is used at factories and facilities.
- All employees regularly undergo health screenings that the Workplace Physician and OHS Specialist deem appropriate each year.
- OHS trainings are provided to all employees.

In 2018, a total of 2,924 hours of OHS training was delivered to 283 participants.

## AKSA ELECTRICITY DISTRIBUTION COMPANIES

Besides holding OHSAS 18001 OHS Management System certification, Firat and Çoruh Electricity Distribution Companies take all necessary OHS related precautionary measures in line with the “employee health and safety first” principle during investment, trouble shooting, repair and maintenance operations. Aksa Electricity Distribution Companies’ Occupational Health and Safety Policy was formulated to:

- Identify, evaluate, control and share with all employees potentially dangerous situations that employees may be exposed to;
- Select protective materials in accordance with occupational health and safety standards while choosing equipment, raw materials and work tools;
- Prevent occupational accidents and diseases, ensure occupational health and safety compliance and adhere to legal and regulatory requirements for continuous improvement;
- Determine the annual targets in the effective implementation of occupational health and safety and ensure that employees receive the training support they require within the scope of their responsibilities;
- Periodically review the hazards and risk elements in terms of occupational health and safety within the business activities, and take measures as needed;
- Reduce risks to an acceptable level in accordance with emergency action plans (e.g. earthquake, fire, flood, civil defense);
- Recognize and ensure that successful implementation of occupational health and safety is possible only through the participation of all employees and by making it a part of corporate culture.

Within this framework, Aksa Electricity Distribution Companies execute all their business activities in accordance with the applicable legislation; comply with all laws, rules and regulations and other legislation in force; conduct risk assessments and organize occupational health and safety trainings for all employees.

## AKSA ELECTRICITY SALES COMPANIES

Aksa Electricity conducts all its business activities with an approach that focuses on serving people. The Company strives to be a responsible corporate citizen and bases its Occupational Health and Safety Policy on respect for people and the environment where they live.

As part of its OHS Policy, Aksa Electricity commits to:

- Take all kinds of measures in compliance with OHS regulations in force and other requirements related to OHS, make tools and personal protective equipment available and ensure that they are used when necessary in its work environment and extensions in order to safeguard the health and safety of its employees, subcontractors, visitors and its staff working outside the workplace;
- Determine and eliminate beforehand unsafe conditions and behaviors that may cause occupational accidents and diseases and result in possible accident risks in the work environment and its extensions by conducting an effective risk assessment;
- Identify risks that may cause occupational accidents and diseases in the workplace, ensure the health, safety and social welfare of its employees, visitors, subcontractors at all levels, and reduce all kinds of pecuniary losses and intangible damages that may arise in the future for themselves and their families;
- Train its employees in occupational health and safety and ensure that they have a well-developed sense of occupational health and safety awareness;
- Ensure that subcontractors and visitors serving in the workplace comply with the rules laid down by Aksa Electricity related to occupational health and safety.

Aksa Electricity considers the health and safety of its employees as one of its top priorities. In line with this perspective, health screenings are regularly performed for staff members within the Company. In 2018, 560 hours of OHS training was provided to employees in order to raise their awareness on OHS.

---

FIRAT AND ÇORUH  
ELECTRICITY  
DISTRIBUTION  
COMPANIES TAKE  
ALL NECESSARY  
OHS RELATED  
PRECAUTIONARY  
MEASURES IN  
LINE WITH THE  
“EMPLOYEE HEALTH  
AND SAFETY FIRST”  
PRINCIPLE DURING  
INVESTMENT,  
TROUBLE SHOOTING,  
REPAIR AND  
MAINTENANCE  
OPERATIONS.



# CORPORATE SOCIAL RESPONSIBILITY

Kazancı Holding shares the added value it creates by undertaking social responsibility projects that benefit society.

---

SHAPING THEIR  
BUSINESS  
ACTIVITIES WITH A  
KEEN AWARENESS  
OF SUSTAINABLE  
DEVELOPMENT  
AND SOCIAL  
RESPONSIBILITY,  
KAZANCI HOLDING  
COMPANIES  
CONDUCT THEIR  
OPERATIONS BY  
TAKING INTO  
ACCOUNT THE  
SOCIAL IMPACT  
ON THEIR  
STAKEHOLDERS.

Contributing to the economic development of its service areas by providing employment opportunities, Kazancı Holding shares the added value it creates by undertaking social responsibility projects that benefit society.

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.

Kazancı Holding has implemented a systematic and inclusive model for its social responsibility activities. The projects that contribute to social development through Group companies are summarized below.

## AKSA NATURAL GAS

Aksa Natural Gas provides its customers with an uninterrupted and safe natural gas supply across 27 cities and 180 districts and towns in Turkey. Embracing a philosophy of “warm homes, breathing cities,” the Company not only brings natural gas to all corners of the country, but also makes a difference through the social responsibility projects it undertakes.

Since its founding, Aksa Natural Gas has developed projects aimed at addressing local problems and improving quality of life of area residents. The Company monitors the social and environmental impacts of its business activities in license regions, guided by the social and environmental values of Kazancı Holding. Aksa Natural Gas establishes close dialogue with local residents in order to be a part of the region where it operates. The Company invites all its stakeholders to share the values that comprise its corporate culture.

Aksa Natural Gas places great importance on social responsibility efforts that contribute to society in a tangible and sustainable way. Instead of investing in short-term projects, the Company strives to implement long-term projects that have self-sustaining capacity.

### Life Companion

Aksa Natural Gas firmly believes that providing equal opportunity to all segments of society is of utmost importance for the economic and social development of our country. The Company closely monitors the problems experienced in everyday lives of disabled citizens in Turkey, who number more than 8 million. In line with this vision, Aksa Natural Gas launched the "Can Yoldaşı (Life Companion)" initiative in 2015 to facilitate the lives of disabled customers by providing much faster service in case of emergency.

Under this service, those who register in Aksa Natural Gas' subscriber system and indicate that they are disabled are given priority in their calls to "187 (Natural Gas Emergency Line)" or "444 4 187 (Solution Center)." These special status customers are connected to a customer representative in five seconds. In addition, natural gas emergency teams are sent to their location without waiting for an explanation for the request. Aiming to facilitate the lives of disabled customers who live alone by providing emergency services in the event of a hazardous situation, Aksa Natural Gas gives priority to disabled customers who are connected to a customer representative for support and immediate assistance. With 2,990 disabled customers registered in the Life Companion system, the Company has provided necessary support to some 471 calls received to date. In addition, 59 customers have been provided with rapid response emergency teams to address the difficulties they faced.

Disabled persons may sign up for the "Life Companion" service by visiting Aksa Natural Gas branch locations or by submitting their information and documentation via the Disabled Notification Form on the Online Services menu at [www.aksadogalgaz.com.tr](http://www.aksadogalgaz.com.tr).

### Let It Stay Natural

Aksa Natural Gas introduces the comfort and convenience of natural gas to over 350,000 families across Turkey each year. At the start of 2019, the Company replaced the plastic bags it previously used to deliver natural gas meters to new customers with non-woven, reusable bags that can be recycled easily. Aksa Natural Gas ended the use of plastic bags across all distribution regions, thereby eliminating the need for more than 1,000 tons of plastic bags.

Aksa Natural Gas gives non-woven, reusable bags to new customers in order to reduce the use of single-use plastic bags – which decompose in 500-1,000 years on average when left in nature and the vast majority of which are never recycled. Under this effort, the Company aims to indirectly put an end to the production of about 4 thousand tons of plastic bags annually. Aksa Natural Gas also draws attention to this initiative with the slogan "Let It Stay Natural," which is featured on the bag. The Company offers an environmentally friendly alternative to customers not only for use when receiving their meters but also in transporting other items in their everyday lives. The reusable bag can be used more than 100 times.

---

UNDER THE LIFE  
COMPANION  
PROJECT, THOSE  
WHO REGISTER IN  
AKSA NATURAL GAS'S  
SUBSCRIBER SYSTEM  
AND INDICATE THAT  
THEY ARE DISABLED  
ARE GIVEN PRIORITY  
IN THEIR CALLS  
TO "187 (NATURAL  
GAS EMERGENCY  
LINE)" OR "444 4 187  
(SOLUTION CENTER)."

## CORPORATE SOCIAL RESPONSIBILITY

Aksa Natural Gas started supporting disabled athletes by adding the Life Companion project to its corporate vision.

---

AKSA NATURAL  
GAS EMPLOYEES  
REGULARLY VISIT  
SCHOOLS LOCATED  
IN OPERATING  
REGIONS AND  
PROVIDE SCHOOL  
SUPPLIES,  
STATIONERY AND  
CLOTHING TO  
STUDENTS IN NEED.

### Other Social Responsibility Projects

#### ***Aksa Natural Gas Becomes the Voice of Children's Choirs***

Aksa Natural Gas sponsored Çanakkale Junior Choir Festival with the participation of 21 youth choirs and 800 choral members from Turkey and Turkish Republic of Northern Cyprus as part of April 23 National Sovereignty and Children's Day celebrations. At the festival, participating choirs were presented with awards in various categories. TED Northern Cyprus College Children's Choir received the Aksa Natural Gas Motivation Award following a jury assessment.

First organized in 2018, the festival aims to encourage children to experience an artistic, social and academic environment via participation in choirs. The Çanakkale Junior Choir Festival is planned to be organized on an international scale starting in 2019.

#### ***Sponsorship for National Wheelchair Tennis Team Athletes***

A major supporter of sporting activities in its operating regions, Aksa Natural Gas started providing support to disabled athletes in conjunction with its Life Companion project. The Company sponsored the National Wheelchair Tennis Team Athletes.

#### ***Sponsorship for Sarikamış Martyrs' Memorial Bicycle Tour***

The "Sarikamış Martyrs Memorial Bicycle Tour," organized to generate interest in cycling and commemorate the Sarikamış martyrs, was organized for the fourth time this year between December 20, 2018 and January 4, 2019, under the sponsorship of Aksa Natural Gas. Twelve cyclists participated in the tour and traveled a total of 650 km through six cities.

#### ***Book, Stationery Supplies and Clothing Assistance to Students***

Aksa Natural Gas employees regularly visit schools located in operating regions and provide school supplies, stationery and clothing to students in need.

#### ***Visits to Nursing Homes and Child Protection Institutions on Special Days***

Aksa Natural Gas employees visit nursing homes and child protection institutions on special days and offer emotional support to residents of these institutions.

#### ***Blood Donation to Turkish Red Crescent***

As part of events organized periodically under the coordination of Aksa Natural Gas, staff members regularly donate blood to Turkish Red Crescent.

## AKSA ENERGY

With the ultimate goal of creating value for all its stakeholders, Aksa Energy conducts activities that contribute to the economic, social and cultural development of local residents in the Company's impact area.

The required workforce in the areas of operation is recruited from amongst the local population, thus creating employment opportunities for local residents. As of year-end 2018, the Company contracted a total of 308 local employees, 134 of whom are in Ghana, 82 in Mali and 92 in Madagascar. Furthermore, there are 72 local employees working under subcontracts in African countries.

For Bolu Göynük Thermal Power Plant, direct employment was provided from Bölücekova, Himmetoğlu and Karaardıç villages of the district. When the Company needs additional services in the power plants, it also outsources work to sub-contractors from the region and contributes to the revival of the local labor market creating different sources of income for the people of the region.

Additionally, lasting value is created through infrastructure works and repair projects which aid the development of the local economy in regions where the Company operates; a specialized feedback mechanism to meet the diverse requirements and demands of stakeholders and the local public enables the assessment of complaints and requests. In this regard, a total of TRY 160,320 was donated to meet various local needs in Famagusta and Bolu, where Northern Cyprus Kalecik Heavy Fuel Oil Power Plant and Bolu Göynük Thermal Power Plant are respectively located. A total of TRY 201,068 was donated to various charities including the Association for the Protection of Turkey's Nature, sports clubs, and schools during the year.

As part of its social responsibility approach, Aksa Energy also aided the development of local youth by organizing technical field trips and seminars. Within this framework, Ali Metin Kazancı Antalya Natural Gas Combined Cycle Power Plant hosted 382 people from various schools and institutions.

### Energy Workshop

Aksa Energy adds value to society by acting as a responsible corporate citizen. Since 2016, the Company has conducted the "Energy Workshop" initiative in order to raise environmental awareness among the younger generations. Under this effort, Kuyupınar Ovaboyu Primary School in Bolu Göynük was visited in 2018. Students were informed about energy, energy resources and operation of the power plants through these various activities. At the end of the workshop, each participating student was presented with an Energy Workshop Participation Certificate.

## ÇORUH ELECTRICITY DISTRIBUTION

Aiming to offer uninterrupted and high-quality energy supply and distribution services in Trabzon, Rize, Artvin, Gümüşhane and Giresun provinces, Çoruh Electricity Distribution (Çoruh EDAŞ) prioritizes customer satisfaction and supports social responsibility projects with its communication and service quality.

### Color Your Energy with Savings

During the year, Çoruh EDAŞ organized a painting contest around the theme "Color Your Energy with Savings" at all schools located in its distribution regions. The competition was designed to raise awareness about energy conservation among younger generations as part of Energy Savings Week in the first week of January 2018. The top three paintings were announced and presented with awards at the "Color Your Energy with Savings" seminar held at Trabzon Hamamizade İhsanbey Cultural Center. The governor of Trabzon, Mr. Yücel Yavuz, and representatives of various non-governmental organizations attended the event.

---

AS A RESPONSIBLE  
CORPORATE  
CITIZEN, AKSA  
ENERGY HAS  
CARRIED OUT  
THE "ENERGY  
WORKSHOP"  
INITIATIVE  
SINCE 2016 IN  
ORDER TO RAISE  
ENVIRONMENTAL  
AWARENESS AMONG  
THE YOUNGER  
GENERATIONS.

## CORPORATE SOCIAL RESPONSIBILITY

Çoruh EDAŞ employees donated blood with the slogan “One Drop Makes an Ocean of Hope.”

---

EMBRACING THE  
PRINCIPLE THAT  
HAPPY CHILDREN  
GUARANTEE A  
HAPPY TOMORROW,  
ÇORUH EDAŞ  
PRIORITIZES YOUTH  
IN THE SOCIAL  
RESPONSIBILITY  
PROJECTS THAT IT  
IMPLEMENTS OR  
SUPPORTS.

### **Energy Efficiency Week**

As part of Energy Efficiency Week, Çoruh EDAŞ authorities visited middle and high schools in Rize city center and districts and organized informational workshops around the slogan “The cheapest energy is conserved energy.”

### **April 23 National Sovereignty and Children’s Day**

Embracing the principle that happy children guarantee a happy tomorrow, Çoruh EDAŞ prioritizes youth in the social responsibility projects that it executes or supports. Çoruh EDAŞ employees visited hospitals in Artvin, Giresun, Gümüşhane, Rize and Trabzon provinces on April 23 National Sovereignty and Children’s Day and offered gifts to the youth, the architects of our future, to give them emotional support.

### **Occupational Health and Safety Week**

During Occupational Health and Safety Week on May 4-10, informational meetings were held to raise awareness with the aim of protecting all personnel from occupational accidents and diseases.

### **Prevent Birds from Dying!**

Çoruh EDAŞ and Artvin Provincial Directorate’s social responsibility project “Prevent Birds from Dying!” focuses on protecting birds from electric shock. Energy transmission lines in Yusufeli, Şavşat and Ardanuç, which are located on the migration route of various bird species, were isolated to prevent the death of migrating birds as well as avoid the service interruptions that result from these incidents.

### **Turkish Red Crescent Week**

Çoruh EDAŞ employees donated blood around the “One Drop Makes An Ocean of Hope” campaign.

### **Children with Leukemia Week**

With the theme of “Children with Leukemia Are under the Wings of Our Energy,” Çoruh EDAŞ prepared personalized gifts for youth receiving treatment for leukemia at the hospital. The gifts included letters from all staff members at the Company to raise awareness about this special day.

### **“Their Children Entrusted Our Employees to Us”**

Çoruh EDAŞ sees its staff occupational health and safety as a top core value and commitment. To boost occupational health and safety awareness, the company developed the project “Their Children Entrusted Our Employees to Us.” Under this initiative, Çoruh EDAŞ produced a surprise video where the children of employees reminded them of the importance of protective equipment and work safety materials that they should use every day.



**Everything for Children**

A 300 m<sup>2</sup> area previously used as Çoruh EDAŞ Artvin Provincial Directorate Service Building was transformed into a children's park for the Municipality of Artvin and opened to visitors. The "Everything for Children" project is planned to continue in the coming year.

**FIRAT ELECTRICITY DISTRIBUTION****Happy Children for a Bright Future**

As part of the "Happy Children for a Bright Future" initiative, primary school children in need across the provinces of Firat EDAŞ distribution region were identified in cooperation with the Ministry of National Education. Over a thousand students in need were given new clothes. Firat EDAŞ aims to reach an even wider student population in the coming years via the project, which is planned to be made permanent.

**Free Birds**

As part of the "Free Birds" social responsibility project in the distribution region, which is an important migratory bird stopover site, 3,600 electricity poles and power transmission lines on these poles were isolated to help birds fly freely and lead their natural lives. Firat EDAŞ aims to expand the scope of the project, which is also planned to be made permanent.

**Firat EDAŞ Energy Volunteers**

Under the "Firat EDAŞ Energy Volunteers" effort, the Company targets raising awareness of primary school students, who are our future, on energy efficiency and energy conservation. In the trainings organized to date, 400 students in the schools within the Firat EDAŞ distribution region were instilled with energy efficiency and energy conservation awareness by Company employees. At the end of the training, complimentary hats with the Firat EDAŞ logo and the slogan "We Got This Energy" were distributed to participants. Students receiving the hats have become Firat EDAŞ Energy Volunteers. The Company aims for the schoolchildren who become Energy Volunteers to disseminate what they have learned about energy efficiency and energy conservation at their schools and ancillary environments. The "Energy Volunteers" initiative has received significant positive feedback to date. To ensure sustainability of the program, Energy Volunteers is planned to be further developed and expanded in the coming years.

**Other Social Responsibility Projects**

- During the football match between Evkur Yeni Malatyaspor and Fenerbahçe on March 8 International Women's Day, Firat EDAŞ raised awareness with a banner "We Celebrate March 8 International Women's Day for All Our Women Who Turn Darkness into Light."
- Children living in child protection homes in Bingöl were taken out to the movies on April 23 National Sovereignty and Children's Day and the joy of the day was widely shared.

---

THE SOCIAL  
RESPONSIBILITY  
PROJECT OF "FIRAT  
EDAŞ ENERGY  
VOLUNTEERS"  
AIMS TO RAISE  
AWARENESS ON  
ENERGY EFFICIENCY  
AND ENERGY  
CONSERVATION  
AMONG PRIMARY  
SCHOOL STUDENTS.

# CORPORATE GOVERNANCE PRACTICES

Kazancı Holding embraces the belief that good corporate governance is the key to sustainability for the 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. Hedge 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 risks 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 profitability targets.

# INTERNAL AUDIT, CONTROL AND RISK MANAGEMENT

To deliver the highest possible value to its stakeholders, Kazancı Holding places utmost importance on the early detection and effective management of corporate risks that may pose a threat to its existence. Corporate risk management is well integrated into the Company's strategies and corporate culture. Kazancı Holding aims to ensure that all employees focus on risk management, opportunities and obligations alongside their everyday work responsibilities. The workforce is expected to contribute to the Company's sustainable growth in this way.

The Board of Directors of Kazancı Holding is responsible for consolidated monitoring of all risks associated with Group companies and making holding-wide decisions related to these risks. Group companies are required to adapt this model to their own organizations, monitor the risks of their enterprises, and take measures to counteract these risks.

The Risk Management and Internal Control Mechanism is under the responsibility and control of Company management. The Company's risk management and internal control system is regularly reviewed and 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 bringing under control of activities and transactions that contain previously identified and reported risk elements within the framework of recommendations approved by the management.

The Company's operational results, the degree of attaining the objectives, and the evaluations and reporting regarding 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 2018.

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.

# STRATEGIC GOALS

Kazancı Holding's Board of Directors reviews the Holding's strategic goals every year, sets targets for the following year, and executes the necessary human and financial resource planning to achieve these targets.

The primary objective of Kazancı Holding is to ensure the long-term sustainability of the Company's operations by striking a balance between risk, growth and return. At its periodic meetings, the Board of Directors conducts a comparative analysis of the financial performance of the Group companies and their budgets and examines whether these strategic targets are being met. The Board of Directors also aims to develop new business strategies, make investment decisions and revise previous decisions in line with the new opportunities and needs identified.

As a global energy group, Kazancı Holding's strategic domestic priority is to increase the quality of its goods and services through investments, whilst its international priority is to expand operations to more countries.

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 policies in all kinds of Holding transactions and procedures.

# CODE OF ETHICS

## 1. MAIN ETHICAL PRINCIPLES

### 1.1. Respect for Human

Respecting human rights and freedoms is our primary principle.

### 1.2. Integrity, Honesty, Transparency

Whilst conducting our operations, any transaction within the sphere of influence is overseen by the principles of integrity, honesty, and transparency.

### 1.3. Impartiality, Fairness

We approach all our stakeholders with fairness and impartiality without distinction.

When fulfilling our duties and responsibilities, we do not discriminate individuals based on language, race, color, gender, political views, beliefs, religion, caste, or similar differences.

When making decisions, we decide independently of persons and institutions outside of the corporation.

### 1.4. Confidentiality

We make sure that confidential information relating to our corporation and all stakeholders is kept private. We share confidential information within the scope of predetermined authorizations with relevant individuals.

### 1.5. Public Good and Respect for Environment

All our operations embrace the principles of looking out for the public good and respecting the environment as well as profitability.

### 1.6. Compliance with Global Principles

Kazancı Holding's mission and goals are in accordance with the fundamental objectives of the UN Global Principles Agreement, which we follow when conducting our operations.

## 2. OUR RESPONSIBILITIES

### 2.1. Legal Responsibilities

We conduct all our activities in Turkey and abroad within the scope of the laws of the Republic of Turkey, international laws, and legislations of the countries with which we are doing business; we provide authorities at will with the information they request in an accurate, complete, and intelligible manner.

### 2.2. Responsibilities to Customers

We operate with the aim of providing the fastest service to our customers in line with their requirements and requests. We approach our customers with respect, politeness, fairness, and equality.

### 2.3. Responsibilities to Employees

We approach employees in a fair and honest manner, and pledge to provide a workplace that is non-discriminatory, safe, and healthy. We will not allow any of our employees to be subjected to mobbing, and we place importance on the balance between business and private life.



## CODE OF ETHICS

We make the necessary efforts for the personal development of our employees, and support them should they wish to volunteer in suitable social and public activities and social responsibility projects.

### **2.4. Responsibilities towards Shareholders**

We place paramount importance on the sustainability of our Company and the goal of creating value for our shareholders. To this end, we refrain from taking unnecessary or unpredictable risks, and aim for sustainable profitability. We act within the framework of financial discipline and accountability, and manage our Company's resources and assets with efficiency and prudence. We inform our shareholders, the public, and relevant institutions regarding financial results, strategies, investments and risks in a timely, accurate, complete, and intelligible manner.

### **2.5. Responsibilities to Suppliers/Business Partners**

We act in a fair and respectful manner to our suppliers/business partners, and take the necessary care to fulfill our obligations in a timely manner. We do not give out confidential information about individuals and institutions we do business with.

### **2.6. Responsibilities to Competitors**

We compete actively only in legal and ethically sound markets, and we refrain from unfair competition.

We support competitors' efforts that will benefit the good of the public, and wish to be included in any related structure.

### **2.7. Responsibilities to the Public and Humanity**

It is important for us to protect human rights, the environment, and democracy, and to eradicate corruption and crime. We act sensibly as leaders in social issues, and become involved in efforts that will benefit the public. In Turkey and other countries in which we undertake international projects, we show sensitivity towards national and regional customs and the cultural fabric. We do not give out nor receive goods and services in exchange for bribes, ostentatiously costly gifts, etc.

## 3. CODE OF ETHICS TO BE FOLLOWED BY EMPLOYEES

It is the primary responsibility of all employees to ensure that our Company remains synonymous with professionalism, honesty, and trustworthiness, and that such values are promoted even further. In this context, standards of ethical conduct expected from employees have been outlined below:

- Always obeying the laws,
- Fulfilling one's duties in line with fundamental ethical and human values,
- Behaving with fairness, good intentions, and understanding in all relationships to create mutual advantage,
- Never obtaining ill-gotten gains or receiving or handing out bribes from any individual or institution regardless of the circumstance,
- When fulfilling duties, acting in a manner suited to the relevant work ethics principles and any other supporting practical principles,
- Unless explicitly instructed to do so, refraining from actions, statements or written communications which might render the Company responsible,
- Refraining from behaviors which might disturb and/or cause harm to other employees, not disrupting the work flow,
- Being attentive to all material and immaterial assets of the Company, including information and information systems so as to protect them from possible loss, harm, misuse, abuse, theft, and sabotage,
- Refraining from using working hours and Company resources directly or indirectly for the benefit of personal interests and/or political activities or interest.

### 3.1. Asset and Information Management

#### 3.1.1. Intellectual Property Rights

- Making sure the relevant legal procedures are initiated and completed in time to secure the intellectual ownership of newly developed products, processes, and software.
- Refraining from knowingly making unauthorized use of patents, copyrights, trade secrets, brands, computer software or other intellectual and industrial property rights belonging to other companies.

#### 3.1.2. Information Management

- Ensuring all legal records are kept in the proper manner,
- Not responding to requests of information from third parties regarded as classified by the Company unless given approval by executive management,
- Taking the necessary care so that the Company's declarations and reports reflect the reality of the situation.

#### 3.1.3. Confidentiality

- Acting with the awareness that financial and commercial secrets, information which might weaken the Company's competitive power, personnel rights and information, and agreements with business partners are confidential, and making sure they are kept in security and privacy.
- Not sharing any information derived through work or any documents one is provided with unauthorized individuals or departments within or outside the Company regardless of the purpose, refraining from using those for speculation directly or indirectly,
- Not using information unavailable to the public regarding the Company, its customers, and other individuals and companies with which the Company conducts business outside of its intended purpose under any circumstance, refraining from sharing those with third parties unless the necessary permissions are obtained.

### 3.2. Avoiding Conflicts of Interest

Conflict of interest refers to any kind of advantage created for oneself, one's relatives, friends, or any other person or establishment one might have a relationship with and the state of having a financial or personal interest, which will or might hinder employees from fulfilling their duties in an impartial manner.

#### 3.2.1. Not Performing Transactions for One's Own Benefit or the Benefit of Relatives

If employees own shares or partake in investments at another company, they are obligated to make this known when they first begin their job. Employees must inform their immediate superior about any changes which might occur in their circumstances, or any other issues which might be regarded as conflict of interest, and the information must be shared with at least two superiors with more seniority.

- Not creating unfair advantage for oneself, one's relatives, or third parties by using one's title and authority,
- When choosing personal investments, taking care to not create conflict of interest with one's current employer,
- Ensuring that any personal investments or other pursuits outside of one's duties do not hinder the amount of time and attention allocated to one's present job duties, and refraining from such situations which might prevent focusing on major tasks,
- Informing the immediate superior and obtaining written permission in the event that an employee and a person with decision-making authority at the customer/supplier company involved in the same project are immediate family,
- Informing the immediate superior and obtaining written permission in the event of discovering that his/her relatives have shares or financial interests in another company with which the Company has business relations.

## CODE OF ETHICS

### 3.2.2. Representation and Attending Events

Attendance at events organized by individuals or establishments with which the Company has or could potentially have a business relationship which are not open to the general public (except conferences, receptions, promotional events, seminars etc.), and which might influence or be regarded as being influential in the decision-making process, such as sports events, national/international trips, etc. are subject to the approval of the Group President or the Group Vice President.

### 3.2.3. Receiving Gifts

When conducting relations with private or official individuals or establishments that wish to commence or continue a business relationship with the Company:

No gifts, cash, cheques, assets, free travels, special discounts, and similar which might place the Company or the recipient under liability are to be accepted. Gifts which cost more than TRY 50 and which are regarded as not influential in the decision-making process can be accepted with the caveat that an immediate superior must be informed. The total cost of gifts which can be accepted in this manner cannot exceed TRY 500 under any circumstance.

### 3.2.4. Insider Trading

Knowing that trying to obtain any type of trade interest including the direct or indirect trading of shares in the stock market by using confidential information relating to our Company or by providing third parties with such information is illegal, and must never be attempted.

### 3.2.5. Working and Taking On Duties Outside the Company

Employees cannot accept an official or private, temporary or permanent, paid or unpaid job or engage in trade without obtaining permission from the Company.

## 3.3. Employee Health and Occupational Safety

Our Company's goal is to ensure occupational safety and employee health in all aspects at the workplace and during working hours.

- Employees comply with rules and instructions in this regard and take the necessary precautions.
- Employees are not to keep in the workplace any possession or material which can put the workplace and/or employees in danger or which is illegal.
- Apart from those in possession of a valid medical certificate, employees are not to keep any tranquillizing, addicting, physically or mentally limiting or disrupting substances at the workplace, and will not perform their job or remain in the workplace under the influence of such substances.

## 4. PRACTICAL PRINCIPLES OF ETHICAL CONDUCT IMPLEMENTATION

### 4.1. Notification Obligation Concerning Violations

- Employees are expected to notify the relevant managers/departments when faced with any behavior which they regard as incompatible with the law or intra-company regulations, without the fear of being subjected to a negative reaction.
- Employees must warn colleagues who behave in a manner incompatible with the law or intra-company regulations.
- Employees are obligated to report any situation which they perceive or suspect to be incompatible with the law or unethical.
- Reports by employees about illegal or unethical activities are investigated by the authorized person(s) in the shortest time possible.
- When a company employee is found to have performed a transaction or behavior that is unethical, the repercussions will be determined by the Ethics Committee.
- Anyone who reports a behavior can rest assured that they will receive a response and will not face any repercussions due to their report.

### 4.2. Ethics Line

When a situation that contravenes the Ethical Conduct Principles is observed/discovered at any unit of the Group/Company, the 0850 511 11 12 Ethics Phone Line must be called.

Calls to this line concern behaviors outlined above which can be considered unethical or arouse suspicion.

- The phone line is completely independent. Calls are shared only with the Audit Directorate and the Board of Directors.
- Any information given is completely confidential.
- When submitting a report, information must be clear and detailed, and must be solidified by specifying the person, time, and location concerned, as well as by providing documents.
- A report must not be regarded as revealing another one's secrets, placing them in a difficult situation, or gossip.
- Calls are anonymous. Callers are not mandated to give out their name.
- The phone line is open 24/7.

### 4.3. Ethics Committee

The Audit Directorate initiates the inquiry concerning the subject of the trespass reported to the ethics line. When the inquiry is complete, the Ethics Committee is invited to a meeting to reach a decision.

The Committee makes the decision, implements it, and records it in the decision logbook. Decisions are established by a majority vote.

The employee is notified of the decision within six working days of the committee's verdict, and if necessary, the required actions are taken. Until the Ethics Committee can clearly judge the situation and make a decision, the employer is considered to be unaware of the situation, and the employee innocent of the matter of the inquiry.

## CODE OF ETHICS

The Ethics Committee is formed of the following individuals:

- Member of the Holding's Board of Directors,
- Relevant Group President,
- Departmental Director for matters concerning shared units with the Holding,
- Audit Director,
- Human Resources Director,
- Legal Director.

The following penalties are given for the breach of the ethical conduct rules:

- If it is a purposeful abuse of power, removal from the job as per the relevant articles of the labor law, and if necessary, legal action.  
(Previous useful deeds performed by anyone who is found to purposefully create unfair advantage cannot provide grounds for a partial or complete pardon.)
- If there is no abuse of power, or if it is a case of negligence due to carelessness or ignorance, a written or verbal warning depending on the severity of the effects.

### 5. EFFECT

The Ethical Code of Conduct is effective as of 29.09.2017. In all other situations not outlined above, the Company Disciplinary Code and the Company's Executive Directors are consulted when making a decision.

### 6. INFORMING THE PUBLIC

Kazancı Holding is obligated to present its Code of Ethics to the public and all its employees. The same obligation holds if any changes are made to these principles.

# INFORMATION TECHNOLOGIES

The main focus of Kazancı Holding's Information Technology (IT) activities is integration of the latest technological developments into the business practices of the Group companies. The effectiveness, efficiency and continuity of business processes are constantly reviewed in accordance with this vision. Within the framework of sustainability, operational excellence, customer satisfaction and profitability targets, digital transformation and security have become the most important focus areas of the Group's IT activities.

In 2018, Kazancı Holding boosted its strategic investments aimed at information technology infrastructure. The main projects and activities undertaken by Group companies during the fiscal year include:

**Octopus (Budget Planning & Consolidation) Project:** The Octopus project is designed to ensure that budget modeling is based on sales, production, purchasing, expense, investment, financing and taxation and that all budget planning processes are conducted via the system. The project allows for consolidation, preparation of legal and virtual consolidated income statement, balance sheet and cash flow statement on industry/company basis and automation of manual processes in a controlled way. The Octopus project also helps the Company maintain budgetary discipline.

**DYNAMO (Generator CRM) Project:** Under the DYNAMO project, customer data is stored in a system where potential customers are identified and opportunity projections are created. A standard price list of generator equipment was listed in the system; sales teams took this common price list as a basis. Thanks to its resource planning capabilities, DYNAMO enabled monitoring of personnel on the map in addition to assigning work to technicians working in the field in line with their competencies. In addition, the Company's leasing teams are able to differentiate from the competition by managing their operations via the mobile application.

**Network Monitoring, Supervision and Outage Management System (OMS) Project:** The OMS application is used for monitoring and managing power outages at Akse Electricity Distribution Companies. By transferring current network data regularly to the OMS, the location of outages and impact areas are identified in the most accurate way. Planned and unplanned outages are reported instantly to TEDAŞ and EMRA thanks to the integration. The OMS application, which is integrated with the CRM application used in the Customer Care Line, enables incoming customer calls to be quickly converted into work orders in the field. The system also ensures that the closest vehicle is directed in order to fix the failure by displaying vehicles in the field on the map. Thanks to the integration of the Customer Information System (MBS) in the invoice and customer management system application, the number of customers affected by outages are determined. Information from automatic meter reading modems, notifications from SCADA (monitoring and measurement) systems and customer calls are collected and analyzed with special algorithms to identify possible outages. Relevant work orders are thus generated. In this way, the Company manages power outages in the fastest and most effective manner, resulting in both customer satisfaction and reduced operational costs.

**Collective Payment System (CPS) Project:** Under the CPS project, payment requests, which were formerly manually generated, paper-based and not systematically controlled, are now made via SAP. As a result, balance control is now systemic and placing requests for payments due is now possible on the application. Approval processes became manageable via the mobile platform and thus accelerated. The cost of documentation for manual file transfer between finance teams and the banks is significantly reduced thanks to the system integration.



# INFORMATION TECHNOLOGIES

## Paper-Free Offices

**Management Approval Process:** Manual approvals were moved to the flow application and approval processes became more manageable and reportable.

**Connection Application Process:** The “connection application process,” which was previously conducted manually making it impossible to return to applications, was migrated to the system, taken under control and standardized in provinces and districts.

**Transferring Photos Taken in the Field to Workflow Application (PaperWork):** To prevent losses caused by transfer of photos taken from hand-held terminals via external memory at the end of the day, these transactions were added to the workflow application by associating them with the process during the operation in the field.

**Humanist Training Module:** Trainings conducted by Human Resources via email were transferred to the Humanist portal and a training catalog was created. A common platform was created for all Human Resources personnel.

**Transport Request Form:** The non-standard “transport request process” conducted via email was migrated to Aksaport. A common platform was established to measure satisfaction with the team evaluation option for all groups.

**Loading and Unloading Form:** The hand-filled forms were transferred to Aksaport via a common structure established in all groups.

**Entry of Manufacturing Data:** The process of transferring manufacturing data stored manually in a Microsoft Excel file to Aksaport was completed.

## Business Intelligence Practices

**Natural Gas PaperWork Incoming Notification Reports WEB-CRM:** Reporting of requests and complaints filed in regions takes a significant amount of time. To improve this situation, standards and reports that will facilitate the analysis have been prepared in the Power BI environment where detailed analysis can be performed.

**Transfer of EPIAŞ Data to BI Environment:** Time losses resulting from operational reporting in Microsoft Excel have been avoided. Visualization in the BI environment has improved the analysis process.

**Management Dashboard:** A platform was established where: credit types and segments can be analyzed via financial reports; debt amounts can be accessed quickly via the debt registry report; transactions in the application can be reached at a glance via the Collective Payment System report. Development is ongoing with the upcoming reports by which all processes in the supply chain, from purchase request to invoicing, will be monitored; stock status will be displayed; and performance of team members will be evaluated.

## Mobile Transformation Projects

**EDAŞ Emergency Team Application:** Along with 320 renewed smart devices, application infrastructure was also changed and field operations were accelerated.

**EDAŞ Push-to-Talk Application:** To provide solutions to record conversations between malfunction teams, 530 push-to-talk devices were provided to malfunction teams. The devices enable team members to have access to each other, thus making speech recording reports required by EMRA available.

**EDAŞ Activation-Severance Application:** Activation-severance is conducted by field teams with new mobile applications on 128 mobile devices, 311 optical ports and printers. The mobile application can prevent field teams from confirming the work order according to the distance between the team and the location of the order. The work order cannot be confirmed before the team reaches the location. In map view, debt information can be displayed and a route can be created according to the receivable.

**Natural Gas Emergency Team Application:** With the application infrastructure where new technologies can be integrated, mobile transformation was made with 194 devices.

**Natural Gas Meter Reading:** Meters can be read with the mobile application that has gained pace with 507 mobile devices.

**Location Based Applications (Esri Collector (EDAS)):** Data was retrieved from the CRM application and updated with manual and inaccurate statement-based data. Network updates were filled out based on statements at the center; there were errors in location data. Thanks to the mobile application, data is kept up-to-date on site and instantly; as a result, data accuracy and quality are increased.

**Natural Gas Planned Maintenance Application:** Activities carried out by teams are immediately entered to the system via the mobile application. This resolves follow-up problems arising from work performed in the field being entered weekly previously.

## Infrastructure Projects and Improvements

**SOTI MDM Project:** With this project, all mobile devices can be remotely managed. Since software can be updated, monitored and managed remotely, productivity and operational reporting are ensured.

**AYM Project (Aksa Help Desk):** With this project, all of Kazancı Holding's calls were collected on a single platform. In addition, a call center was established where requests and problems can be communicated. This solution ensures that incoming calls are returned quickly, reported and analyzed.

With the inventory module, the entire inventory was transferred to this software. Debit processes were improved. Project and analysis processes were migrated to this platform.

**Backup Tape Project:** Since the existing tape unit was 10 years old with insufficient technical features, a replacement project was implemented. Under this effort, an environment was created which can store more data for longer periods with encryption. In addition, safety of the environment where cartridges are stored was enhanced with a fireproof safe.

**RMS Stations Satellite Project:** A satellite project was implemented to provide backups at RMS stations. Internet lines of nearly 90 RMS stations were backed up with a satellite connection, providing an uninterrupted connection. As a result, uninterrupted flow of SCADA information was ensured, eliminating one of the EMRA audit deficits.

**Electricity and Natural Gas NW Improvement Project:** Through the existing reports, all company electricity and natural gas MPLS lines were analyzed. As a result of these analyses, all regions that had performance problems were accelerated, boosting their performance.

**Configuration on Turkcell MPLS Lines:** Network configurations for 400 locations were reformulated, increasing the speed where necessary and reducing costs.

**Arrangement on Türk Telekom Lines:** A 36% savings was achieved by reducing 20 redundant electrical lines from 2 Mbit to 1 Mbit via various optimization efforts.

# INFORMATION SECURITY POLICY

In Kazancı Holding business processes, only Kazancı Holding information technology resources are used. The basis of the utilization of these resources is directly related to the research, development, service and managerial/administrative activities of Kazancı Holding. Utilization of Kazancı Holding resources cannot be contrary to what is legally required and Kazancı Holding's policies and procedures. For utilization of Company assets, transactions are carried out by taking into consideration information classifications, which were determined via legal requirements, confidentiality, integrity and accessibility concepts, and possible security risks specific to them.

Kazancı Holding's Information Security Policy is implemented under the headings below:

## **Personal Use**

Kazancı Holding personnel are required to abide by the applicable laws of the Republic of Turkey, particularly Law No. 5651, international law, and general ethical codes when using and providing all information systems and communication means, including internet and voice communications. Staff members refrain from performing actions that are not included in their job descriptions, such as providing unauthorized access to information and tools they possess and looking for weaknesses.

## **Accountability**

Access information and tools assigned to a user cannot be shared with anyone under any circumstances, including technical staff.

## **Internet Use**

Users shall not provide information about the Company's location and phone number, employee names, titles, email addresses and other personal information when posting on internet discussion groups, chat rooms, and other forums, unless necessary for their job requirements or legal obligations. Internet access is provided in accordance with the connection settings and access restrictions provided by Kazancı Holding. Internet users do not have access to illicit or unlawful sites.

## **Use of Messaging Services**

Electronic messaging rules are the same regardless of whether the exchange takes place through writing or face to face. Electronic messaging is used when face to face communication is not possible. When sending messages to a group of recipients in the address list, one shall ensure that all recipients would like to receive the outgoing message.

## **Office Equipment, Printed Documents, and Portable Data Storage Devices**

When printing highly confidential documents, users shall remain by the printer to avoid the document being read or seized by unauthorized individuals. Regardless of whether they are confidential or not, and whether they are stuck in the machine, originals and copies of documents shall not be abandoned inside printers or photocopiers.

## **Surveillance and Recording Activities, Privacy**

Kazancı Holding reserves the right to examine any information kept on its own systems and relayed through Kazancı Holding systems. Personal information of the users stored on Kazancı Holding systems or transmitted through Kazancı Holding systems are processed in accordance with the Law No. 6698 on the Protection of Personal Data.

## **General Data Protection and Classification Responsibilities**

Information exchange within Kazancı Holding can take place only amongst users who require access to the data because of their job requirements. Sharing of information with public institutions and members must be done by competent employees in accordance with the legal requirements.

## **Violation Notification**

When employees determine that situations occur that are not compatible with Kazancı Holding's policies and procedures, they notify the Information Security Committee immediately.

**KAZANCI HOLDING A.S. AND  
ITS SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2018 TOGETHER  
WITH AUDITOR'S REPORT**



**KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES' INDEPENDENT  
AUDITOR'S REPORT AS OF 31 DECEMBER 2018**

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

**Opinion**

We have audited the consolidated financial statements of Kazancı Holding A.S. and its subsidiaries listed under Note 1 (referred to as "the Group"), which comprise the consolidated statement of financial position as of 31.12.2018, and the consolidated statement of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31.12.2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

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

**Eren Bağımsız Denetim ve  
Yeminli Mali Müşavirlik A.Ş.**  
Abide-i Hürriyet Caddesi  
Balkan Center 211 Kat 3  
34381 Şişli / İstanbul, Turkey  
  
T +90 212 373 00 00  
F +90 212 291 77 91  
www.gtturkey.com



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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.





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

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

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

A handwritten signature in black ink, appearing to read "Aykut Halit".

Aykut Halit  
Partner

Istanbul, 29 May 2019

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018

#### CONTENTS

<b>BALANCE SHEET</b>	<b>128-129</b>
<b>STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME</b>	<b>130</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>131</b>
<b>STATEMENT OF CASH FLOW</b>	<b>132</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>133-179</b>
NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS	133
NOTE 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS	134-146
NOTE 3 BUSINESS COMBINATIONS	147
NOTE 4 INTERESTS IN OTHER ENTITIES	147
NOTE 5 SEGMENT REPORTING	147
NOTE 6 CASH AND CASH EQUIVALENTS	147
NOTE 7 FINANCIAL INVESTMENTS	147
NOTE 8 FINANCIAL LIABILITIES	148-149
NOTE 9 OTHER FINANCIAL LIABILITIES	149
NOTE 10 RELATED PARTY TRANSACTION	149
NOTE 11 TRADE RECEIVABLES AND PAYABLES	149-150
NOTE 12 RECEIVABLES FROM FINANCE SECTOR ACTIVITIES AND LIABILITIES	150
NOTE 13 OTHER RECEIVABLES AND PAYABLES	150-151
NOTE 14 INVENTORIES	151
NOTE 15 BIOLOGICAL ASSETS	151
NOTE 16 PREPAID EXPENSES AND DEFERRED INCOME	151-152
NOTE 17 CURRENT PERIOD REGARDING THE TAX ASSETS AND LIABILITIES	152
NOTE 18 INVESTMENT PROPERTIES	152
NOTE 19 PROPERTY, PLANT AND EQUIPMENTS	153-154
NOTE 20 DECOMMISSIONING, RESTORATION AND ENVIRONMENTAL REHABILITATION FUNDS FROM INTEREST ON RIGHTS	155
NOTE 21 COOPERATIVE MEMBERS WHO ARE IN THE BUSINESS INTERESTS AND SIMILAR FINANCIAL INSTRUMENTS	155
NOTE 22 INTANGIBLE ASSETS	155-156
NOTE 23 GOODWILL	156
NOTE 24 INVESTIGATION OF MINERAL RESOURCES AND EVALUATION	156
NOTE 25 SERVICE CONCESSION ARRANGEMENTS	156
NOTE 26 GOVERNMENT GRANTS AND INCENTIVES	156
NOTE 27 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	157-158
NOTE 28 COMMITMENTS	158
NOTE 29 EMPLOYEE BENEFITS	158-159
NOTE 30 OPERATING EXPENSES BY NATURE	160
NOTE 31 OTHER ASSETS AND LIABILITIES	160
NOTE 32 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS	161-163
NOTE 33 REVENUES	164
NOTE 34 CONSTRUCTION CONTRACTS	164
NOTE 35 GENERAL ADMINISTRATIVE, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES	164
NOTE 36 OTHER OPERATING INCOME AND EXPENSES	164
NOTE 37 INVESTMENT OPERATIONS INCOME AND EXPENSES	165
NOTE 38 FINANCIAL INCOME / EXPENSES	165
NOTE 39 ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS	166
NOTE 40 ASSETS HOLD FOR SALE AND DISCONTINUED OPERATIONS	166
NOTE 41 INCOME TAX (INCLUDED TO DEFERRED TAX ASSETS AND LIABILITIES)	167-169
NOTE 42 EARNING PER SHARE	170
NOTE 43 SHARE BASED PAYMENTS	170
NOTE 44 INSURANCE CONTRACTS	170
NOTE 45 DERIVATIVE FINANCIAL INSTRUMENTS	170
NOTE 46 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES	171-176
NOTE 47 EVENTS AFTER THE REPORTING DATE	176
NOTE 48 OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE AND UNDERSTANDABLE	177-179

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS OF 31.12.2018 AND 2017

(CURRENCY – TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED)

ASSETS	Notes	Current Period 31/12/18	Prior Period 31/12/17
<b>Current Assets</b>			
Cash and cash equivalents	6	590.990.157	460.453.487
Derivative financial instruments	45	413.737	2.576.770
Trade receivables	11	2.940.284.382	1.754.183.156
Other receivables			
-Due from related parties	10	147.914.528	159.531.732
-Other receivables	13	16.783.577	19.493.519
Inventories	14	1.051.112.902	1.077.731.340
Prepaid expenses	16	124.300.951	89.647.666
Other current assets	31	340.598.156	346.689.408
<b>Total Current Assets</b>		<b>5.212.398.390</b>	<b>3.910.307.078</b>
<b>Assets Held For Sale</b>	40	-	<b>46.013.293</b>
<b>Non-Current Assets</b>			
Other receivables			
-Other receivables	13	26.400.294	1.165.218.350
Financial investments	7	3.782.632	3.782.665
Property, plant and equipments	19	6.665.593.307	5.953.384.974
Intangible assets	22	1.567.536.255	1.297.337.736
Goodwill	23	201.292.316	201.292.316
Prepaid expenses	16	30.440.540	5.188.020
Other non-current assets	31	950.584	1.347.766
Deferred tax assets	41	168.987.615	37.129.859
<b>Total Non-Current Assets</b>		<b>8.664.983.543</b>	<b>8.664.681.686</b>
<b>TOTAL ASSETS</b>		<b>13.877.381.933</b>	<b>12.621.002.057</b>

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

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS OF 31.12.2018 AND 2017

(CURRENCY – TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED)

LIABILITIES	Notes	Current Period 31/12/18	Prior Period 31/12/17
<b>Current Liabilities</b>			
Financial liabilities	8	4.372.418.381	3.144.013.102
Derivative financial instruments	45	8.751.791	3.052.466
Trade payables	11	2.188.265.565	1.645.708.955
Other payables			
-Other payables to related parties	10	144.783.963	233.110.538
-Other payables	13	222.913.444	155.740.012
Deferred income	16	99.185.312	142.239.726
Current income tax liabilities	41	122.046.685	16.925.719
Liabilities for employee benefits	29	37.616.334	37.151.098
Short-term provisions			
-Other Provisions	27	16.813.230	8.373.564
-Provision for Employee Benefits	29	6.631.279	7.496.763
Other short term liabilities	31	16.683.220	13.963.358
<b>Total Current Liabilities</b>		<b>7.236.109.204</b>	<b>5.407.775.301</b>
<b>Non-current Liabilities</b>			
Financial liabilities	8	5.219.833.069	4.597.928.619
Trade payables	11	6.397.583	9.125.221
Other payables			
-Other payables	13	1.257.524.032	1.043.209.132
Deferred income	16	3.345.396	3.924.190
Provisions for employee benefits	29	41.822.586	38.030.722
Minority put option liability	32	-	710.674.411
Deferred tax liabilities	41	229.113.577	134.325.251
Other non-current liabilities	31	5.032.211	5.138.323
<b>Total Non-Current Liabilities</b>		<b>6.763.068.454</b>	<b>6.542.355.869</b>
<b>EQUITY</b>			
Share capital	32	113.535.870	113.535.870
Share premium	32	194.459.257	153.167.590
Restricted reserves appropriated from profit	32	228.284.859	177.427.906
Other comprehensive income/expense not to be reclassified to profit or loss			
-Revaluation funds	32	675.010.460	575.326.507
-Actuarial gains/(losses) on defined benefit plans	32	(17.316.232)	(14.187.524)
Other comprehensive income/expense to be reclassified to profit or loss			
-Foreign currency translation differences from foreign operations	32	177.193.119	134.323.330
-Effective portion of changes in fair value of cash flow hedges	32	(2.765.561)	1.275.963
Minority put option liability reserve	32	-	(710.674.411)
Retained earnings	32	(1.670.375.505)	(969.881.462)
Net profit / (loss) for the year		(486.103.543)	381.427.474
<b>Total Equity Attributable to Equity holders of the Company</b>		<b>(788.077.276)</b>	<b>(158.258.757)</b>
<b>Non-Controlling Interests</b>		<b>666.281.551</b>	<b>829.129.644</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>13.877.381.933</b>	<b>12.621.002.057</b>

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

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31.12.2018 AND 2017

(CURRENCY – TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED)

<b>INCOME STATEMENT</b>	<b>Notes</b>	<b>Current Period 01.01-31.12.2018</b>	<b>Prior Period 01.01-31.12.2017</b>
Revenue	33	14.241.503.366	9.746.094.985
Cost of sales (-)	33	(11.869.285.005)	(8.312.803.638)
<b>GROSS PROFIT FROM TRADING ACTIVITY</b>		<b>2.372.218.361</b>	<b>1.433.291.347</b>
Research and development expenses	30-35	(867.220)	(3.564.680)
Marketing, selling and distribution expenses (-)	30-35	(93.702.192)	(84.845.852)
General administrative expenses (-)	30-35	(262.390.178)	(192.256.825)
Other operating income	36	414.987.605	259.530.397
Other operating expenses (-)	36	(464.812.326)	(233.035.081)
<b>OPERATING PROFIT</b>		<b>1.965.434.050</b>	<b>1.179.119.306</b>
Impairment losses accordance in IFRS 9	2	(11.218.447)	(7.424.552)
Income from investing activities	37	10.337.939	546.846.398
Expenses from investing activities (-)	37	(2.041.077)	(39.361.207)
Financial income	38	769.271.350	507.919.078
Financial expenses (-)	38	(2.967.445.002)	(1.611.810.341)
<b>PROFIT BEFORE TAX FROM CONTINUED OPERATIONS</b>		<b>(235.661.187)</b>	<b>575.288.682</b>
Tax income/expense from continued operations			
-Taxes on income	41	(179.379.563)	(63.945.156)
-Deferred tax income	41	37.996.900	35.703.633
<b>PROFIT FOR THE YEAR</b>		<b>(377.043.850)</b>	<b>547.047.159</b>
-Non-controlling interest		109.059.693	(165.619.685)
-Attributable to equity holders of the parent		(486.103.543)	381.427.474
<b>Earnings per share</b>		<b>(4,3793)</b>	<b>3,4363</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not to be reclassified to profit or loss</b>			
-Increase in value of properties	39	(60.542.510)	911.427.660
-Actuarial gains/(losses) on defined benefit plans	39	(3.533.167)	2.419.873
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
-Foreign currency translation differences from foreign operations	39	105.595.691	19.938.958
-Effective portion of changes in fair value of cash flow hedges	39	(5.579.523)	989.724
<b>OTHER COMPREHENSIVE INCOME</b>		<b>35.940.491</b>	<b>934.776.215</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(341.103.359)</b>	<b>1.481.823.374</b>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>2.652.009.738</b>	<b>1.567.354.881</b>

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

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED 31.12.2018 AND 2017

(CURRENCY – TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED)

	Notes	Share capital	Share premium	Minority put option liability reserve	Restricted reserves appropriated from profit	Other comprehensive income/expense not to be reclassified to profit or loss			Accumulated gains			Total Equity Attributable to Equity holders of the Company	Non-Controlling Interests	Total Equity
						Revaluation funds	-Actual gains/(losses) on defined benefit plans	-Foreign currency translation differences from foreign operations	-Effective portion of changes in fair value of cash flow hedges	Retained earnings	Net profit / (loss) for the year			
<b>Balance at 01 January 2017</b>	<b>32</b>	<b>113.535.870</b>	<b>153.167.590</b>	<b>(752.062.940)</b>	<b>155.307.143</b>	-	<b>(14.136.940)</b>	<b>113.299.902</b>	<b>663.225</b>	<b>(597.233.720)</b>	<b>(337.916.388)</b>	<b>(1.165.376.258)</b>	<b>328.421.039</b>	<b>(836.955.219)</b>
Transfers to reserves		-	-	-	23.416.812	-	-	-	-	(361.333.200)	337.916.388	-	-	-
Share capital increase from minority		10.872.562	-	-	-	-	-	-	-	-	-	10.872.562	-	10.872.562
Minority put option liability		-	-	41.388.529	-	-	-	-	-	-	-	41.388.529	-	41.388.529
Actuarial gain / (loss)		-	-	-	-	-	2.419.873	-	-	-	-	2.419.873	-	2.419.873
Effect of change in accounting estimates		-	-	-	-	-	(2.320.628)	-	-	8.055.065	-	5734.439	-	5734.439
Translation gain		-	-	-	-	-	-	19.938.958	-	-	-	19.938.958	-	19.938.958
Effective portion of changes in fair value of cash hedges		-	-	-	-	-	-	-	989.724	-	-	989.724	-	989.724
Revaluation of PPE		-	-	-	-	911.427.660	-	-	-	-	-	911.427.660	-	911.427.660
Acquisition of non-controlling interest without a change in control		-	-	-	-	-	-	-	-	(21.600.106)	-	(21.600.106)	-	(21.600.106)
Dividends paid		-	-	-	-	-	-	-	-	(167.649)	-	(167.649)	-	(167.649)
Effect of transactions under common control		-	-	-	-	-	-	-	-	(14.884.004)	-	(14.884.004)	-	(14.884.004)
Minority rate change		(1.328.646)	-	-	-	-	-	-	-	(2.914.538)	-	(4.243.184)	-	(4.243.184)
Minority calculated from subsidiaries		-	-	-	-	-	-	-	-	-	-	-	8.902.145	8.902.145
Changes in non-controlling interests		(9.543.916)	-	-	(1.296.049)	(336.101.153)	(149.831)	1.084.470	(376.986)	20.196.690	-	(326.186.775)	326.186.775	-
Total comprehensive income		-	-	-	-	-	-	-	-	-	381.427.474	381.427.474	165.619.685	547.047.159
<b>Balance at 31 December 2017</b>	<b>32</b>	<b>113.535.870</b>	<b>153.167.590</b>	<b>(710.674.411)</b>	<b>177.427.906</b>	<b>575.326.507</b>	<b>(14.187.524)</b>	<b>134.323.330</b>	<b>1.275.963</b>	<b>(969.881.462)</b>	<b>381.427.474</b>	<b>(156.258.757)</b>	<b>829.129.644</b>	<b>670.870.887</b>
Transfers to reserves		-	-	-	42.966.572	-	-	-	-	338.460.902	(381.427.474)	-	-	-
Disposal of subsidiary		(9.500.000)	-	-	-	-	8.141	-	-	(804)	-	(9.492.663)	-	(9.492.663)
Translation gain / loss		13.906	-	-	-	-	-	105.595.691	-	42.836	-	105.652.433	-	105.652.433
Dividend paid		-	-	-	-	-	-	-	-	(2.367.798)	-	(2.367.798)	-	(2.367.798)
Actuarial gain relating to employee termination benefits		-	-	-	-	-	(3.533.167)	-	-	-	-	(3.533.167)	-	(3.533.167)
Transfer to PPE		-	-	-	-	(60.542.510)	-	-	-	60.542.510	-	-	-	-
Effective portion of changes in fair value of cash hedges		-	-	-	-	-	-	-	(5,579,523)	-	-	(5,579,523)	-	(5,579,523)
Effective changes in minority put option liability		-	-	(56,238,322)	-	-	-	-	-	-	-	(56,238,322)	-	(56,238,322)
Minority put option liability		-	-	768,912,733	-	-	-	-	-	(1,107,049,169)	-	(340,136,436)	-	(340,136,436)
Effect of change in accounting policy		-	-	-	-	-	(4,757,306)	-	-	-	-	(4,757,306)	-	(4,757,306)
Share transfer		-	-	-	-	-	-	-	-	(1,171,484)	-	(1,171,484)	-	(1,171,484)
Prior year tax adjustment		-	-	-	-	-	-	-	-	102,871	-	102,871	-	102,871
Minority calculated from subsidiaries		-	-	-	-	-	-	-	-	-	-	-	4,568,345	4,568,345
Changes in non-controlling interests		9,486,094	41,291,667	-	7,980,381	160,226,463	396,318	(62,725,902)	1,537,999	15,703,399	-	173,806,419	(276,476,131)	(102,669,712)
Total comprehensive income		-	-	-	-	-	-	-	-	(486,103,543)	(486,103,543)	(486,103,543)	109,059,693	(377,043,850)
<b>Balance at 31 December 2018</b>	<b>32</b>	<b>113.535.870</b>	<b>184.459.257</b>	-	<b>228.284.859</b>	<b>675.010.460</b>	<b>(17,316,232)</b>	<b>177.193.119</b>	<b>(2,765,561)</b>	<b>(1,670,375,505)</b>	<b>(486,103,543)</b>	<b>(786,077,276)</b>	<b>666,281,551</b>	<b>(121,795,726)</b>

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



# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

### FOR THE YEARS ENDED 31.12.2018 AND 2017

(CURRENCY – TURKISH LIRA (TL) UNLESS OTHERWISE INDICATED)

	Notes	Current Period 01.01-31.12.2018	Prior Period 01.01-31.12.2017
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net profit before tax for the year		(235.661.187)	575.288.682
<b>Adjustments to reconcile net cash generated:</b>			
-Depreciation of property and equipments	19-22	636.750.967	414.730.891
-Disposal of depreciation of property and equipments	19-22	(11.872.859)	(23.361.837)
-Provision for fair values of forward transactions	45	2.282.835	7.970.610
-Discount expenses on trade receivables	11	4.714.123	3.901.743
-Discount income on trade payables	11	(10.864.033)	(6.726.682)
-Provision / (reversal) for doubtful trade receivable	11	68.904.491	(3.331.285)
-Provision for employee termination benefits	29	9.623.574	3.838.451
-Income accruals	31	4.929.851	(19.998.692)
-Unrealised foreign exchange differences on bank loans	8	1.260.409.251	261.405.403
-Unrealised foreign exchange differences on deposits and guarantees	13	-	(75.810.000)
-Interest income	38	(89.461.602)	(81.995.967)
-Interest expense on loans	38	1.221.318.799	869.941.339
-Effective changes in minority put option liability	32	(56.238.322)	-
<b>Operating cash flows provided before changes in working capital</b>		<b>2.804.835.888</b>	<b>1.925.852.656</b>
<b>Changes in net working capital:</b>			
-Increases/decreases in trade receivables	11	(1.259.719.840)	(617.025.240)
-Increases/decreases in inventories	14	26.618.438	(198.669.297)
-Increases/decreases in other assets	13-16-31	32.369.929	49.289.361
-Increases/decreases in trade payables	11	550.693.005	341.149.897
-Increases/decreases in other payables	13-16-31	248.508.292	273.350.714
-Increases/decreases in asset /liabilities held for sale	40	46.013.293	172.461.385
-Retirement benefits paid	29	(9.364.877)	(9.274.869)
<b>Total adjustments</b>		<b>2.439.954.128</b>	<b>1.937.134.607</b>
<b>Cash flows from operating activities</b>			
-Taxes paid	41	(73.331.127)	(65.025.000)
<b>Net cash generated by operating activities</b>		<b>2.366.623.001</b>	<b>1.872.109.607</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
-Purchases of property and equipment	19	(1.110.880.491)	(1.130.831.545)
-Disposal of property and equipment	19	126.205.365	103.941.710
-Purchases of intangible assets	22	(214.885.214)	(51.654.553)
-Disposal of intangible assets	22	1.975.185	1.783.276
-Changes in goodwill items	23	-	3.498.839
-Interest income	38	89.461.602	81.995.967
-Disposal of investments	7	33	-
<b>Net Cash Flows Used in Investment Activities</b>		<b>(1.108.123.520)</b>	<b>(991.266.306)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
-(Increase) / decrease in receivables from related parties	10	(76.709.371)	(56.460.403)
-New borrowings received	8	589.900.478	(285.323.992)
-Interest paid	38	(1.221.318.799)	(869.941.339)
-Dividend paid	32	(2.367.798)	(167.649)
-Share capital increase from minority	32	-	10.872.562
-Effect of change in accounting estimates	32	(4.757.306)	5.734.439
-Acquisition of non-controlling interest without a change in control	32	-	(21.600.106)
-Effect of transactions under common control	32	-	(14.884.004)
-Minority rate change	32	(102.669.712)	(4.243.184)
-Minority calculated from subsidiaries	32	4.568.345	8.902.145
-Disposal of subsidiary	32	(9.492.663)	-
-Share transfer	32	(1.171.484)	-
-Prior year tax adjustment	32	102.871	-
<b>Net Cash Flows Generated From Financing Activities</b>		<b>(823.915.439)</b>	<b>(1.227.111.531)</b>
<b>D. EFFECTS OF UNREALIZED EXCHANGE LOSS/ (GAIN) ON CASH AND CASH EQUIVALENTS</b>			
-Foreign exchange gain/ (loss) on cash and cash equivalents	32	105.652.433	19.938.958
-Effect of currency translation differences	19-22	(409.699.805)	(68.120.508)
<b>Total effects of foreign exchange rate changes on cash and cash equivalents</b>		<b>(304.047.372)</b>	<b>(48.181.550)</b>
Net increase/(decrease) in cash and cash equivalents (A+B+C+D)		130.536.670	(394.449.780)
Cash and cash equivalents at the beginning of the year	6	460.453.487	854.903.267
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>590.990.157</b>	<b>460.453.487</b>

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

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

### 1. ORGANIZATION AND NATURE OF OPERATIONS

Kazancı Holding A.Ş. ("Kazancı Holding" or "the Company") is a Holding company which was established on 16 November 1994 and has participations in electricity production and trade, distribution of natural gas, distribution and wholesale/retail sale of electricity, manufacturing of generators, tourism, after sale service and marketing companies.

The Company's registered address is at Rüzgarlıbahçe Mah. Özalp Sk. No: 10 Kavacık-Istanbul.

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

Name of Subsidiary	Nature of Business	Voting power held %	
		31.12.2018	31.12.2017
Aksa Enerji Üretim A.Ş.	Electricity production and trade	78,60%	61,91%
Aksa Jeneratör Sanayi A.Ş.	Manufacturing of generators	99,80%	99,80%
Aksa Doğalgaz Dağıtım A.Ş.	Distribution of natural gas	99,96%	99,96%
Aksa Elektrik Perakende Satış A.Ş.	Sale and distribution of electricity	99,98%	99,98%
Aksa Elektrik Satış A.Ş.	Sale of electricity	99,60%	99,60%
Koni İnşaat Sanayi A.Ş.	Tourism, construction and agriculture	100,00%	100,00%
Aksa Teknoloji A.Ş.	Consultancy service	97,00%	97,00%
Aksa Turizm İşletmeleri A.Ş.	Tourism	96,00%	96,00%
Deriş İnşaat Mühendislik Müşavirlik Ltd.Şti.	Infrastructure service	100,00%	100,00%
Elektrik Altyapı Hizmetleri ve Taşımacılık A.Ş. (*)	Infrastructure service	-	-
Aksa Havacılık A.Ş.	Air transportation	99,97%	99,97%
Aksa Makine Sanayi A.Ş.	Other	97,18%	97,18%
Renk Transmisyon Sanayi A.Ş.	Other	43,56%	43,56%
ATK Sigorta	Other	100,00%	100,00%
Aksa Doğalgaz Toptan A.Ş.	Natural gas facilities	99,20%	99,20%
Anadolu Doğalgaz Toptan A.Ş.	Natural gas facilities	96,97%	96,97%
African Power Investments B.V.	Other	58,18%	58,18%
Aksa Cng Sıkıştırılmış Doğalgaz Dağıtım İletim A.Ş.	Natural gas facilities	98,77%	98,77%
Datça Rüzgar Enerjisi Elektrik Üretim A.Ş. (**)	Electricity production	-	5,00%
Flamingo Enerji Üretim ve Satış A.Ş. (*)	Electricity production and trade	-	-

(\*) Companies that are included in the consolidation with regard to IFRS 10 (Published on 12.05.2011 and amendment on 28.05.2012 and which is effective from 1 January 2013).

(\*\*) Companies that are sold to third parties during 2018 which is included in the consolidation with regard to IFRS 10 (Published on 12.05.2011 and amendment on 28.05.2012 and which is effective from 1 January 2013).

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

### 2.1. Basis of presentation

The accompanying 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 which is incorporated in Turkey 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 financial statements have been prepared from statutory financial statements of the Group presented in Turkish Lira (TL) with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

### Going Concern

The consolidated financial statements have been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

The Group disclosed a loss of TL 486.103.543 for the year ending 31 December 2018 (2017: profit of TL 381.427.474). The main reason for the loss were the unrealized financial losses on foreign currency exchange resulting from the loss on the value of the Turkish Lira against major currencies. However the Group obtained an operating profit of TL 1.965.434.050 for the same year (2017: TL 1.179.119.306).

### Reporting Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional 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.

### Convenience translation of financial statements

For the convenience of the reader, the accompanying consolidated financial statements have been translated from Turkish Lira to US\$ with the Central Bank buying exchange rates at year-ends (31.12.2018: US\$1 = TL 5,2609; 31.12.2017: US\$1 = TL 3,7719). The accompanying consolidated statements of income have been translated from Turkish Lira to US\$ with the respective average Central Bank buying exchange rates for the relevant period (31.12.2018: US\$1 = TL 4,8301; 31.12.2017: US\$1 = TL 3,7780). Such convenience translations are not intended to comply with the provisions of IAS 21 "The Effects of Changes in Foreign Exchange Rates" or Financial Accounting Standards Board No.52 "Foreign Currency Translations" for the translation of financial statements.

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### Restatement and Errors in the Accounting Policies and Estimates

The effect of a change in accounting prediction is reflected to consolidated 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.

The Group has added the voluntary employee withdrawal rate as a new assumption for the calculation of provision for employee termination benefits. The effect of new assumption is TL 8.891.234 in the general reserves and non-controlling interest.

#### *Impact of the new impairment model*

The details of new accounting policy that the Group need to apply in the context of the new model according to IFRS 9 are disclosed in Note 3 under "Financial instruments, Impairment" section. In this context, the Group has reclassified to Impairment losses determined in accordance with IFRS 9 from other income amounting to TL 7.424.552 has been recognized impairment losses related to trade and other receivables for in accordance with IAS 39 in the profit and loss statement for the year ended 31 December 2017.

#### Non-controlling interest

The Group measures any non-controlling interests in the acquiree at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (note 32.j).

#### 2.2. Basis of Consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2018 and 2017. 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) Kazanci 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.

The consolidated financial statements of the Group have been prepared by combining the financial statements of the Parent and its subsidiaries line by line by adding together like items of assets, liabilities, equity, income and expenses. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation.

Subsidiaries are companies over which Parent Company has the power to control the financial and operating policies either (a) through the power to exercise more than 50% of voting rights relating to the shares in the companies as a result of the ownership interest owned directly and indirectly by itself (b) although not having the power to exercise more than 50% of the ownership interest, through the power to exercise control over the financial and operating policies.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

As of 31.12.2018 and 2017, the above subsidiaries have been fully consolidated since the Parent Company has control power.

The basis of consolidation is set out below:

- a) The statements of financial position and the statements of income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Parent Company and its subsidiary is eliminated against the related shareholders' equity.
- b) Intra-group balances and transactions of consolidated entities including sales goods and services, intra-group income, expenses and dividends are eliminated.
- c) Profits and losses arising from intra-group transactions that are recognized in current and non-current assets are eliminated in full.
- d) Acquisition cost of the subsidiary's' shares and cost of following share acquisitions by the Parent Company are net off with the amount which is represent the Parent Company's share in the subsidiary's own equity restated at fair value.
- e) The acquisition of subsidiary is accounted for using the purchase method. Subsidiaries are consolidated from the date on which control is transferred to the Group. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Goodwill arising in a business combination is initially measured at its cost being the excess of the cost of business combination over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities.

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.

#### **2.3. Goodwill/ Negative Goodwill**

Goodwill arising from mergers is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities determined in compliance with IFRS 3. Goodwill arising from mergers represents payments made with the expectations future economic benefits to be obtained from unidentifiable and unrecordable assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the net assets assigned to the cash-generating unit, the impairment loss is allocated to reduce the carrying amount of the assets of the unit (group of units), first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets of the unit (group of units) pro rata on the basis. Reversal of an impairment loss for goodwill is the subsequent periods are prohibited.

The consolidated financial statements have been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### 2.4. Other significant accounting policies

##### 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.

##### 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 that are created by the Group by providing goods or services directly to a debtor are recognized initially at fair value and subsequently measured at amortised costs, using the effective interest rate method, less provision for impairment if any. 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 statements of income in the current period.

##### Trade Payables

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

##### Inventories

Inventories (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.

##### Financial Investments

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

##### Assets held for sale

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

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

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



# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### Property, Plant and Equipment Related Depreciation

Property, plant and equipment are carried at cost, less any accumulated depreciation and any impairment loss. The Group has opted for the option of measuring the land, buildings, machinery and equipment in the tangible fixed assets by revaluation method. The revalued amount is the fair value at the revaluation date, less accumulated depreciation and subsequent accumulated impairment losses. Gain on fair value of land, buildings, machinery and equipment are recognised in revaluation of property, plant and equipment after net off tax. Depreciation is provided on pro-rata basis. Repair and maintenance expenditure related to property, plant and equipment is expensed as incurred. The depreciation periods for property, plant and equipment which approximate the economic useful lives of such assets, are as follows:

	Years
Buildings	10-50
Leasehold improvements	5-10
Machinery and equipment <sup>(*)</sup>	3-40
Motor vehicles	5-8
Furniture and fixtures	5-15
Other tangible assets	5-10

<sup>(\*)</sup> **Breakdown of machinery and equipment is as follows:**

Wind Electricity Powerhouse	20
Natural Gas Power Plants	20
Fuel Oil Power Plants	3-40
Natural Gas Distribution Machinery and Equipments	4-25
Hidroelectric Power Plants	40
Coal 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.

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

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.

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 22).

	Useful lives
Operating rights	30 years
Other rights	5-15 years
Other intangible assets	3-10 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, such as 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 instruments

##### (i) Financial assets

Investments are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories as 'at fair value through profit or loss', 'held to maturity investments', 'available for sale financial assets' and 'loans and receivables'.

##### Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Debt instruments that are held to maturity, are available for sale, or are loans and receivables recognize in income on an effective interest rate basis.

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is that exactly discounts estimated future cash receipts through the expected life of the financial assets or where appropriate a shorter period.

#### Financial assets held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Group's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows.

#### Financial assets available-for-sale

Available-for-sale securities are those that are not (a) held-to-maturity investments, or (b) securities held for trading. Subsequent to acquisition, available for sale securities are valued at their fair value if reliably measurable. Otherwise, they are accounted for at the amortized cost. Unrealized gains or losses arising from changes in the fair value of securities classified as available for sale are deferred in equity until the financial asset is sold, collected or otherwise is disposed of when available for sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the statements of income. All investment securities are initially recognized at cost. Transaction costs are included in the initial measurement of debt securities. Available for sale securities are measured at fair value.

Fair value of available for sale monetary assets denominated in foreign currency is determined in that foreign currency and converted using the spot rate at the reporting date. Change in fair value attributable to conversion differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

#### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments, originated or acquired, that are not quoted in an active market, not held for trading, and not designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. Loans and receivables are measured at amortized cost using the effective interest method.

#### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

### (ii) Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set below.

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recorded at fair value upon initial measurement and re-measured to fair value at each reporting period. Changes in the fair values are accounted in the statements of income. Net gains and losses accounted for in the statements of income includes interest paid expense incurred on the financial liability.

#### Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

#### **Deposits and guarantees received**

Long-term deposit and guarantees received consist of subscribers security deposit. Legislation about the subscriber security deposit is mentioned at "electricity and natural gas distribution and customer services regulation" which is published by EPDK. Subscriber security deposit is taken from mechanical counter users once during the signing of the contract, by the electricity and natural gas distribution and customer services companies according to legislation and regulation to guarantee their credit. Subscriber security deposit is not taken from prepayment counter users. Deposit tariffs are determined by EPDK yearly. Deposit received from subscribers are carried at acquisition cost. In case of termination of subscription contract deposit received will be stated and after valuation if subscribers have debt it will be deducted from deposit and the balance will be paid to subscribers (note 13).

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a considerable time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned by the temporary investment of the part of the borrowing not yet used is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### 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. 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.

### Financial Leases

Some equipment is acquired by the Group through financial leases. These financial leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the financial balance outstanding. The assets acquired under finance leases are depreciated over the useful lives of the assets as there is reasonable certainty, that the Group will obtain ownership at the end of the lease terms.

### Taxation and Deferred Income Taxes

Current tax: The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of income 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. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

The tax effects of the transactions that are accounted directly in the equity are also reflected to the equity.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### 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.

#### Minority put option liability

Minority put option liability is valued according to their fair value (note 32-h).

#### 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 Energy: Electric energy revenue is recognized upon transmission to the customer.

Aksa Power Generation: 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.

#### Offsetting

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

#### 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.



# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### Foreign currency transactions

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 statements of income as financial income and expense.

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

	31.12.2018	31.12.2017
USD	TL 5,2609	TL 3,7719
EURO	TL 6,0280	TL 4,5155
CHF	TL 5,3352	TL 3,8548
GBP	TL 6,6528	TL 5,0803
AED	TL 1,4336	TL 1,0278

#### 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 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 consolidated financial statements in conformity with IFRS 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.

#### Cash flow statement

In the consolidated statements of cash flows, cash flows are classified and reported according to their operating, investing and financing activities. Cash flows related with investing activities present the cash flows provided from and used in the Group's investing activities (tangible-intangible assets and financial investments). Cash flows related with financing activities present the proceeds and repayments of sources in the Group's financing activities. 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.

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### 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.

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

**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.

#### 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.

	01.01-31.12.2018	01.01-31.12.2017
Revenue	14.241.503.366	9.746.094.985
Cost of sales (-)	(11.869.285.005)	(8.312.803.638)
<b>Gross Profit From Trading Activity</b>	<b>2.372.218.361</b>	<b>1.433.291.347</b>
Operating expenses	(356.959.590)	(280.667.357)
<b>Operating profit</b>	<b>2.015.258.771</b>	<b>1.152.623.990</b>
Depreciation and amortization expenses (note 22)	636.750.967	414.730.891
<b>EBITDA</b>	<b>2.652.009.738</b>	<b>1.567.354.881</b>

EBITDA is calculated by the Group by deducting of research and development expenses, marketing, selling and distribution expenses and general administrative expenses from gross profit from trading activity and adding of depreciation and amortization expenses.

#### Service Concession Arrangements (IFRIC 12)

IFRIC 12, "Service Concession Arrangements", outlines an approach to account for contractual obligations undertaken and rights received by service concession operators in service concession arrangements. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognize a financial asset and/or an intangible asset.

IFRIC 12, applies to public-to-private service concession arrangements if the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and the grantor controls-through ownership, beneficial entitlement or otherwise-any significant residual interest in the infrastructure at the end of the term of the arrangement.

The distribution systems and plants constructed in the aftermath of the Agreement for Operating Rights Transfer signed 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 (note 22).

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### Subsequent Events

Subsequent events include all events up to the date when the financial statements are authorised for issue, even if those events occur after the public announcement of profit or of other selected financial information.

In case some events that require correction after the balance sheet date, the Group shall correct the amounts from the consolidated financial statements in accordance with the current situation. The matters that do not require correction after balance sheet date shall be explained in footnotes of consolidated financial statements, if they have an effect on economic decisions of the financial statement users.

#### The new standards, amendments and interpretations

The accounting policies applied in the preparation of the financial statements as of 1 January-31 December 2018 are consistent with those applied in the preparation of the financial statements as of 31 December 2017, except for the new and amended IFRS standards which are valid as of 1 January 2018 and International Financial Reporting Interpretations Committee's ("IFRIC") interpretations summarised below.

*Standards, amendments and interpretations effective as of 1 January 2018:*

- IFRS 9-Financial Instruments
- IFRS 15-Revenue from Contracts with Customers
- IAS 40-Investment Property (Amendments)
- IFRS 2-Share Based Payments (Amendments)
- Annual Improvements to IFRSs-2014-2016 Cycle: IFRS 1, IFRS 7, IAS 19, IFRS 10 and IAS 28
- IFRS 22-Disclosure Initiative-Foreign Currency Transactions and Advance Consideration

*Standards, amendments and improvements issued but not yet effective and not early adopted:*

- IFRS 9-Financial Instruments (Amendments)
- IFRS 16-Leases
- IAS 19-Employee Benefits' on plan amendment, curtailment or settlement (Amendments)
- IAS 28-Investments in Associates and Joint Venture (Amendments)
- IFRS 23-Disclosure Initiative-Uncertainty Over Income Tax Treatments
- Annual Improvements to IFRSs-2015-2017 Cycle: IFRS 3, IFRS 11, IAS 12 and IAS 23

The impacts of the new standards, amendments and improvements on the financial position and performance of the Group are being assessed.

*New standards, amendments and interpretations that are issued by the International Accounting Standard Boards (IASB) but not issued by POA:*

- IAS 1-Presentation of Financial Statements (Amendments)
- IAS 8-Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)
- IFRS 3-Business Combinations (Amendments)
- IFRS 15-Revenue from Contracts with Customers (Amendments)

The Group management will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date. The Group is assessing the potential impact on its consolidated financial statements resulting from these amendments.

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### 3. BUSINESS COMBINATIONS

None (31.12.2017: None).

#### 4. INTERESTS IN OTHER ENTITIES

None (31.12.2017: None).

#### 5. SEGMENT REPORTING

None (31.12.2017: None)

#### 6. CASH AND CASH EQUIVALENTS

	31.12.2018	31.12.2017
Cash on hand	6.641.038	4.723.155
Cash at banks		
-Demand deposits	345.737.057	238.537.715
-Time deposits	92.468.882	150.944.105
-Blocked deposits (*)	100.120.141	21.285.929
Other liquid assets (**)	46.023.039	44.962.583
<b>Total</b>	<b>590.990.157</b>	<b>460.453.487</b>

(\*) As of 31 December 2018, blocked accounts amount is related to the liabilities of the Group, in accordance with provision of the loan agreements.

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

#### 7. FINANCIAL INVESTMENTS

	Participation rate %	31.12.2018	31.12.2017
Enerji Piyasaları İşletme A.Ş.	2,68	1.649.632	1.649.632
Rize İnşaat Yatırım A.Ş.	5	1.522.500	1.522.500
Rize Spor Futbol Yatırım	5	575.000	575.000
Other		35.500	35.533
<b>Total</b>		<b>3.782.632</b>	<b>3.782.665</b>

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### 8. FINANCIAL LIABILITIES

Short Term	31.12.2018	31.12.2017
Short-term bank loans <sup>(*)</sup>	1.844.555.297	1.265.335.780
Current portion of long-term bank loans <sup>(*)</sup>	1.990.186.049	1.361.259.087
Factoring payables	239.564.469	275.480.178
Bond issuance	146.636.592	84.023.074
Interest expense accrual	125.703.153	128.961.570
Financial lease payables, net	25.772.821	28.953.413
<b>Total short term financial liabilities</b>	<b>4.372.418.381</b>	<b>3.144.013.102</b>
<b>Long Term</b>		
Long-term bank loans <sup>(*)</sup>	5.195.061.242	4.402.565.544
Factoring payables	13.919.586	17.112.079
Bond issuance	-	119.166.031
Financial lease payables, net	10.852.241	59.084.965
<b>Total long term financial liabilities</b>	<b>5.219.833.069</b>	<b>4.597.928.619</b>
<b>Total financial liabilities</b>	<b>9.592.251.450</b>	<b>7.741.941.721</b>

<sup>(\*)</sup> As of 31 December 2018, the effective interest rate of the long term TL loans is between 14,40%-39%, USD loans is between 1%-9,03%, EURO loans is between 1,60%-3,84%, GBP loans is 5,41%, CNY loans is between 4,68%-5,23%, AED loans is 4,16% and DZD loans is 8,00% (31.12.2017: TL loans varied between 12,25-18,50%, USD loans varied between 1%-7,50%, EURO loans varied between 1,80%-7,00%, GBP loans is between 1,75%-3,09%, CNY loans is between 4,35%-4,75% and AED loans is 4,25%).

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 24 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.

As of 31.12.2018, the repayment schedule in relation to principal amounts of short and long term loans is as follows;

Payment period	USD	EURO	GBP	AED	CNY	TL	TL Equivalent
Payable in 1 year	284.003.843	64.138.515	723.079	72.123	100.337.063	1.872.624.808	3.834.741.346
Payable in 1-2 years	158.667.584	3.624.196	-	37.760	100.000.000	599.691.240	1.532.529.320
Payable in 2-3 years	144.558.448	1.105.311	-	-	-	232.641.102	999.811.456
Payable in 3-4 years	126.106.714	-	-	-	-	163.445.226	826.880.038
More than 4 years	243.267.310	-	-	-	-	556.035.438	1.835.840.428
<b>Total</b>	<b>956.603.899</b>	<b>68.868.022</b>	<b>723.079</b>	<b>109.883</b>	<b>200.337.063</b>	<b>3.424.437.814</b>	<b>9.029.802.588</b>

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

As of 31.12.2018, the repayment schedule in relation to principal amounts of short and long term financial lease payables is as follows;

Payment period	USD	EURO	TL Equivalent
Payable in 1 year	4.879.398	17.053	25.772.821
Payable in 1-2 years	2.062.811	-	10.852.241
<b>Total</b>	<b>6.942.209</b>	<b>17.053</b>	<b>36.625.062</b>

#### 9. OTHER FINANCIAL LIABILITIES

None (31.12.2017: None).

#### 10. RELATED PARTY TRANSACTION

Due From Related Parties	31.12.2018	31.12.2017
Shareholders and family members	106.668.385	133.402.467
Aksa Enerji Iraq	29.719.501	22.236.115
Datça Rüzgar Enerjisi Elektrik Üretim A.Ş.	7.357.874	-
Other	4.168.768	3.893.150
<b>Total</b>	<b>147.914.528</b>	<b>159.531.732</b>

Due To Related Parties	31.12.2018	31.12.2017
Shareholders and family members	135.103.120	230.923.106
Other	9.680.843	2.187.432
<b>Total</b>	<b>144.783.963</b>	<b>233.110.538</b>

#### 11. TRADE RECEIVABLES AND PAYABLES

##### Trade Receivables

Current Trade Receivables	31.12.2018	31.12.2017
Customers' current accounts	2.912.597.281	1.700.039.176
Unearned interest on receivables (-)	(10.573.420)	(6.497.455)
Notes receivable	38.260.521	60.247.930
Doubtful trade receivables	239.379.073	171.288.316
Provision for doubtful trade receivables (-)	(239.379.073)	(170.894.811)
<b>Total</b>	<b>2.940.284.382</b>	<b>1.754.183.156</b>

The movement of the allowance for doubtful trade receivables is as follows:

	01.01-31.12.2018	01.01-31.12.2017
Opening balances at 1 January	170.894.811	174.968.248
Increase in provisions	100.686.939	52.663.544
Reversal of provisions and collections received (-)	(31.671.060)	(56.795.644)
Write off worthless receivables	(639.250)	-
Foreign currency translation differences	107.633	58.663
<b>Closing balance</b>	<b>239.379.073</b>	<b>170.894.811</b>

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

**Trade Payables**

<b>Current</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Suppliers' current accounts	2.155.106.900	1.609.732.030
Notes payable	54.099.018	47.415.861
Unearned interest on payables (-)	(20.940.353)	(11.656.707)
Other	-	217.771
<b>Total</b>	<b>2.188.265.565</b>	<b>1.645.708.955</b>
<b>Non - Current</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Suppliers' current accounts	7.974.994	9.738.507
Unearned interest on payables (-)	(1.577.411)	(1.294.356)
Other	-	681.070
<b>Total</b>	<b>6.397.583</b>	<b>9.125.221</b>

**12. RECEIVABLES FROM FINANCE SECTOR ACTIVITIES AND LIABILITIES**

None (31.12.2017: None).

**13. OTHER RECEIVABLES AND PAYABLES**

<b>Other receivables - short term</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Receivables from tax office	7.431.110	3.118.587
Due from personnel	1.313.794	908.625
Deposits and guarantess given	3.413.107	2.232.660
Other doubtful receivables	10.453.410	10.033.182
Provision for other doubtful receivables	(10.453.410)	(10.033.182)
Other receivables	4.625.566	13.233.647
<b>Total</b>	<b>16.783.577</b>	<b>19.493.519</b>

The movements in the provision for other doubtful receivables are as follows:

	<b>01.01-31.12.2018</b>	<b>01.01-31.12.2017</b>
Balance at beginning of the period	10.033.182	9.291.030
Provision in the period	675.211	742.152
Reversal of provisions and collections received (-)	(254.983)	-
<b>Total</b>	<b>10.453.410</b>	<b>10.033.182</b>
<b>Other receivables - long term</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Deposits and guarantees given (note 32-h)	23.700.250	1.159.818.834
Other	2.700.044	5.399.516
<b>Total</b>	<b>26.400.294</b>	<b>1.165.218.350</b>



# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

<b>Other payables - short term</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Taxes and dues payable	88.233.982	58.039.889
Deposits and guarantees received	103.183.758	69.072.405
Other payables	31.495.704	28.627.718
<b>Total</b>	<b>222.913.444</b>	<b>155.740.012</b>

<b>Other payables - long term</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Payable to TEDAŞ (*)	36.374.808	29.886.104
Deposits and guarantees received	1.221.149.224	1.013.323.028
<b>Total</b>	<b>1.257.524.032</b>	<b>1.043.209.132</b>

(\*) Prior to the scope of privatization of electricity distribution companies, 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.

#### 14. INVENTORIES

	<b>31.12.2018</b>	<b>31.12.2017</b>
Raw materials	377.558.459	384.747.790
Work in process	82.604.791	69.834.556
Finished goods	224.818.845	126.699.991
Merchandises	70.574.832	87.656.691
Other inventories	305.196.409	422.632.913
Provision for diminution in value of inventory (-)	(9.640.434)	(13.840.601)
<b>Total</b>	<b>1.051.112.902</b>	<b>1.077.731.340</b>

#### 15. BIOLOGICAL ASSETS

None (31.12.2017: None).

#### 16. PREPAID EXPENSES AND DEFERRED INCOME

##### Prepaid expenses:

<b>Short term</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Advances given for inventory purchases	57.143.859	55.542.870
Prepaid expenses	28.341.708	25.209.530
Prepaid taxes and funds	36.480.995	7.769.915
Advances given for business purposes	1.232.987	1.125.351
Prepaid guarantee letter commissions	1.101.402	-
<b>Total</b>	<b>124.300.951</b>	<b>89.647.666</b>

<b>Long term</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Prepaid expenses	1.105.751	453.449
Advances given	22.043.968	4.734.571
Prepaid guarantee letter commissions	7.290.821	-
<b>Total</b>	<b>30.440.540</b>	<b>5.188.020</b>

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

**Deferred income:**

<b>Short term</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Advances received	92.874.496	124.738.795
Overdue or deferred taxes and dues payable	4.814.489	8.184.572
Deferred income	1.496.327	9.316.359
<b>Total</b>	<b>99.185.312</b>	<b>142.239.726</b>
<b>Long term</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Advances received	2.945.852	2.327.204
Overdue or deferred taxes and dues payable	83.396	1.305.912
Deferred income	316.148	291.074
<b>Total</b>	<b>3.345.396</b>	<b>3.924.190</b>

**17. CURRENT PERIOD REGARDING THE TAX ASSETS AND LIABILITIES**

None (31.12.2017: None).

**18. INVESTMENT PROPERTIES**

None (31.12.2017: None).

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

### 19. PROPERTY, PLANT AND EQUIPMENTS

	31.12.2017	Additions	Disposals	Transfers	Disposal of subsidiaries	Translation differences	31.12.2018
<b>Costs</b>							
Land and buildings	387.606.195	12.598.505	(108.810)	3.387.820	(14.100)	58.870.554	462.340.164
Leased buildings	153.271.621	-	-	-	-	-	153.271.621
Leasehold improvements	63.197.380	11.665.787	(710.632)	1.073.209	-	(372.662)	74.853.082
Machinery and equipment	6.617.304.887	151.644.972	(50.871.337)	881.243.912	(4.577)	460.634.585	8.059.952.442
Motor vehicles	29.588.601	1.456.224	(1.736.793)	-	-	2.727.983	32.036.015
Furniture and fixtures	108.661.611	20.219.830	(11.596.216)	-	(24.169)	1.423.002	118.684.058
Leased fixed assets	681.410	-	-	-	-	-	681.410
Other tangible fixed assets	5.979.266	1.806.472	(68.472)	-	-	1.159.495	8.876.761
Construction in progress	215.577.692	874.590.513	(765.598)	(970.901.112)	(56.141.144)	14.593.481	76.953.832
Stripping Assets and Development Assets	79.056.637	-	(4.163.517)	-	-	-	74.893.120
	<b>7.660.925.300</b>	<b>1.073.982.303</b>	<b>(70.021.375)</b>	<b>(85.196.171)</b>	<b>(56.183.990)</b>	<b>539.036.438</b>	<b>9.062.542.505</b>
<b>Accumulated depreciation (-)</b>							
Buildings	63.354.853	17.204.169	(61.055)	-	(1.175)	9.988.765	90.485.557
Leased buildings	25.649.901	4.535.429	-	-	-	-	30.185.330
Leasehold improvements	15.957.089	2.607.027	(689.213)	-	-	34.489	17.909.392
Machinery and equipment	1.508.898.445	504.556.126	(4.112.499)	-	(394)	137.543.789	2.146.885.467
Motor vehicles	17.614.122	3.456.974	(1.616.760)	-	-	1.508.925	20.963.261
Furniture and fixtures	62.021.038	11.118.609	(5.114.486)	-	(1.036)	783.156	68.807.281
Leased fixed assets	420.203	136.282	(2.560)	-	-	-	553.925
Other tangible fixed assets	4.571.472	876.388	(68.341)	-	-	472.191	5.851.710
Stripping Assets and Development Assets	9.053.203	6.254.072	-	-	-	-	15.307.275
	<b>1.707.540.326</b>	<b>550.745.076</b>	<b>(11.664.914)</b>	<b>-</b>	<b>(2.605)</b>	<b>150.331.315</b>	<b>2.396.949.198</b>
<b>Net book value</b>	<b>5.953.384.974</b>						<b>6.665.593.307</b>

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

	31.12.2016	Additions	Disposals	Transfers	Disposal of subsidiaries	Translation differences	Transfer to asset held for sale	Revaluation (*)	31.12.2017
<b>Costs</b>									
Land and buildings	290.706.035	16.361.688	(1.418.877)	32.922.784	(127.105)	5.820.013	-	43.341.657	387.606.195
Leased buildings	153.271.621	-	-	-	-	-	-	-	153.271.621
Leasehold improvements	57.283.647	5.199.036	(120.082)	562.997	(1.347)	273.765	(636)	-	63.197.380
Machinery and equipment	4.548.659.908	253.147.932	(11.601.969)	813.991.374	(77.914.445)	39.700.417	(54.125.933)	1.105.447.603	6.617.304.887
Motor vehicles	28.476.055	3.559.400	(2.947.918)	(200.910)	-	701.974	-	-	29.588.601
Furniture and fixtures	121.386.689	9.784.118	(7.613.955)	(14.961.856)	(81.221)	147.836	-	-	108.661.611
Leased fixed assets	2.420.653	-	-	(1.739.243)	-	-	-	-	681.410
Other tangible fixed assets	4.885.662	1.006.811	(103.931)	-	-	190.724	-	-	5.979.266
Construction in progress	389.377.324	838.148.922	(2.010.860)	(1.048.384.064)	-	38.446.370	-	-	215.577.692
Stripping Assets and Development Assets	75.436.059	3.620.578	-	-	-	-	-	-	79.056.637
	<b>5.671.903.653</b>	<b>1.130.828.485</b>	<b>(25.817.592)</b>	<b>(217.808.918)</b>	<b>(78.124.118)</b>	<b>85.281.099</b>	<b>(54.126.569)</b>	<b>1.148.789.260</b>	<b>7.660.925.300</b>
<b>Accumulated depreciation (-)</b>									
Buildings	53.463.634	9.084.780	(542.208)	(891.021)	(45.169)	2.284.837	-	-	63.354.853
Leased buildings	21.114.472	4.535.429	-	-	-	-	-	-	25.649.901
Leasehold improvements	12.454.095	3.573.923	(83.500)	-	(1.347)	13.918	-	-	15.957.089
Machinery and equipment	1.209.171.117	309.852.414	(5.592.227)	(4.438.863)	(9.035.045)	17.713.759	(8.772.710)	-	1.508.898.445
Motor vehicles	16.912.827	3.121.175	(2.648.087)	(100.972)	-	329.179	-	-	17.614.122
Furniture and fixtures	66.599.790	10.359.268	(5.050.316)	(9.995.934)	(34.893)	143.123	-	-	62.021.038
Leased fixed assets	932.660	136.282	-	(648.739)	-	-	-	-	420.203
Other tangible fixed assets	3.977.731	525.038	(77.128)	-	-	145.831	-	-	4.571.472
Stripping Assets and Development Assets	5.874.167	3.179.036	-	-	-	-	-	-	9.053.203
	<b>1.390.500.493</b>	<b>344.367.345</b>	<b>(13.993.466)</b>	<b>(16.075.529)</b>	<b>(9.116.454)</b>	<b>20.630.647</b>	<b>(8.772.710)</b>	<b>-</b>	<b>1.707.540.326</b>
<b>Net book value</b>	<b>4.281.403.160</b>								<b>5.953.384.974</b>

(\*) Aksa Enerji Group Companies' land and building and land improvements and machinery and equipments are measured at their fair values, which are based on independent valuation expert reports as of 31.12.2017. Fair value of land and building and land improvements and machinery and equipment have been determined according to cost method. Revaluation gain has been calculated as TL 1.148.789.260. Net fair value after the relevant deferred tax effect is taken into consideration, is TL 882.386.856. The Group management has also reviewed the fair values of the other Kazancı Holding Group Companies and concluded that based on the management's best estimates the net book values approximate to their fair market values as of 31.12.2018.

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### 20. DECOMMISSIONING, RESTORATION AND ENVIRONMENTAL REHABILITATION FUNDS FROM INTEREST ON RIGHTS

None (31.12.2017: None).

#### 21. COOPERATIVE MEMBERS WHO ARE IN THE BUSINESS INTERESTS AND SIMILAR FINANCIAL INSTRUMENTS

None (31.12.2017: None).

#### 22. INTANGIBLE ASSETS

	31.12.2017	Additions	Disposals	Transfers	Foreign currency translation differences	31.12.2018
<b>Cost</b>						
Rights <sup>(*)</sup>	300.797.952	31.439.009	(168.105)	-	22.481.820	354.550.676
Network and distribution facilities	1.281.523.248	182.809.927	(1.807.080)	122.094.359	-	1.584.620.454
Other intangible assets	60.117.710	636.278	-	-	31.986	60.785.974
	<b>1.642.438.910</b>	<b>214.885.214</b>	<b>(1.975.185)</b>	<b>122.094.359</b>	<b>22.513.806</b>	<b>1.999.957.104</b>
<b>Accumulated amortization</b>						
Rights	97.669.072	12.042.432	(34.061)	-	1.509.212	111.186.655
Network and distribution facilities	241.876.748	72.535.071	(171.279)	-	-	314.240.540
Other intangible assets	5.555.354	1.428.388	-	-	9.912	6.993.654
	<b>345.101.174</b>	<b>86.005.891</b>	<b>(205.340)</b>	<b>-</b>	<b>1.519.124</b>	<b>432.420.849</b>
<b>Net book value</b>	<b>1.297.337.736</b>					<b>1.567.536.255</b>

	31.12.2016	Addition	Disposal	Transfers	Foreign currency translation differences	Transfer to assets held for sale	31.12.2017
<b>Cost</b>							
Rights <sup>(*)</sup>	268.376.937	34.550.836	(1.765.077)	(3.385.456)	3.847.712	(827.000)	300.797.952
Network and distribution facilities	1.095.570.458	7.158.543	-	178.794.247	-	-	1.281.523.248
Other intangible assets	8.644.804	9.945.174	(18.199)	41.508.805	46.932	(9.806)	60.117.710
	<b>1.372.592.199</b>	<b>51.654.553</b>	<b>(1.783.276)</b>	<b>216.917.596</b>	<b>3.894.644</b>	<b>(836.806)</b>	<b>1.642.438.910</b>
<b>Accumulated amortization</b>							
Rights	85.144.971	12.420.147	(114.244)	-	385.764	(167.566)	97.669.072
Network and distribution facilities	170.300.048	56.516.688	(124.497)	15.184.509	-	-	241.876.748
Other intangible assets	4.116.163	1.426.711	(13.176)	(3.362)	38.824	(9.806)	5.555.354
	<b>259.561.182</b>	<b>70.363.546</b>	<b>(251.917)</b>	<b>15.181.147</b>	<b>424.588</b>	<b>(177.372)</b>	<b>345.101.174</b>
<b>Net book value</b>	<b>1.113.031.017</b>						<b>1.297.337.736</b>

<sup>(\*)</sup> 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.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

The allocation of the Group's depreciation and amortization expenses are as follows:

	01.01-31.12.2018	01.01-31.12.2017
Cost of services	618.123.844	399.552.626
Marketing , selling and distribution expenses	3.259.108	3.228.558
General administrative expenses	15.368.015	11.949.707
<b>Total</b>	<b>636.750.967</b>	<b>414.730.891</b>

#### 23. GOODWILL

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

	31.12.2018	31.12.2017
Fırat Aksa Elektrik Hizmetleri A.Ş.	103.024.893	103.024.893
Çoruh Aksa Elektrik Hizmetleri A.Ş.	62.626.429	62.626.429
ATK Sigorta ve Aracılık Hizmetleri Ltd. Şti.	16.974.466	16.974.466
Natural Gas Investments	7.728.393	7.728.393
Other	10.938.135	10.938.135
<b>Total</b>	<b>201.292.316</b>	<b>201.292.316</b>

#### 24. INVESTIGATION OF MINERAL RESOURCES AND EVALUATION

None (31.12.2017: None).

#### 25. SERVICE CONCESSION ARRANGEMENTS

IFRIC 12, "Service Concession Arrangements", outlines an approach to account for contractual obligations undertaken and rights received by service concession operators in service concession arrangements. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognize a financial asset and/or an intangible asset.

IFRIC 12, applies to public-to-private service concession arrangements if the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and the grantor controls-through ownership, beneficial entitlement or otherwise-any significant residual interest in the infrastructure at the end of the term of the arrangement.

The distribution systems and plants constructed in the aftermath of the Agreement for Operating Rights Transfer signed 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 (note 22).

#### 26. GOVERNMENT GRANTS AND INCENTIVES

None (31.12.2017: None).

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### 27. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### Short Term Provisions

	31.12.2018	31.12.2017
Assembly provisions	7.008.124	3.814.183
Litigation provisions	6.191.174	2.696.027
Guarantee provisions	2.500.964	1.823.602
Other provisions	1.112.968	39.752
<b>Total</b>	<b>16.813.230</b>	<b>8.373.564</b>

##### a) Collaterals, pledges and mortgages "CPM" given by the Company as follows:

	31.12.2018	31.12.2017
A CPM's given in the name of own legal personality	4.992.371.379	3.010.356.931
B CPM's given on behalf of the fully consolidated companies	--	--
C CPM's given on behalf of third parties for ordinary course of business	--	--
D Total amount of other CPM's given	--	--
-Total amount of CPM's given on behalf of the majority shareholder	--	--
-Total amount of CPM's given on behalf of the group companies which are not in scope of B and C	--	--
-Total amount of CPM's given on behalf of third parties which are not in scope of C	--	--
	<b>4.992.371.379</b>	<b>3.010.356.931</b>

**Guarantees** - There are letters of guarantee taken from the banks to be given to customs offices, tax offices, vendors, and other institutions.

Guarantees are given as follows:

31.12.2018	TL	USD	EURO	CHF	TL Equivalent
TEİAŞ, SEDAŞ, TEAŞ, TEDAŞ & EÜAŞ, etc.	230.076.910	2.735.058	100.000	-	245.068.576
Energy Market Regulatory Authority (EMRA)	45.398.000	-	-	-	45.398.000
General Directorate of Agriculture Enterprises	12.810.593	-	-	-	12.810.593
EPIAŞ	2.800.000	-	-	-	2.800.000
Electricity distribution companies	15.023.210	-	-	-	15.023.210
BOTAŞ-Petroleum Pipeline Corporation	1.610.042	3.830.000	-	-	21.759.289
General Directorate of Turkish Coal Group	13.222.456	-	-	-	13.222.456
Banks	72.568.844	575.922	6.789.811	-	116.527.693
Other	47.126.047	10.421.131	1.553.035	800.000	115.580.430
<b>Total</b>	<b>440.636.102</b>	<b>17.562.111</b>	<b>8.442.846</b>	<b>800.000</b>	<b>588.190.247</b>



# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

31.12.2017	TL	USD	EURO	CHF	TL Equivalent
TEİAŞ, SEDAŞ, TEAŞ, TEDAŞ EPIAŞ, EÜAŞ, etc.	201.372.683	2.735.058	100.000	-	212.140.599
Energy Market Regulatory Authority (EMRA)	23.132.000	-	-	-	23.132.000
General Directorate of Agriculture Enterprises	11.134.893	-	-	-	11.134.893
BOTAŞ-Petroleum Pipeline Corporation	2.402.242	3.830.000	-	-	16.848.619
General Directorate of Turkish Coal Group	17.747.932	-	-	-	17.747.932
Banks	66.304.558	2.410.231	5.423.438	-	99.885.243
Electricity Distribution Companies	33.627.613	-	-	-	33.627.613
Other	108.182.945	46.515.000	1.250.000	800.000	292.361.089
<b>Total</b>	<b>463.904.866</b>	<b>55.490.289</b>	<b>6.773.438</b>	<b>800.000</b>	<b>706.877.988</b>

**Pledges:** 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, Aksa Doğalgaz Group Companies shares have been pledged in favour of the relevant bank loans at the amount of TL 327.737.000 and Aksa Energy Ghana Limited shares have been pledged at the amount of TL 2.184.326.

#### b) Litigation and enforcement proceedings filed by the Group:

As of 31 December 2018, there are 85.542 lawsuits pending in favor of the Group at the amount of TL 330.253.962 and there are 1.767 lawsuits pending against the Group at the amount of TL 220.844.643.

## 28. COMMITMENTS

None (31.12.2017: None).

## 29. EMPLOYEE BENEFITS

Liabilities for employee benefits	31.12.2018	31.12.2017
Due to personnel	28.280.768	27.075.979
Social security premiums payable	9.335.566	10.075.119
<b>Total</b>	<b>37.616.334</b>	<b>37.151.098</b>
<b>Short term provisions for employee benefits</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Unused vacation liability	6.631.279	7.496.763
<b>Total</b>	<b>6.631.279</b>	<b>7.496.763</b>
<b>Long term provisions for employee benefits</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Provision for employee termination benefits	41.822.586	38.030.722
<b>Total</b>	<b>41.822.586</b>	<b>38.030.722</b>

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group, and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. As of 31 December 2018 such payments are calculated on the basis of one month's pay limited to a maximum of TL 5.434 (31 December 2017: TL 4.732). The retirement pay provision ceiling is revised semi-annually.

Liability of employment termination benefits is not subject to any funding as there isn't an obligation. Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. IAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Group's obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability. Actuarial loss/ (gain) are accounted in the income statement under the cost of sales and operating expenses.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 December 2018 and 2017 the provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The anticipated rate of forfeitures that occurred on voluntary turnovers is considered.

The provision as of 31 December 2018 has been calculated with a real discount rate of between 4.11%-5,65 % (31 December 2017: a real discount rate of between 3,24%-4,69%)

Movements in the provision for employment termination benefits are as follows:

	01.01-31.12.2018	01.01-31.12.2017
Beginning of the period	38.030.722	49.043.809
Service cost	5.017.769	4.352.566
Interest cost	4.672.756	4.989.993
Actuarial (gain) / loss	3.399.993	(2.266.109)
Payments made during the period (-)	(9.364.877)	(9.274.869)
Disposal of subsidiaries	(12.192)	-
Translation gain	78.415	76.566
Restatement in the accounting estimates	-	(8.891.234)
<b>Total</b>	<b>41.822.586</b>	<b>38.030.722</b>

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

**30. OPERATING EXPENSES BY NATURE**

	01.01-31.12.2018	01.01-31.12.2017
Personnel expenses	145.678.181	122.319.630
Consulting expenses	36.184.722	21.473.237
Travelling expenses	23.757.607	19.013.094
Depreciation and amortization expenses	18.627.126	15.178.271
Rent expenses	15.575.164	15.702.430
Tax expenses	13.469.855	10.708.679
Doubtful debt provision expenses	11.930.573	6.543.867
Advertisement expenses	11.870.649	14.636.287
Motor vehicle expenses	8.935.456	2.917.815
Office expenses	7.046.250	6.067.863
Outsourcing expenses	5.971.163	3.263.968
Transportation expenses	5.316.687	3.805.499
Repair and maintenance expenses	4.750.892	2.118.850
Court and notary expenses	4.641.457	207.080
Communication expenses	4.064.909	4.975.917
Insurance expenses	3.323.168	2.339.589
Retirement pay provision	2.855.510	3.076.549
Representation expenses	1.686.848	1.922.932
Marketing expenses	1.668.261	922.132
Research and development expenses	867.220	3.564.680
Other	28.737.892	19.908.988
<b>Total</b>	<b>356.959.590</b>	<b>280.667.357</b>

**31. OTHER ASSETS AND LIABILITIES**

<b>Other current assets</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
VAT carried forward	313.531.690	314.115.393
Income accrual	26.549.948	31.479.799
Other	516.518	1.094.216
<b>Total</b>	<b>340.598.156</b>	<b>346.689.408</b>

<b>Other Non-Current</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Tax liabilities within the scope of the law numbered 6736	583.781	1.347.766
Other	366.803	-
<b>Total</b>	<b>950.584</b>	<b>1.347.766</b>

<b>Other current liabilities</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Expense accruals	16.419.153	13.714.804
Other	264.067	248.554
<b>Total</b>	<b>16.683.220</b>	<b>13.963.358</b>

<b>Other non current liabilities</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Disputed debt to TEİAŞ	5.032.211	5.017.633
Other	-	120.690
<b>Total</b>	<b>5.032.211</b>	<b>5.138.323</b>

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### 32. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

##### a. Share capital

As of 31.12.2018, the registered share capital of Kazancı Holding A.Ş. is TL 111.000.000 (31.12.2017: TL 111.000.000) and comprised 111.000.000 shares with a par value TL 1 each. The shareholder structure of the Company is as follows:

	31.12.2018		31.12.2017	
	Share (TL)	Rate (%)	Share (TL)	Rate (%)
Şaban Cemil Kazancı	66.911.492	60,28	66.911.492	60,28
Ali Metin Kazancı	32.200.008	29,01	32.200.008	29,01
Mehmet Kazancı	6.531.250	5,88	6.531.250	5,88
Tülay Kazancı	5.356.250	4,83	5.356.250	4,83
Necati Baykal	1.000	(*)	1.000	(*)
<b>Historic share capital</b>	<b>111.000.000</b>		<b>111.000.000</b>	
Inflation adjustment to share capital	2.535.870		2.535.870	
<b>Inflation adjusted share capital</b>	<b>113.535.870</b>	<b>100</b>	<b>113.535.870</b>	<b>100</b>

(\*) Less than 1%.

##### b. 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 194.459.257 (31.12.2017: TL 153.167.590) has been included in share premium account, after netting off registration and other regulatory fees and taxes.

	31.12.2018	31.12.2017
Opening balance at 1 January	153.167.590	153.167.590
Minority rate change effect	41.291.667	-
<b>Balance at end of the year</b>	<b>194.459.257</b>	<b>153.167.590</b>

##### c. Restricted reserves appropriated from profit

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.

	31.12.2018	31.12.2017
Legal reserves	228.284.859	177.427.906
<b>Total</b>	<b>228.284.859</b>	<b>177.427.906</b>

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

### d. Revaluation funds

Gain on revaluation of property, plant and equipment comprise of fair value gain of land and land improvements and buildings and machinery and equipment in property, plant and equipment. As of 31 December 2018, Group's gain on revaluation of property, plant and equipment is TL 675.010.460 (31 December 2017: TL 575.326.507).

### e. Actuarial gains / (losses) on defined benefit plans

Actuarial gain/loss reserves comprises actuarial gains and losses recognized in other comprehensive income based on IAS 19. As of 31 December 2018, the Group's actuarial gains/losses is TL (17.316.232) (31 December 2017: TL (14.187.524)).

### f. Foreign currency translation differences from foreign operations

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign and domestic operations from their functional currencies to presentation currency of TL. As of 31 December 2018, Group's translation reserve is TL 177.193.119 (31 December 2017: TL 134.323.330).

### g. Cash flow hedge reserves

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred, net of tax. As of 31 December 2018, Group's cash flow hedge reserve liabilities is TL (2.765.561) (31 December 2017: TL 1.275.963).

### h. Minority put option liability reserve

During 2013, Goldman Sachs International (GSI), Türkiye İş Bankası A.Ş. and Türkiye Garanti Bankası A.Ş. arranged USD 400 million syndicated secured loan to Kazancı Holding (the "New Loan Facility"). The New Loan Facility provided additional financing 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 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%.

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

As of 31 December 2017, difference between initial minority interest amount and the fair value amount calculated as TL 710.674.411 and classified as "minority put option liability" under long-term liabilities and "minority put option liability reserve" under equity was calculated in accordance with IFRS.

As of 20.04.2018, Kazancı Group (Aksa Enerji) made a public announcement in Istanbul Exchange Disclosure Platform as follows;

" The syndication loan utilized by our principal shareholder Kazancı Holding A.Ş. ("Kazancı Holding"), by pledging the shares of our Company held by it as security, and the transactions conducted with Goldman Sachs International ("GSI") within such framework were disclosed to public through the public disclosures dated July 25, 2011, July 26, 2011, August 5, 2011, October 27, 2011, April 6, 2012, December 19, 2012, December 21, 2012, February 25, 2013, August 3, 2016 and March 20, 2018. The possession of 16,62% of the shares held by Goldman Sachs (GSI) in Aksa Enerji was transferred to Kazancı Holding under the authorization of Energy Market Regulation Authority dated 20/04/2018 and numbered 19793. As per the relevant agreement between Kazancı Holding A.Ş. and GSI and as disclosed to the public by the relevant public disclosures mentioned above, Kazancı Holding A.Ş. purchased 101.911.765 shares back from GSI on 20 April 2018 in consideration of US\$ 2,9437229 per share and US\$300.000.000 in total. As disclosed in the public disclosure made on 6 April 2012 and in other relevant public disclosures mentioned above, the payment of US\$300,000,000 that is required to be made by Kazancı Holding A.Ş. to GSI has been collected by GSI through the cash collateral provided at the relevant date and 101.911.765 shares have been transferred by GSI to Kazancı Holding A.Ş.. In this context, upon performance of the obligations by the parties as mentioned above, the parties have no additional liabilities pursuant to the relevant agreement relating to the put option. 16,62% of the shares of our Company that are received back by Kazancı Holding A.Ş. are pledged by Kazancı Holding in favor of the Security Agent Türkiye İş Bankası A.Ş., as an additional security for the new Loan that was utilized by Kazancı Holding and announced on August 3, 2016."

As a result of the above explained transaction, minority put option liability under long term liabilities and minority put option liability reserve under equity are reciprocally cancelled in the financial statements (31.12.2017: TL 710.674.411).

Similarly as mentioned above, Kazancı Holding A.Ş. purchased 101.911.765 shares back from GSI in consideration of USD 300.000.000. These shares were shown as deposits given to Goldman Sachs in other non current assets as at 31.12.2017 financial statements (equivalent of USD 300.000.000). Since these shares were taken back in relation to closing of Goldman Sachs transaction, USD 300.000.000 (TL 1.208.190.000 as of 20.04.2018) were written off in shareholders' equity.

#### i. Retained earnings

Accumulated gains and losses are netted off in retained earnings, except net income for the period. Extraordinary reserves that are accumulated as profit/loss by their nature are also recognized as retaining earnings shown. As of 31 December 2018, Group's accumulated losses are TL (1.670.375.505) (31 December 2017: TL (969.881.462)).

#### j. Minority interest

Shares attributable to third parties in the shareholders' equity (including approved and paid-in capital) of the consolidated subsidiaries, which are not fully owned, are separately accounted for as minority interests in the consolidated financial statements by reducing from related shareholders' equity components.

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

**33. REVENUES**

	01.01-31.12.2018	01.01-31.12.2017
Domestic sales	13.017.665.959	9.080.805.291
Exports	1.302.667.113	701.115.291
Other income	63.288.695	28.895.222
Sales returns (-)	(142.118.401)	(64.720.819)
<b>Net Revenues</b>	<b>14.241.503.366</b>	<b>9.746.094.985</b>
<b>Cost Of Sales</b>	<b>(11.869.285.005)</b>	<b>(8.312.803.638)</b>
<b>Gross Profit from Trading Activity</b>	<b>2.372.218.361</b>	<b>1.433.291.347</b>

**34. CONSTRUCTION CONTRACTS**

None (31.12.2017: None).

**35. GENERAL ADMINISTRATIVE, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES**

	01.01-31.12.2018	01.01-31.12.2017
Research and development expenses (note 30)	867.220	3.564.680
Marketing, selling and distribution expenses (note 30)	93.702.192	84.845.852
General and administrative expenses (note 30)	262.390.178	192.256.825
<b>Total</b>	<b>356.959.590</b>	<b>280.667.357</b>

**36. OTHER OPERATING INCOME AND EXPENSES**

<b>Other operating income</b>	01.01-31.12.2018	01.01-31.12.2017
Foreign exchange gains in relation to commercial activities	307.089.746	126.480.315
Consulting income	36.124.590	46.898.759
Reversal of doubtful debt provision	31.926.042	56.795.644
Discount income on trade payable	10.864.033	6.726.682
Income on insurance claims	2.858.907	533.861
Other	26.124.287	22.095.136
<b>Total</b>	<b>414.987.605</b>	<b>259.530.397</b>

<b>Other operating expenses</b>	01.01-31.12.2018	01.01-31.12.2017
Foreign exchange losses in relation to commercial activities	287.410.260	141.331.946
Provision for doubtful trade receivables	77.972.791	32.537.401
Deposits and guarantee updating costs	23.919.984	17.027.486
Compensation and penalty expenses	11.887.826	5.210.517
Discount expense on trade receivable	4.714.123	3.901.743
Other	58.907.342	33.025.988
<b>Total</b>	<b>464.812.326</b>	<b>233.035.081</b>



# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### 37. INVESTMENT OPERATING INCOME AND EXPENSES

Investment operating income	01.01-31.12.2018	01.01-31.12.2017
Profit on sale of fixed assets	7.735.170	11.302.349
Rent income	2.600.902	1.407.398
Profit on sale of assets held for sale <sup>(*)</sup>	-	57.182.866
Profit on sale of investments <sup>(**)</sup>	-	476.952.054
Other	1.867	1.731
<b>Total</b>	<b>10.337.939</b>	<b>546.846.398</b>

<sup>(\*)</sup> Profit on sale of Belen-Atik power plant which is in assets-held-for-sale on 31 December 2016.<sup>(\*\*)</sup> Profit / (disposals) on sale of investment is related to sale of Siirt Akköy Enerji, Ayres Ayvack Rüzgar, Kapıdağ Rüzgar, Deniz Elektrik, Alenka Enerji, Baki Elektrik.

Investment operating expense (-)	01.01-31.12.2018	01.01-31.12.2017
Loss on sale of fixed assets	2.041.077	4.863.200
Loss on sale of investments <sup>(**)</sup>	-	34.498.007
<b>Total</b>	<b>2.041.077</b>	<b>39.361.207</b>

#### 38. FINANCIAL INCOME / EXPENSES

Financial income	01.01-31.12.2018	01.01-31.12.2017
Foreign exchange gains <sup>(*)</sup>	605.044.021	418.594.844
Interest income on time deposits	89.461.602	81.995.967
Foreign exchange gains from derivative transactions	74.669.945	7.092.277
Other	95.782	235.990
<b>Total</b>	<b>769.271.350</b>	<b>507.919.078</b>

Financial expenses	01.01-31.12.2018	01.01-31.12.2017
Foreign exchange losses <sup>(*)</sup>	1.664.937.362	669.935.958
Interest expenses	1.221.318.799	869.941.339
Bank commissions and letters of guarantee expenses	54.559.251	59.756.809
Foreign exchange losses from derivative transactions	1.511.955	9.365.133
Other interest expenses	25.117.635	2.811.102
<b>Total</b>	<b>2.967.445.002</b>	<b>1.611.810.341</b>

<sup>(\*)</sup> Foreign currency gains / (losses) in relation to commercial activities are accounted in "other operating income / expenses".

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

### 39. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

The Group's other comprehensive income items not be reclassified to profit or loss are as follows:

	01.01-31.12.2018	01.01-31.12.2017
Items not to be reclassified to profit or loss		
-Increase in value of properties	(60.542.510)	911.427.660
-Actuarial gains/(losses) on defined benefit plans	(3.533.167)	2.419.873
Items that are or may be reclassified subsequently to profit or loss:		
-Foreign currency translation differences from foreign operations	105.595.691	19.938.958
-Effective portion of changes in fair value of cash flow hedges	(5.579.523)	989.724
<b>Total</b>	<b>35.940.491</b>	<b>934.776.215</b>

### 40. ASSETS HOLD FOR SALE AND DISCONTINUED OPERATIONS

The Group decided to sell the wind power plants in order to decrease the short term liabilities, in order to 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 named 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 31.12.2017. The Group has sold Ayres Ayvacık Rüzgar to Notos Elektrik Üretim A.Ş. with its assets and liabilities on 15 March 2017. The sale of Belen-Atik power plant was completed on 7 April 2017.

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

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

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

As of 31 December 2017, assets including those of discontinued operations are TL 46.013.293, respectively, and details are as follows:

<b>Assets held for sale</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Property, plant and equipment	-	45.353.859
Intangible assets	-	659.434
<b>Total</b>	<b>-</b>	<b>46.013.293</b>

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### 41. INCOME TAX (INCLUDED TO DEFERRED TAX ASSETS AND LIABILITIES)

##### Corporate Tax

The Group is subject to corporation tax applicable in Turkey.

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

Advance (prepaid) corporation taxes are payable on quarterly profits at the rate of 22% (2017: 20%). Such taxes after deduction of the taxes prepaid quarterly must be declared by the 14th of the second month following any tax period and paid by the 17th. Advance corporation tax may be offset against others debts to the government.

A 50% portion of the gains derived from the sale of investments and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and must not be withdrawn from the entity for a period of 5 years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realized. However, profits from the sale of investments and immovable held for a minimum of two years will be exempt from taxes.

Dividends paid to non-resident corporations which have a place of business in Turkey or resident corporations are not subject to with Holding tax. Otherwise, dividends paid are subject to with Holding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur with Holding tax.

Tax losses that are reported in the Corporation Tax return can be carried forward and deducted from the corporation tax base for a maximum of five consecutive years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the related financial year. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based and may issue re-assessments based on their findings.

# **KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **AS OF 31 DECEMBER 2018 AND 2017**

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### *Tax applications for foreign subsidiaries of the Group*

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.

In Republic of Ghana, Aksa Energy Company Ghana Limited is subject to corporation tax rate at the rate of 25%.

In Turkish Republic Of Northern Cyprus ("KKTC"), Aksa Enerji Üretim A.Ş.-Y.Ş. is subject to corporation tax rate at the rate of 23,5%.

In Netherland, Aksa Ghana B.V., Aksa Global Investment B.V., and African Power Investments B.V. are subject to corporation tax rate at the rate of 20%.

In Republic of Mauritius, Aksaf Power Ltd. is subject to corporation tax rate at the rate of 0%.

In Republic of Mali, Aksa Mali S.A. is subject to corporation tax rate at the rate of 30%.

In Republic of Madagascar, Aksa Madagascar B.V. is subject to corporation tax rate at the rate of 20%.

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

The provision for taxes on income is comprised of the following:

	31.12.2018	31.12.2017
a) <u>Included in the income statement:</u>		
Taxes on income	(179.379.563)	(63.945.156)
Deferred tax income	37.996.900	35.703.633
b) <u>Included in the balance sheet:</u>		
Taxation payable on income (current)	122.046.685	16.925.719
Deferred tax assets / (liabilities), net	(60.125.962)	(97.195.392)

#### Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon the temporary differences between its financial statements as reported in accordance with IFRS and its statutory tax financial statements.

The breakdown of deferred tax assets/liabilities provided using principal tax rates is as follows:

<b>Deferred tax asset / (liabilities)</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Property and equipment and intangible assets	(172.223.442)	(222.830.643)
Provision to doubtful receivables	7.048.542	5.602.310
Inventory impairment loss	7.189.223	8.147.233
Derivatives	61.553	671.543
Loans and borrowings	(2.922.105)	(1.002.728)
Provisions for employee benefits	6.801.074	6.831.198
Bonds issued	1.460.050	701.603
Litigation provisions	1.191.139	553.053
Vacation pay liability	1.192.213	1.104.104
Losses carried forward	97.582.881	84.389.516
Other provisions	1.008.469	920.613
Discount on receivables	1.873.757	707.878
Discount on payables	(3.286.668)	(1.750.073)
Deferred revenue	(1.312.043)	(555.986)
Other	(5.790.605)	19.314.987
<b>Net deferred tax assets / (liabilities)</b>	<b>(60.125.962)</b>	<b>(97.195.392)</b>

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

**42. EARNING PER SHARE**

	<b>31.12.2018</b>	<b>31.12.2017</b>
Net profit/(loss) for the year (TL)	(486.103.543)	381.427.474
Weighted average number of issued ordinary shares	111.000.000	111.000.000
Earning / (Loss) per share (TL)	(4,38)	3,44

**43. SHARE BASED PAYMENTS**

None (31.12.2017: None).

**44. INSURANCE CONTRACTS**

None (31.12.2017: None).

**45. DERIVATIVE FINANCIAL INSTRUMENTS**

As of 31.12.2018, the total nominal amount of forward foreign exchange contracts that the Group are obliged to perform and which are not outstanding are as following:

	<b>31.12.2018</b>		<b>31.12.2017</b>	
	<b>Carrying Value</b>		<b>Carrying Value</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Cash flow hedges	413.737	(3.895.565)	2.576.770	-
Held for trading	-	(4.397.643)	-	(3.052.466)
Forward purchase transactions	-	(458.583)	-	-
<b>Total</b>	<b>413.737</b>	<b>(8.751.791)</b>	<b>2.576.770</b>	<b>(3.052.466)</b>

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### 46. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

##### Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank loans, cheques received, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group have various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, and credit risk. The board / management reviews and agrees policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments.

##### a) Capital risk management

The risk related with each of the capital class and Group capital cost is considered by the top management of the Group. The primary objective of the Group's capital management objectives is to ensure that it maintains a healthy capital structure in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions to maintain or adjust the capital structure the Group may obtain new loans repay existing loans; make 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 financial debt divided by total financing used. The Group includes within net financial debt loans 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 31.12.2018 and 2017:

	31.12.2018	31.12.2017
Financial liabilities	9.592.251.450	7.741.941.721
Less: cash and cash equivalents	(590.990.157)	(460.453.487)
Net debt (overall financing)	9.001.261.293	7.281.488.234
Total equity	(788.077.276)	(158.258.757)
Total capital	8.213.184.017	7.123.229.477
<b>Net Financial Debt/Total Capital rate</b>	<b>109,60%</b>	<b>102,22%</b>



# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

**b) Financial Risk Factors***Interest Rates Risk*

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.

*Credit Risk*

Ownership of financial assets of the other party does not fulfill the contract involves risk.

As types of financial instruments exposed to credit risk are as follows:

31.12.2018	Receivables				
	Trade Receivables		Other Receivables		Bank Deposits
	Related Parties	Other Parties	Related Parties	Other Parties	
The maximum credit risk exposed as of the reporting date	--	2.940.284.382	147.914.528	16.783.577	438.205.939
-The part of maximum risk under guarantee with collateral	--	1.402.432.508	--	--	--
A. Not overdue or not impaired net book value of financial assets	--	2.755.541.760	147.914.528	16.783.577	438.205.939
-Secured part via collateral etc.	--	35.878.009	--	--	--
B. Net book value of financial assets that are overdue but not impaired	--	184.742.622	--	--	--
-Secured part via collateral etc.	--	1.366.554.499	--	--	--
C. Net book value of impaired assets	--	--	--	--	--
-Overdue (gross book value)	--	239.379.073	--	--	--
-Impairment (-)	--	(239.379.073)	--	--	--

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

31.12.2017	Receivables				
	Trade Receivables		Other Receivables		Bank Deposits
	Related Parties	Other Parties	Related Parties	Other Parties	
The maximum credit risk exposed as of the reporting date	--	1.754.183.156	159.531.732	19.493.519	351.008.440
-The part of maximum risk under guarantee with collateral	--	1.162.893.203	--	--	--
A. Not overdue or not impaired net book value of financial assets	--	1.605.906.414	159.531.732	19.493.519	351.008.440
-Secured part via collateral etc.	--	42.077.129	--	--	--
B. Net book value of financial assets that are overdue but not impaired	--	147.883.237	--	--	--
-Secured part via collateral etc.	--	1.120.816.074	--	--	--
C. Net book value of impaired assets	--	393.505	--	--	--
-Overdue (gross book value)	--	171.288.316	--	--	--
-Impairment (-)	--	(170.894.811)	--	--	--

#### Liquidity Risk

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 and 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.

The Group's carrying amount of financial instruments is estimated to reflect their fair value.

#### 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 and other payables.

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

	FOREIGN CURRENCY RISK			
	31 December 2018			
	TL Equivalent	USD	EUR	Other
1. Trade receivables	389,150,600	37,352,979	31,587,054	418,061
2a. Monetary financial assets	229,835,026	34,843,648	7,653,195	59,906
2b. Non-monetary financial assets	--	--	--	--
3. Other	128,638,887	23,930,934	454,651	--
<b>4. CURRENT ASSETS</b>	<b>747,624,513</b>	<b>96,127,561</b>	<b>39,694,900</b>	<b>477,967</b>
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
<b>8. NON-CURRENT ASSETS</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. TOTAL ASSETS</b>	<b>747,624,513</b>	<b>96,127,561</b>	<b>39,694,900</b>	<b>477,967</b>
10. Trade payables	241,668,817	13,571,667	27,720,732	569,045
11. Financial liabilities	1,987,889,349	288,883,241	64,155,568	101,132,265
12a. Other financial liabilities	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--
<b>13. SHORT TERM LIABILITIES</b>	<b>2,229,558,166</b>	<b>302,454,908</b>	<b>91,876,300</b>	<b>101,701,310</b>
14. Trade payables	--	--	--	--
15. Financial liabilities	3,654,100,479	674,662,867	4,729,507	100,037,760
16a. Other financial liabilities	38,387,612	--	6,368,217	--
16b. Other non-monetary liabilities	--	--	--	--
<b>17. LONG TERM LIABILITIES</b>	<b>3,692,488,091</b>	<b>674,662,867</b>	<b>11,097,724</b>	<b>100,037,760</b>
<b>18. TOTAL LIABILITIES</b>	<b>5,922,046,257</b>	<b>977,117,775</b>	<b>102,974,024</b>	<b>201,739,070</b>
19. Off statement of financial position derivatives net asset/liability position	--	--	--	--
20. Net foreign currency asset liability position	(5,174,421,744)	(880,990,214)	(63,279,124)	(201,261,103)
21. Net foreign currency asset / (liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a))	(5,303,060,631)	(904,921,148)	(63,733,775)	(201,261,103)
22. Fair value of derivative instruments used in foreign currency hedge	--	--	--	--
23. Hedged portion of foreign currency assets	--	--	--	--
24. Hedge portion of foreign currency liabilities	--	--	--	--

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

	FOREIGN CURRENCY RISK			
		31 December 2017		
	TL Equivalent	USD	EUR	Other
1. Trade receivables	273.630.716	47.025.449	21.314.413	2.360
2a. Monetary financial assets	152.645.046	37.770.716	2.223.561	410.627
2b. Non-monetary financial assets	--	--	--	--
3. Other	3.951.981	474.902	478.507	--
<b>4. CURRENT ASSETS</b>	<b>430.227.743</b>	<b>85.271.067</b>	<b>24.016.481</b>	<b>412.987</b>
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
<b>8. NON-CURRENT ASSETS</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. TOTAL ASSETS</b>	<b>430.227.743</b>	<b>85.271.067</b>	<b>24.016.481</b>	<b>412.987</b>
10. Trade payables	392.927.383	24.468.937	64.776.547	1.659.347
11. Financial liabilities	1.649.333.000	353.491.524	39.461.312	233.066.921
12a. Other financial liabilities	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--
<b>13. SHORT TERM LIABILITIES</b>	<b>2.042.260.383</b>	<b>377.960.461</b>	<b>104.237.859</b>	<b>234.726.268</b>
14. Trade payables	--	--	--	--
15. Financial liabilities	2.955.790.293	756.984.708	22.236.019	109.881
16a. Other financial liabilities	35.107.509	208.423	7.600.788	--
16b. Other non-monetary liabilities	--	--	--	--
<b>17. LONG TERM LIABILITIES</b>	<b>2.990.897.802</b>	<b>757.193.131</b>	<b>29.836.807</b>	<b>109.881</b>
<b>18. TOTAL LIABILITIES</b>	<b>5.033.158.185</b>	<b>1.135.153.592</b>	<b>134.074.666</b>	<b>234.836.149</b>
<b>19. Off statement of financial position derivatives net asset/liability position</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>20. Net foreign currency asset liability position</b>	<b>(4.602.930.442)</b>	<b>(1.049.882.525)</b>	<b>(110.058.185)</b>	<b>(234.423.162)</b>
<b>21. Net foreign currency asset / (liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a))</b>	<b>(4.606.882.423)</b>	<b>(1.050.357.427)</b>	<b>(110.536.692)</b>	<b>(234.423.162)</b>
<b>22. Fair value of derivative instruments used in foreign currency hedge</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>23. Hedged portion of foreign currency assets</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>24. Hedge portion of foreign currency liabilities</b>	<b>285.870.321</b>	<b>75.789.475</b>	<b>--</b>	<b>--</b>

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

Foreign Currency Sensitivity Analysis Table

31.12.2018				
	Profit/(Loss)		Equity	
	Foreign currency apreciation	Foreign currency losses	Foreign currency apreciation	Foreign currency losses
10% change in USD exchange rate:				
1-USD Dollar of net assets/liabilities	(476.069.967)	476.069.967	(476.069.967)	476.069.967
2-Hedged USD Dollar (-)	--	--	--	--
<b>3-Effect USD Dollar (1+2)</b>	<b>(476.069.967)</b>	<b>476.069.967</b>	<b>(476.069.967)</b>	<b>476.069.967</b>
10% change in EUR exchange rate:				
4-EUR of net assets/liabilities	(38.418.720)	38.418.720	(38.418.720)	38.418.720
5-Hedged EUR (-)	--	--	--	--
<b>6-Effect EUR (4+5)</b>	<b>(38.418.720)</b>	<b>38.418.720</b>	<b>(38.418.720)</b>	<b>38.418.720</b>
<b>Total(3+6)</b>	<b>(514.488.687)</b>	<b>514.488.687</b>	<b>(514.488.687)</b>	<b>514.488.687</b>

Foreign Currency Sensitivity Analysis Table

31.12.2017				
	Profit/(Loss)		Equity	
	Foreign currency apreciation	Foreign currency losses	Foreign currency apreciation	Foreign currency losses
10% change in USD exchange rate:				
1-USD Dollar of net assets/liabilities	(396.184.318)	396.184.318	(396.184.318)	396.184.318
2-Hedged USD Dollar (-)	28.587.032	(28.587.032)	28.587.032	(28.587.032)
<b>3-Effect USD Dollar (1+2)</b>	<b>(367.597.286)</b>	<b>367.597.286</b>	<b>(367.597.286)</b>	<b>367.597.286</b>
10% change in EUR exchange rate:				
4-EUR of net assets/liabilities	(49.912.843)	49.912.843	(49.912.843)	49.912.843
5-Hedged EUR (-)	--	--	--	--
<b>6-Effect EUR (4+5)</b>	<b>(49.912.843)</b>	<b>49.912.843</b>	<b>(49.912.843)</b>	<b>49.912.843</b>
<b>Total(3+6)</b>	<b>(417.510.129)</b>	<b>417.510.129</b>	<b>(417.510.129)</b>	<b>417.510.129</b>

### 47. EVENTS AFTER THE REPORTING DATE

None (31.12.2017: None).

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

#### 48. OTHER ISSUES AFFECTING FINANCIAL STATEMENTS MATERIALLY OR NECESSARY TO MAKE FINANCIAL STATEMENTS SOUND, INTERPRETABLE AND UNDERSTANDABLE

##### USD Consolidated Financial Statements

	Current Period	Prior Period
	31.12.2018	31.12.2017
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	112.336.322	122.074.680
Derivative financial instruments	78.644	683.149
Trade receivables	558.893.798	465.066.188
Other receivables		
-Due from related parties	28.115.822	42.294.794
-Other receivables	3.190.248	5.168.090
Inventories	199.797.164	285.726.382
Prepaid expenses	23.627.317	23.767.244
Other current assets	64.741.424	91.913.733
<b>Total Current Assets</b>	<b>990.780.739</b>	<b>1.036.694.260</b>
<b>Assets Held For Sale</b>	-	12.198.969
<b>Non-Current Assets</b>		
Other receivables		
-Other receivables	5.018.209	308.920.796
Financial investments	719.009	1.002.854
Property, plant and equipments	1.267.006.274	1.578.351.752
Intangible assets	297.959.713	343.948.073
Goodwill	38.261.954	53.366.292
Prepaid expenses	5.786.185	1.375.439
Other non-current assets	180.688	357.318
Deferred tax assets	32.121.427	9.843.808
<b>Total Non-Current Assets</b>	<b>1.647.053.459</b>	<b>2.297.166.332</b>
<b>TOTAL ASSETS</b>	<b>2.637.834.198</b>	<b>3.346.059.561</b>

# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

	Current Period	Prior Period
	31.12.2018	31.12.2017
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Financial liabilities	831.116.041	833.535.646
Derivative financial instruments	1.663.554	809.265
Trade payables	415.948.899	436.307.684
Other payables		
-Other payables to related parties	27.520.759	61.801.887
-Other payables	42.371.732	41.289.539
Deferred income	18.853.297	37.710.365
Current income tax liabilities	23.198.822	4.487.319
Liabilities for employee benefits	7.150.171	9.849.439
Short-term provisions		
-Other provisions	3.195.885	2.219.986
-Provision for employee benefits	1.260.484	1.987.530
Other short term liabilities	3.171.172	3.701.943
<b>Total Current Liabilities</b>	<b>1.375.450.816</b>	<b>1.433.700.603</b>
<b>Non-current Liabilities</b>		
Financial liabilities	992.193.934	1.218.995.365
Trade payables	1.216.062	2.419.264
Other payables		
-Other payables	239.032.111	276.573.910
Deferred income	635.898	1.040.375
Provisions for employee benefits	7.949.702	10.082.643
Minority put option liability	-	188.412.845
Deferred tax liabilities	43.550.263	35.612.092
Other non-current liabilities	956.530	1.362.264
<b>Total Non-Current Liabilities</b>	<b>1.285.534.500</b>	<b>1.734.498.758</b>
<b>EQUITY</b>		
Share capital	21.581.074	30.100.445
Share premium	36.963.116	40.607.543
Restricted reserves appropriated from profit	43.392.739	47.039.398
Other comprehensive income/expense not to be reclassified to profit or loss		
-Revaluation funds	128.307.031	152.529.629
-Actuarial gains/(losses) on defined benefit plans	(3.291.496)	(3.761.373)
Other comprehensive income/expense be reclassified to profit or loss		
-Foreign currency translation differences from foreign operations	33.681.142	35.611.583
-Effective portion of changes in fair value of cash flow hedges	(525.682)	338.281
Minority put option liability reserve	-	(188.412.845)
Retained earnings	(317.507.557)	(257.133.397)
Translation difference	8.241.160	163.275
Net profit / (loss) for the year	(100.640.472)	100.960.157
<b>Total Equity Attributable to Equity holders of the Company</b>	<b>(149.798.945)</b>	<b>(41.957.304)</b>
<b>Non-Controlling Interests</b>	<b>126.647.827</b>	<b>219.817.504</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2.637.834.198</b>	<b>3.346.059.561</b>



# KAZANCI HOLDING A.S. AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2018 AND 2017

(CURRENCY - TURKISH LIRA UNLESS EXPRESSED OTHERWISE.)

	Current Period	Prior Period
	01.01-31.12.2018	01.01-31.12.2017
<b>INCOME STATEMENT</b>		
Revenue	2.948.490.376	2.579.696.926
Cost of sales (-)	(2.457.358.027)	(2.200.318.591)
<b>GROSS PROFIT FROM TRADING ACTIVITY</b>	<b>491.132.349</b>	<b>379.378.335</b>
Research and development expenses	(179.545)	(943.536)
Marketing, selling and distribution expenses (-)	(19.399.638)	(22.457.875)
General administrative expenses (-)	(54.323.964)	(50.888.519)
Other operating income	85.916.980	68.695.182
Other operating expenses (-)	(96.232.444)	(61.682.128)
<b>OPERATING PROFIT</b>	<b>406.913.738</b>	<b>312.101.459</b>
Impairment losses accordance with IFRS 9	(2.322.612)	(1.965.207)
Income from investing activities	2.140.316	144.744.944
Expenses from investing activities (-)	(422.574)	(10.418.530)
Financial income	159.266.133	134.441.259
Financial expenses (-)	(614.365.127)	(426.630.583)
<b>PROFIT / (LOSS) BEFORE TAX FROM CONTINUED OPERATIONS</b>	<b>(48.790.126)</b>	<b>152.273.342</b>
Tax income/expense from continued operations		
- Taxes on income	(37.137.857)	(16.925.663)
- Deferred tax income	7.866.690	9.450.406
<b>PROFIT FOR THE YEAR</b>	<b>(78.061.293)</b>	<b>144.798.085</b>
- Non-controlling interest	22.579.179	(43.837.926)
- Attributable to equity holders of the parent	(100.640.472)	100.960.159







**KAZANCI HOLDING**

Rüzgarlıbahçe Mahallesi, Özalp Çıkması No: 10  
34805 Kavacık Beykoz - İSTANBUL/TURKEY  
T +90 (216) 681 00 00  
F +90 (216) 681 57 84

[www.kazanciholding.com.tr](http://www.kazanciholding.com.tr)