Akkök Sanayi Yatırım ve Geliştirme A.Ş.

2013 Report

AKKÖK

Contents

We are consistently making progress...

We are taking firm steps towards the future with our new investments and powerful partners in the long-term-growth promising chemistry, energy and real estate industries.

Akkök Group at a Glance

Total consolidated turnover of US$ 1.1 billion

AKKÖK GROUP

> Mr. Raif Dinçkök founded the Akkök Group of Companies in 1952, with the establishment of Aksu Yarn and Weaving Factories.
> Some 61 years later, today, focusing primarily on the chemicals, energy and real estate industries, Akkök Group includes over 4,350 employees and 17 industrial and commercial companies.
> The Group's total turnover amounted to US$ 1.1 billion in 2013.

GROUP COMPANIES

CHEMICALS

AKSA

> Aksa was founded in 1968 as part of Akkök Group.
> 100% Turkish owned, Aksa has a production capacity of 308,000 tons/year.
> Established on an area of 502,000 square meters, and Turkey's only local acyclic fiber producer, Aksa is also the world's biggest producer with a share of 16% in the international market.

DOWAKSA

> DowAksa is an international 50:50 joint venture between The Dow Chemical Company and Aksa Akrilik Kimya Sanayii A.Ş.
> Holding Joint project with the pioneer of polymer composite processing in Russia, Nanotechnology Center of Composites (NCC).
> Strong production network and advanced production infrastructure.

AK-KİM

> Ak-Kim produces internationally-recognized inorganic and organic chemicals, textile auxiliaries, pulp and paper chemicals, water treatment chemicals, cement grinding and concrete admixtures
> Three high-tech factories -approximately 20 production facilities-located on a total area of 300 thousand square meters in Yalova and Çerkezköy.
> The company serves customers from 55 countries on five continents.

ENERGY

AKENERJİ

> Akenerji holds a strong position in the sector through its established joint-venture with the Czech energy company ČEZ.
> With its leading actions in the field of renewable energy, Akenerji has become the representative of foresight and stability in the energy industry.
> 388 MW renewable capacity.
> Approximately 4 billion kWh in energy sales.

EGEMER

> A strategic joint-venture between two prominent companies Akkök and ČEZ.
> Erzin Natural Gas Power Plant with a capacity of 900 MW.
> Capacity to meet 2.6% of Turkey's electric energy needs
> Project will be commissioned in 2014.

AKCEZ

> AKCEZ is a joint venture company established by Akkok Group of Companies, one of the leading industrial groups of Turkey, and AKCEZ Group, one of the leading energy companies of Europe.
> Strong position in the electric distribution and retail sales industries.
> Highly skilled and technically equipped labor force, renewed IT infrastructure, modern management practices.
> Quality and productivity centered service approach in the ever-changing energy market.

SEDAŞ

> Sedaş General Directorate is an institution providing uninterrupted energy distribution service to a population of 3,042,406 in a total of four regions, 45 districts, 66 towns and 1,441 villages on an area of 19,421 square kilometers covering the regions of Sakarya, Kocaeli, Bolu and Düzce.
> İnstalled power of 3,050 MVA (Mega-Volt-Ampere) and a Peak Power of 1,825 MW
> Prudent care in planning and project development in line with the latest technological innovations.
> Expeditious and modern business solutions.

SEPAŞ

- > Separate energy company within the body of AKCEZ joint venture established by Akkök Group and CEZ Group.
- > Energy sales conducted in Bolu, Düzce, Sakarya, Kocaeli and Gebze.
- > Prioritizing customer satisfaction, quality-oriented, reliable and stable service approach.
- > Developing expertise in know-how, improving. distribution channels and use of advertising tools.
- > Strength and credibility as a result of domestic and international cooperation.

REAL ESTATE

AKİŞ REIT

- > AKİŞ REITS's success in the real estate industry is a result of Akkök Group's expertise in shopping center investment.
- > Investments aligned with international standards.
- > Pioneer of high quality and credibility in the real estate industry.
- > Diversified project portfolio
- > Rich portfolio offering a wide array of real estate investment options such as shopping centers and residential complexes, housing, building tracts and factory premises.
- > Strategies targeted to vary the project portfolio.

AKMERKEZ REIT

- > An innovative perspective, a space where aesthetics meet comfort.
- > Akmerkez is beyond a shopping mall; it is rather a living space.
- > Authentic design artistic, social and cultural activities, which breathe life into urban living.
- > Unlimited comfort designed to meet all needs of modern life; offers unlimited comfort.

SAF REIT

- > Well-respected and credible name in the industry
- > Develops projects that focus on high quality lifestyle

AK TURİZM

- > Carrying out tourism investments on Kaşık Island, which is close to the city center and yet presents an opportunity to escape from the hubbub, noise pollution and heavy traffic
- > Investment plans are shaped considering the requirements of city life as well as environment and social integrity of the island.

TEXTILES

AK-TOPS

- > Ak-Tops conducts acrylic dyeing tops and bumps manufacturing and fiber cutting on a total area of 88,500 square meters, of which 40,000 square meters is enclosed.
- > With over 250 employees, Ak-Tops caters to the knitting, weaving, blanket and carpet industries.
- > The Company has a 50,000-ton per year capacity for acrylic dyeing, 45,000 tons per year for tops, and 140,000 tons per year for fiber cutting.

SERVICES

AKMERKEZ LOKANTACILIK

- > With its chic interior design, tranquil ambiance, meticulous service and savory cuisine where elegance meets comfort, Paper Moon has become an Istanbul classic among the most select and prestigious names for fine dining.
- > Matching world standards in food and service quality.
- > An interior design that reflects luxury and simplicity.

AKDÜNYA EĞİTİM EĞLENCE SANAT YATIRIMLARI

- > Akdünya is the franchise licensee in Turkey for KidZania, which currently operates in 12 countries and 15 cities.
- > Depending on their skills and interests, children are able to assume more than 90 roles and choose the occupations they would like to experience.
- > Over 60 different activity areas at KidZania
- > Located on 9,900 square meter tract

AK-PA

- > Exporting to more than 70 countries on five continents.
- > Brand power on the market with its fiber group (bamboo, wool, viscose and polyester) and yarn group (polyester and nylon filament, viscose and cotton mixed spun yarn) products.
- > Maintains its leadership position among textile exporters in the Turkish textiles industry.

AKTEK

- > Using the most up-to-date global technologies in information technology.
- > Developing applications for the Group companies to keep their technological infrastructure up to date.
- > Pioneering brand in the IT sector.
- > High service standards and customer satisfaction.

DİNKAL

- > Among the most preferred companies in the insurance sector.
- > Potential to offer excellent service in all insurance categories.
- > Offering tailored and innovative solutions to each customer.
- > High quality service standards.

About Us

A beacon of established knowhow, financial strength and reliability...

Established by Raif Dinçkök in 1952, the Akkök Group is among the leading industrial establishments of Turkey with its 61 years of experience. The Group incorporates 17 industrial and commercial businesses, one of which is abroad, and 18 manufacturing facilities in chemicals, energy and real estate industries.

Keeping at the forefront of globalization, the Group focuses primarily on international competition and achieving global standards.

Aksa is the only local acrylic fiber manufacturer of Turkey with an established capacity of 308,000 tons per year. The Company supplies 16% of the global market, reaching the textiles and industrial textile markets of over 50 countries across five continents. In 2009, Aksa improved its technological infrastructure and started the production of carbon fiber, considered one of the most important raw materials of the 21st century.

As of 2012, the company continues carbon fiber production under the banner of DowAksa Advanced Composites, a joint venture between Aksa and The Dow Chemical Company.

The objective of the new venture is the production and global marketing of carbon fiber and carbon fiber-based products.

DowAksa focuses on infrastructure development, structure reinforcement and resilience, improved efficiency of wind turbines, and better fuel economy in passenger vehicles. With its technical expertise and advanced manufacturing capabilities, the company aims to provide state-of-the-art solutions to pressing issues in Turkey and around the world.

Aksa acquired 100% of its fully owned subsidiary Ak-Tops Tekstil Sanayi A.Ş. in August 2013. The concentration of two individual high performers is expected to improve administrative and organizational processes. The merger was officially initiated on November 1, 2013, and was registered on December 31, 2013.

Ak-Kim is an exemplary company in the chemicals industry with world-class manufacturing facilities, and has a production capacity of 600,000 tons per year. The company has a diverse product portfolio ranging from textile chemicals to metal, cleaning, water treatment, corrosion and scale prevention, paper industry, pharmaceuticals and construction chemicals.

Ak-Kim is a global player in the chemicals industry with more than 500 products in its portfolio. The company exports to 55 countries across five continents, and even succeeds in selling to countries where its competitors have manufacturing facilities. Half of Ak-Kim's current export capacity is directed to EU countries, with the rest going to Pakistan, Israel, United States, Canada and Korea, among others. Since 2002, the company has been active in the sale of knowhow and technology, and has been providing engineering services and turnkey project deliveries.

Akenerji is among the leading energy producers in Turkey and leads the industry with 24 years of experience and groundbreaking investments. In 2009, the company evolved into a strategic partnership where Akkök and CEZ have equal shares, and since then has been investing consistently to help to meet the energy demand in Turkey. Akenerji is particularly strong in energy production from renewable sources, which accounts for 60% of its 388-MW established capacity. The company's 160-MW Kemah Hydropower Plant in the province of Erzincan is expected to be commissioned in 2017. The Erzin Combined Cycle Natural Gas Plant under construction in the province of Hatay is expected to be commissioned in 2014 and have a capacity of 900 MW. With the completion of the Erzin Plant, Akenerji will be producing approximately 7 billion kWh per year, accounting for 2.6% of the nationwide energy demand.

Akenerji vastly improved its energy trade activities in 2013, and currently manages an energy portfolio that is far beyond its production capacity. The company began electricity import and export in 2011, and continues to expand its reach in this area as well.

Akiş Real Estate Investment Trust (REIT) is the Akkök group company active in the property market, and develops projects that improve quality of life. The active projects of the company include Akbatı Shopping Mall & Akbatı Residences and Akasya residence projects.

SAF REIT and Akmerkez are two other real estate companies that speak for themselves in the property business with continuous improvement and activities that add value to the society.

AKCEZ acquired the privatized electricity distribution and sale company SEDAŞ on February 11, 2009. Following the separation of distribution and retail sales activities in the beginning of 2013, the company was reorganized into two separate entities –SEDAŞ and SEPAŞ– on July 1, 2013. Common administrative functions continue to serve both entities.

Akkök Group signed the UN Global Compact in 2007, making a commitment to further improve transparency and accountability in all group companies. The Group build relationships with employees, clients, suppliers and shareholders among other stakeholders in the light of these two key principles. Companies under the Akkök roof not only fully satisfy their financial requirements, but also add value to the society, environment and economy as good corporate citizens.

Employing over 4,350 personnel, Akkök Group realized a combined turnover of US$ 3,109 billion in 2013; US$ 402 million of this combined turnover consists of exports made to more than 50 countries.

Key Financial Indicators*

Demonstrating a resilient performance in 2013, Akkök Group recorded EBITDA of US$ 387 million which increased 11% compared to the previous year.

NET SALES
Combined (US$ Million)

Akkök Group's combined net sales totaled US$ 3,109 million in 2013, owing in particular to the contributions of companies that assumed leadership roles in their industries.

NET SALES
Consolidated (IFRS US$ Million)

Akkök Group's consolidated net sales amounted to US$ 1,127 million in 2013, owing in particular to contributions from companies that assumed leadership roles in their industries.

EBITDA
Combined (US$ Million)

11% INCREASE

Outstripping its competitors with its sustainable financial performance, Akkök Group increased its combined earnings before interest, taxes, depreciation and amortization (EBITDA) by 11% from the previous year to US$ 387 million in 2013.

* Combined values are calculated without the financial gains of Akkök and its Subsidiaries, Partnerships on the Basis of Shareholding or Joint Ventures as indicated in the legal records, without being subject to elimination.

EBITDA**

Consolidated (IFRS US$ Million)

28% INCREASE

Outstripping its competitors with its sustainable financial performance, Akkök Group increased its consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) by 28% from the previous year to US$ 166 million in 2013.

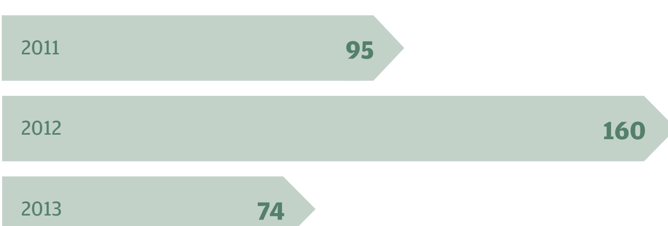
NET PROFIT

Combined (US$ Million)

Akkök group continued its investments at a fast pace in 2013. However, the exchange rate designated over the long-term investment loans turned into losses as a natural result of the depreciation of the Turkish lira and caused yearly profits to fall behind last year's figures.

NET PROFIT

Consolidated (IFRS US$ Million)



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* Combined values are calculated without the financial gains of Akkök and its Subsidiaries, Partnerships on the Basis of Shareholding or Joint Ventures as indicated in the legal records, without being subject to elimination.
** Consolidated EBITDA was calculated by adding the depreciation charges to the consolidated real operating profit and subtracting the other income and expenses from real operations.

History and Development

Taking firm steps that add value to the economy and the society...

1950S
Aksu was established in Bakırköy, Istanbul in 1952, as the Group's first industrial investment. It was followed by Ariş the same year, also established in Bakırköy. The establishment of Dinarsu was completed in Eyüp, Istanbul in 1953. Dinkal A.Ş., a manufacturer and trader of yarn, was also founded in the same year.

1960S AND 1970S
Aksa was established in Yalova in 1968 and commenced production in 1971. The company started exporting in 1977. In 1974, the Ak-Al Yalova Plant was set up and inaugurated. A year later, the Dinarsu Çerkezköy Facility was founded, followed by Dinkal A.Ş commencing its operations in the insurance sector as part of Ariş Sanayi ve Ticaret A.Ş. in 1976.

In the same year, Akmeltem and Ak-Pa were founded and started their operations. In 1977, Ak-Kim started producing sulfur dioxide as Aksa made its first exports to Italy. In 1978, Aksu opened the Çerkezköy Plant followed by Ak-Kim's Persulfates Facility also located in Çerkezköy.

1980S
Ak-Kim changed its production from sulfur dioxide to sodium metabisulphite (SBMS) for convenience in usage and storing. In April, the Çerkezköy SBMS Plant started its operations with an annual production capacity of 1,100 tons. In 1981, Ak-Kim started to produce persulphate, which is a very significant chemical for domestic industry, in its Çerkezköy facility. In 1982; the textile Softeners and Wetting Agents Facility was established and activated in Çerkezköy and two years later, production of sodium thiosulphate and ferric 3 chloride was initiated. Ak-Al Bozüyük Plant was established in 1982; Akmerkez Etiler Ordinary Partnership was set up in 1985. Ak-Tops was established in 1986 and Aksa was listed on the Borsa Istanbul in March; Ak-Al was listed on the ISE in September of the same year. In 1986, Ak-Kim Organic Facility was founded and inaugurated. In 1989, Akenerji and Aktem were established and Ak-Kim started to produce methylamines.

1990-1994
In 1990, Dinkal was restructured as an insurance consultation and brokerage corporation and Ak-Kim began producing dimethylformamide which is the first of its kind in Turkey. In 1991, Aksu moved all production to Çerkezköy; Akenerji Yalova Power Plant started operating with an installed capacity of 21 MW. In 1992, Akenerji Yalova Power Plant's cogeneration unit was commissioned with an installed capacity of 17 MW. In the same year, Ak-Kim Chlorine-Alkaline Facility started its production. In November 1993, Aksu was listed on the Borsa Istanbul and the Ak-Al Alaplı Factory was established and started production. The first cogeneration unit of Akenerji Çerkezköy Power Plant was commissioned with an installed capacity of 21.5 MW. Akmerkez was inaugurated on December 18, 1993. In the same year, Ak-Kim undersigned the Responsible Care Program and became one of the first Turkish companies to implement it.

1995-1996
In 1995, Ak-Kim received ISO 9001:1994 Quality Management System Certification. In the same year, Akmerkez was named the "Best Shopping Center in Europe" at a competition in Vienna, Austria and the second cogeneration unit of Akenerji Çerkezköy Power Plant was commissioned with an installed capacity of 43.5 MW. In 1996, Akenerji reached a total installed capacity of 98 MW with the commissioning of its Alaplı Power Plant with an installed capacity of 6.3 MW along with the third cogeneration unit of Çerkezköy Power Plant with an installed capacity of 33 MW. In the same year, Akmerkez Lokantacılık launched Paper Moon and was later chosen as the "Best Shopping Center in the World" at a competition in Las Vegas.

1997-1999

In 1997, Akenerji commissioned its Bozüyük Power Plant with a total installed capacity of 132 MW. In 1998, Akport launched the Tekirdağ-Trieste Ro-Ro line and Ak-Kim's Hydrogen Peroxide Facility became operational which is the first of its kind in Turkey. The following year, Akrom Ak-Al Textile Romania SRL was established.

2000-2002

In 2000, the Akrom Romania Plant started production, Akenerji was listed on the BIST in July and Ak-Kim began manufacturing polyaluminium chloride. In 2001, Akenerji commissioned the Çorlu Power Plant with an installed capacity of 10.4 MW, the Orhangazi Power Plant with an installed capacity of 5.08 MW, the Denizli Power Plant with an installed capacity of 15.6 MW, the Uşak Power Plant with an installed capacity of 16 MW, and the Yalova Ak-Al Power Plant with an installed capacity of 10.4 MW. In addition, two new units of Gürsu Power Plant were commissioned with an installed capacity of 10.4 MW. In 2000, Aksa switched to biological treatment with the Deep Tank system, the most advanced technology in water treatment, breaking new ground in Turkey. In 2002, Akenerji commissioned another unit at the Gürsu Power Plant with an installed capacity of 5.2 MW, boosting its total installed capacity to 15.6 MW. Ak-Kim started exporting its know-how and technology abroad during the same year.

2003-2004

Aksa Egypt was established in Alexandria, Egypt and Akenerji commissioned its Izmir-Batıçim Power Plant with an installed capacity of 45 MW; it was selected as the "Most Successful Cogeneration Facility" by the Turkish Cogeneration Association. The same year, Ak-Kim Monochloroacetic Acid Facility was established. Aksa established Fitco B.V., paving the way for new investments; it became the first Turkish company to participate in the Premiere Vision Fair. In 2004, Akenerji Elektrik Enerjisi İthalat İhracat Toptan Ticaret A.Ş. was established. With a turnkey project constructed near the Dead Sea, Ak-Kim delivered a chlorine-alkaline plant to JBC, a US-Jordanian joint venture and also the Company was granted ISO 14001:1996 Environmental Management System Certification in the same year.

2005-2006

In 2005, Dinarsu was sold to Merinos Halı Sanayi Group and Akmerkez was listed on the BIST as of April of the same year. Aksa Egypt commenced manufacturing operations that year while Akenerji commissioned the Izmir Kemalpaşa Power Plant with a total installed capacity of 127.2 MW. Also in 2005, Ak-Kim began producing paper chemicals and Akiş was founded to develop and manage the real estate investments of Akkök Group.

In 2006, Akenerji acquired Akkur Enerji Üretim Ticaret ve Sanayi A.Ş. and in September, Paper Moon opened a branch in Ankara. The same year, Ak-Kim launched the first sodium per carbonate facility in Turkey.

2007

As an indicator of its approach to sustainability and corporate citizenship, Ak-Kim signed the United Nations Global Compact. The Company started to produce concrete admixtures and concluded the engineering and purchasing works of a hydrogen peroxide facility (Sitara) in Pakistan.

Aktek was founded signed an agreement for the construction of Raif Dinçkök Cultural Center. Akiş began the construction of Akkoza. Akenerji acquired MEM Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. Aksa was named the Most Responsible Company in Turkey by Capital magazine. The book entitled "Yadigâr-ı İstanbul", which was compiled from the photography albums of Yıldız Palace, was published with the support of Akkök.

2008

In 2008, The AkĈez Consortium, a partnership between Akkök, Akenerji and the Czech Republic energy company CEZ, won the tender held by the Privatization Administration for Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ). Akkök Holding signed a strategic partnership agreement with CEZ for the 50:50 partnership of Akenerji. Ak-Kim delivered two turnkey chlorine-alkaline plants to Jana and Cristal operating in Saudi Arabia with installed capacities of 50,000 and 40,000 tons/year, respectively. While Aksa was awarded the Quality Association's (KalDer) National Quality Grand Prize, a groundbreaking ceremony was also held for Yalova Raif Dinçkök Cultural Center for which a construction agreement was signed the previous year.

History and Development

2009

The AkCez Consortium, started in 2008, took over Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) from the Privatization Administration. Akiş became the sole owner of Akbatı Shopping Mall and Akbatı Residences by acquiring the partnership interests of Garanti Koza and Corio in the Akkoza Project. Aksa commissioned the carbon fiber production facility, with a capacity of 1,500 tons/year. Akenerji commissioned the Ayyıldız Wind Power Plant with an installed capacity of 15 MW, in Bandırma, Balıkesir. Aksu and Ak-Al merged under the Ak-Al roof and Ak-Kim received OHSAS 18001:2007 Occupational Health and Safety Management System Certification and also the Company received the “Best Supplier” award from Cargill. Akkök Firefly Mobile Learning Unit Project was initiated in Yalova.

2010

Together with the restructuring efforts in the HR departments of Akkök Group, the Talent Management Process was initiated to include all senior and middle level managers and specialists. At the “Petkim Quality Day and 45th Anniversary” event, Ak-Kim received “The Best Performing Supplier of 2009” award in the “Localization” category. In parallel with the change in the corporate identity, the Company logo was renewed and Ak-Kim completed the REACH registration for its eight products of which the final registrations must be completed by December 1, 2010.

As of 2010, Aksa, the carbon fiber production facility with a capacity of 1,500 tons/year, made the investment decision for the second facility, which will have a capacity of 1,700 tons/year. Akenerji commissioned the hydroelectric power plants Akocak, Bulam, Burç, Uluabat and Feke II. The total electricity capacity of Polat Enerji’s wind power plants yielding a production of 100 MW were procured. For the Head Office and Çerkezköy, Bozüyük, Kemalpaşa Power Plants, certifications of ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety documents certifications were granted. Akenerji’s first and most comprehensive Environmental, Health and Safety Annual Report was published and disclosed to all stakeholders. The Tekirdağ-Muratlı railroad line connecting to the Akport Tekirdağ Port started to operate.

2011

In 2011, Aksa signed a definitive agreement to form a joint venture to manufacture and commercialize carbon fiber and derivatives with Dow Chemicals, one of the top players in the world chemistry sector. Investing in the establishment of a second carbon fiber production line with an additional capacity of 300 tons/year, Aksa reached an annual carbon fiber production capacity of 1,800 tons/year.

Ak-Kim established a new sodium metabisulphite facility with the capacity of 40,000 tons/year. As a result of R&D operations, more than 80 new products were launched. Ak-Kim R&D vision, mission and strategies were set. The hydrochloric acid production facility in Greece (Kapachim) was completed and delivered.

Akenerji became the first Turkish company to be granted the Investors in People (IIP) Quality Certification. In addition, the company was awarded, the Energy Oscar, given for the first time in 2011 at the 17th International Energy and Environment Fair and Conference (ICCI).

Akenerji obtained US$ 651 million in funding for the 900 MW installed capacity Egemer Combined Cycle Natural Gas Power Plant to be constructed in the Erzin district of Hatay.

Ayyıldız Wind Power Plant joined the plants that have ISO 9001:2008 Quality, ISO 14001:2004 Environmental and OHSAS 18001:2007 Occupational Health and Safety Management Systems certifications.

In 2011, Akenerji participated in the Carbon Disclosure Project (CDP), becoming one of two Turkish energy corporations participating in the CDP.

A wholly-owned Akiş project, Akbatı Shopping Mall&Akbatı Residences opened its doors to visitors in İstanbul Esenyurt on September 15, 2011. Akbatı Residences received two awards at the Turkey’s Top Real Estate Investment Competition for its Smart Home Automation scheme – one granted by the jury, the other by popular vote.

SAF REIT an Akkök Group enterprise, started to trade on the Borsa Istanbul as of December 2011. Raif Dinçkök Cultural Center whose construction had been initiated by Akkök Group in 2008 opened its doors in 2011.

2012

The first phase of Aksa's two-phased dual-fuel (coal and natural gas) power plant was launched in March 2012. The total production capacity of the plant is 100 MW of electricity.

Dowaksa, an international 50:50 joint venture between The Dow Chemical Company and Aksa Akrilik Kimya Sanayii A.Ş., was established in 2012 with the objective to undertake manufacturing and world-wide marketing of carbon fibers and derivatives.

Himmetli Regulator and Hydroelectric Power Plant started operations with an installed capacity of 27 MW. Feke I Regulator and Hydroelectric Power Plant commenced operations with an installed capacity of 30 MW. Gökkaya Dam and Hydroelectric Power Plant began operating with an installed capacity of 30 MW.

Akocak, Uluabat, Burç, Bulam and Feke II Hydroelectric Power Plants were included in the ISO 9001:2008 Quality, ISO 14001:2004 Environment and OHSAS 18001:2007 Occupational Health and Safety Management Systems certifications.

Bozüyük Natural Gas Power Plant was named the Cleanest Industrial Facility and was awarded with an Environment Charter as part of World Environment Day celebrated yearly on July 5. Two gas tribunes were installed as part of Hatay Erzin natural gas combined cycle power plant's construction.

In 2012, the chloralkali facility in Algeria (Adwan) was put into operation by Ak-Kim. Ak-Kim signed a new Engineering and Procurement Service Contract for building a ferric 3 chloride facility in Algeria.

Akbatı Residences, an Akiş project located in İstanbul Esenyurt, was opened to residents in 2012.

Akiş was granted the title of Real Estate Investment Trust by Capital Markets Board's approval. Following the approval, Akiş REIT assumed control over Ak-Al with all its assets and liabilities. Akbatı Shopping Mall also received the "Cleanest Shopping Center" award from Cleaner Magazine's Industrial Cleanliness Awards. The widely acclaimed project was also a finalist in the MAPIC Awards 2012 in the "Best Retail & Leisure Development" category, and in the "New Developments-Large" category of the ICSC European Shopping Centers Awards 2013. In 2012, the website of Akbatı Shopping Mall received the bronze award in the "Consumer Information" category of the international "Horizon Interactive Awards." The project was also presented with the "Best Retail Development" and "Highly Commended in Mixed-Use Project" awards from the "European Property Awards 2012," given to promote excellence in the real estate industry and establish world-class standards.

Akasya Acıbadem received five stars in the "Best High-Rise Architecture" category in the European Property Awards 2012 and was selected the "Most Successful Project in Europe." The Grove and Lake Phases of Akasya Acıbadem were opened to residents in 2012.

Akmerkez was presented with 11 prizes for four different projects from the IPRA Golden Awards, Hermes Awards, ICSC Solal Marketing Awards, Stevie International Business Awards and MarCom Awards. In the same year, Ak-Pa was awarded the Platinum Plaque by the İstanbul Textile and Raw Material Exporters' Association where companies received awards based on the volume of their exports.

In 2012, more than 10 thousand elementary school children received support under the Akkök & TEGV Firefly Mobile Learning Project operating in Yalova.

The Akkök Festival for Kids was organized and held at the Raif Dinçkök Cultural Center in Yalova.

History and Development

2013

Akkök:
Ahmet Cemal Dördüncü was appointed Chief Executive Officer of Akkök Group in 2013.

As part of Akkök Group's restructuring plans, Aksa Akrilik Kimya Sanayi AS announced that it would merge with its subsidiary, Ak-Tops Tekstil Sanayii AS, through absorption.

Ak-Kim:
Ak-Kim and Feralco, the second largest water treatment chemicals and coagulant producer in Europe, joined to establish AKFERAL.

AKFERAL's production is based in Ak-Kim facilities in Yalova.

Ak-Kim was granted the "R&D Center" title by the Ministry of Science, Industry and Technology. With this title, the competence of Ak-Kim R&D has been officially recognized.

After passing the SGS inspections on February 19-20, 2013, Ak-Kim qualified to obtain Good Manufacturing Practice (GMP) Certification for its products sodium metabisulfate (E223) and sodium hydrogen sulfate (E222).

Also the 44th World Chemistry Congress was organized by the Turkish Chemical Society on 11-16 August 2013 in İstanbul, with Ak-Kim as the main sponsor.

Aksa:
The second phase of the power plant investment was completed and activated.

Aksa Acrylic took part in the TURQUALITY project, the world's first and only state-sponsored branding project, which was launched with the slogan, "10 World Brand Names in 10 Years" by the Ministry of Economy.

Aksa acquired 100% of its fully-owned subsidiary Ak-Tops Tekstil Sanayi A.Ş. in August 2013. The concentration of two individual high performers is expected to improve administrative and organizational processes. The merger was officially initiated on November 1, 2013, and was registered on December 31.

DowAksa:
DowAksa Advanced Composites Holdings B.V. and the Nanotechnology Center of Composites (NCC), a joint project between Holding Company Composite (HCC) and the Fund for Infrastructure and Educational Programs (FIEP, a member of the RUSNANO Group), signed an investment agreement. In line with the signed agreement, NCC investment plans were shaped in collaboration with HCC and the Fund for Infrastructure and Educational Programs (FIEP, a member of the RUSNANO Group).

SEDAŞ:
SEDAŞ materialized the unbundling project it had initiated in 2012 by starting SEPAŞ in early 2013. All through 2013, SEDAŞ focused only on distribution activities and launched its master project "Automatic Meter Reading System" (AMR). This project enables the automatic collection and billing of consumption via electronic meters over the Internet, without traveling hundreds of kilometers. Implementation of the SCADA (Supervisory Control And Data Acquisition) Project in Kocaeli, Gebze and Sakarya electric networks were finalized. Works were initiated in Bolu and Düzce.

SEPAŞ:
During the privatization process of all Electricity Distribution Companies, Akkök Group separated its distribution and retail activities pursuant to the unbundling requirements stipulated by Electricity Market Law that came in effect with the intention to form a free market.

SEPAŞ was established on November 12, 2012 to perform retail activities. After the company was reorganized into two separate entities, SEDAŞ and SEPAŞ, SEPAŞ began serving its 1.5 million customers as of January 1, 2013.

AKCEZ:
AKCEZ acquired the privatized electricity distribution and sale company SEDAŞ on February 11, 2009. Following the unbundling of distribution and retail sales activities at the beginning of 2013, the company was reorganized into two separate entities –SEDAŞ and SEPAŞ– on July 1, 2013. Common administrative functions continue to serve both entities.

Akenerji:
Akkök Group decided to shut down the production facility of Çerkezköy Natural Gas Plant due to the current and expected market conditions as of December 31, 2014.

Necessary investment was made for Feke II Hydroelectric Power Plant (70 MW) to serve within the framework of "Secondary Frequency Control." Consequently, the power plant was activated in the same year.

In addition to its existing electricity production, Akenerji created added value by realizing sales of 900 million kWh electricity, supplied by third parties.

A capacity allocation option (Call Option) of 250 MW was issued for SEPAŞ. This was the first option issued in Turkey specifically for electricity capacity sales.

Projects targeting maximum customer satisfaction were implemented.

The Carbon Disclosure Project (CDP) was initiated.

Akenerji's first Sustainability Report (2012), prepared in accordance with the Global Reporting Initiative's principles, was published and announced to the stakeholders.

Head Office, Bozüyük, Kemalpaşa, Ayyıldız, Akocak, Uluabat, Burç Bendi, Bulam and Feke II HEPPs received ISO 9001:2008 Quality, ISO 14001:2004 Environmental and OHSAS 18001:2007 Occupational Health and Safety Management Systems certifications.

Bozüyük Power Plant obtained permission for emission and wastewater discharge in line with the Environmental Permits.

In the scope of the Aegean Region Chamber of Industry's 2012 Corporate Social Responsibility (Bronze) Awards and Environment (Golden) Award Competitions, Akenerji Kemalpaşa Power Plant was awarded the second place in the Environment Award category and the third place in Corporate Social Responsibility category.

The construction of "Martyr Uğur Ekiz Technical and Industrial High School" was completed by Egemer Elektrik Üretim A.Ş. in Hatay-Erzin and the school opened its doors in the new academic year.

Akiş REIT:
Upon its application to the Capital Markets Board, the company received the title of Real Estate Investment Trust and, as of January 9, 2013, began to be listed on the Borsa Istanbul.

On March 11, 2013, all Akiş REIT shares involved with Akfil Holding and Garanti Koza Akiş Ordinary Partnership were sold.

With environment-friendly practices that prioritize energy efficiency, Akbatı Shopping Mall and Residences applied to the world's leading green building evaluation system BREEAM for a certification at the "Good" application level.

In 2013, Akbatı Shopping Mall received a platinum award in the "Community Relations" category at the Hermes Creative Awards.

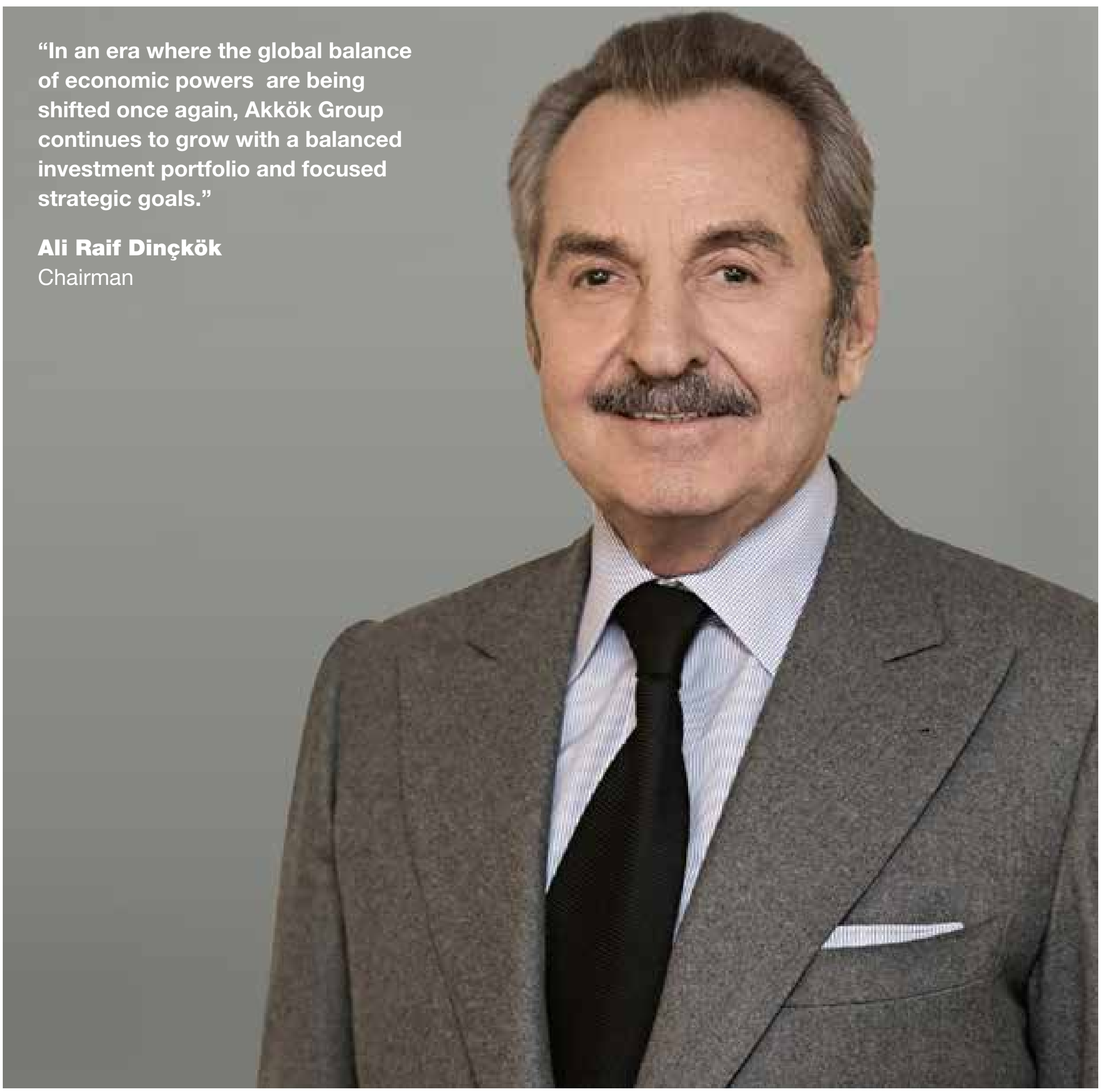
In the same year, Akbatı Shopping Mall also received two bronze awards at the Stevie Awards, one in the "Communication/PR Campaign of the Year -Social Media Focused - Europe" category and the other in the "Communication/PR Campaign of the Year-Community Relations-Europe" category.

In 2013, Akbatı Shopping Mall won first place in the "Retail - Built" category at the "Cityscape Awards for Emerging Markets 2013." At the Marcom Awards 2013, Akbatı received three platinum awards in the "Community/PR/Special Event," "Community/PR/Public Relations Program" and "Community/PR/Corporate Social Responsibility" categories as well as a gold award in the "Community/PR/Special Event" category.

Aktek:
AYDEM Dağıtım A.Ş. implemented the Automatic Meter Reading System (AMR).

Message from the Chairman

We left behind another year with all of our companies performing successfully in our major industries.



"In an era where the global balance of economic powers are being shifted once again, Akkök Group continues to grow with a balanced investment portfolio and focused strategic goals."

Ali Raif Dinçkök
Chairman

Developed Countries Are Retaking Growth Engine Role

After the global financial crisis in 2008, central banks in the developed economies adopted expansionary monetary policies as the key to recovery from economic recession. Especially over the last five years, these policies resulted in an increase in the money supply as well as low interest rates in the developing countries, and highly contributed to the fast growth in the developing world. Nevertheless, as of May 2013, concerns that the US Federal Reserve was planning a gradual exit from highly expansionary monetary policies increased the interest rates in the US and created a pressure on the developing economy currencies where short-term interests were relatively lower. Appreciation of the US dollar against emerging market currencies continued throughout the year. We have entered a period where developed economies, primarily the US, will gradually exist from their expansionary monetary policies, which cannot be sustained forever. This policy change is expected to have a slowing impact on the emerging market economies including Turkey.

Recovery Continues in the USA

The US central bank Federal Reserve (Fed) had proposed the third monetary expansionary policy as a solution to the economic recession in the September-December period in 2012. In line with the proposal, the Fed pledged to purchase US$ 85 billion in bonds a month and hold the target interest rate near zero until 2015. In early 2013, the expectations were that the US economy would grow at a moderate rate of 2%. As a result of the decrease in the unemployment rates and the increase in the economic activity, the US entered a recovery period in 2013. When figures were reported for the year-end, the growth rates had gone up as expected and the unemployment rate had dropped to 6.7%. In 2014, the US economy is expected to improve as the year progresses and the Fed will gradually stop purchasing monthly bonds.

Akkök Group plans to make an investment of US$ 415 million in 2014. 41% of the investment will be made in the energy sector, 36% in chemicals and 23% in real estate.

Eurozone Unemployment Hits Record High

Although there was improvement in the European economy in 2013 when compared to the previous year, the improvement was not evenly distributed in the Eurozone. Under the leadership of Germany, Northern European countries dropped their unemployment rates and increased their life standards. Unemployment rates ticked higher in the Mediterranean region, creating disappointment in Italy, Spain, Portugal and Greece. Germany grew by 0.5 %, however, Italy and Spain economies shrank by 1.8 % and 1.2% respectively. This resulted in 0.4 % contraction in the Eurozone in 2013. Despite the contraction in the Euro economy throughout the year, the rate of contraction was slower compared to the previous year. Acceleration in the Eurozone economy is expected in 2014. Although there are positive expectations for the coming year in Europe, some challenges remain. Political instability in some countries, ongoing high unemployment rates, low corporate and consumer expenses, poor financial discipline are among the reasons of uncertainty.

We contributed greatly to the social and cultural life in the areas where we implemented our social responsibility projects.

Asian Economies Slows Down

The world has witnessed an incredibly rapid growth over in China and India over the last 10 years. This was such rapid growth that China who was the world's 6th largest economy in 2001 has today become the 2nd after the USA. In the same period, India made it to top 10. The recent recession in the developing economies had a negative impact on the Asian countries whose largest export market was the developing economies. Expectations that the Fed will wind down its bond purchase program in 2013, generated hot money outflow from the Asian countries. This resulted in serious devaluation in these countries' currencies in addition to a decline in their growth rates. In the coming years, both Chinese and Indian economies are expected to display high performances, although not as high as those of the last decade.

The world's 3rd largest economy Japan entered a period of change in the year 2013. Reelected to the prime minister position in December 2012, Shinzo Abe's initiated a series of economic reforms that were labeled "Abenomics". This new program had 'three arrows' formed with the main objective of ending the vicious cycle of recession and deflation in which Japan has been mired during the last 20 years: a massive fiscal stimulus, more aggressive monetary easing from the Bank of Japan, and structural reforms to achieve sustainable growth. With the new program implemented, Japanese yen lost value against US dollar, but the unemployment rate dropped to 3.7%. As a result of the devalued yen, costs of petroleum and natural gas import increased and trade deficit expanded. This is thought to be a temporary state and Japan's export volume is expected to grow in the coming year due to devalued yen.

The Growth vs. Current Account Deficit Dilemma Continues in Turkey

In 2013, Turkish economy grew by 4%. Even though the grow rate was higher than the previous year's, it remained below 4-5%, as indicated in the Medium Term Program goals of the government. On the other hand, 2013's growth was again based on domestic demand and the current account deficit rose to US$ 61 billion. This is a dilemma Turkey has been finding itself in: The rise of current account deficit as the economic growth accelerates, and the fall of it as the economy recesses. Turkey needs to implement long-term reforms in order to avoid this dilemma among which follows: Completion of the reforms required to achieve strong democratic, social and economic structure, improving country's competitiveness ranking in the long-term and focusing on manufacturing industry, determination of the high-potential industries and reinforcing their infrastructures, conducting projects to structure domesticated innovation and research-development practices.

Akkök Group companies continued to achieve robust growth in a year that was challenging for Turkey. All the companies in our main industries have closed the year with solid success. While adding value to the national economy and contributing to employment levels with our strong performance, we further worked to improve the social and cultural environment in regions where we implement corporate social responsibility projects.

The “Akkök Children’s Festival” played host to the children of Yalova in 2013 as well. The young participants spent a joyful day at the Raif Dinçkök Cultural Center engaging in entertaining activities aimed at enhancing their interests and skills. We expect to continue the festival in the coming years with the same enthusiasm. Our Group is, at the same time, supporting the Yalova Orthopedic Sports Club (YOSK) as the main sponsor in the 2013-2014 season, to assist YOSK in its efforts to contribute to sports in Turkey.

Firmly believing that raising well-educated and socially aware generations is key to the development of a country, our Group has reached more than 10 thousand pupils from 2009 to 2013 through the Educational Volunteers Foundation of Turkey (TEGV) and supported their personal development and education. Further, we extended support to two student under the Anadolu Scholarship Program for 2013-2014 season, launched by Koç University to provide full scholarships with the assistance of individuals, institutions and companies to successful students from Anatolia who lack the necessary resources.

Sustainable development and social responsibility perspective are the major components in Akkök Group’s road map. As such, we published our first Sustainability Report in line with GRI (Global Reporting Initiative) and qualified for Level C approval.

Akkök Group of Companies plans to continue to achieve stable growth in coming years through its strategies that aim at sustainable success as well as social involvement. We would like to extend our gratitude to our valuable employees and managers for their contribution to the Group’s strong results, and to our stakeholders for their confidence in our Group.

Sincerely yours,

Ali Raif Dinçkök
Chairman

Message from the CEO

We have achieved above average growth rates in all three sectors we focused on.

"In the coming year, we will continue to grow while keeping the emphasis on investments that complement our essential competence in the major areas we are focusing on: energy, chemicals and real estate. Our key principles are creating added value and making a difference."

Ahmet C. Dördüncü
Chief Executive Officer

Our Steady Growth Continues

Standing out from its competitors with its sustainable financial performance, Akkök Group declared US$ 166 million worth of EBITDA in 2013 with an increase of 28% from the previous year.

EBITDA

Consolidated (IFRS US$ Million)

The year 2013 witnessed many significant developments both for the world and for Turkey. While the civil war in Syria erode the possibilities of stabilization in the region, election of a mild president in Iran paved the way to a probable reconciliation between Iran and the West. Iran's re-integration in the world economy translates to a huge potential for trade and investment for Turkey as well.

One of the most significant developments of 2013 was the Fed's announcement that it would begin tapering its US$ 85 billion per month bond purchasing program gradually under the third monetary easing package. After this announcement, a significant amount of capital outflow from the emerging markets occurred. The currencies of Turkey, Brazil, India, Indonesia and South Africa (the 'Fragile 5') all suffered the most at tapering news. It is expected for the US and Eurozone economies to start recovering in the coming years. The increase in demand that will come as a result of the recovery in the developed world will create new opportunities for emerging markets, primarily for Turkey.

In 2012, contrary to expectations, Turkey underperformed with a 2.2% growth in GDP. As we entered the year 2013, there were talks of Turkey's expected leap in the business community. However, the political instabilities faced and the negative impacts of the Fed's decisions decreased Turkey's performance significantly. High interest rates as well as Turkish Lira's 16% devaluation against the US dollar caused volatility in the financial markets. However, the Turkish economy still managed to grow 4% in 2013, surpassing last year's figures. The current account deficit, of US$ 49 billion in 2012, rose to US$ 65 billion in 2013. It is expected that the interest rate hike decision taken by the Central Bank of Turkey (CBT) in 2014 will repress the domestic demand, resulting in a decrease in the current account deficit. It should not be forgotten that the 'current account deficit' issue which stands out as Turkey's weakest spot will be resolved not with the "no problem as long as it can be financed" mindset, but by implementing structural reforms.

2013: A Successful Year for Akkök Group

When studied, the financial data shows that Akkök Group had a profitable year in all three of its primary industries, achieving growth above the domestic average. The Group's consolidated net sales reached US$ 1,127 million and consolidated EBITDA was US$ 116 million. Although Akkök Group continued its investments in 2013, the foreign exchange rate difference calculated on the basis of long-term investment loans turned into loss as a natural result of the devaluation of Turkish lira, which ultimately caused the annual profit remain under last year's figures. Consolidated net profit for 2013 was US$ 74 million.

The Group had an annual investment total of US$ 521 million for the year 2013 (*).

(*) Investment amount is calculated based on the statutory records of Akkök Sanayi Yatırım ve Geliştirme A.Ş., Joint Ventures and Subsidiaries.

Akenerji's total installed power generation capacity stood at 647 MW as of year-end 2013.

A Year of Leadership, Pioneering and Enterprise in the Chemicals Industry
The performance achieved in the chemicals industry in 2013 was parallel to the previous year's.

The industrial exports have not differed from last year's and the total export amount in 2013 was US$ 17,4 billion. The chemicals industry remained the second largest exporting industry after automotive industry in 2013. Domestically, Akkök Group kept its leadership position in the chemistry industry in 2013 with its two companies Aksa and Ak-Kim .

The global market share of Aksa, one of the world's biggest players in the acrylic fiber industry, was 16% in 2013. While raising its consolidated turnover to US$ 1.8 billion in 2013, it achieved an annual growth of 8%. Our company realized a capacity utilization rate of 98% for the year. While there was positive change in the financial activities of the Group, there were also simplification processes in place in 2013. The restructuring and simplification needs of Ak-Tops Tekstil Sanayii A.Ş., Aksa's subsidiary, were assessed since the company's only field of activity was processing and dying of acrylic fiber and it carried out its activities as a natural extension of Aksa as well as an intricate and shared production and distribution infrastructure. As a result, Aksa and Ak-Tops merged under Aksa's roof on December 31, 2013.

On January 25, 2013, during the World Economic Forum in Davos, DowAksa signed a good will agreement with Rusnano and Holding Company Composite (HCC) in order to develop an extensive strategy for the production of carbon fiber based intermediate goods and composite materials. On January 24, 2014, the parties signed the final agreement which indicated the beginning of a joint-venture where DowAksa would add value to Rusnano and HCC's Research & Development projects with its modern production infrastructure while the Russian partners would help DowAksa expand its product portfolio in the Russian market.

Ak-Kim, an Akkök Group company manufacturing organic and inorganic chemicals, textile auxiliaries, paper and water treatment chemicals, cement and concrete additives improved its total sales by 15% based on Turkish lira in 2013. The Company presently ranks among Turkey's leading manufacturers of such products as sodium hydroxide, hydrochloric acid, sodium hypochloride, sodium metabisulfite, hydrogen peroxide, and sodium percarbonate and textile auxiliaries. In the coming period, Ak-Kim plans to grow through investments in both basic chemicals and performance chemicals.

Ak-Kim Kimya established AKFERAL on the basis of equal partnership with the Feralco Group, a leading supplier of water treatment chemicals and coagulants in Europe. AKFERAL will make a significant contribution to development of the sector. Its production will be based in Ak-Kim facilities in Yalova. With this agreement Ak-Kim will increase the diversity of its water treatment chemicals products while continuing to provide exclusive integrated solutions to companies with its technical services.

With this cooperation, Feralco will bring its technology and expertise in water treatment chemicals to Turkey. This cooperation will contribute heavily to development of water treatment chemicals in Turkey.

Akenerji is Launching the 900 MW-capacity Erzin Natural Gas Power Plant Project
2013 was a tough year for all electricity companies since the demand for electricity increased at a lower-than-expected rate, the market prices did not change on average and the Turkish lira devalued against foreign currencies. According to Turkish Electricity Transmission Company (TEİAŞ) statistics, the total electricity consumption was 245 TWh in 2013 which indicates that the demand increased only by 1.4% than the prior year. The increase in demand remained less than the increase in the GDP in the year 2013 in Turkey and the electricity prices have not shown a significant change.

Akenerji's total installed power generation capacity stood at 647 MW as of March 31, including 259 MW of natural gas-fired stations, 373 MW of hydropower stations and the 15-MW Ayyildiz wind farm. The Erzin Combined Cycle Natural Gas Plant, under construction since October 2011, is expected to be commissioned in 2014. It is projected that, with a capacity of 900 MW, Erzin Plant will expand Akenerji's product portfolio significantly and play a key role in meeting Turkey's electricity demand that is expected to increase in the coming year.

Akkök Group's enterprise SEDAŞ offers electricity distribution services in the highly industrialized Turkish provinces of Kocaeli, Sakarya, Düzce and Bolu. After SEDAŞ and SEPAŞ were reorganized into two separate entities, SEPAŞ began serving its 1.5 million customers as of January 1, 2013.

Akiş REIT: Now Listed on the Borsa Istanbul, Focused on High Street Retail

One of Turkey's most dynamic industries, the real estate industry continued to grow in 2013. However the high level of interest rates by the end of 2013, had a negative impact on the demand for consumer loans and consequently residential sales went down. After the Fed's decision to leave expansionary monetary policies, the global investors have shied away from risk taking and are much more cautious about their investments in the emerging markets ever since. The high loan interest rates challenge investors in initiating new projects. On the other hand, multiple developments such as urban transformation, Disaster Law and property sales to breathed some new life into the sector in 2013.

After completing important projects like Akbatı and Akasya in short periods of time, Akiş received the title of Real Estate Investment Trust and, as of January 9, 2013, began to be listed on the Borsa Istanbul.

In 2013, with the intention to speed up real estate development projects, some parcels of land on hand were sold and investments were made in order to develop urban transformation and high street retail projects. To this end, "Bağdat Street Projects", namely Erenköy, Uşaklıgil, Edip Ürer, Ak Apartments as well as the Çiftehavuzlar parcel located in the Kadiköy district of Istanbul, were included into the Akiş REIT's portfolio.

Akasya Project developed by one of Akiş REIT's enterprises SAF REIT includes 1357 housing units in its phases named Koru (Woods), Göl (Lake) and Kent (City). Houses were completed and started being delivered to their owners in October 2011 in the Koru phase and in December 2011 in the Göl phase; delivery is scheduled to start in the Kent phase in September 2013.

Akasya Shopping Mall will have 80,000 m^2 of leasable space comprised of 250 individual stores. The leasing will begin in March 2014. One of the major features that will without a doubt differentiate Akasya from other real estate development projects is KidZania. KidZania is an "edutainment" concept that will enable children aged 4-14 to perform and experience real life professions such as doctor, police officer, journalist, television presenter, dentist and hair stylist and will be located in an 8,000 m^2 area. KidZania will also be a playground where youth can become familiar with the economic cycle of the real world by learning how to earn and spend money.

Akkök Group continues investments in profitable industries

Akkök Group plans to invest approximately US$ 415 million in 2014. Of these investments we plan to allocate 43% to the energy, 36% to the chemicals, and 23% to the real estate businesses.

The Akkök Group of Companies has been active in the Turkish industrial market for over 60 years and has a pedigree for profitable and productive business processes in its main business fields. We would like to thank our beloved employees who played a vital role in our successful performance in 2012, our shareholders who always stood behind us, and our business partners, and all our stakeholders.

With regards,

Ahmet C. Dördüncü
Chief Executive Officer

Executive Board

"During a period when the growth of Asian economies slowed down and unemployment rates continued increasing in the Eurozone, Turkey achieved a growth rate of 4% and we posted consolidated EBITDA up 28% (in US terms) thanks to our strong capital structure and investments."

Raif A. Dinçkök
Executive Board Member

From left to right: Chief Executive Officer Ahmet C. Dördüncü, Executive Board Member Raif A. Dinçkök, Executive Board Member Ahmet Ümit Danışman, Executive Board Member Özlem Ataünal

"Akkök Group continued to support the Turkish economy in 2013 by focusing on projects managed and implemented in line with international standards in the chemicals, real estate and energy industries."

Özlem Ataünal
Executive Board Member

Akkök Board of Directors in 2013

Ali Raif Dinçkök
Chairman
Born in İstanbul in 1944, Ali Raif Dinçkök graduated from the Austrian High School and subsequently Aachen University, Department of Textile Engineering in 1969. He started his business career at Akkök Group of Companies. Currently, he serves as Chairman of Akkök Sanayi Yatırım ve Geliştirme A.Ş. and as Board Member at other Akkök Group companies.

Nilüfer Dinçkök Çiftçi
Vice Chairman
Born in İstanbul in 1956, Nilüfer Dinçkök Çiftçi graduated from Lycée Français Sainte Pulchérie in İstanbul in 1970. She continued her education in Switzerland, where she graduated from St. Georges School in 1976. Ms. Dinçkök Çiftçi currently serves on the Board of Directors of Akkök Sanayi Yatırım ve Geliştirme A.Ş., and on the Boards of Directors of other Group companies.

Ahmet Cemal Dördüncü
Member of the Board of Directors and Chief Executive Officer
Born in İstanbul in 1953, Ahmet C. Dördüncü graduated from the Business Administration Department of Çukurova University and furthered his studies with post-graduate programs at Mannheim University and Hannover University. Starting his professional career at Claas OHG in Germany, Mr. Dördüncü worked at Mercedes Benz A.Ş. in Turkey from 1984 to 1987. In 1987, he joined Sabancı Group and undertook several different responsibilities at Kordsa A.Ş. until 1998. That same year, he started work at DUSA, one of the Group's companies, as General Manager/Chairman of first DUSA South America, then DUSA North America. In 2004, he became the Strategic Planning and Business Development Director at H.Ö. Sabancı Holding A.Ş., and later, in 2005 until 2010, he held the position of CEO of the Holding.

Ahmet C. Dördüncü who was assigned to the position of Chairman of Executive Board as of January 2013, also sits on various Boards at Akkök Group companies.

Mehmet Ali Berkman
Member of the Board of Directors and Advisor of the Executive Board
Born in Malatya in 1943, Mehmet Ali Berkman graduated from METU Faculty of Administrative Sciences, Department of Industrial Management. He later obtained a scholarship from TEV to study at Syracuse University in the United States where he received his MBA in Operations Research. He began his professional career in 1972 with the Koç Group and retired in early 2004. Mr. Berkman has been a Board Member and the CEO of Akkök Sanayi Yatırım ve Geliştirme A.Ş. since September 2005. He handed over his Chief Executive Officerposition at Akkök Group's Executive Board on January 1, 2013. He still performs as the Chairman and Member on the Board of Directors.

Raif Ali Dinçkök
Member of the Board of Directors and the Executive Board
Born in İstanbul in 1971, Raif Ali Dinçkök graduated from Boston University, Department of Business Administration in 1993. After graduation, he joined the Akkök Group of Companies. From 1994 to 2000, he worked in the Purchasing Department of Ak-Al Tekstil San. A.Ş.; from 2000 to 2003, he served as Coordinator at Akenerji Elektrik Üretim A.Ş. Mr. Dinçkök currently serves as Member on both the Board of Directors and the Executive Board of Akkök Sanayi Yatırım ve Geliştirme A.Ş., and on the Boards of Directors of several Akkök Group companies.

Alize Dinçkök Eyüboğlu
Board Member
Born in 1983 in İstanbul, Alize Dinçkök Eyüboğlu graduated from Suffolk University, Sawyer School of Management, Department of Business Administration in 2005. She started her business career in 2005 as Strategic Planning Expert at Ak-Al Tekstil Sanayi A.Ş. Upon the establishment of Akiş Gayrimenkul Yatırımı A.Ş., she transferred to this company in 2005 and served as Project Coordinator, Sales and Marketing Manager, and Assistant General Manager responsible for Sales and Marketing. Mrs. Dinçkök Eyüboğlu also serves on the Boards of Directors of the Akkök Group companies.

Mehmet Emin Çiftçi
Board Member
Born in 1987 in İstanbul, Mehmet Emin Çiftçi graduated from the Faculty of Communications of İstanbul Commerce University. Having started his professional career in 2006 at Ak-Kim Kimya Sanayi ve Ticaret A.Ş., he currently serves on the Boards of Akkök Sanayi Yatırım ve Geliştirme A.Ş. and other Group companies. Additionally, he is furthering his studies in Business Administration at UCLA in the USA.

Melis Gürsoy
Board Member
Born in 1978 in İstanbul, Melis Gürsoy graduated from Özel Işık High School in 1996 and continued her higher education in Boston, Massachusetts, where she received her degree in Business Administration from Mount Ida College in 2000. She started her business career at Ak-Pa Tekstil İhracat Pazarlama A.Ş.

Erdoğan Moroğlu
Board Member
Born on October 26, 1934 in Gürün, Erdoğan Moroğlu graduated from the Faculty of Law at İstanbul University in 1959. After receiving his attorney's license, he became an assistant in the Land Trade Law Department at the university. In 1966, he became a Doctor of Law, followed by Associate Professor in 1971, and Professor in 1978. From 1971 to 2001, he lectured at İstanbul University's Faculty of Law and from 1972 to 1977 in the Faculty of Economics. Between 1977 and 1979, he taught at Bursa Faculty of Economics and Business Administration (which later became Uludağ University). In the 1984-85 academic year, he lectured in Commercial Law, Banking Law, Capital Markets Law and Notice Law at Dicle University's Faculty of Law. From 1995 to 1998, he served in the Senate of İstanbul University as representative of the Faculty of Law. He retired from the university in 2001.

Since 1961, Prof. Dr. Erdoğan Moroğlu has worked as a lawyer under the İstanbul Bar Association, and served as Chief Legal Consultant and Board Member to many banks and companies in Turkey and abroad. From 1995 to 1997, he was the Advisor to the Chairman of the Capital Markets Board.

Mustafa Yılmaz
Board Member
Born in Tekirdağ in 1949, Mustafa Yılmaz graduated from the Department of Chemical Engineering of the Faculty of Science at Ankara University. He received his master's degree from the same faculty and started his professional career at Etibank Ergani Copper Operations. He joined Aksa Akrilik Kimya Sanayii A.Ş. as Operations Engineer and he served in the departments of Research, Production and Quality Management. Having held the position of General Manager from 2002 to 2011, Mr. Yılmaz has served as Board Member at Aksa since 2002.

CHEMICALS

- Aksa Akrilik Kimya Sanayii A.Ş.
- DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.
- Ak-Kim Kimya Sanayi ve Ticaret A.Ş.

Aksa Akrilik Kimya Sanayii A.Ş.

“2013 has been a year of success for Aksa; we were accepted into theTurquality program and completed the requirements of Seveso Directive. We reinforced our leadership position with our efficiency-oriented business approach, raised our share in the world market by 16%. And merged with Ak-Tops. We are entering the year with greater ambitions and move drive than ever.”

Cengiz Taş
General Manager

A year of sustainable success despite the bigger picture

In the early 2000s, contraction began in the European textiles industry, resulting in a shift of focus towards the Far Eastern markets. This left the Eurozone textile companies facing an uncertain future. The Turkish textiles industry managed to survive this crisis with minimum damage due to its firm infrastructure and had a profitable year in 2013, as usual.

2013 has also been a productive year for the only local acrylic fiber producer, Aksa, where positive financial results were achieved and goals were attained. Thanks to its firm financial infrastructure and coherent strategies, the company closed the year without being affected by the recession in the world markets. Catering to 16% of the world’s acrylic needs with its established capacity of 308,000 tons/year, Aksa sustained its success and strengthened its accountability in the sector.

A year of strong marketing strategies

At Aksa, we aspire to sustain our growth and profitability. We are shaping all our investments and operations accordingly in line with our sustainable profitability goals. Focusing on active domestic marketing activities throughout the year, Aksa hit the record high production capacity utilization percentage of 98%. The Company managed to sustain its market share and increase its sales significantly. As per the international market strategies, Aksa took successful steps towards extending its position in the profitable export markets, sustaining its market presence in the Middle East despite the atmosphere of political and economic uncertainty and establishing its role as a steady supplier in this market. Aksa’s ultimate goal in the markets in question are becoming the primary supplier and creating a second domestic market. To this end, the company has been calibrating marketing strategies that emphasize on building customer relationships.

With the intent to cultivate its innovative and dynamic marketing approach, Aksa formed strategic collaborations in the Far eastern markets, particularly through meeting the Chinese market’s production and quality based demands for value-added products. Moreover, alternative markets in the Far East began to be analyzed and evaluated.

In the scope of its 2013 sales and marketing agenda, Aksa placed emphasized on its market-share raising strategies in profitable export markets and managed to meet its sales targets as a result of successful market research. In addition to these activities, the Company launched new strategies to expand its sales network and increase its sales figures in the US in 2013. Aksa’s diverse product portfolio as well as its long-term sustained success gives it a considerably competitive edge among the world markets.

Increasing returns due to effective business processes

In the light of its operational excellence strategy, Aksa reviewed its business processes with the purpose of achieving a more effective process management in 2013. The company continued to develop yield-oriented projects where highest quality acrylic fiber was aimed to be produced with the minimum costs.

Aksa budgeted a total investment of US$ 72,182 thousand for 205 projects. Among the investments in question, the largest shares go to power plants and productivity-based projects in production.

Meeting the energy needs required for production processes through its own resources Aksa, launched the second phase of a power plant project in June 2013. The power plant holds a production capacity of 100 MW of electricity and 350-ton/hour steam. Thus the Company made significant progress to meet its primary strategic goals, namely accessing the quality, reliable and interrupted energy resources with minimum costs.

Two strong companies under the same roof

As part of the launched re-structuring program in 2013, Akkök Group decided that Ak-Tops Tekstil Sanayi A.Ş. would continue its operations under the roof of Aksa Akrilik Kimya Sanayii A.Ş. To this end, Aksa took over all its active and passive assets of Ak-Tops, which had been one of Aksa Akrilik's 100% owned enterprises since August 2013. The merger process was finalized on December 31, 2013.

The merger is planned to add to the simplicity and efficiency to the management processes as well as add value to Aksa's operations. The merger of two credible companies such as Ak-Tops and Aksa created it a stronger entity.

Supporting local products through Turquality

In July 2013, Aksa qualified for the ``Turquality Program" affiliated with the Ministry of Economy. Being the first and only state supported branding program in the world, Turquality aims to determine the leading Turkish brands that have branding potential on global basis and to provide strength to these brands toward becoming a global brand.

Serving in textiles and industrial textiles sectors in more than 50 countries in five continents, Aksa's credibility and reputation in the global market is closely aligned with Turquality Program's vision of creating "10 global brands in 10 years``. As the largest acrylic fiber producer in the world, Aksa will add international value to the products made in Turkey while expanding its operations worldwide as a result of this program.

Aksa presented a Road Map to the Ministry of Economy where the investments planned to be made within the framework of the program were enclosed. Upon the approval of the Road Map, Aksa qualified to benefit from the government incentives offered to the program participants.

Productivity and quality-centered, sustainable growth in 2014

Aksa focus particularly on maintenance, attitude and sustainability in the year 2014. The Company is determined to continue its quality and productivity-oriented projects with the same persistence next year.

While targeting to increase its domestic market share in 2014, Aksa will continue its operations to strengthen its position in the European and American markets. Aksa also aims to improve the technical and marketing-based services it has been offering to the Middle Eastern markets and thus improve customer intimacy and satisfaction in the year 2014. Among the Company`s goals is also the reinforcement of its emphasis on sustainability in the region where political and economic instability is prevalent.

In addition, the branding efforts made to create brand awareness among final users will continue in 2014.

DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.

"Today we can confidently say that we have made great progress towards attaining our goals. While improving the quality and performance of our products, we also expanded our range of products, offering a broader spectrum of products and services. We strengthened our human resources by hiring people with vast experience in their fields."

Mithat Okay
General Manager

Having developed its proprietary technological infrastructure, with the help of Turkish engineers, Aksa entered the carbon fiber market in 2009 and established the joint venture DowAksa in 2012 based on a 50% equal partnership with Dow Europe Holding B.V., a global participation of the Dow Chemical Company. As a result of this global partnership, DowAksa is one of the strongest candidates targeting leadership in production of carbon fiber and carbon fiber intermediate goods.

DowAksa, aims to offer carbon fiber and derivatives for industrial applications, namely energy, transportation and infrastructure. The Company has been developing solutions that focus on reducing the total costs and also offering the rapidly growing carbon fiber composite industry a wide range of products. Expanding its range of services with technical support DowAksa also performed some business development activities.

Signatory to many international agreements and enterprises since its foundation, DowAksa speeded up its activities which are intended to reduce costs, improve the product portfolio and offer innovative industry-based solutions through strategic/technical collaborations.

In January, DowAksa signed a goodwill agreement with Rusnano and Holding Company Composite (HCC) in order to develop an extensive strategy for the production of carbon fiber based intermediate goods and composite materials. The signed agreement stands out as a milestone for possible collaborations in various fields determined in the agreement signed between Dow and Rusnano in 2011. These fields include energy efficiency, infrastructure, light materials and life sciences as well as DowAksa and HCC's plans on the joint production of carbon fiber in Russia. The agreement aims to meet the needs of not only the Russian market but also international markets in civil aviation, infrastructure, energy, transportation, petroleum and natural gas.

In November, the Company joined "Open Hybrid Lab Factory", a consortium which aims to develop environmentally friendly hybrid automobiles which help reduce emission values while improving performance. DowAksa is an official partner in this project to be carried out by the Braunschweig University and Volkswagen in Germany in 2015.

In the same month, DowAksa USA, LLC, which would contribute greatly to the progress of DowAksa's enterprise, was founded. This enterprise is an important step towards diversification of the product range and assuming active roles in international projects.

In December 2013, DowAksa bought Carbon Wrap business unit of Simpson Manufacturing Co. The unit offers carbon fiber composite solutions in infrastructure and building reinforcement. Carbon Wrap, launched by DowAksa, serves as a solution technology that helps build safer buildings, stronger pipelines and more resilient bridges and roads with lower costs.

In January 2014, DowAksa bought 33% stake in NCC (Nanotechnology Center of Composites), which had been founded in 2011 as a composite-focused engineering and development center. DowAksa Advanced Composites Holdings B.V., RUSNANO and Holding Company Composite (HCC) signed an agreement during the World Economic Forum in Davos. The agreement clarifies the terms of future investments in the Nanotechnology Center of Composites, which is a joint project of HCC, and the Fund for Infrastructure and Educational Programs (FIEP, a member of RUSNANO Group). Each party – HCC, DowAksa and FIEP own one third of the total charter capital of the NCC, which translates to US$ 4.3 million. According to the agreement, the investments to be made in NCC in Russia will start up production of polymer composite materials for the growing industrial sectors including construction, energy and automotive.

In February, The Company signed a joint agreement with Turkish Aerospace Industries (TAI) and the Undersecretariat for Defense in order to manufacture and develop thermoset resin prepreg material, which is used in aerospace industry. Carbon fiber prepreg will be the first locally manufactured material to be used in Turkish aerospace industry. The material that will be developed in line with the world standards will also be offered to the international aerospace industries.

The fact that the industrial structure known as 'clustering,' which is currently exploited in high-technology investments across the world, is developing in the area around DowAksa facilities and around Yalova will, without doubt, strategically strengthen Turkey's hand globally. The clustering model is composed of sectors using advanced material technologies and companies marketing their products are projected to create employment for about 1,000 individuals in both the region and the sector.

Ak-Kim Kimya Sanayi ve Ticaret A.Ş.

"As Ak-Kim , we have had a successful year. Our total turnover increased by 8% than the prior year (in US terms) and our profitability in chemical sales increased by 26%. We established 'AKFERAL' on the basis of equal partnership with the Feralco Group, second largest supplier of water treatment chemicals and coagulants in Europe. We have also become one of the few Research & Development (R&D) centers in the industry after being qualified as a registered R&D center."

Taç Kılavuz Öktem
General Manager (By proxy)

Ak-Kim increased its turnover by 8% in 2013 (in US terms) and displayed 26% profitability increase in chemical sales. In 2014, the Company aims to raise the chemical industry turnover by 19 % (in US terms) and by 15% in the basis of quantity. Ak-Kim plans to allocate a US$ 30 million investment budget for the year 2014.

During 2013, the textiles industry was impacted by the negative atmosphere in the European, Middle Eastern and Russian markets and had to face more uncertainties than the previous years. Thanks to the strategies Ak-Kim has implemented with determination throughout 2013, it was a year of success, particularly in the textile chemicals industry, despite the recession and subsequent downward pressure on the growth.

Taking significant steps in Research & Development (R&D), the Company focused on expanding its product spectrum and developing new projects to improve customer satisfaction.

Ak-Kim took concrete steps in 2013 towards pursuing its grow strategy and established a new Business Development Directorate in the month of May.

New products, exclusive integrated solutions for our customers

Paying utmost attention to suit customer needs and expectations, thereby focusing on R&D activities, Ak-Kim expands its product range accordingly. In 2013, the Company developed 48 new products in performance chemicals industry. In the same year, Ak-Kim launched the NoFear Project, providing a solution to the problem of 'holes formed on garments during the continuous bleaching process' the textiles industry had been struggling with for many years. The first system sale of this project was made in 2013. NoFear project correlates closely with the principle of "Offering Integrated Solutions to its customers" indicated in Ak-Kim's vision statement.

Ak-Kim undertook significant R&D efforts and completed the "Cocamidopropyl Betaine Production" project that had been initiated in the year 2012. In addition to Betaine production, other products intended for home-care industry were also added to the product range. The Company continues its R&D efforts in order to increase continually the value of the company's product portfolio.

A partnership adding value to the turkish water treatment chemicals industry

With respect to its strategy to expand its field of operations in the neighboring regions, Ak-Kim -Kimya started 'AKFERAL' on the basis of equal partnership with the Feralco Group, second largest supplier of water treatment chemicals and coagulants in Europe. AKFERAL's production is based in Ak-Kim facilities in Yalova. We are confident that Ak-Kim's reputation in the industry combined with Feralco's expertise in water treatment will earn AKFERAL a strong regional leadership position in the water treatment industry.

Entering a new phase with our new R&D Center

In July 2013, the new R&D Center with a total area of 2,256 m^2, including 4 laboratories, offices, meeting rooms, conference rooms and lounges of various sizes was opened. Following its application to the Ministry of Science, Industry and Technology, Ak-Kim received its “R&D Center” certificate on October 25th, 2013.

With a strong tradition of engineering innovation, Ak-Kim initiated a systematic review with the goal to enhance its R&D operations in the year 2011. To this end, Ak-Kim set its vision of “becoming a leading R&D Center that generates know-how” along with its mission of “developing new products for current industries, reducing costs and increasing productivity by improving current processes, and offering integrated solutions to its customers that prioritizes environment protection”.

Ak-Kim Research & Development (R&D) Center’s 2014 Action Plan

Ak-Kim R&D Center will continue its operations in line with its vision and mission statements as well as its set strategies in the year 2014. The areas of focus are as follows:

- Ak-Kim aims to develop and launch performance chemicals for the industries of textile, paper and water treatment, cement and concrete. Furthermore, organic and inorganic chemicals, which are currently not being manufactured by Ak-Kim, will be examined in detail and R&D will be conducted in order to develop these technologies and turn them into investments for Ak-Kim.

ENERGY

- Akenerji Elektrik Üretim A.Ş.
- Egemer Elektrik Üretim A.Ş.
- AKCEZ Enerji Yatırımları Sanayi ve Tic. A.Ş.
- SEDAŞ Sakarya Elektrik Dağıtım A.Ş.
- SEPAŞ Sakarya Elektrik Perakende Satış A.Ş.

Akenerji
Elektrik Üretim A.Ş.

"In 2013 which has been a challenging year for our country's energy industry, Akenerji managed to maintain its competitive edge thanks to the right decisions we made. In 2013, our company achieved all its goals with great success."

Ahmet Ümit Danışman
General Manager

Akenerji, which is among the leading companies in Turkey in power generation, has been setting its objectives with the awareness that energy companies hold a great responsibility for a safe future.

With 24 years of experience in power generation, the Company sets an example in the sector by following the most up-to-date production solutions and taking each and every step with an awareness of responsibility towards the environment and the community.

In this respect, Akenerji supports clean and sustainable energy resources and adopts environmental friendly practices. In addition to natural gas-based production, the Company makes sizable investments in renewable energy resources, thereby aiming to diversify and balance the fuel sources in its energy while managing the fuel supply risks.

In 2005, when the Energy Market Regulatory Authority (EMRA) managed its first tenders to build hydroelectric power plants, Akenerji began to invest in developing renewable energy resources. Ayyıldız Wind Power Plant in 2009, Akenerji has also launched Akocak, Bulam, Burç Bendi, Feke II and Uluabat Hydroelectric Power Plants in 2010 and accomplished a leap forward with the further diversification of its fuel portfolio. In 2012, the Company commissioned Feke I, Himmetli and Gökkaya HEPP projects. In 2013, Akenerji increased its share of renewable energy, within the total installed capacity to 60%.

Akenerji continues to develop projects in the field of renewable energy resources with devoted consistency. To this end, the Company purchased İçkale Enerji Elektrik Üretim ve Tic. A.Ş. (İçkale Energy Electricity Generation Industry and Trade Co.) in 2010, which owns the license of Kemah Dam and Hydroelectric Power Plant which had an installed capacity of 160 MW. The Kemah Dam and HEPP Project are important in terms of being the largest HEPP project in Akenerji portfolio. In 2011, the application to increase the installed capacity of Kemah Hydroelectric Power Plant Project from 160 MW to 198 MW was approved by EMRA; the related license modification will take place in 2014. In addition, as the most important projects of the Akkök-ČEZ strategic partnership, a natural gas power plant project, located in the Erzin town of Hatay province is currently in the construction stage. The plant, having an installed capacity of approximately 900 MW, will increase Akenerji's energy production by 2.5 times once it is commissioned in 2014.

An example of balanced growth

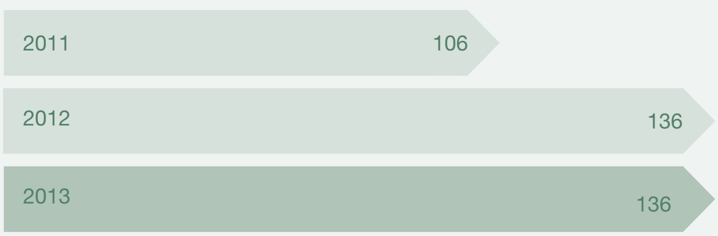
With 24 years of experience and visionary strategies, Akenerji fortified its position as this region's leading power company and sets an example for the sector with its investments in renewable energy resources.

Akenerji, a leading company in the power generation and trade industry, formed a consortium with Akkök and the Czech power company CEZ under the title of "AkCez" in the year 2009.

Akenerji
Elektrik Üretim A.Ş.

EBITDA (TL Million)

In 2013 Akenerji posted an EBITDA worth of TL 136 million.



Impairment provision is provided for TL 35.5 million for the Kemalpaşa Power Plant which is valued at TL 56.9 million.

Akenerji has attained all the goals it set for 2013, by exhibiting a steady growth trend due to its expertise, balanced portfolio structure and efficient risk management. Since 1993, Akenerji has appeared in the Istanbul Chamber of Industry's "Top 500 Industrial Corporations of Turkey" list every year.

Akenerji, has a strong financial structure, vast experience and significant market power. This allows the company to offer the market electric power, which is either generated by its own power plants or supplied by other generating companies. Akenerji continued to offer optimal solutions to free consumers as well as distribution and production companies in 2013.

With the main goal of carrying out all business processes smoothly, Akenerji follows each step closely. In order to prevent possible negative impact stemming from price fluctuations, the Company actively follows up and takes action on the production, supply and sales processes, as well as the shifts in market prices. As part of its strategy to cultivate 'efficiency in production and trading activities', Akenerji strives to ensure that every single unit of energy produced is used in the most productive way. As a result of the Company's high efficiency-oriented approach, Akenerji efficiently operated the resources of its power plants within the scope of the prices realized in the Day-Ahead Market and Energy Balancing Market. In this context, it was also ensured that ancillary services would be provided the in most profitable manner in the year 2013. In addition, with the help of Primary Frequency transfer agreements, the effect of this liability, which has negative impacts on generation companies, on the Company was kept on a minimum.

Akenerji has taken decisive steps towards the reduction of costs in energy trading. One of these steps was the adaption of CFDs (Contract for Difference) that are used in Europe to the Turkish markets. "Risk Sharing Agreement" signed between Akenerji and Sakarya Elektrik Dağıtım A.Ş. ("SEDAŞ") on May 18, 2012 was the first CFD signed in Turkey and the CFD practice was promoted and disseminated in 2013. Introducing CFD to other energy companies, Akenerji acted as a pioneer to sign contracts where the costs were reduced and, at the same time, implementation of an effective risk management system in financial terms was provided.

The Company signed CFD's with five companies in 2013. These contracts allowed Akenerji to conduct wholesale energy trade and, as a first, capacity option sales.

In early 2013, Akenerji launched the Fast-Follower Strategy in order to manage the imbalances related to power generation in the most efficient way possible. This system enables the imbalanced to be detected instantaneously and creates opportunity for immediate intervention.

In addition, Akenerji started a work group with its subsidiaries in order to monitor 'balance', particularly to reduce costs resulting from power generation imbalances. As the leader of this "Balance Monitoring Group", Akenerji incorporated its various production or wholesale subsidiaries in to the project with the intention to create a Group synergy and maximize the benefits. In 2014, Akenerji will continue to put effort in more efficient utilization of the "Balance Monitoring Group" as well as expanding its volume.

Akenerji owes its sustainable success to the consistency in its investment decisions and coherent vision. Akenerji's gross profit increased by 8% since the previous year and was reported as US$ 149 million by the end of 2013.

Full support for renewable energy resources

Given the scarcity of natural resources and global warming, Akenerji presumed that the future investments will favor renewable resources and began its investments in the energy industry in 2005. Starting from this date, the Company has conducted multiple projects simultaneously and by 2012, all renewable energy plants were set into operation. Akenerji, reached a total installed capacity of 388 MW in the renewable energy industry, consisting of eight hydropower plants and one wind turbine. As of 2013, the Company's share of renewable energy resources within the total installed was 60%.

Akenerji will continue its investments in the future at full speed, with the invaluable knowledge and experience it owes to decades of steady growth and investment.

Steady growth followed by a leadership position in the energy industry

Owing to its coherent portfolio in the production phase, Akenerji has made its way among the few companies leading the energy industry over the years. The Company makes offers based upon requested time and capacity required by energy needs of potential customers, using meter and customer-based analyses. Following the approval of such offers, we include not only our own generation sources but also sources of other companies that particularly generate energy using renewable sources into our portfolio; thereby increasing our sales capacity.

Although pricing seems like the most important factor in power generation at first glance, supplier's market experience, know how, quality of pre and post-sales services are equally important. Akenerji's goal is attaining leadership in the power generation industry through working towards solutions and approaches that make a difference.

Akenerji reinforced its leadership position in the wholesale power sales by increasing its trading volume by seven times more than previous years. Today, the company manages a portfolio larger than its production capacity thanks to its constantly increasing success rate. Trading with approximately 900 million kWh of electricity supplied by third parties, Akenerji managed to create extra added value in 2013.

Kemah Dam and Hydropower Plant

Kemah Dam and Hydropower Plant is planned to be built in Erzincan's Kemah district. Currently the Company completed the feasibility stage and moved on to placing applications required for project design and pre-construction permissions.

In 2011, the application to increase the installed capacity of Kemah Hydroelectric Power Plant Project from 160 MW to 198 MW was approved by EMRA. To this end, prior to the related license modification, a new Environmental Impact Assessment (EIA) Report was prepared and presented to the Ministry of Environment and Urbanization. The report is at the final submission stage, waiting for Environmental Impact Assessment (EIA) approval from the Ministry.

Scheduled to become operational in 2017, Kemah HEPP project is expected to generate 560 GWh of electricity per year. This project is a strong indicator of Akenerji's dedication to the generation of renewable energy.

Operations adding value to the energy industry

Akenerji has assumed the role of a pioneer in multiple fields of the energy industry since 1989. A founding member of the Energy Traders Association, the Company reinforced its essential position among the leading organizations in the Turkish Energy Market. In addition, Akenerji has hold official talks with representatives of the private and public sectors as well as the regulatory public organizations throughout the year, with the intent of initiating a Turkish power exchange market. One of the important activities carried out in 2013 by Akenerji was to serve the Secondary Frequency Control framework. The Company assumed an important role in improving the quality of the Turkish electricity grid frequency. Akenerji was also a session sponsor of the ETD/EFET workshop during "All Energy Turkey" which was the first event organized in Turkey in the field of energy trade. Local and international players in all sectors of the energy industry, public institutions and organizers took part in the event.

Egemer
Elektrik Üretim A.Ş.

Erzin natural gas combined cycle power plant, which will further establish Akenerji's current strength in power generation and trade, is currently being constructed in Erzin district of Hatay province. With its production capacity, Erzin will generate an amount corresponding to almost 2.6% of Turkey's total electricity demand. As one of the most important projects of the Akkök-ČEZ strategic partnership, Erzin Natural Gas Combined Cycle Power Plant is the largest investment made by Akenerji to date. With an approximate capacity of 900 MW, Erzin Natural Gas Combined Cycle Power Plant is expected to generate 6.7 billion kWh of electricity per year once it becomes operational in 2014.

Erzin Plant is expected to increase Akenerji's energy production by 2.5 times once it is commissioned in 2014, creating an additional trading opportunity of & billion kWh/year.

EGEMER natural gas power plant project is an extension of Akenerji's environmentally friendly approach. This project will constitute an important step in reducing Turkey's energy deficit through sustainable resources.

The goal of the EGEMER project is to establish an environmentally friendly and highly efficient, modern power plant in the region. The plant's construction has been completed by 90% in 2013. The natural gas pipeline's installation was carried out as well as the RMS welding and BOTAŞ issued the final approval. As of 2013, trial tests have been initiated in the power plant.

AKCEZ
Enerji Yatırımları Sanayi ve Ticaret A.Ş.

"Within the framework of the liberalization of the electricity market, AKCEZ restructured its operations and re-established its organizational assets in the year 2013 with regards to both distribution and retail as stipulated in the Electricity Market Law."

Mehmet Hilmi Karan
General Manager

Strength meets credibility
AKCEZ, a joint venture company established by Akkök Group, one of the leading industrial groups of Turkey, and CEZ Group, one of the leading energy companies of Europe, has entered the Turkish energy industry as a new player. AKCEZ holds a strong position in the ever-expanding electricity distribution and retail sectors in Turkey thanks to the deserved credibility of both partners as well as its dynamic structure.

Capital owner of SEDAŞ and SEPAŞ
During the restructuring of the energy market and the privatization of the electricity distribution companies in Turkey, AKCEZ has taken over SEDAŞ, one of the electricity distribution companies that was privatized the very first, on February the 11th, 2009. Following the separation of distribution and retail sales activities in the beginning of 2013, the company was reorganized into two separate entities –SEDAŞ and SEPAŞ. Both companies lead the way in distribution and retail sectors of the electricity industry, carrying the ball with constantly improving customer satisfaction.

As SEDAŞ that has been taken over by AKCEZ Enerji Yatırımları Sanayi ve Ticaret A.Ş. (Energy Investments Industry and Trade Inc.) has been carrying on its retail sales operations as well as the electricity distribution operations that it has been carrying on in Kocaeli, Sakarya, Bolu and Duzce as a distribution company, it has unbundled its operations, which have been carried on as SEDAŞ electricity distribution company, within the restructuring operations of the free competition market in Turkey, according to the regulation operations within the sector, as a result of the restructuring and regulation operations in accordance with the "Procedures and Principles Concerning the Legal Unbundling of Distribution and Retail Sales Operations" resolution of the Energy Market Regulatory Authority. The retail sales company SEPAŞ, which was unbundled from the distribution company within the scope of operation unbundling, has been present in the sector as of January 1, 2013 and is outgrowing its workspace with each passing day with the aim of servicing not only to its customers in Sakarya, Kocaeli, Bolu and Düzce; but also its customers in all across the Turkey.

Pursuant to the restructuring and regulation operations, common organizational departments such as Administration, Quality Management, Corporate Communications, Internal Auditing, Purchasing and Logistics, Information Technologies, Budgeting and Control, Accounting, Treasury, Human Resources, Regulation and Project Management, and Call Center will continue to serve within the new structure of AKCEZ starting from July 1, 2013. Additionally, Billing and Receivables Management Departments affiliated with the Customer Relations Group Directorate were transferred to AKCEZ as of September 1, 2013.

Highly qualified and talented workforce
In 2013, AKCEZ, supported other Group companies through its highly qualified workforce, renewed IT infrastructure and modern management strategies. Making a transition towards open competition together with all the common service departments, Group companies strive to maintain and enhance their quality and productivity based service approach in the ever-changing energy market in 2014.

SEDAŞ
Sakarya Elektrik Dağıtım A.Ş.

"SEDAŞ, attained all its goals in 2013 in terms of renovation, capacity increase, maintenance and repair and made the expected yearly progress in its region of operation."

Bekir Sami Güven
General Manager

The agreement finalizing the block sale of 100% shares of the grid company SEDAŞ was signed between Turkish Republic Prime Ministry Privatization Administration and Akkök-Akenerji-CEZ (AkCez) Consortium which won the tender with US$ 600 million. Pursuant to the transfer regulation and the final agreement signed on February 1, 2009, AKCEZ has the concession to deliver electricity distribution in these provinces until 2036 and is keen on maintaining its investment program aggressively in the period ahead in order to meet the region's soaring energy demand. AKCEZ is also the sole 100% stockholder of SEDAŞ.

The restructuring process stipulated by the transfer of SEDAŞ to AKCEZ initiated a transformation period for SEDAŞ to establish itself as one of the leading power distribution companies in Turkey. Operating with an installed capacity of 5,977 MVA and a peak demand of 1,951 MW, SEDAŞ offers 24 hour continuous service to a total of 3,2 million people, residing in 45 districts, 66 municipalities and 1,441 villages in an area which covers Sakarya, Kocaeli, Bolu and Düzce.

Owing to its highly qualified workforce, SEDAŞ continues its operations in the Eastern Marmara Region, which is regarded as the heart of the Turkish economy.

SEDAŞ' chief area of operation is distribution of electricity. In addition, the Company is responsible for building and managing distribution premises as well as ensuring efficient and uninterrupted public service, and providing electricity retailers with electricity-consumption calculating services.

SEDAŞ's objective

SEDAŞ aims to offer high-quality electric energy by minimizing unexpected power interruptions.

SEDAŞ's duties

- As one of the largest electric distribution companies in Turkey, the primary duty of SEDAŞ is to provide uninterrupted energy distribution service for 24 hours in the provinces of Sakarya, Kocaeli, Bolu and Düzce and to fulfill all repair and maintenance responsibilities with the goal to minimize number and duration of interruptions. Among SEDAŞ' other duties are replacing the electric meters that are out of order, as stipulated in Law no. 3516, ensuring to reset sealing and calibration settings of those meters whose seals expire by the end of 10th year. SEDAŞ' connection units detect errors in the power lines whose connection infrastructure is built by the customers.
- The company ensures that power consumption is measured on the basis of a set reading period, based on meter reading schedules.
- It is also among the Company's responsibilities to carry out disconnection or reconnection

procedures in line with the related legal requirements as well as dealing with customers who delay or do not make their payments for their power purchase.

- While performing audit services to prevent loss and theft energy consumption, SEDAŞ strives to fulfill all requirements from the renewal of electrical grids and prevention of voltage drops to reducing technical and non-technical errors to minimum by compensating the system.
- Pursuant to the High-Voltage Power Line Facilities Act, SEDAŞ is also responsible for pruning the trees located under or near conductors in the electric transmission lines in order to make sure the transmission lines are not damaged and technical quality standards are acquired.
- SEDAŞ, ensures network management. Automation as well as the configuration and implementation of SCADA systems are carried out in order to enable IT-based remote monitoring of the power networks, quick response time in case of an error and high-voltage management.
- SEDAŞ meets power connection demands for newly constructed buildings and other facilities. It also issues power connection contracts for buildings whose occupancy permit is approved.
- Provisional acceptance for temporary facilities is also under the responsibility of SEDAŞ. SEDAŞ accepts applications by third parties for provisional acceptance and carries out the related procedures. It also prepares the first index minutes for electrometers and provides power.

- SEDAŞ also compensates losses that occur in customer facilities or equipment, livestock or grassfires due to power distribution network errors.
- Aiming for standardization of equipment used in all its facilities, SEDAŞ has also taken steps in this direction.
- One of the most significant tasks carried out by SEDAŞ is to be constantly on the lookout for suitable investment opportunities and get in touch with related partners in its area of operations in order to realize investment projects.
- According to the General Lighting Regulation, the Company is responsible for building lighting and power measurement systems for public use on avenues, streets, under and overpasses, bridges, squares, intersections, walking trails and pedestrian crossings. SEDAŞ also is required to ensure that the consumption measurement systems are in line with the required standards. Expressways and privatized access controlled highways are not under the responsibility of SEDAŞ.

- The Company holds regular meetings with the provincial and local authorities in order to take into account the requests and suggestions of its community partners and take action towards troubleshooting.

Restructuring and improving service quality

SEDAŞ takes new investment decisions by following the industrial innovations and tends closely and improves its services to respond to customer needs in the most efficient way. Performing this approach, the Company has taken significant steps to improve its competitive capacity in the year 2013. Pursuant to the agreement signed with TES-İŞ, 954 employees working for subcontractors were hired by SEDAŞ, which took the Company one step further in its objective to improve service quality. In addition, restructuring activities carried out throughout the year, contributed greatly to the Company's sustainable growth. As a result of the work performed in order to improve efficiency and quality in business processes, maintenance, repair, index reading and disconnection/reconnection power operations were incorporated in SEDAŞ' duties as of July 1, 2013. Call center services were allocated to AKCEZ.

As a result of the new hiring policies in 2013, SEDAŞ accommodates 1,496 employees working for maintenance, repair, index reading and disconnection/reconnection operations.

SEDAŞ runs automatic meter reading operations

Transmitting power to the provinces of Sakarya, Kocaeli, Bolu and Düzce, SEDAŞ began to conduct meter-reading operations internally in order to keep due record of the power consumption of its 1,5 million users. Measurement and Data Management Group Directorate units run meter-reading operations on the basis of user locations. Hand terminals that offer optical, remote or manual power consumption control options are used for index reading.

In 2013, SEDAŞ read a total of 14,008,375 electric meters (for 12 months). 1,526,344 of these meters were read for inspection purposes error code was entered and these information were evaluated.

Stronger infrastructure with right investment decisions

SEDAŞ distributes electrical power over an area of 19,421 km2 including Sakarya, Kocaeli, Bolu, and Düzce, which are among Turkey's most industrialized regions. These areas receive high internal migration because of their attractive characteristics, which in turn, presents an ever-increasing need for electricity and electrical distribution. Thanks to its robust infrastructure, SEDAŞ delivers excellent service in the region.

Striving to deliver a high-quality, uninterrupted power transition service under all circumstances, the

Company has been accelerating its investments for the 2011-2015 five-year period in order to reach TL 302.6 million as determined in 2010. The total investment made in 2013 amounts to TL 101 million.

Taking steps to improve efficiency in power transition

Among the steps taken to enhance service quality, SCADA/DMS project initiated in February 2012 is considered highly important. Designed to improve business productivity, it aims to establish a remotely controlled transmission network and restore power disconnection in a timely manner.

The investment value for the SCADA/DMS project is TL 38.5 million. The project launch is planned for 2015 in all four provinces where SEDAŞ is active.

Improving speed and quality in meter-reading

As a significant step in SEDAŞ' corporate development, Automatic Meter Reading System (AMR) project was continued in 2013. The installation of the AMR system will enable the central system to store data such as ID information, accrual and billing, total active and reactive energy indices, demand data, load profile curves, calibration dates, low battery warnings, as well as electric terminal and cover lid intrusion warnings collected by meters in a chronological fashion. Capable of producing different report layouts, the AMR system will allow subscribers to track their consumption online and will provide great advantages in terms of the timely and accurate monitoring of measurement points, the provision of consistent dates to the billing system, the improvement of meter reading and service quality and the minimization of loss and unlicensed use.

AMR will operate aligned with other e-business applications in use. The system enables the automatic collection and billing of consumption via electronic meters over the Internet. It is also expected that the AMR system will play an effective role in reducing fraudulent consumption carrying SEDAŞ forward in terms of efficiency and quality involving power transmission and sales operations. In 2013, SEDAŞ read 7,536 street lighting readers and 6,079 individual consumer meters.

Continuing to grow in 2014

Emphasizing the role of innovation in growth, SEDAŞ has been striving to improve its current services and increase its investments in order to respond better to customer needs throughout 2013. Furthermore, all maintenance and repair plans made for 2013 has been implemented with great success.

The Transformation Process initiated in 2011 in SEDAŞ has continued its consistent growth in the year 2013. With the awareness that well-equipped work force is crucial in this process, the Company adopted strategies to improve its work force. Taking a visionary approach with the intention to provide its customers a world-class service, SEDAŞ will continue its investments in 2014.

SEPAŞ
Sakarya Elektrik Perakende Satış A.Ş.

“SEPAŞ made a fast entrance into the rapidly growing power retail industry in the year 2013. I wholeheartedly believe that we will achieve all our goals and become a game changer in the industry thanks to our potential and wide vision.”

Rostislav Diza
General Manager

Power line stretching from marmara to the rest of Turkey
AKCEZ Group, a joint venture of Akkök Group and CEZ Group, has unbundled its operations, which have been carried on as SEDAŞ electricity distribution Company, within the restructuring operations of the free competition market in Turkey, according to the regulation operations within the sector. SEPAŞ was founded on January 1, 2013 and the restructuring and regulation operations took place in accordance with the “Procedures and Principles Concerning the Legal Unbundling of Distribution and Retail Sales Operations” resolution of the Energy Market Regulatory Authority (EMRA). In 2013 SEPAŞ change dits brand name and logo within the framework of its corporate identity. In 2014 SEPAŞ continues its operations with the name of SEPAŞ Enerji and new logo.

The unbundling decision made in line with the desired acceleration towards market liberalization contributed to a more competitive market, promoting a more accountable, consistent, quality and customer oriented service model.

Since the individual consumer limit was dropped down to 5,000 kWh by the EMRA, the market expanded, encouraging competition through enabling an increased number of new companies to enter the market. Furthermore, price optimization strategies and brand investments gained importance, resulting in more targeted engagement in marketing and advertising.

After the unbundled decision SEPAŞ, has moved its headquarter from Sakarya to Kocaeli as of July 1, 2013. SEPAŞ, which was previously serving in Bolu, Düzce, Sakarya, Kocaeli and Gebze, started to spread its operations all across the country as of 2013.

Fast adaptation to the ever-changing and developing sector
sales Department, Energy Demand and Balancing Department, Customer Service Centers as well as the Marketing and Retail Customer Directorate, which were established in early 2013, operate in coordination under the roof of SEPAŞ General Directorate. Owing to its effective organizational structure, SEPAŞ adapted easily to the rapid changes that power industry had been facing.

As part of its long-term strategies, the Company began to strengthen its marketing practices, improving its distribution channels and employing advertisement media.

Brand investments & marketing, energy demand & balancing activities in line with long-term strategic goals
combining years of experience, powerful domestic and international partnerships and dynamic staff, SEPAŞ Energy’s goal is becoming the leading company in the Turkish retail power industry and creating sustainable values for all its shareholders by aiming for international standards.

SEPAŞ Energy Marketing Department has two major objectives of creating a brand identity and supporting hot sale as part of its long-term strategies. In line with these objectives, the

Company has been implementing practices in order to improve brand awareness through new-generation marketing strategies and tools. Since individual consumer limit is likely to be abolished in the near future, SEPAŞ has already initiated its endeavors for possible future mass marketing/ advertisement needs.

Following the conclusion of the unbundling process in 2013, SEPAŞ Energy's website was started, digital media accounts have been set up, media relations and communication strategies have been developed, advertisement investments, campaigns and logo/ corporate identity designs have been initiated. The Company also took steps towards diversification and improvement of distribution channels. 'Retail Customer Directorate' was established and the number of branches offering services on behalf of SEPAŞ Energy reached 515. Special trainings were designed for these branches.

Aiming to expand its sales force of 22, SEPAŞ Energy began intense sales activity in the provinces of Adana, Ankara, Bursa, İzmir and İstanbul in 2013.

SEPAŞ Energy offers plans and campaigns aligned with the energy needs of its customers while working on delivering segmentation-driven price optimization solutions in line with the principles of professionalism. Meeting almost all of its energy needs from Akenerji, SEPAŞ Energy reached 263 MW in the retail power industry in the year 2013.

SEPAŞ Energy serves 1.4 million users. In 2013, the total number of individual users reached a total of 11,106 in 2013, 1,673 residences, 8,655 businesses, and 778 industrial facilities.

As a result of the successful sales and marketing strategies in 2013, SEPAŞ Energy's total sales volume amounted to 6,210 GWh for the National Tariff and 1,644 GWh for SEPAŞ Special.

Thanks to the Energy Demand and Balancing Department's rewarding work, there was improvement in the error rates while the electrometer reading system was upgraded. SEPAŞ Energy is keeping up with the implementation and activation of the balance software in 2014.

Transformation in retail sales

In an ever changing and developing market where mass customers started holding critical importance so much as the high-consumption customers, SEPAŞ Energy improved its competitive edge through its B2B and B2C strategies as well as its motto "We shed light on every moment of life". Working towards earning its place among the top 5 leading companies in the sector, SEPAŞ continues to offer top-notch services with international standards.

REAL ESTATE

- Akiş Gayrimenkul Yatırım Ortaklığı A.Ş.
- Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.
- SAF Gayrimenkul Yatırım Ortaklığı A.Ş.
- Ak Turizm ve Dış Tic. A.Ş.

Akiş
Gayrimenkul Yatırım Ortaklığı A.Ş.

Real Estate has been one of Akkök Group's major areas of operation over the last 20 years. Taking the 'shopping mall' concept to a new dimension with Akmerkez, Akkök Group founded Akiş Gayrimenkul Yatırımı A.Ş. with the intention to expand its real estate operations based on its experience and expertise in shopping mall investment and management as well as making new investments. Completing its 8th year in the industry with world-class investments, Akiş REIT has become the leading real estate company owing to its diligence and accountability. With the motto "Each square meter of your life deserves more", Akiş REIT aims to implement exceptional projects that set it apart from others by its high quality standards.

Growth-oriented strategies
Constantly expanding its area of operation since its foundation, Akiş REIT was granted the title of Real Estate Investment Trust in 2012 as a result of its application to the Capital Markets Board. Consolidating its position in the industry with its new title, Akiş REIT assumed control over one of Akkök Group enterprises Ak-Al with all its assets and liabilities in the same year.

With an extensive and rich portfolio that includes shopping malls, residences, land lots and factory buildings, it offers investors to invest in different areas of real estate with a single company equity stock. Thanks to its strong financial structure, Akiş REIT is one of the fastest growing companies of Akkök Group received the title of Real Estate Investment Trust and, as of January 9, 2013, began to be listed in the Istanbul Stock Exchange, Collective Products Market.

"High Street Retail" as a new investment alternative
The Company has followed the real estate market developments and opportunities closely in the year 2013 and worked on promoting new strategies in order to diversify the project portfolio. As part of the portfolio restructuring process, all of Akfil Holding and Garanti Koza Akiş Inc. shares were sold and as a new investment opportunity, high-street retail operations have been initiated. The Company launched its plans to develop projects in high-street retail sector by making real estate investments on Bağdat Street in 5 different parcels. These projects are expected to earn Akiş REIT considerable rental income.

Investments adding value to urban transformation
Following the Company's conversion to "Real Estate Investment Trust" status, the real estate development projects picked up speed.

Following processes such as urban development, zoning of 2B parcels, and the infrastructure investments lead by the public sector, Akiş REIT aims to diversify its project portfolio with new real estate investments for the long-term benefit of its shareholders and partners.

Akiş REIT is also planning to implement branded projects particularly in the mainly upper class neighborhoods in Istanbul where there are still old buildings with lower property values.

New investments with various concepts

Akiş REIT's modern and innovative projects are designed to contribute to the Turkish real estate sector with a new vision. The Company follows domestic and international real estate developments closely and makes right investment decisions that will add value to the sector.

Akiş REIT delivers exceptional comfort and quality to its customers while improving the market value of the neighborhoods it invests in. Inviting an authentic perspective into living spaces, the Company was granted international awards for its Akbatı and Akasya projects.

Akbatı

Akbatı Shopping Mall & Residences Project, 100% of which is owned by Akiş, located in Esenyurt offers its residents a prestigious life style along with a wide range of amenities. An investment of totaling to more than USD 250 million was made in scope of the project which is one of Akiş REIT's sources of pride in the real estate sector.

Akbatı Shopping Mall began hosting visitors in September 2011 and Akbatı Residences opened their doors in 2012.

Akiş REIT owns 100% of the shares in the project, which accommodates the Shopping Mall on four levels, and offers 350 residence units ranging from 1+1to 4.5+1, as well as lofts, apartments with terraces, penthouses and duplex units at the 21-storey Blue Tower and the 11-storey Green Tower.

Shopping Center includes nearly 200 stores, nine movie theaters, and specially designed recreational areas. There are also playgrounds and training areas for kids, a parking lot with capacity for 3,000 vehicles, and a Restaurants Avenue where you can enjoy food from around the world; all within a leasable area of

65,496 sqm, spread over four floors. Holding a capacity of 5,000 people, Festival Park, is one of many features distinguishing Akbatı Shopping Mall from others, hosting cultural activities, concerts and festivals and offering quality and fun times.

Celebrating its second year, Akbatı Shopping Mall has organized many free activities including 236 different activities for kids, 141 Cooking Workshops, 183 Yoga & Pilates classes, 54 Talks, 11 Autograph Sessions, 7 Exhibitions, 14 Concerts, 4 Plays and countless Music Recitals.

Akbatı Shopping Mall & Akbatı Residences contributed to the real estate sector with the national and international awards. 2013 has also been a year of accomplishment, increasing the number of awards received over the last two years to a total of 16.

In 2013, Akbatı Shopping Mall received a platinum award in the "Community Relations" category at the Hermes Creative Awards due to the social activities organized that enriched the social life in the area.

Competitions organized by the Association of Marketing & Communication Professionals (AMCP) have grown to perhaps the largest of its kind in the world with about 5,000 entries per year. Akbatı Shopping Mall's has also been graced by AMCP awards due to its contributions to the social and cultural life of its community.

In 2013, Akbatı Shopping Mall received two bronze awards at the Stevie Awards, one in the "Communication/PR Campaign of the Year -Social Media Focused - Europe" category and the other in the "Communication/PR Campaign of the Year - Community Relations -Europe" category.

Again in 2013, Akbatı Shopping Mall won first place in the "Retail-Built" category at the Cityscape Awards for Emerging Markets 2013 out of more than 1,500 participants among which were organizations and professionals from 120 countries. At the Cityscape Awards ceremony where leading players of the real estate industry gather, the international jury made the following comment on Akbatı Shopping Mall: "An excellent design and project responding to the market's expectations with a competitive edge".

At the Marcom Awards 2013, Akbatı received three platinum awards in the "Community/PR/Special Event," "Community/PR/Public Relations Program" and "Community/PR/Corporate Social Responsibility" categories as well as a gold award in the "Community/PR/Special Event" category.

Last but not the least, Akbatı Shopping Mall & Akbatı Residences, which add value Istanbul's west side and Esenyurt, have received a certificate with arating of "Good" from the world's leading green building assessment system, BREEAM (BRE Environmental Assessment Method), due to their environmentally-friendly practices that focus on energy efficiency.

Akbatı White Tower (Beyaz Kule)

In Esenyurt, near the Akbatı Shopping Mall, Akbatı White Tower boasts 100 residences on three acres of land, offering various types of apartments, ranging from 1+0 to 4+1. The company closed sales since all units were sold.

Projects with Partners

Akasya Acıbadem

One of Akiş REIT's enterprises, Akasya Acıbadem project is located on a 121,000 square meter area in Acıbadem, Istanbul. The project has saleable space of 206,100 square meters divided into the three phases of Akasya Göl (Lake), and a total of 1,357 residences. All of the 891 units constituting the first two phases were sold and delivered; 352 units from the Kent phase were sold in a short span of time. The last phase was initiated in 2013. Within the scope of this project, the Company is constructing the largest shopping mall on Istanbul's Asian side within the Kent stage (third and last stage) that has a total of 80,000 square meters of leasable space. The shopping & life center opened its doors on March 6, 2014.

Occupying a special place in the real estate industry thanks to the awards it received from distinguished organizations, Akasya Acıbadem draws attention with its design and quality residences on the Anatolian side of Istanbul. In 2013, Akasya Acıbadem added more awards to those it received in 2012. MIPIM, an outstanding and prestigious fair, which gathers the developers and investors of the real estate sector,

selected Akasya Acıbadem project as one of the 32 finalists in the category of "Best Residential Development". The project also won the first place in the category of People's Choice Awards. In addition, in 2013 the project met with international investors in the world's most prestigious real estate and retail fair MAPIC.

Global atmosphere friendly Akasya Acıbadem Residential Project was awarded the BREEAM Certification (Building Research Establishment Environmental Assessment Methodology) in the year 2013, thanks to its right use of resources, the solutions it proposes for local problems, improved internal air quality, the emphasis placed on health and the systems installed to avoid long-term environmental impacts.

Akkoza

Akiş REIT sold its share of 25% in Garanti Koza Akiş Inc. on March 11, 2013 thereby ending its partnership in the project.

Akiş REIT projects that add value to the sector in 2014

Adding value to the real estate industry since the day it was started, Akiş REIT will continue its role as a leader in 2014 through authentic and innovative projects. The Company also plans to make considerable and sustainable rental income through its new investment 'high-street retailing'. Another aspiration of Akiş REIT for 2014 is to undertake an urban transformation project with mixed use in one of Istanbul's central districts. Acknowledged as one of the most significant actors of the sector by leading new trends at the right location and right time, Akiş REIT follows the ever-changing sector trends and socio-economic developments closely to implement visionary projects. Akiş REIT commits to offer investors attractive projects that will expand the real estate spectrum.

Akmerkez
Gayrimenkul Yatırım Ortaklığı A.Ş.

"2013 highlights a year of accomplishments for Akmerkez REIT team who successfully created a living space far beyond a shopping center, accommodated itself to competition with the façade restoration project, effective implementations targeted for customer satisfaction, cultural and artistic activities and its dynamic organizational structure."

Murat Kayman
General Manager

Inaugurated in 1993 as a joint venture between the Akkök, Tekfen and İstikbal Groups, Akmerkez presents a comprehensive life center combining shopping center, residence and office functions, thereby enriching social life in Istanbul since its inception. Owing to its perfect location at the heart Istanbul, state-of-the-art building technology, high-end retailers and a superior quality and service philosophy, Akmerkez has enjoyed a distinct position in the sector from the day it was inaugurated.

Offering its guests a modern, esthetical and comfortable experience thanks to its vision for innovation, Akmerkez strives every day to go beyond being just a shopping center. Akmerkez stands out as a remarkable example in the real estate sector due to its authentic design as well as its dedication to animate he urban life through social and cultural activities. Diversifying and improving its store base, Akmerkez also redefines the concept of "shopping center" while adding value to the communities by partaking in social responsibility projects.

Having based its service manner on international standards, Akmerkez is an extraordinary project that has always been a source of inspiration for numerous investors who seek new investment ideas in the Turkish real estate industry. Since its Initial Public Offering (IPO) in 2005, Akmerkez has attracted many foreign investors and has contributed to the steadily increasing tendency of the Akkök Group to invest in real estate. In 2013, Akmerkez continued to enrich its project portfolio and strengthened its international reputation with the numerous awards it received.

Elegance meets functionality: Akmerkez Residence

The city's first choice of an elite group of admirers since 1994, Akmerkez Residence offers guests a choice of equally sunlit apartments because of its triangular shape, where elegance and functionality meet. The apartments vary in size from 96 to 306 square meters, and the minimal decorative lines in the Italian style definitely attract one's attention. However, this minimal approach in no way counters the optimal approach to services and amenities. All the residents have full advantages to include a fitness center, sauna, swimming pool, indoor parking garage, and laundry and dry cleaning services 24/7. The exclusive security system with state-of-the art technology affords residents the safest living environment in the city center.

Combining luxury with technological convenience, Akmerkez Residence is preparing to undergo an extensive renovation in 2014 and welcome its guests with its brand new appearance. A modern living space designed to deliver limitless comfort; Akmerkez Residence will be an excellent choice for those who love urban living.

Distinguished awards to the firsts

setting an example for the other shopping centers in the sector, Akmerkez undertook many projects most of which were 'firsts' in Turkey. These projects brought 15 awards to Akmerkez in 2013, granted by the most distinguished organizations in the sector. Celebrating 20 years of accomplishment, these awards also demonstrates how commitment and determination lead to success.

Welcoming change and dynamism, Akmerkez took the concept of shopping center to a multi-dimensional level. In 2013, as the pioneer of the shopping and lifestyle center concept in Turkey, Akmerkez received international awards for its innovative projects. Awarding upscale and creative projects in the marketing communications industry, the Hermes Awards, IPRA Golden Awards, ICSC Solal Marketing Awards and Stevie International Business Awards honored Akmerkez with a total of 6 prestigious awards.

Akmerkez realized a first in Turkey with the interactive show “Let your Wish Fly” which was prepared for the New Year’s Eve on 2012. Visitors celebrated the New Year with delight at the event in which thousands of New Year’s wishes that were tweeted with the hashtag #dilekleriniucur were flown inside Akmerkez as clouds of foam. This show brought two Hermes Creative Awards in Social Media/Twitter and social Media/Consumer Engagement Categories. In addition, the show received another award from Platinum PR Awards, which given to PR agencies and non-profit organizations.

Akmerkez received Silver Award in the Cause Related Marketing category for its Young Artists Group Exhibition and in the AVA Digital Award’s Digital Media category for its ‘Quest for 7 Elephants’ project at the ICSC 2012 Solal Marketing Awards; one of the most prestigious marketing award programs in the industry where 173 projects were evaluated this year. The campaign, designed to have the visitors search for elephants hidden at Akmerkez using an app that they downloaded on their smartphones or tablets, returned from MarCom, Hermes, ICSC Solal Marketing, IPRA and Stevie International Business with five awards. The awards demonstrate that Akmerkez attained its goal to host uniquely entertaining experiences as well as offering its guests an exclusive comfort and variety. The Project was a first in Turkey in terms of using event architecture to integrate cyber and real spaces.

In 2013, Akmerkez received two awards from Hermes Creative Awards, one of the most prestigious awards in marketing communications: “Universal Turkish Tastes” project and “snow fall at Akmerkez” event. In addition, “Creative Director Mindset” viral video and “Boyamiko” projects won the silver and bronze Stevie International Business Awards and earned all three MarCom Awards with the “Boyamiko” project. In the year 2013, Akmerkez has been honored by a total of 15 very prestigious awards.

A new concept of placing art in living spaces

Combining the shopping center concept with art activities Akmerkez, continued to host the works of prominent artists in its gallery. The art activities extending Akmerkez beyond being just a shopping center have been diversified with the addition of new projects in 2013.

“Art in Akmerkez 9” event was organized in collaboration with Tunca Art Gallery continuing to display the works of eminent Turkish and foreign artists to art lovers in an area of distinguished ambiance in 2013. Akmerkez also began to offer its guests various art workshops such as “Art History”, Modern Art”, Photography”, “Visual Perception” and “ Collection Tips”.

Akmerkez exhibited the trademark works of the prominent artist of the Turkish painting Bedri Rahmi Eyüboğlu in the first major exhibition of the year. Akmerkez exhibited the trademark works of the prominent artist of the Turkish painting Bedri Rahmi Eyüboğlu in the first major exhibition of the year. Turkish artist Bedri Rahmi Eyüboğlu’s never before seen Japanese paperworks, made between 1960 and 1962 while the artist was in America got a lot of media coverage after the exhibition at Akmerkez’s art center. The exhibition displayied the skills and artistic principles artist developed in America and how used them in Turkey after his return. Another exhibition in 2013 that attracted great interest of art lovers, was a group exhibition titled, “Farklı Dünyalar (Different Worlds),” which brought together four young artists from different art disciplines. Through their works, Nevres Akın, Raşit Altun, Hülya Bakkal and Ferit Yazıcı expressed new proposals by emphasizing differences in richness and diversity of today’s art scene, attracted great public attention.

Akmerkez welcomed summer in the city with the “Contemporary Group Exhibition” curated from a wide array of artists from different eras and techniques. Among these artist were Burhan Doğançay, Erol Akyavaş, Kemal Önsoy, Mustafa Ata, Devrim Erbil, Şevket Dağ, Bedri Baykam, Neşe Erdok, Sabri Berkel, Abdurrahman Öztoprak, Komet, Alaattin Aksoy, Devrim Erbil, Ömer Uluç, Özdemir Altan, Adnan Çoker, Ergin İnan, Turan Erol, Haluk Akakçe, Ahmet Güneştekin, Ahmet Oran, Nuri İyem, Abidin Dino, Nuri Abaç, Necdet

Kalay, Leyla Gediz, Asım İşler, Zekai Ormancı, Ebru Uygun, Balkan Naci İslimyeli and Kezban Arca Batıbeki.

The last exhibition of the year was a mixed sculpture exhibition titled "Form-Venue-Time, a Cross-section of 100 Years of Turkish Art of Sculpture," which opened its doors on December. The exhibition featured many important works of sculpture from naturalist expression to abstract works and greeted art enthusiasts until January. This exhibition featured works by 50 esteemed artists, including masters that helped publicize the art of Turkish sculpture, such as Kuzgun Acar, the first Turkish woman sculpture Nermin Faruki, and our first female sculptor, Ali Hadi Bara, as well as new-generation sculptors like Güncel Öztürk and Kazım Karakaya.

Full support to young artists
Akmerkez has continued to provide support to young artists in 2013 by sponsoring various projects throughout the year.

Akmerkez has continued to provide support to young artists in 2013 by sponsoring various projects throughout the year. Akmerkez has implemented the FashionOnAir initiative for four years with different concepts to create significant professional opportunities for young designers who will spearhead the future of fashion. Having provided the opportunity to showcase the works of young artists to the public at large in the previous year, Akmerkez played host as the main sponsor to the country's final competition of the Cannes Young Lions, which it sees as an investment in Turkey's creative prospects. The Young Lions competition brings together the brightest minds in the Turkish communications, marketing and advertising sectors. The young talents who passed the national competition had the opportunity to compete at Cannes Young Lions at the international level with the support of Akmerkez.

Akmerkez was also the main sponsor of the 'GQ Man of the Year Awards', Turkey's most prestigious style and design event.

Sacred geometry spells glowed in Akmerkez
Promoting creative design since the first day it opened its doors, Akmerkez was home to another exceptional activity in 2013, "Bee Goddess by Akmerkez" by Ece Şirin. Ece Şirin introduced her magical jewelry brand "Bee Goddess" with the "Sacred Geometry" collection, offering a journey to the strengths of transformation and self. A special reception was held in the sponsorship of Akmerkez for the promotion of the

"Sacred Geometry" collection. Leyla Alaton partook in the event with her speech "Bringing Creativity into Life" and Esra Üstar Oğuz delivered a talk titled "Writing our own Mythology". Participants from various circles from business, art and society life attended the night, admiring the new collection of Bee Goddess.

Center of freedom and creativity for youth
In line with its mission to support children in enhancing their creativity and imagination, Akmerkez continued to hold entertaining workshops for youth in 2013. Workshops offered on Saturdays between 2 pm-4 pm help children raise awareness around the environment, nature, recycling, animals, and ways of self-exploration, future careers and information on other countries. In addition to these informative activities, children can have a chance to cultivate their creative power through fun and exploration of various forms of art.

Details that make special times 'special'
placing delightful customer experience first in priority, the outstanding events Akmerkez organized throughout the year on special occasions received wide recognition and applause.

Turkey's first 3-D open storefront: Fashion Side Out
In its Fashion Side Out initiative, launched in 2012, Akmerkez became the first in Turkey to use three-dimensional windows. The Pop-Up Store, which emphasized the display design of the window, was presented to the warm reception of Akmerkez visitors with three different concepts throughout the year.

Fashion Side Out was continued as part of the award-winning Fashion Air Project which presents young designers to the general public.

Gates of the fantastic world opened for children: "magnet city by Akmerkez"
Inspired by "Pixel Art," or the art of painting by bringing together pixels in different colors, Magnet City by Akmerkez was presented to families with children in September 2013.

A colorful and fantastic world where children can touch, wander within and use their imagination, Magnet City is also the place where they create their own special object/story and become the hero of their own stories in the colorful world of pixels.

Children who visited Magnet City created their own object or heroes by using approximately 20,000 colorful magnets placed on eight different magnet towers. Hosting about 10,000 visitors, Magnet City was the focus of attention from both youngsters and adults.

New Year's excitement in Akmerkez
Just a few days before New Year's Day, Akmerkez hosted two Turkish pop music stars, Sertab Erener and Işın Karaca. First İstanbul Gelişim Orkestrası (Istanbul Development Orchestrate) enthralled the audience with an unforgettable performance owing to their 44 years of making music. A night full of music went on with a wonderful concert from famous pop singer Işın Karaca. On the following night, Akmerkez guests had an unforgettable night with the pop star Sertab Erener whose show was received with great applause.

SAF
Gayrimenkul Yatırım Ortaklığı A.Ş.

"We became one of the most respected companies in the real estate sector through our contribution with different and prestigious projects. In the first quarter of 2014, we will open Akasya New Generation Life Complex where the most exclusive foreign and Turkish brands will offer their products. Taking strength from its accomplished real estate portfolio, our Company is determined to perform projects that will add value to the investments of our shareholders in the coming year."

Zeynep Akdilli Oral
General Manager

Boasting the fourth largest market capitalization among all REITs listed on the Borsa Istanbul, Saf Gayrimenkul Yatırım Ortaklığı A.Ş. was established at the Extraordinary General Assembly dated October 31, 2011 with a resolution to merge Sağlam Gayrimenkul Yatırım Ortaklığı A.Ş. and Saf Gayrimenkul Geliştirme İnşaat ve Ticaret A.Ş. Akkök Group of Companies controls a 33.73% stake in SAF REIT which has a market capitalization of TL 1,179,180,219 as of end-2011. The Company's capital increased to TL 886,601,669 and registered capital ceiling was increased to TL 2,000,000,000. As of December 31, 2014 the market value of SAF REIT is TL 984,127,853.

Prestigious project on the Anatolian side of Istanbul: Akasya Acıbadem

The Company built the Akasya Acıbadem project on a 121,000 square meter tract in Acıbadem, Istanbul. The project has saleable space of 206,100 square meters divided into the three phases of Akasya Göl (Lake), Akasya Koru (Woodland) and Akasya Kent (City). The Göl phase includes 463 residential units, Koru has 436 and Kent includes 458 units, for a total of 1,357. All of the 891 units constituting the first two phases were sold and delivered; 352 units from the Kent phase were sold in a short span of time. The Company is constructing the largest shopping mall on Istanbul's Asian side within the Kent project that has a total of 80,000 square meters of leasable space. In addition to the Akasya project, the Company portfolio features the Fecir Business Center on 18,836 square meters; the Rozi Factory Building on 30,202 square meters; Antalya BTM Building on 4,230 square meters; Altunizade BTM Building with 3,454 square meters; and 615 square meters of office space at the Mecidiyeköy Business Center. Akiş REIT's part in the Shopping Center Project was leasing out the stores until February when the Center will open its doors. When completed, it is estimated that the project will generate a net annual lease income of US$ 45 million. Located on a central spot in the Asian side of Istanbul, Akasya Acıbadem Project will bring life to the Asian side once the Kent phase is finalized.

Powered by the in-depth business know-how and expertise of its main partners, SAF REIT has become the first choice of all investors and those willing to purchase premium quality homes, beginning with its first project, Akasya Acıbadem. The Company is intent on further raising the quality bar with new projects to be commercialized in the coming period.

Other SAF REIT projects

Thanks to the vast sector-related experience of its partners, its professionalism and its visionary management, SAF REIT will continue to add to its reputation in the real estate industry with the projects to be developed in 2014.

In addition to the Akasya Project, SAF REIT has the following real estate projects in its portfolio:

- Fecir Business Center with an enclosed area of 19,836 m^2
- Rozi Factory building with an enclosed area of 31,913 m^2
- Antalya BTM Building with an enclosed area of 4,230 m^2
- Altunizade BTM Building with an enclosed area of 3,454 m^2
- Mecidiyeköy Business Center with an enclosed area of 418 m^2 (six offices)

Ak
Turizm ve Dış Tic. A.Ş.

Investments near the city, but far away from traffic

Akkök Group started Ak Tourism for its tourism investments on Kaşık Island, which has a high investment value since it is conveniently located 40 minutes from city center. A fully equipped conference center and a health/lifestyle center are planned on Kaşık Island with an awareness to preserve the natural environment of the island. The project will offer urban dwellers cultural and touristic itineraries away from the city's chaos.

Kaşık Island offers rich investment opportunities by being close to the city center and yet presents an opportunity to escape from the hubbub, noise pollution and heavy traffic. The idea for the creation of a fully equipped conference center and a health/lifestyle center has been a top priority.

When evaluating its investment decisions, a primary issue for Ak Turizm has been the desire to preserve the natural environment of Kaşık Island. With this goal in mind, only 7,600 m^2 of the total 52 thousand m^2 site have been allotted for construction.

TEXTILES

- Ak-Tops Tekstil Sanayi A.Ş.
- Aksa Egypt Acrylic Fiber Industry S.A.E.

Ak-Tops
Tekstil Sanayi A.Ş.

Ak-Tops conducts acrylic dyeing tops and bumps manufacturing and fiber cutting on a total area of 88,500 square meters, of which 40,000 square meters is enclosed. With over 250 employees, Ak-Tops cater for the knitting, weaving, blanket and carpet industries. The Company has a 50,000 ton per year capacity for acrylic dyeing, 45,000 tons per year for tops, and 140,000 tons per year for fiber cutting.

As part of the launched re-structuring program in 2013, Akkök Group decided that Ak-Tops Tekstil Sanayi A.Ş. would continue its operations under the roof of Aksa Akrilik Kimya Sanayii A.Ş. To this end, Aksa took over all its active and passive assets of Ak-Tops, which had been one of Aksa Akrilik's 100% owned enterprises since August 2013. The merger process was finalized on December 31, 2013.

Aksa Egypt
Acrylic Fiber Industry S.A.E.

Aksa Egypt, the main production base of Akkök Group in North Africa, continued its activities in 2013 to maintain and strengthen the presence of its parent company Aksa Akrilik Kimya Sanayii A.Ş. in the North African textiles market. However, due to the instability in the region, which inevitably impacted the Egyptian market, Aksa Egypt's capacity utilization slipped to 60%.

With the presidential and parliamentary elections coming up in 2014, Egypt's political and economic stability doesn't promise much improvement. Aksa will utilize its resources in the most effective way in order to maintain its stable presence in the region in the face of the above-mentioned political and economic fluctuations. The Company is planning to seek investment opportunities in potential export markets in Africa and thereby increase its annual capacity utilization rates.

SERVICES

- Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş.
- Akdünya Eğitim Eğlence Sanat Yatırımları ve Dış Tic. A.Ş.
- Ak-Pa Tekstil İhracat Pazarlama A.Ş.
- Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş.
- Dinkal Sigorta Acenteliği A.Ş.

paper moon

Akmerkez
Lokantacılık Gıda San. ve Tic. A.Ş.

Paper Moon; a city classic that unites Italian flavors with comfort

Following Milano and New York, Paper Moon, a world-renowned Italian restaurant was opened in Istanbul Akmerkez in 1996. Since then it has been owned and managed by Akmerkez Lokantacılık. With its chic interior design, tranquil ambiance, meticulous service and savory cuisine, Paper Moon has become an Istanbul classic in a very short time.

Thanks to the diligent management and service quality of Akmerkez Lokantacılık, Paper Moon is today one of Istanbul's most select and prestigious names for fine dining. A staff of 77 serves under the direction of Italian chef, Giuseppe Pressani. All employees are subject to two-week appraisals of their skills by the Italian consultant Paolo Lattanzi four times a year, ensuring the continuity of food and service quality, along with a select ambiance.

Paper Moon offers a special environment to its customers thanks to its central location, interior design and lighting, all of which were acknowledged with various awards. Paper Moon's success and high quality were acknowledged in 1997 with the "Interior Design Award" from Restaurants and Institutions-New York and with the "Interior Lighting" award by Lumens-New York in 1998.

Akdünya
Eğitim Eğlence Sanat Yatırımları ve Dış Tic. A.Ş.

"We are opening the first theme park that combines entertainment with education in the first quarter of 2014 in Akasya Acıbadem New Generation Life Complex. We are happy to introduce this amazing world to children and their parents."

Lara Sayınsoy
General Manager

Started in February 2009, Akdünya is the main franchise for KidZania in Turkey. KidZania, an indoor family edutainment theme park recognized globally for its unique blend of education and entertainment, rendering real life experiences that empower, inspire and educate children, is currently present in 15 locations in 12 countries. It is the fastest growing kids brand in the world, which collected so many awards in the sector. KidZania is now in 11 countries around the world, including Mexico, Portugal, South Korea, Indonesia, Malaysia, Japan, UAE, Chile, Thailand, Kuwait and, most recently, Egypt.

KidZania is the brainchild of Xavier López Ancona, a Mexican entrepreneur who has always possessed a passion for entertaining and educating children. Founded in 1996 by López Ancona and a group of fellow Mexican businessmen, KidZania has already entertained and engaged over 25 million people in fourteen locations around the world. Kidzania plans to open parks in 9 more countries until 2015, including Turkey (İstanbul), the UK (London), the USA (Chicago), Brazil (Sao Paulo), the UAE (Jeddah), Singapore (Singapore), Russia (Moscow), The Philippines, (Manila) and Qatar (Doha).

KidZania: Republic of Exploration and Fun

The child city KidZania salutes Turkey in Akasya New Generation Life Complex. KidZania gives children the opportunity to play roles by allowing them to emulate, re-enact and participate in activities and experiences. While role-playing is fun, it also has positive educational, psychological and motivational benefits. This makes KidZania a unique educational city, which stimulates creative thinking and boosts levels of self-esteem and self-confidence for children aged 4-14. There is also another activity section within KidZania that is designed for children aged 0-4.

There are 60 "establishments" in KidZania offering 90 authentic role-playing activities. Kids can play and experience the jobs that their parents are doing – from surgeon and pilot to fashion model and hair stylist. What makes it so much fun is that the children play in a kid-sized city – complete with restaurants, banks, grocery stores, and hospitals – where the kids get to be adults, doing the things most of us do on any normal day.

While preparing the children to the future through a simulation of real world, KidZania is offering them a lot of fun in a learning environment. This is a place where kids can work, learn and play. KidZania begins in with a flight ticket and a cheque. Each child then goes to the official bank of KidZania with the cheque to receive the Kidzo, KidZania's currency, which they can use to buy their needs. When they ran out of cash, they have to work, where the supervisors teach them how to perform the profession they've chosen. At the end, they earn money and that's how they can feel the value of their work and learn new values and skills every time they visit. Pedagogues and game experts who consulted for the development of the activities highly recommend KidZania.

With an investment of US$ 20 million, KidZania Republic of Exploration and Fun is planned to be open its doors in the first quarter of 2014. Located on an area of 9,900 m^2, KidZania is expected to host an average of approximately 600-800 thousand visitors per year. The park will create more than 400 jobs.

Ak-Pa
Tekstil İhracat Pazarlama A.Ş.

"As Ak-PA, we accomplished to build an organizational structure that encourages valuing relationships. We attained our goals to deepen our knowledge of the market and to adopt a customer-oriented corporate culture in 2013. We raised the bar of professionalism and will keep growing to greater heights."

Celal Özel
Chairman of the Executive Board

Our brand empowered by new products
Ak-Pa was founded in 1976 to handle international marketing activities and export operations of Akkök Group of Companies. The company started its activities with the trade of natural and synthetic fibers, and by adding new products developed two major product groups such as the Fiber Group (bamboo, wool, viscose, polyester) and the Yarn Group (polyester filament, nylon filament, viscose and cotton blend spun yarn) to its portfolio. Ak-Pa became one of the largest players in the market by exporting to more than 70 countries in five continents. Ak-Pa is reorganized in 2007 and began Non-Group Products TRADE, in order to make Turkish Textile Industry avail from its experience over 35 years and since then added other semi-finished textile products such as filament yarns and spun yarns to its portfolio.

In 2013, The company started its activities with the trade of natural and synthetic fibers, and by adding new products developed two major product groups such as the Fiber Group (bamboo, wool, viscose, polyester) and the Yarn Group (polyester filament, nylon filament, viscose and cotton blend spun yarn) to its portfolio, became one of the largest players in the market.

2013: a year of steady growth
In 2013, the company reached an export volume of US$ 375 million and an import volume of US$ 40 million per year, maintaining its position as a leader in the textiles industry. Ending 2013 with extraordinary success, the Company undertook the export operations of other Group companies and attained all the set goals in Non-Group product trade.

Growth in non-group trade
Ak-Pa is reorganized in 2007 and began Non-Group Products TRADE, in order to make Turkish Textile Industry utilize its experience over 35 years and since then added other semi-finished textile products such as filament yarns and spun yarns to its portfolio. Taking into consideration the new requirements born parallel to the development of Turkish Textile Industry, Ak-Pa has started representation activities in order to increase the market segment being served.

While providing export operation services to the Group companies in 2014, Ak-Pa also aims to put its vast experience in the industry to use in order to grow its non-Group trade operations in volume and value.

Our awards are the validation of our success
the outstanding achievement of Ak-Pa has been validated with various awards over the years. During the Award Ceremony of Export Champions in 2011 and 2012, organized by TIM (Turkish Exporters Assembly) Ak-Pa was honored with Turkey Export Champion Achievement Plaque by the Prime Minister of the Republic of Turkey.

Ak-Pa was the first company to receive a Platinum Award from the Association of Textile and Raw Materials Exporters of Istanbul in 2009 in recognition of the highest volume of exports recorded and in 2012 Ak-Pa received the same award for the third time.

Aktek
Bilgi İletişim Teknolojisi San. ve Tic. A.Ş.

"Aktek was established in 2007, initially to provide IT support for the Akkök Group including WAN, LAN, system management, ERP implementation and support, web hosting and various back office applications. In the coming years, it became a strong technology company that provides IT support to more than 30 commercial organizations."

Reha Çetin
General Manager

High standards in IT sector
Aktek, set up as a subsidiary of the Group in the previous year, closely follows developments in information technology and provides fast, high-quality services primarily for the companies of the Group.
Thanks to the Research and Development strategies, Ak-Tek has been constantly improving its information technologies. The Company aims to reach the highest service standards to ensure that all Group companies operate with the most up-to-date technologies. Determined to stand out as one of the most prominent companies in the IT sector, Ak-Tek has been focusing on offering services to Non-Group companies and expanding its customer portfolio since 2010.

2013: steady growth with quality-oriented projects
Aktek went beyond its turnover and profitability goals set for the year 2013. The Company's IT projects implemented throughout the year are as follows:

Aktek won the contract in the tender for the remote reading of the meters for 7,500 light posts of Sakarya Elektrik Dağıtım A.Ş. and launched the project.

All Akkök Group companies have successfully launched the Helpdesk application 'HeRO' which is compatible with ITIL processes.

AkTek updated the financial systems of Akkök Group companies that use Oracle e-Business Suite in accordance with the new Turkish Financial Reporting Standards (TFRS).

Akkök Group companies converted to an e-invoicing platform which is fully integrated with the Oracle ERP's infrastructure.

Compatibility analysis and reports were conducted between SAP systems and Turkish Tractor Oracle Database & Oracle e-Business Suite.

The Wireless Network Security Project and the infrastructure for wireless network secure access was implemented at Akkök Group's Taksim site.

TOFAŞ EMC configuration and data center transfer projects have been implemented.

Fibabanka Document Management Systems and Archiving Project were carried out. EBA and Sharepoint applications were launched along with developed company portals and workflow management systems.

Akferal e-Business Suite Corporate Resources Management project was finalized.

Aktek, was awarded the quality standard TS-EN ISO 9001:2008 certification. The company is currently working on receiving ISO 27001:2005 Information Security Management certifications.

Green House Gas Inventory application was successfully implemented in Aksa and an application package is currently being developed, intended for non-group companies.

SEPAŞ web site and portal infrastructure was updated and came into service.

Customer portfolio improving day by day

34% of the turnover Aktek generated in 2013was from projects developed for non-group companies. The Company supports web-hosting companies such as DGN Technology, Aerotek IT, Netfactor, Met Design, Medyabim, Medianova, GoSafe and KÜRESEL Beta with financial solutions. The required infrastructure for secure and backed-up data storage was set up for Koleksiyon Furniture, Limak Construction, Limak İskenderun Port Authority, P. I. Works and Teletek. Long-term relations were developed with Arvato Telecommunication, Aven Software, Fiba Life Insurance, Galatasaray University, General Electric, Trium Electronics and Intron. The previous partnerships with UEDAŞ, Turkish Tractor, Limak Group companies, TSPAKB and SPL continued. Various projects were co-ordinated with İzmir Katip Çelebi University, N.E.Ü. Meram Medical School, Kocaeli University, Özyeğin University, Uşak Public Hospital, BEDAŞ, UNSPED, Akçansa Port Authority, Integral Stocks and Bonds, FIBABANKA, Rönesans Capital- RENCAP, Intesa Sanpaolo SpA, IRADETS and Anadolu. 12,500 street lighting readers were remotely read in the provinces of Aydın, Denizli and Muğla within the scope of AYDEM OSOS project, ranked first among other companies that do remote reading.

Growth continues in 2014

Aktek will accelerate its accomplishments with regards to Group and non-Group companies in 2014. Improving its market recognition day by day, the Company will continue its growth with the implementation of high service and customer satisfaction standards. Throughout 2014, strategies for expanding the customer portfolio will be retained through marketing and advertisement activities.

Dinkal
Sigorta Acenteliği A.Ş.

"Dinkal also adopts a high-level customer satisfaction approach, standing by its customers at most challenging times when it is most needed. In addition to our ability to comparatively present and assess the rates and coverage of 20 insurance companies, we offer our customers attractive solutions with additional benefits that largely exceed customary insurance packages."

Ercan Erbek
General Manager

Dinkal in brief
Since its founding in 1976, Dinkal Sigorta Acenteliği A.Ş. has ranked among the preferred companies in the insurance sector, thanks to its exclusive services approach which successfully meets customer needs and expectations. The Company operates with the potential of providing services in all insurance branches, and offers customers significant benefits with its ability to comparatively present and assess the rates and coverage of 20 insurance companies.

While Dinkal offers health, vehicle and home package plans to individual customers, it also provides extensive plans tailored according to the commercial and industrial risk profiles of its corporate customers. Under these policies, risks involving the operations processes of textile and large-scale chemical facilities starting from the project phase, and Turkey's largest power plants, are included in the Company's risk portfolio. Dinkal has enriched its product offering by adding transportation risks, credit risks, management liability risks, political, cyber and legal protection risks to its risk expertise areas.

Exclusive service approach
Dinkal's most important differentiator is its customer-focused approach in identifying the needs of different segments and offering special insurance solutions. With this approach, Dinkal offers attractive solutions with additional benefits that largely exceed customary insurance packages.

As part of these benefits, the Company undertakes, on behalf of its clients, the tasks of examining existing policy and coverage structure, identifying missing and/or excess coverage, and then offers alternate plans to minimize the risks. Monitoring developments related to insurance companies, updating existing policies and ensuring that the changes in risks are reflected in the policies as required are among other activities performed by Dinkal.

Regarding customer suggestions and opinions highly, the Company strives to utilize them as resources for continuous growth. Consequently, the service standards are constantly improved to achieve a high-level of customer satisfaction.

The services that Dinkal provides with its high-level customer satisfaction approach are:

Consultancy: Dinkal offers free-of-charge consultancy services in all insurance related areas and shares its deep-rooted know-how and robust infrastructure with customers.

Risk analysis and management: Dinkal offers services in identifying the coverable risks that bear importance in minimizing possible losses at organizations and accurately presenting these to insurance companies.

Policy management: Having expanded the range of its products through the 20 insurance companies its represents, Dinkal stands apart with its solutions that offer special benefits to corporate customers and

individuals. As part of these benefits, the Company undertakes, on behalf of its clients, the tasks of examining existing policy and coverage structure, identifying missing and/or excess coverage, and then offers alternate plans to minimize the risks.

Damage management: It is essential to accurately appraise the initial risk in order to be able to fully cover the claim in the event of damage. Under its insurance and risk management model, Dinkal matches damages with coverage types and the conditions for claims payment, and prepares a claims procedure accordingly. The Company thereby protects its customers from losses. The risk transfer program is updated based on period-end claims.

Dinkal continued to improve its customer portfolio in 2013

As one of the leading firms in the insurance sector, Dinkal has strengthened its market position with its solid financial performance in 2013. As of year's end, the Company provided 10% growth with nearly TL 37 million in premium production.

Maintaining its successful performance in insurance, a sector that operates in an especially challenging competitive environment, Dinkal demonstrated a rising trend in both its Group and non-Group operations in 2013. The Company is currently revamping its organizational structure and expanding its staff of experienced and highly competent employees.

An evaluation of the Turkish insurance sector in 2013

In 2013 the insurance sector raised its premium production by 22% compared to the previous year, reaching TL 24 billion to TL 182 million.

In general, 2013 was a year of positive results and improvement for the insurance sector.

Growth continues in 2014

In the recent years, various foreign companies enter the Turkish insurance sector either through acquisitions or mergers. Due to the ‘profitability’ factor they focus on the most, in 2014 it is expected for these companies to exhibit more selective attitude in terms of risk selection and pricing. Particularly on the corporate level, risk management will gain more importance and experience/expertise in the insurance sector will be a highly sought asset.

As a highly competitive industry in general, the insurance sector will experience an active year in terms of competition with the impact of these developments. With this outlook, Dinkal plans to continue pursuing consistent and rapid growth in line with its strategic goals. Differentiating itself from competition with tailor-made solutions developed for its expanding customer portfolio, Dinkal plans to strengthen its sales team in 2014 in order to further enhance the Company’s service quality.

Dinkal has adopted the goal of becoming a well-known and powerful corporate brand in the insurance sector, and the Company successfully moves forward on this path, thanks to its innovative approach and effective customer management.

Akkök A.Ş. Units

“2013 has been a year of implementing the new requirements stipulated by the amendments made to some fundamental laws. In the light of these amendments, we have had the opportunity to reform our Group’s human resources and department structures and focus on specialization. Our goal is to provide high-quality service in supporting new projects as well as business and production projects aligned with Akkök Group’s expectations.”

Çağla Zıngıl
Legal Director

“As the Audit Team, we consider ourselves the supportive and complementary element behind ‘sustainable growth’ and the required ‘efficient risk management’. To that end, we prioritized the items on our agenda with a risk-based approach as we had done in previous years. We focused on improving our processes to enable us generate more added value.”

Gülsev Kutucu
Audit Director

“Both in our business development activities and our ongoing projects, our Group primarily focuses is always sustainability. This year has been a year of re-addressing our strategic goals with our Group companies, coming up with long-term plans and opportunities, and consequently getting up to speed with new business development activities.”

Veysi Küçük
Strategic Planning and Business Development Director

Human Resources

"As the Human Resources team, this year our priority has been preparing our co-workers for a better future in parallel with our Group's steady growth."

Şerife Füsun Ömür
HR Director

Akkök Group adopts human resources strategies such as investing in employee training and professional development opportunities as well as ensuring human resources implementations that cultivate employee trust in the workplace. Thanks to these strategies and modern selection and evaluation methods in use, the Group continues to recruit highly skilled and well-equipped workforce.

Since the Group is also well aware that human capital plays a vital role in sustainable growth, it adopts strategies intended for building employee competency through professional and personal development and strengthen a corporate culture.

In addition, Group companies offer employees performance systems, award and incentive schemes, private health insurance, a choice between service buses or transport fare payment, catering service with calorie information, in-house medical services, discounts at nearby gyms and other social opportunities. Powered by the continuous development principle of Akkök Group, the Human Resources Department identifies any deficiencies in HR processes through regular surveys, introduces the necessary measures of improvement and strives to maximize employee satisfaction.

In order to inform Group employees on all processes and developments, we use a variety of common communication channels. Our intranet platforms contain e-newsletters and daily Akkök Holding news. In addition, in order to improve employee motivation, we organize activities such as New Year Parties, farewell to summer parties or Ülker Sports Arena games.

Efficiency in human resources processes with "Mozaik"

The Project Mosaic, started in 2010 to transfer the Talent Management and Performance Management systems to an electronic environment was completed and put into operation in 2013.

"Be a Part of Change!"

Mosaic provides the Group employees with the opportunity to utilize human resources processes in a 'self-served' way. As of its launch in 2013, Talent Management Processes (Skill and Competence Management, 360 Degrees Feedback, Career and Back Up Management) and Performance Management Systems were coordinated through Mozaik.

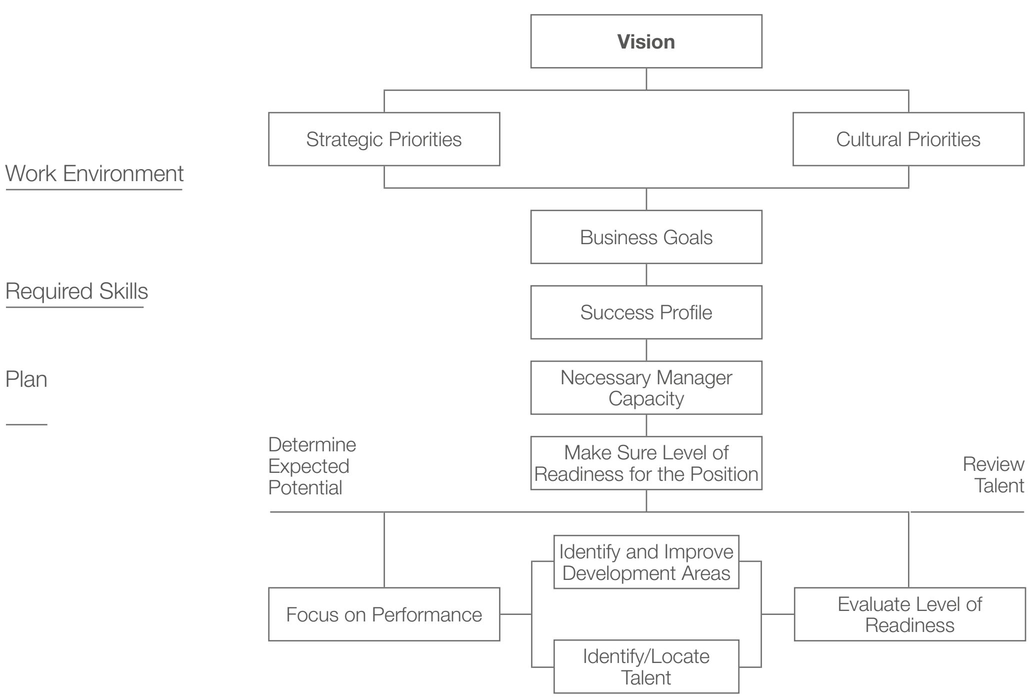
Akkök Talent Management and Powerful Development Strategies

Akkök Group's top strategic goal in human resources is to carry out qualitative and quantitative organizational risk planning to fully implement the Group's strategies. Talent Management Process was initiated in 2010 to include all top and mid-level managers and specialists at Akkök Group of Companies. The second stage of the Talent Management Process was initiated in 2013 within the scope of the 'Mozaik' System.

Akkök Talent Management starts with the definition of the success profile (knowledge-skill-competence-experience) of the employee as well as the necessary manager capacity needed by the organization by the current job targets formed within the context of underlying vision, strategic and cultural priorities. Whether the employee has the expected potential is defined by evaluating the level of readiness for the position, identifying and improving the development areas and assigning the employee to the appropriate position.

Based on our training and development goals, supporting our employees in recognizing their knowledge and skills, defining their fields open for improvement and meeting these needs with appropriate development programs is our main target.

Talent Management Approach



Human Resources

Akkök Performance Management System is designed based on the individual to ensure the organizational development, to strengthen our common corporate culture and to integrate the corporate targets into the individual targets. Performance strategies that reinforce common corporate culture highly contribute to Akkök Group's sustainable success.

The individual goals carried out within the Performance Management System affiliated with Mosaic, are viewed as part of Akkök's strategic goals. This approach enables the companies to support a steady development in employee performance.

The fundamental principles of performance management are summarized below:

- Target setting and diffusion process are integrated with strategic plans and work programs.
- All company goals are vertically disseminated to the lowest unit and horizontally distributed to all units with equiponderance.
- Company strategies and goals are distributed with participation of employees.
- Company goals and individual goals are linked and corporate performance and individual performance are integrated.
- Goals are interlinked through due goal distribution and goal alignment.
- Individual goals are determined during manager-employee meetings.
- Regular monitoring and reviewing is done on organization and individual basis.
- Conclusions are drawn based on clear and measurable performance indicators.

Investing in the future with Talent Seeds

Akkök Group Companies implement the "Akkök Yetenek Tohumları" process for new-graduates with high potential in line with recruit, train and retain skilled managers and employees that will carry out the Group's future strategies. Akkök Yetenek Tohumları Project was carried out with the motto "Invest in Your Future With Akkok" in 2013. As a result of the project, 17 new graduates were employed. In addition, 42 new graduates were hired through our other recruitment processes in 2013.

Personnel Regulations

Constantly changing working conditions necessitated an update on the Personnel Regulations to better meet the needs of Akkök Group. The project related to Personnel Regulations, which was further necessitated due to Labor Law Nr. 4857, was completed and put into effect in 2012.

During the preparatory phase of the Regulations, the existing regulations of the Group companies were closely reviewed and the opinion of Company employees was also received. Reflecting both the changes brought about by the Labor Law and the policy and practices of Akkök Group Human Resources in the revised Personnel Regulations attained the goal of this initiative.

Personnel regulations main categories

- general Provisions
- Recruitment
- Duties and Responsibilities
- Employment Conditions and Organizing Work Life
- Disciplinary Provisions
- Termination of Employment Agreement
- Miscellaneous Provisions

Taking steps towards Occupational Health and Safety (OHS)

Pursuant to the Occupational Health and Safety (OHS) Law no. 6331 issued by the Ministry of Labor and Social Security, Akkök Group took action to meet the requirements of the new health and safety law. An OHS Committee, composed of the OHS expert employed in the Istanbul facilities as well as the employer and worker representatives, was formed and immediately began working on action plans.

The OHS Committee handles the issues with a sense of responsibility that is binding for our employees at all levels starting from top management. To this end, the Committee reaches out to its employees through monthly memos, video trainings and meetings in addition to trainings and briefings.

The OHS Committee members serve on a voluntary basis. Teams and team leaders for operations including Search & Rescue, Evacuation, First Aid and Fire Brigade Crew are determined from the volunteer Committee members. In the Group's İstanbul Akhan facilities, a fire brigade team of 47, a first aid team of 32 and a search-rescue team of 24 employees constituted the emergency team which amount to a total of 103 people. All the team members completed 3-5 day long trainings and got certified. Pursuant to the new OHS requirements, all employees completed Basic OHS and Basic Disaster Awareness training as well as the Basic Methods of Working with Means with Screens course. The Committee determined the risks by inspecting all Group companies for OHS and made action plans in order to abolish these risks.

Akkök Group Principles of Business Ethics

In line with our corporate culture, which includes regulations that address both personal behavior and corporate behavior, we put together the Akkök Group Work Ethics Principles as a reference for our employees, partners, suppliers, customers, branches and other beneficiaries as well as the public.

We are keen to ensure due understanding and implementation of Akkök Group Work Ethics Principles in all our Group companies through training programs and projects. In this respect, an Ethical Committee has been formed.

Akkök Human Resources Policies

Akkök Group's Human Resources policies and all operational processes are carried out in line with the responsibilities of corporate citizenship and sensitivity to environment and human life.

Akkök Human Resources Policies designed in order to support the Group's goals is built on a culture that adopts democratic, flexible and teamwork oriented approaches. The Policies aim to strengthen employee loyalty while emphasizing the importance of 'knowledge and human resources' in a creative and human-centered context.

Akkök Group human resources policies are summarized in the chart below:

Organizational Developmer	In line with the needs of our Companies, equal consideration is given to all employees for training and development.
Selection and Recruitment	We match the right employee to the right position.
Compansation Managemer	We offer fair salaries base on job evaluations.
Performance Management	We evaluate success based on goals and competencies; we enhance productivity by cultivating motivation and loyalty.
Incentive and Rewards	We acknowledge each other's success on a timely manner and we express our appreciation.
Industrial Relations	We work in collaboration by sustaining peace in the work place.
Communication	We keep all our employees informed about the most recent developments in an open and multi-directional way.

Akkök Group Employee Profile

The average age of Akkök Group employees as of 2013 is 34 and average seniority is 4.7 years.

Number of Female Employees: 648
Number of Male Employees: 3,550

Graduate Degree: 23.8%
Associate Degree: 17.6%
Vocational high school: 38.2%
Other: 20.3%

Akkök Group's employee age profile is being studied in accordance with the "Generations Theory". The number of employees on the basis of their year of birth is as follows:

Number of Employees on Basis of Birth Year (December 2013)	%	Total
Born 1945 and earlier	0.1	6
1946-1963	4.4	203
1964-1979	39.2	1,799
Born 1980 and later	56.3	2,582
Total	**100**	**4,590**

Corporate Social Responsibility

"In addition to the value we earned our country's economy, we continued our contribution to social development through our social responsibility projects in education and sports."

Sultan Avtepe
Corporate Communications Manager

In addition to making crucial contributions to the development of the Turkish economy with its innovative, high-principled and modern management strategies, Akkök Group also enjoys a prestigious position in the private sector in terms of social responsibility initiatives. Akkök Group places special importance on those social responsibility projects conducted in sites where its production facilities are located. Akkök Group identifies the sensitivities and needs of the local population and supports regional development. Aimed at creating a healthy environment and raising well-educated young generations, these campaigns further strengthen the bonds between Akkök Group and the stakeholders in its area of influence.

With the belief that value created in the economic sphere will become even richer with contributions to society, Akkök Group undersigns well-thought social projects in education, culture and arts, the environment and other fields.

Positioning itself as a good corporate citizen, the Group conducts social responsibility projects in line with the sustainability principle and promotes stakeholder participation to maximize the benefit to society.

Education

With the belief that the sustainability of economic development rests on bringing up well-educated citizens, the Akkök Group is proud to fulfill its responsibility in this area by building schools and supporting educational programs.

The Group has built the following schools to date with a sense of responsibility and a principle of volunteerism:

- Raif Dinçkök Primary School, Çerkezköy/Tekirdağ
- Aksa Anatolian Technical High School and Industrial Vocational High School, Yalova
- Güzin Dinçkök Primary School, Maltepe/Istanbul
- Istanbul Technical University Maslak Dormitories, Maslak/Istanbul
- İSOV Vocational Training Center and Social Facilities, Dinçkök Anatolian Technical High School, Zincirlikuyu/Istanbul

In addition to these projects, Akkök Group also contributes to the University of Yalova by undertaking the construction of its rectorate building.

The Group also supports TEV İnanç Türkeş High School, a special high school committed to providing an ideal educational environment for highly gifted and talented students from economically deprived families in areas of social hardship.

Akkök Firefly Mobile Learning Unit

Operating in Yalova, the Akkök Firefly Mobile Learning Unit was initiated in 2009 with the cooperation of the Akkök Group of Companies and the Educational Volunteers of Turkey (TEGV). As the Unit completes its 4th year by the end of 2013, the classes, which are taught by university students for the most part, are delivered in 12 education spaces with the required computer and other technology infrastructure. While children receive trainings on computer and technology literacy or courses on career exploration, environment, health and traffic with the help of the volunteers at the Akkök Firefly Mobile Learning Unit, they also have the opportunity to participate in various programs that would in turn make them more socially aware and beneficial to society. The Firefly project is designed so that each child receives 12 hours of educational support.

Having reached 10 thousand students in 2013, the Firefly initiative continues to support the creativity and research skills children by promoting 'fun learning'. in Yalova with workshops held in 2012. Currently, 64 volunteers are actively involved with the project.

As of December 2012, Akkök Firefly Mobile Unit continued its activities in Çiftlikköy K-12 School, founded by Turkish Clothing Manufacturers Association's Education Foundation. The ultimate goal of this initiative is to reach out to all children in Yalova.

Supporting Yalova Orthopedics Sports Club

Carrying out projects to foster social and cultural development in the locations where it operates, Akkök Group of Companies continued to provide support to sports activities in Yalova in 2012. Following an agreement signed in November 2012, the Group became the main sponsor of the Yalova Orthopedics Sports Club, a leading

sports club in Yalova; founded in 2005, the Club currently competes in the Wheelchair Basketball Super League.

Arts

A societies cultural and artistic awareness is one of the key factors influential on that society's prestige in the world. Assuming the responsibility to contribute to our country's development, Akkök Group supports cultural and artistic projects or initiates such projects, on both national and international levels. Having previously provided financial support to the "Turks" exhibition at the Royal Academy of Arts and "Study of Turkey" jointly organized by Oxford Centre for Islamic Studies and Republic of Turkey, Akkök Group has included yet another one among its social responsibility projects. As for significant support given to the national art projects, "Yıldız Palace Albums Souvenir of Istanbul" was published with the support of Akkök under the direction of Prof. Dr. Nurhan Atasoy.

Raif Dinçkök Cultural Center

Akkök Group's contribution to the socio-cultural life of Yalova is the Raif Dinçkök Cultural Center. It was inaugurated at a ceremony on May 12, 2011, attended by the Prime Minister Recep Tayyip Erdoğan; the Center commenced activities under the umbrella of the Yalova Municipality. Composed of four different blocks covering a 10,000 square meter parcel of land allocated by the Yalova Municipality, the Center has rapidly become the focal point of the town's cultural life. Named after Akkök Group's founder, the late Raif Dinçkök, the facility was designed to ensure the best performance of a variety of cultural and artistic activities. The Center features multi-purpose halls with varying capacities, training workshops, foyer, exhibition halls, cafeteria space and a panoramic terrace and stands out with the environment-friendly solutions employed in its physical infrastructure.

The architectural design of the Raif Dinçkök Cultural Center has received a number of prestigious awards. On September 24, 2010, the Raif Dinçkök Cultural Center was designated one of the best European projects in the category, Commercial / Recreational Buildings, at the 2010 European Property Awards in London. This award recognizes the best real estate projects in the world; a record number of entries came from 39 nations around the world. The Cultural Center was featured in the book 1000 Ideas by 100 Architects, bringing together the reflections of the world's top 100 architects on their own work. It was one of seven projects by the chief architect, Emre Arolat. In October 2010, the Raif Dinçkök Cultural Center made it to the finals of the Cityscape competition, the most important event in the Dubai real estate and construction sector; it was acknowledged in two different categories and was deemed worthy of various certificates. The Center also received an honorable mention in the Society and Social Life category.

Sustainability

Akkök Group looks to the future with confidence thanks to its sustainable oriented approach.

We, as Akkök Group of Companies, pay utmost attention to fulfilling our responsibilities in terms of working conditions, environment, human rights, and transparent corporate governance as specified by the United Nations Global Compact.

With Companies that have a leading position in our focus industries of chemicals, energy and real estate as well as with our value added products and services, we achieved a successful performance level in 2012 by continuing our investment in advanced technologies. While supporting the stable growth of Turkey with our operations as Akkök Group of Companies, we also aimed to contribute to the socio-economic development of our society within the framework of our corporate responsibility practices. In 2007, by undersigning the United Nations Global Compact (UNGC), we implemented a number of exemplary projects in working conditions, environment, human rights, and transparent corporate governance. We are proud to share with you this Report that covers sustainability practices of Akkök Holding, Aksa, Ak-Kim, Akenerji, Ak-Tops, and Akiş REIT.

This Report is the 5th Communication of Progress that we issue as Akkök Group of Companies. It is also the first extensive sustainability report that we prepared in accordance with the "Global Reporting Initiative (GRI) Sustainability Reporting Guidelines". The Report includes the sustainability issues of corporate governance, environment, occupational health and safety, employee practices, responsibility in supply chain, and community investment.

Ak-Kim's Determination on Environmental Sustainability

Akkök initiated the 'shared treatment facility' project in Yalova in 2012 order to improve the efficiency of energy and chemical use. In line with the project, Group factories that sent the wastewater to the treatment facilities individually will gather all the wastewater in one facility and the treatment will be carried out at once. It is expected for the 'shared treatment facility' to be completed and the necessary permissions taken by the end of 2014. The facilities will be opened to service in the same year.

In February 11, 1993, Ak-Kim signed the Responsible Care Commitment, designed to ensure that chemical companies manage and continuously enhance their production processes with due consideration of human and environmental health. Based on volunteerism, the Responsible Care Commitment program emphasizes the protection of human life, the environment, and natural resources as a priority into all the stages of work performed in chemical companies.

Ak-Kim remains committed to the support of the chemical industry of Turkey. Being well aware that it is among the pioneers of the chemical industry in Turkey, Ak-Kim will continue to lead the industry by setting an example.

Always diligent to carry out environmental and quality-related implementations in line with regulations, Ak-Kim passed Bureau Veritas's annual ISO 14001 external audit with 'zero error'. Ak-Kim obtained a Temporary Certification of Operation (TCO) for emission, wastewater discharge permits, wash stripping acid recovery, and tanker washing plant license required in line with the Environmental Permits in 2012. The Company obtained Environmental Permits and Licenses on the areas stated above for its plants in two locations in 2013.

Within the framework of the Regulation on Preventing Large-Scale Industrial Accidents issued by the Ministry of Environment and Urbanization in line with the European Union SEVESO II Directive, Ak-Kim was identified as "high-level corporations". The process was initiated at the end of 2012. In order to fulfill its obligations with regard to said Directive, the Company is expecting to complete the work in relation to the Safety Report begun at the end of 2011, before the Directive goes into effect on January 1, 2014. The Safety Report was submitted to the Ministry of Labor and Social Security in December 2013. The work includes process, operational and maintenance safety, as well as modeling emergency situations, planning emergency situation drills, and continuity oriented training with expert consultants.

Focusing on environment and capacity oriented strategies in each stage of its operations, Ak-Kim continues the approach when it comes to waste management. While aiming for the best protection of natural resources, the Company utilizes 'solid waste strategies' efficiently. As a result of its solid waste management strategies, Ak-Kim, disposed a total of 1,446 tons of waste in 2012, 521 tons recycled, 493 tons sanitary landfilled, 432 ton burned. In addition, 204,000 tons of wastewater was also disposed in the treatment facilities in 2012. The Company disposed a total of 1,275 tons of waste in 2013, 474 tons recycled, 551 tons sanitary landfilled, 250 ton burned. In addition, 205,400 tons of wastewater was also disposed in Ak-Kim treatment facilities in 2013.

Ak-Kim was certified with OHSAS 18001:2007 Occupational Health and Safety Management System. The Company received “The Best Supplier” award from Cargill. In 2011 and 2012, Ak-Kim attended the ITMA Fair as the first of its international fair experience. Material Safety Data Sheets of 160 products were updated. Kapachim / Greece hydrochloric acid production facility was completed and delivered. Quality, Environment, and Occupational Health and Safety (ISO 9001-14001 and OHSAS 18001) Management System Certificates were updated. Ak-Kim Çerkezköy persulphate facility obtained “Environmental License”. Ak-Kim R&D Vision, Mission, and Strategies were set. Logistics and Storage Center was established. Quality Control Lab was modernized. As a result of the projects in effect, the Company registered an energy saving rate of 9,034 gj/year in 2013.

Hydrochloric acid, one of the chemicals produced by Ak-Kim, is used in many areas, including metal cleaning. After being supplied to the galvanize industry, hydrochloric acid is used in metal cleaning and then it becomes waste. This waste is called Ferric II chloride solution or “waste acid”. The waste is transferred from customers’ facilities with vehicles licensed by the Ministry of Environment and Urban Planning and is then recovered at Ak-Kim’s Ferric III Chloride facility, which is also licensed by the Ministry. After being processed, this waste is turned into Ferric III Chloride. Ferric III Chloride is known for its usage in wastewater treatment. With this system, environmental damage to be caused by waste acid is prevented and the waste is recovered. Average amount of waste acid or Ferric II Chloride solution recovered per year is approximately 5,000 tons.

Some examples:
Environmental impact assessment is an asset criterion of a new chemicals R&D process. Ak-Kim does not develop any products that could be harmful / hazardous for the environment. The most important environment-friendly chemicals are Hydrogen Peroxide & Sodium Percarbonate. Hydrogen Peroxide & Sodium Percarbonate – Enables washing with low temperature, turns into oxygen and water when disintegrated. Given the fact that in 85% of 14 million households in Turkey and the washing machine is used twice a week in every home, washing clothes in 40 degrees Celsius water instead of 60 would allow for an energy saving of 388 Gwh per year. This amount is equal to the total consumed electricity in order to lighten all residences in the entire world.

Other environment-friendly chemicals are:
• AKBLUE- Turns nitrogen oxide gases within the exhaust into nitrogen and water vapor. Prevents emission of nitrogen oxides that harm the environment.
• AKBLEACH SLD- Bleaches even in low temperature and thus allows for energy saving.
• AKEF 550 – Silicon-based antimicrobial finishing; no effects on the nature during use and in time.

In the facilities that Ak-Kim built with its own know-how and technology, energy efficiency and savings are given priority in the selection of processes and equipment. For instance, while establishing the Chlorine Alkaline Facility in 1992, Ak-Kim selected membrane cell process, which is more environment-friendly compared to other processes. “Waste Management and Energy training” program performed to 294 employees in 2012.

In the scope of Ak-Kim’s sustainability strategies, Process Management project was initiated in 2011 in order to maintain sustainability in project/service quality and achieve a sustainable competitive edge. The work processes were reset and process performances began to be measured.

Sustainability

Triple Responsibility principle in all processes: Aksa
Aksa signed the volunteer initiative Triple Responsibility to demonstrate their commitment to operating at international environmental standards. In 1993, Aksa signed the Triple Responsibility Commitment, designed to ensure that chemical companies manage and continuously enhance their production processes with due consideration of human and environmental health. In 2011, the Company fulfilled all of its responsibilities in this respect through the Triple Responsibility Teams under its umbrella.

Having adopted environmentally-friendly policies in all of its business processes, Aksa obtained a Temporary Certificate of Operation for emission and waste water discharge, and the vessel waste reception facility license as required under the Regulation on the Permits and Licenses and as stipulated by the Environmental Law. The Company completed the application process at the end of 2013 to obtain the license. Additionally, the Company maintained its zero non- compliance level in the yearly external audits for ISO 14001 as performed by the Turkish Standards Institution since 2002.

Greenhouse Gas Emission Management and Forestation
Aksa strengthens its position as an environmentally aware leader by getting actively involved in volunteer initiatives with regards to climate change. Being the third company in Turkey that is certified according to ISO 14064-1 Standard regarding the Calculation and Reporting of Greenhouse Gas Emissions, Aksa is the first “industrial” establishment that has obtained this certificate.

Although there is for the moment no legal obligation in Turkey, in 2010 Carbon Footprint studies are commenced. “Greenhouse Gases Inventory Report” and the management system established by calculating carbon inventory for 2010 in accordance with ISO 14064-1 are certified according to ISO 14064-1 Aksa Sustainability Report 2012 | 13 as “reasonable assurance”. In 2011, 2012 and 2013 Aksa maintained its success of obtaining its certificate for “reasonable assurance”. Within the scope of this project, the transfer of the inventory calculations to electronic media and regular input and security of the data is ensured. Furthermore, with this system, it is possible to calculate greenhouse gas quantity on product or department basis at desired intervals. With the data obtained by this way, targets to ensure greenhouse gas emission minimization can be defined under the annual corporate performance targets and projects in accord with these targets can be developed.

To keep greenhouse gases released from production processes under control, efforts are in progress to expand forest areas to provide reduction of carbon dioxide. With this goal in mind and in an effort to improve damaged forest areas and combat erosion, young trees continued to be distributed free-of-charge in 2010 as a contribution to the 2008-2010 National Forestation Mobilization Action Plan by the Ministry of Environment and Forestry. In addition, as part of the Power Plant Project Aksa employees planted 5,000 trees in Çınarcık Hasanbaba in October 2013.

OHS Management System and Projects
Under the Control of Major Industrial Accidents Directive issued by the Turkish Ministry of the Environment and Urban Planning, in line with the European Union SEVESO II Directive, Aksa was designated as a “Higher Level Establishment.” The Company initiated efforts in 2011 to fulfill its obligations with regard to this directive and finalized these efforts by the end of 2013.

Setting a good example for other companies with its pioneering role in SEVESO practices, Aksa actively participated in and delivered a presentation at the ATEX National Symposium in 2013. The Company’s presentation on the efforts undertaken by the ATEX Directives Compliance team drew great interest from symposium participants.

Sustainability at Akenerji

Waste Management Awareness
Akenerji’s awareness towards waste management is a reflection of the priority given to prevent environmental pollution. With the help of proper waste management practices, the Company aims to prevent pollution as well as to protect natural resources. Within the framework of these objectives and the scope of the requirements of environmental legislation, the Company transfers waste generated in its plants to licensed institutions authorized by the Ministry of Environment and Urbanization. Therefore, the recycling and disposal of all hazardous waste, which come from Head Office (Akhan) and from Akenerji power plants, are provided.

As a result of these waste management efforts, about 1,326 kg of hazardous waste was disposed of and about 105 tons of waste was recycled in 2013. In addition, all employees of Akenerji and other companies of Akkök Group gave full support for the separation from other waste and collection of waste batteries in 2013. As a result of this joint effort, 74.4 kg of waste batteries collected from Akhan and power plants were sent to TAP (Portable Battery Manufacturers and Importers Association).

The environmental commitment of Akenerji employees also showed itself in the collection of recyclable waste. In 2013, approximately 2,478 kg of waste paper were collected from Akhan and all Akenerji plants, and sent to recycling. An electronic waste-recycling project was started at Akenerji Group Head Office, Akhan, and power plants in August 2012 and continued in 2013. In this context, electronic waste collection boxes were placed on the office floors of Akhan and in power plants. Collected waste is sent to a firm approved by the Ministry of Environment and Urbanization. Thereby, by the end of 2013, 1,490 kg of electronic waste was recycled.

In addition to waste management projects, Akenerji promotes the awareness of its employees on this issue. The Company aims to raise awareness of its employees through various trainings on environmental legislation and waste management that are organized on site as well as at the Head Office. In September 2013, special trainings on Environmental Law and Waste Management were also delivered to the employees working in all fields.

Sustainability of the Integrated Management System, documents and Certifications

- ISO 9001:2008 Quality Management Systems Certification
- ISO 14001:2004 Environmental Management Systems Certification
- OHSAS 18001:2007 Occupational Health and Safety Management Systems Certification.

Combating with the global climate change is one of the priorities of Akkök Group.

Pursuant to the certifications of ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety documents, 8 power plants(Bozüyük Natural Gas Power Plant, Kemalpaşa NGPP, Ayyıldız, Uluabat, Akocak, Burç Bendi, Feke II, Bulam Hydropower Plant) and a Head Office successfully completed the audit process between 20-23 May, 2013. Feke I, Himmetli and Gökkaya Hydroelectric Power Plants will be included in the certification process in 2014.

Locations with certification within Akenerji Elektrik Üretim A.Ş:

Headquarters, Kemalpaşa Power Plant, Bozüyük Power Plant, Ayyıldız Wind Power Plant, Uluabat Hydroelectric Power Plant, Akocak Hydroelectric Power Pl

Locations with certification within Akkur Enerji Üretim Tic. ve San. A.Ş:

Burç Bendi Hydroelectric Power Plant, Feke II Hydroelectric Power Plant.

Locations with certification within Mem Enerji Elektrik Üretim San. ve Tic. A.Ş:

Bulam Hydroelectric Power Plant.

IFC performance standards add power to Akenerji

Becoming a participant in the Carbon Disclosure Project held by Sabancı University's Corporate Governance Forum in 2011, Akenerji is proud of being one of the two energy companies in Turkey that took part in the project. The Carbon Disclosure Project is a worldwide voluntary initiative which was established to collect and share information that will allow companies, investors and governments to take action against the threat of climate change. Companies, such as Akenerji, take part in the Turkish arm of the project and make public an disclosures about their carbon emission strategies and amount of carbon emissions. Annual country reports are prepared based on data supplied voluntarily by companies, and these reports are evaluated for the creation of strategies to fight global climate change.

As a participant in the Carbon Transparency Project Akenerji's reporting rade in 2012 was 69 and its performance level went up to 'C'.

Akenerji Published its First Sustainability Report

Having published the first and most comprehensive Environmental Report and Occupational Health and Safety Annual Report in 2010, Akenerji expanded the scope of this report within the framework of the requirements of the C application level of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines and published a Sustainability Report in 2012.

ISO 14064 (Greenhouse Gas Emission Follow Up)

Erzin Natural Gas Combined Cycle Plant which is subject to Greenhouse Gas Emission Follow Up Regulation will be confirmed by ISO 14064 in terms of its greenhouse gas release in the coming years.

Awards

Striving to add value to the society, Akenerji participated in the Corporate Responsibility and Environment completion organized by Aegean Region Chamber of Industry (EBSO) in 2012. Akenerji earned the Bronze award in Corporate Social Responsibility and the Golden award in the Environment category with Kemalpaşa Natural Gas Power Plant.

Akenerji has been implementing high-quality and efficient technologies that are environmentally friendly. The Company's work in quality assessment and environment has also earned awards to Çerkezköy and Bozüyük Power Plants in the previous years.

Akiş REIT's environmentally friendly projects

as a Real Estate Company, Akiş REIT implements all its projects with a sense of environmental responsibility and awareness towards one of our planet's biggest problems, the climate change. To this end, the Company designs green buildings that prioritize efficient use and optimization of energy. As an indication of its commitment to environmental awareness, in 2012 "Akbatı Shopping Mall &Akbatı Residences" Project applied to the green building evaluation system BREEAM for a certification and was certified at the "Good" level.

BREEAM is a point system with an associated rating, which takes sustainability in a building into account. BREEAM has issued certifications since 1990 that are adjusted to different types of buildings and their location, and gives points to the building in categories such as pollution management, water, energy, materials, health and wellbeing, transport, waste management, use of area and ecology.

During the Green Building Certification process, Akbatı Shopping Mall received the "Energy Identity Certification" which was recently launched in Turkey at the highest level. Together with these certifications, Akbatı ranks among the first shopping mall to emphasize environmental awareness and energy efficiency and to document its activities in the area.

Environmental Management System and Corporate Resource Planning at Ak-Tops

One of the first 100 Turkish organizations to receive TS EN ISO 9002 Quality Management Systems Certification, Ak-Tops is committed to implementing these quality policies in all the Company's business processes. In 2006, Ak-Tops was the first Akkök Group company to implement the TS 18001 Occupational Health and Safety Management System. The Company has further adopted the TS EN ISO 14001 Environmental Management System in line with its eco-friendly approach and received certification in 2008. Ak-Tops further obtained TS EN ISO 9001:2008 Quality Management System Certifications; later in 2012, the Company received TS EN ISO 50001 Energy Management Systems Certification, the first enterprise to be granted this designation in the Akkök Group and in the textile sector.

Ak-Tops places special importance on its Six Sigma scheme focused on Corporate Resource Planning practices. Ak-Tops focuses on conducting studies in innovation, R&D and productivity, and execute all of its activities based on its Environmental Impact Assessment and Environmental Licenses to preserve the social and environmental balance. Ak-Tops treats its waste in a risk- free system, respectful of the environment. In fact, results of two-weekly analyses performed at the Company's wastewater treatment facility by an accredited laboratory show that the average need for chemical oxygen is 85-90 mg/l.

Ak-Tops pays effort to maintain the society-nature balance in all its work processes in line with the Environmental Impact Assessment Report and the Environmental Permit Certifications.

Social Projects

Open Door Policy at Aksa and Ak-Kim

Reflecting the principles of transparency and accountability as key components of its corporate identity in its business processes and socially responsible endeavors, Aksa provides unlimited communication and exchange of information within the Company with its Open Door Policy. Now put into writing, the Open Door Policy aims to enable employees to communicate with Company executives regarding any professional or non-professional subject matter; personnel may also bring up issues related to customers, society at large, business partners and shareholders with the officers of the Company with ease and without hesitation.

Akkök Group continues its activities within the framework of UN Global Compact Principles.

Open Door Days are organized with the participation of Responsible Care team members; at the event, members of the press as well as residents of Yalova and neighboring districts are hosted at the Aksa Akrilik facilities. Visitors to Aksa facilities are informed about business processes, environment management systems and the Company's contributions to the city. Over 17 thousand visitors have had the opportunity to visit Aksa Akrilik facilities and receive information since 1999, when the Open Door Days initiative began.

With its Open Door Policy put into effect in 1999, Ak-Kim enabled employees to contact Company executives regarding all matters. Under this policy, meetings named "Chat with the General Manager" are held twice a year with the participation of employees where the working conditions are discussed in complete transparency. Converting this policy into a social responsibility project, the Company also opened the doors of its facilities to official organizations and institutions as well as students ranging from elementary school up to the university level. In 2013, 450 students and visitors visited Ak-kim within the scope of Open Door Project.

UN Global Compact Principles

Observing the impact of private sector companies on the world economy, the United Nations formulated and published the Global Compact Principles. The GCP calls on the leaders of the business world to help achieve sustainability in the global economy, to support the institution of the necessary environmental and social bases, and to make global investments for the peoples of the world. This appeal was officially made in July 2000 and immediately met with a favorable response worldwide. As of today, more than 8,000 corporations from 130 countries have signed the Global Compact Principles.

Having defined an all-new corporate responsibility approach built on volunteerism and introducing universal principles for the improvement of humanity, GCP was born from the idea of building a shared and participative development culture.

Akkök Group believes in the important role of sustainability in social and environmental development. The Group became a signatory to the Global Compact Principles at the end of 2007. Akkök Group defines itself as a corporate world citizen, and with its signature, has assured that it will handle all of its business processes in a carefully maintained and decent environment that is respectful of employee rights. Akkök Group is aware of its responsibilities related to sustainable development and is committed to continuing its activities in accordance with the GCP.

Akkök Group is represented by a designated Board Member in the UN's GCP.

UN Global Compact Principles

Human Rights

1: Businesses should support and respect the protection of internationally proclaimed human rights; and

2: Make sure that they are not complicit in human rights abuses.

Labor

3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

4: The elimination of all forms of forced and compulsory labor;

5: The effective abolition of child labor; and

6: The elimination of discrimination in respect of employment and occupation.

Environment

7: Businesses should support a precautionary approach to environmental challenges;

8: Undertake initiatives to promote greater environmental responsibility; and

9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10: Businesses should work against corruption in all its forms, including extortion and bribery.

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTSAT 31 DECEMBER 2013 TOGETHER WITHINDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Akkök Sanayi Yatırım ve Geliştirme A.Ş.

1. We have audited the accompanying consolidated statement of financial position of Akkök Sanayi Yatırım ve Geliştirme A.Ş. ("Akkök" or the "Company") and its subsidiaries (collectively referred to as the ''Group") as at 31 December 2013 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the consolidated financial statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with Turkish Standards on Auditing ("TSA") issued by the POA. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the professional judgment of the independent auditor, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An independent audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Akkök Sanayi Yatırım ve Geliştirme A.Ş. and its subsidiaries as at 31 December 2013 and their consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Emphasis of matter

5. Without qualifying our opinion, as explained in Note 2 to the consolidated financial statements, the accompanying consolidated financial statements include the accounts of the parent company Akkök, its subsidiaries and joint ventures. Subsidiaries are companies in which Akkök has the power to control their financial and operating policies. Such control is established through the joint exercise of; (i) the voting rights of Akkök and its subsidiaries, (ii) the voting rights of certain members of Dinçkök family and the related shareholders in those companies who declared to exercise their voting rights in line with Akkök's voting preference, and (iii) the voting rights of entities, controlled only by the family members mentioned above and the related shareholders, that are declared to exercise their voting rights in line with Akkök's voting preference. Joint ventures are companies in which there are contractual arrangements regarding an economic activity that is undertaken through joint control by Akkök and its subsidiaries together with one or more other parties. Akkök exercises such joint control through direct and indirect ownership interest held by itself and/or through voting rights held by certain Dinçkök family members who declared to exercise their voting rights in line with Akkök's voting preference. In the accompanying consolidated financial statements, the shares held by Dinçkök family members are presented as non-controlling interests.

Other Matters

6. Pursuant to the subparagraph 2 of temporary Article 6 of Turkish Commercial Code No. 6102, the Group's financial statements were subject to independent audit for the first time starting from the opening balance sheet as at 1 January 2013 in line with Turkish Commercial Code No. 6102 and within the scope of the POA's regulations.

7. The Company's financial statements as at 31 December 2011 and 31 December 2012 and the statement of profit or loss for the year ending 31 December 2012, which were prepared according to Law No. 6762 and the other legislation, have been presented in Note 29 pursuant to subparagraph 2 of temporary Article 6 of Turkish Commercial Code No. 6102. We have not audited these financial statements which were prepared in line with the other legislation so we are not expressing any opinion on these financial statements.

Reports on independent auditor's responsibilities arising from other regulatory requirements

8. In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

9. Pursuant to Article 378 of Turkish Commercial Code No. 6102, an early risk identification committee must be formed in companies, whose shares are not publicly traded, in the event that the auditor deems it necessary and communicates this opinion to the Board of Directors in writing. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. As secondary legislation regarding the principles of the report and the criteria of the scope of work of the auditor in connection with early identification of risks have not been published as of the balance sheet date, no work has been performed in order to form an auditor's opinion regarding whether an early risk identification committee should be formed by the Company and no separate report has been issued thereof.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Ediz Günsel, SMMM
Partner

İstanbul, 17 March 2014

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2013, 2012 AND 2011
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	2013	(*) Restated 2012	(*) Restated 2011
ASSETS				
Cash and cash equivalents	5	623,792	377,447	314,834
Financial assets		24,838	20,854	2,059
Trade receivables		466,841	437,464	569,692
–Due from related parties	*8*	*19,106*	*28,670*	*42,301*
–Other trade receivables	*9*	*447,735*	*408,794*	*527,391*
Other receivables		11,018	68,520	86,510
–Due from related parties	*8*	*2,939*	*66,897*	*83,958*
–Other receivables		*8,079*	*1,623*	*2,552*
Inventories	10	258,243	236,362	322,581
Prepaid expenses	11	35,020	17,600	27,910
Other current assets	17	65,922	78,087	98,304
Subtotal		1,485,674	1,236,334	1,421,890
Assets held for sale		7,309	20	579
Current Assets		1,492,983	1,236,354	1,422,469
Trade receivables		1,358	7,340	15,493
–Other trade receivables	*9*	*1,358*	*7,340*	*15,493*
Financial investments	6	10,039	14,265	7,956
Investments accounted for using the equity method	7	671,041	595,146	247,135
Investment properties	12	413,582	394,240	398,712
Property, plant and equipment	13	921,572	785,894	1,011,979
Intangible assets	14	16,867	6,054	22,041
Inventories	10	244,632	7,645	1,957
Prepaid expenses	11	17,409	11,232	24,955
Deferred tax assets	27	7,694	4,048	5,368
Derivative financial instruments	19	524	-	-
Other non-current assets	17	41,112	40,308	41,834
Non-current Assets		2,345,830	1,866,172	1,777,430
TOTAL ASSETS		3,838,813	3,102,526	3,199,899

(*) Note 2.5.

The consolidated financial statements for period 1 January - 31 December 2013 were approved by the Board Directors on 17 March 2014.

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

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2013, 2012 AND 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

LIABILITIES	Notes	2013	(*) Restated 2012	(*) Restated 2011
Short term borrowings	18	720,247	518,412	369,589
Short term portion of long term borrowings	18	150,058	90,997	70,242
Derivative financial instruments	19	10,033	1,907	4,175
Trade payables		373,249	266,316	299,964
–Due to related parties	*8*	*22,643*	*6,865*	*15,618*
–Other trade payables	*9*	*350,606*	*259,451*	*284,346*
Liabilities for employee benefits		1,511	1,293	1,515
Other payables		4,671	98	57,778
–Due to related parties	*8*	-	-	*57,769*
–Other payables		*4,671*	*98*	*9*
Deferred income	11	42,641	8,872	146,086
Current income tax liabilities	27	14,509	8,843	7,871
Short term provisions		13,030	7,776	5,098
–Provisions for employee benefits	*16*	*9,909*	*5,552*	*2,391*
–Other short term provisions	*15*	*3,121*	*2,224*	*2,707*
Other current liabilities	17	5,559	23,348	12,629
Current Liabilities		1,335,508	927,862	974,947
Long term borrowings	18	320,442	263,854	531,078
Deferred income		368	18,525	27,615
Long term provisions		53,005	52,649	48,784
–Provisions for employee benefits	*16*	*26,521*	*26,366*	*24,128*
–Other short term provisions		*26,484*	*26,283*	*24,656*
Deferred tax liabilities	27	8,738	16,633	28,402
Other non current liabilities		-	14	51
Non-current Liabilities		382,553	351,675	635,930
TOTAL LIABILITIES		1,718,061	1,279,537	1,610,877

(*) Note 2.5.

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2013, 2012 AND 2011
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2013	(*) Restated 2012	(*) Restated 2011
Equity attributable to equity holders of the parent				
Paid-in share capital	20	538,098	13,098	13,098
Adjustments to share capital	20	157,537	160,967	160,967
Total paid-in capital		695,635	174,065	174,065
Other comprehensive income/expense to be reclassified to profit or loss				
- Change in value of available-for-sale financial assets		4,043	7,401	1,404
- Hedging reserve		(6,601)	(9,376)	(9,665)
- Currency translation differences		20,471	(424)	1,598
Other comprehensive income/expense not to be reclassified to profit or loss				
- Remeasurements of post employment benefit obligations		(5,748)	(1,671)	(675)
Restricted reserves		4,994	13,670	13,670
Retained earnings		471,536	641,963	553,595
Net profit for the year		6,907	139,954	89,023
Total equity attributable to owners of the parent		1,191,237	965,582	823,015
Non-controlling Interests		929,515	857,407	766,007
TOTAL EQUITY		2,120,752	1,822,989	1,589,022
TOTAL EQUITY AND LIABILITIES		3,838,813	3,102,526	3,199,899

(*) Note 2.5.

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

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2013	(*) Restated 2012
Revenue	21	2,144,594	2,089,801
Cost of sales (-)	21	(1,732,803)	(1,760,850)
Gross Profit		411,791	328,951
General administrative expenses (-)	22	(127,134)	(119,579)
Marketing expenses (-)	22	(52,265)	(46,754)
Research and development expenses (-)		(7,992)	(5,667)
Other operating income	23	78,699	59,558
Other operating expenses (-)	23	(79,321)	(60,239)
Operating profit		223,778	156,270
Income from investing activities	24	126,259	145,365
Expenses from investing activities	24	(1,133)	(47)
Share of profit of investments accounted for using the equity method	7	(77,947)	41,048
Operating profit before financial income and expense		270,957	342,636
Financial expenses (-)	26	(78,616)	20,970
Profit before tax from continued operations		192,341	363,606
- Taxes on income	27	(59,440)	(80,986)
- Deferred tax income	27	8,621	4,579
Profit from continuing operations		141,522	287,199
Loss after tax from discontinued operations		-	(123)
Profit for the year		141,522	287,076

(*) Note 2.5.

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

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2013	(*)Restated 2012
Other Comprehensive Income			
Items to be reclassified to statement of income			
- Currency translation differences		49,252	(2,687)
- Increase/decrease in fair value of derivatives		3,861	(543)
- Increase/decrease in fair value of financial assets		(3,358)	5,997
Items not to be reclassified to statement of income			
Remeasurement gain arising from defined benefit plans		(4,368)	(996)
Total comprehensive income for the period		186,909	288,847
Profit attributable to:			
Non-controlling interest		134,615	147,122
Equity holders of the parent		6,907	139,954
Total profit for the year		141,522	287,076
Total comprehensive income attributable to:			
Equity holders of the parent		163,767	145,625
Non-controlling interests		23,142	143,222
Total comprehensive income		186,909	288,847

(*) Note 2.5.

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

CONVENIENCE TRANSLATION INTO ENGLISH OFCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

			Attributable to owners of the parent									
			Other comprehensive income to be reclassified to statement of income			Other comprehensive income not to be reclassified to statement of income						
	Paid-in Capital	Adjustment to share capital	Change ın value of avaılable for sale financal assets	Currency translatıon differences	Hedging reserve	Remeasurement gain/loss arising from defined benefit plans	Restricted reserves	Retained earnings	Profit for the year	Total	Non controlling interests	Total equity
Balance at 1 January 2012 – previously reported	13,098	168,630	1,404	1,598	(9,665)	-	13,670	546,553	89,023	824,311	764,682	1,588,993
Impact of accounting policy change IFRS 11 (Note 2.5)	-	-	-	-	-	-	-	1,720	-	1,720	6,003	7,723
Impact of accounting policy change (Note 2.5)	-	(7,663)	-	-	-	-	-	4,647	-	(3,016)	(4,678)	(7,694)
Impact of accounting policy change IAS 19 (Note 2.5)	-	-	-	-	-	(675)	-	675	-	-	-	-
Balance at 1 January 2012 - restated	13,098	160,967	1,404	1,598	(9,665)	(675)	13,670	553,595	89,023	823,015	766,007	1,589,022
Transfers to reserves	-	-	-	-	-	-	-	89,023	(89,023)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(655)	-	(655)	(54,225)	(54,880)
Total comprehensive income for the period	-	-	5,997	(2,022)	289	(996)	-	-	139,954	143,222	145,625	288,847
Balance at 31 December 2012	13,098	160,967	7,401	(424)	(9,376)	(1,671)	13,670	641,963	139,954	965,582	857,407	1,822,989
Balance at 1 January 2013 – previously reported	13,098	168,630	7,401	534	(12,080)	-	13,670	636,297	141,817	969,367	868,368	1,837,735
Impact of accounting policy change IFRS 11 (Note 2.5)	-	-	-	(958)	2,704	-	-	344	-	2,090	(2,090)	-
Impact of accounting policy change (Note 2.5)	-	(7,663)	-	-	-	-	-	4,647	(2,859)	(5,875)	(8,871)	(14,746)
Impact of accounting policy change IAS 19 (Note 2.5)	-	-	-	-	-	(1,671)	-	675	996	-	-	-
Restated at 1 January - restated	13,098	160,967	7,401	(424)	(9,376)	(1,671)	13,670	641,963	139,954	965,582	857,407	1,822,989
Capital increase (Note 20)	300,000	(3,430)	-	-	-	-	(8,676)	(287,894)	-	-	-	-
Capital increase- in cash (Note 20)	225,000	-	-	-	-	-	-	-	-	225,000	-	225,000
Transfers to reserves	-	-	-	-	-		-	139,954	(139,954)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(655)	-	(655)	(93,692)	(94,347)
Total comprehensive income for the period	-	-	(3,358)	20,895	2,775	(4,077)	-	-	6,907	23,142	163,767	186,909
Impact of changes in the ownership rate of subsidiaries (*)	-	-	-	-	-	-	-	(21,832)	-	(21,832)	2,033	(19,799)
Balance at 31 December 2013	538,098	157,537	4,043	20,471	(6,601)	(5,748)	4,994	471,536	6,907	1,191,237	929,515	2,120,752

(*) Amounts arisng from purchase of additional shares in the Group's subsidiaries, namely Ak-Tops, Akiş and Akport.

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

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	2013	(*) Restated 2012
A. CASH FLOWS FROM OPERATING ACTIVITIES	149,996	243,563
Net profit for the year	141,522	287,076
Adjustments to reconcile net profit / (loss) to net cash provided by operating activities	218,501	13,657
– Depreciation and amortization	90,927	75,630
– Changes in provisions	5,186	6,328
– Interest income and expenses	15,587	3,870
– Unrealized exchange loss/ (gain)	82,752	(8,842)
– Fair value gain/ (loss)	9,849	184
– Tax income / (expense)	50,819	76,407
– Loss / (gain) on property, plant and equipment and intangibles	(15,675)	(10,703)
– Loss / (gain) from investments accounted for using equity method	77,947	(41,048)
– Sale of investments accounted for using equity method	(98,891)	(88,169)
Changes in working capital	(156,253)	22,844
– Increases/decreases in inventories	(257,957)	54,696
– Increases/decreases in trade receivables	(49,532)	118,211
– Increases/decreases in amounts due from related parties	73,522	30,692
– Increases/decreases in other receivables	(6,456)	929
– Increases/decreases in trade payables	91,155	(5,503)
– Increases/decreases in amounts due to related parties	15,778	(8,753)
– Increases/decreases in other payables	4,573	(57,680)
– Other increases/decreases in working capital	(27,336)	(109,748)
Cash flows from operations	203,770	323,577
Tax payments	(53,774)	(80,014)
B. CASH FLOWS FROM INVESTING ACTIVITIES	(250,383)	(183,816)
– Cash inflows/outflows from sales/purchases of Group's interest in associates accounted for using the equity method	(125,930)	22,656
– Cash inflows/outflows from sales/purchases of Group's interest in joint ventures accounted for using the equity method	112,365	(75,940)
– Cash inflows from sales of plant, property of equipment and intangibles	47,123	29,261
– Cash outflows from purchase of plant, property of equipment and intangibles	(253,290)	(173,905)
– Cash inflows from sales of invesment properties	9,795	10,313
– Cash outflows purchases of investment properties	(44,965)	(6,546)
– Cash outflows from transactions with non-controlling interest	(19,799)	-
– Dividends received	24,318	10,345
–Cash outflows from transactions with non-controlling interest	(19,799)	-
–Dividends received	24,318	10,345
C. CASH FLOWS FROM FINANCING ACTIVITIES	350,716	21,661
– Proceeds from the issues of shares and other equity instruments	225,000	-
– Cash inflow from new borrowings obtained	1,013,456	678,695
– Cash outflows from redemption of borrowings	(781,707)	(597,486)
– Dividends paid to non-controlling interests	(93,692)	(54,225)
– Dividends paid	(655)	(655)
– Interest received	22,724	27,278
– Interest paid	(34,410)	(31,946)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)	250,329	81,408
D. EFFECTS OF UNREALIZED EXCHANGE LOSS/ (GAIN) ON CASH AND CASH EQUIVALENTS	-	-
NET (INCREASE)/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	250,329	81,408
CHANGE IN RESTRICTED DEPOSITS	(3,896)	(19,747)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	372,754	311,093
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D+E)	619,187	372,754

(*) Note 2.5

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

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1 – GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Akkök Sanayi Yatırım ve Geliştirme A.Ş. ("Akkök") was established in 1979.

Akkök and its subsidiaries, joint ventures and associates (together "the Group") mainly operate in the chemicals, energy, real estate and textile sectors and engage in manufacturing of all kinds of raw materials, auxiliary materials and intermediate substances, artificial, synthetic and natural fibres, carbon fibres, filament and polymers, and any equipment, machinery or spare parts used in the production, processing or storage of these, importing and exporting, establishment of domestic, foreign and international branches, marketing and trading, establishment and start-up and rental of energy generation plant, electricity generation and sale of generated electricity or capacity to customers and purchase and sale of or investing in real estate properties. Akkök has also shareholdings in restaurant management, marketing, air transport, port management, information technology, insurance agency and tourism companies.

The Group's ultimate parents are A.R.D Holding A.Ş., N.D.Ç Holding A.Ş. and Atlantik Holding A.Ş., which are being controlled by Dinçkök family members (Note 20).

Akkök Sanayi Yatırım ve Geliştirme A.Ş. is registered in Turkey and the address of the registered office is as follows:

Miralay Şefik Bey Sokak
No: 15 Akhan
Gümüşsuyu 34437 İstanbul

Subsidiaries

The subsidiaries of Akkök, the countries they are incorporated in, and the nature of their businesses are as follows:

Subsidiaries	Country of incorporation	Nature of business
Akiş Gayrimenkul Yatırımı A.Ş.	Turkey	Real estate investment
Ak-Kim Kimya Sanayi ve Ticaret A.Ş.	Turkey	Chemicals
Akmeltem Poliüretan Sanayi ve Ticaret A.Ş.	Turkey	Chemicals
Aksa Akrilik Kimya Sanayii A.Ş. ("Aksa")	Turkey	Chemicals
Ak-Tem Uluslararası Mümessillik ve Ticaret A.Ş.	Turkey	Chemicals
Aksa Egypt Acrylic Fiber Industry SAE ("Aksa Egypt")	Egypt	Chemicals
Ak-Al Gayrimenkul Geliştirme ve Tekstil Sanayii A.Ş. (*)	Turkey	Textile
Ak-Tops Tekstil Sanayi A.Ş. ("Ak-Tops") (***)	Turkey	Textile
İstasyon Tekstil ve Sanayi Ticaret A.Ş.	Turkey	Textile
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş.	Turkey	Aviation
Akmerkez Lokantacılık Gıda Sanayi ve Ticaret A.Ş.	Turkey	Restaurant management
Ak-Pa Tekstil İhracat Pazarlama A.Ş.	Turkey	International trade
Akport Tekirdağ Liman İşletmeleri A.Ş.	Turkey	Port management
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş.	Turkey	Information technologies
Ariş Sanayi ve Ticaret A.Ş.	Turkey	Trade
Akdepo Lojistik ve Dış Ticaret A.Ş. (**)	Turkey	Tourism
Dinkal Sigorta Acenteliği A.Ş.	Turkey	Insurance agency
Fitco BV	The Netherlands	Investment
Zeytinliada Turizm ve Ticaret A.Ş.	Turkey	Tourism
Ak Yön Yönetim ve Bakım İşlemleri A.Ş.	Turkey	Mall management
Aksu Real Estate E.A.D	Bulgaria	Textile

(*) Ak-Al Gayrimenkul Geliştirme ve Tekstil Sanayi A.Ş. a subsidiary as of 31 December 2012, merged with Akiş Gayrimenkul Yatırımı A.Ş. on 4 January 2013.
(**) Akdepo Lojistik ve Dış Ticaret A.Ş. a subsidiary as of 31 December 2012 merged with Akkök on 20 March 2013.
(***) Aksa and Ak-Tops merged on 31 December 2013.

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Joint ventures

The joint ventures of Akkök, the countries they are incorporated in, and the nature of their businesses and joint venture partners are as follows:

	Country of incorporation	Nature of business	Joint venture partner
Joint Ventures			
Ak-El Yalova Elektrik A.Ş.	Turkey	Energy	CEZ a.s.
Akcez Enerji Yatırımlar Sanayi ve Ticaret A.Ş. ("Akcez")	Turkey	Energy	CEZ a.s.
Akka Elektrik Üretim A.Ş.(*)	Turkey	Energy	CEZ a.s.
Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş.	Turkey	Energy	CEZ a.s.
Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret A.Ş.	Turkey	Energy	CEZ a.s.
Akenerji Elektrik Üretim A.Ş. ("Akenerji")	Turkey	Energy	CEZ a.s.
Akkur Enerji Üretim Tic. ve San. A.Ş.	Turkey	Energy	CEZ a.s.
Egemer Elektrik Üretim A.Ş.	Turkey	Energy	CEZ a.s.
Ak-el Kemah Elektrik Üretim A.Ş.	Turkey	Energy	CEZ a.s.
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Turkey	Energy	CEZ a.s.
Sakarya Elektrik Dağıtım A.Ş.	Turkey	Energy	CEZ a.s.
Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş")	Turkey	Energy	CEZ a.s.
DowAksa Advanced Composites Holding B.V. ("DowAksa")	The Netherlands	Holdings	Dow Europe Holdings B.V.
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti.	Turkey	Chemistry	Dow Europe Holdings B.V.
DowAksa Switzerland GmbH Switzerland	Switzerland GmbH	Chemistry	Dow Europe Holdings B.V.
DowAksa USA LLC	USA.	Chemistry	Dow Europe
Akferal Su Kimyasalları Sanayi ve Ticaret A.Ş. ("Akferal")	Turkey	Chemistry	Feralco Group

(*) Liquidated as of 31 December 2013.

Associates

The associates of Akkök, the countries they are incorporated in, and the nature of their businesses are as follows:

Associates	Country of incorporation	Nature of business
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. ("Akmerkez")	Turkey	Real estate development
Saf Gayrimenkul Yatırım Ortaklığı A.Ş. ("Saf GYO")	Turkey	Real estate development

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Financial investments

The financial investments of Akkök, the countries they are incorporated in, and the nature of their businesses together with reportable segments are as follows:

Financial investments	Country of incorporation	Nature of business
Akhan Bakım Yön. Ser. Hiz. Tic. A.Ş.	Turkey	Service
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	Turkey	Service
Tasfiye halinde Aken B.V. (*)	The Netherlands	Service

(*) Subsidiaries that are not material to consolidated financial statements are accounted for as financial investments in financial statements at cost, less impairment if any.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with the Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC").

The Company (and its subsidiaries, joint ventures and associates registered in Turkey) maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. Subsidiaries, joint ventures and associates operating in foreign countries have prepared their statutory financial statements in accordance with the laws and regulations of the country in which they operate. The consolidated financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion in TL. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Illustrative Financial Statements and Application Guidance published by POA.

Additionally, the Group prepared its consolidated financial statements as required by TCC, in accordance with the accounting policies indicated in Note 2 in order to achieve fair presentation. The Group made the required adjustments and reclassifications to conform to the format of financial statements defined in the Illustrative Financial Statements and Application Guidance published by POA.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards in previous reporting periods. The related consolidated financial statements are also in accordance with TMS. Thus, TFRS 1 "First Time Adoption of International Financial Reporting Standards" ("TFRS 1") has not been applied. Addiotionally, explanations for reconciliations from consolidated financial statements prepared in accordance with act 6762 and other legislations as of 31 December 2011 and 31 December 2012 and income statements year ended 31 December 2012 to consolidated financial statements prepared in accordance with TAS are presented in Note 29.

2.2 Principles of consolidation

The significant accounting policies used during the preparation of these consolidated financial statements are summarised below:

a) The consolidated financial statements include the accounts of the parent company, Akkök, its subsidiaries, joint ventures and associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements, and are prepared in accordance with IFRS as explained in Note 2.1. The results of operations of subsidiaries, joint ventures and associates are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.

b) Subsidiaries are companies in which Akkök has the power to control their financial and operating policies. Such control is established through the joint exercise of; (i) the voting rights of Akkök and its subsidiaries, (ii) the voting rights of certain members of Dinçkök family and the related shareholders who declared to exercise their voting rights inline with Akkök's voting preference, and (iii) the voting rights of entities that are controlled by the family members mentioned above and the related shareholders, which declared to exercise their voting rights inline with Akkök's voting preference.

Effective interest rate represents the effective shareholding of the Group through the shares held directly by Akkök and indirectly by its subsidiaries in the consolidated financial statements, interests owned by the Dinçkök family members are presented as non-controlling interests.

The balance sheets and statements of income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Akkök and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Akkök and its subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Akkök in its subsidiaries are eliminated from equity and income for the period, respectively.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The table below sets out the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at 31 December 2013 and 2012:

	Proportion of voting power held by Akkök and its subsdiaries (%) (*)		Proportion of voting power held by certain Dinçkök family members and related shareholders (%) (**)		Total voting power held		Proportion of effective intererest (%)(***)	
Subsidiaries	2013	2012	2013	2012	2013	2012	2013	2012
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş.	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Ak-Al Gayrimenkul Geliştirme ve Tekstil Sanayii A.Ş.	-	52.71	-	6.77	-	59.48	-	52.51
Ak-Kim Kimya Sanayi ve Ticaret A.Ş.	42.00	42.00	36.63	50.88	78.63	92.88	42.00	42.00
Akmeltem Poliüretan Sanayi ve Ticaret A.Ş.	50.00	50.00	1.67	1.67	51.67	51.67	50.00	50.00
Akmerkez Lokantacılık Gıda Sanayi ve Ticaret A.Ş.	43.75	43.75	-	-	43.75	43.75	43.75	43.75
Ak-Pa Tekstil İhracat Pazarlama A.Ş.	84.69	84.69	7.50	7.50	92.19	92.19	76.55	76.55
Akport Tekirdağ Liman İşletmeleri A.Ş.	91.11	76.31	4.45	11.85	95.56	88.16	91.11	76.31
Aksa Akrilik Kimya Sanayii A.Ş.	39.59	39.59	18.72	18.72	58.31	58.31	39.59	39.59
Ak-Tem Uluslararası Mümessillik ve Ticaret A.Ş.	99.80	99.80	0.05	0.05	99.85	99.85	41.92	41.92
Ak-Tops Tekstil Sanayi A.Ş.	100.00	60.00	-	33.30	100.00	93.30	39.59	23.75
Ariş Sanayi ve Ticaret A.Ş.	43.34	43.34	28.33	28.33	71.67	71.67	43.34	43.34
Dinkal Sigorta Acenteliği A.Ş.	96.66	96.66	2.23	2.23	98.89	98.89	95.53	95.53
Akdepo Lojistik ve Dış Ticaret A.Ş	-	100.00	-	-	-	100.00	-	100.00
Zeytinliada Turizm ve Ticaret A.Ş.	89.61	89.61	4.64	4.64	94.25	94.25	89.61	89.61
İstasyon Tekstil ve Sanayi Ticaret A.Ş.	43.37	43.37	28.31	28.31	71.68	71.68	43.37	43.37
Akiş Gayrimenkul Yatırımı A.Ş.	31.53	20.00	43.93	64.36	75.46	84.36	31.46	20.00
Fitco BV	100.00	100.00	-	-	100.00	100.00	39.59	39.59
Aksa Egypt Acyrlic Fiber Industrie SAE	100.00	100.00	-	-	100.00	100.00	39.77	39.69
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş.	20.00	20.00	40.00	40.00	60.00	60.00	20.00	20.00
Ak Yön Yönetim ve Bakım Hizmetleri A.Ş.	99.99	99.99	0.01	0.01	100.00	100.00	31.46	20.00
Aksu Real Estate E.A.D	100.00	100.00	-	-	100.00	100.00	31.46	52.51

(*) Represents total direct ownership interest held by Akkök and its subsidiaries.
(**) Represents total direct ownership interest held by certain Dinçkök family members and related shareholders who declared to exercise their voting power inline with the voting preference of Akkök.
(***) Represents total direct and indirect ownership interest held by Akkök.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

c) Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Akkök and its subsidiaries together with one or more other parties. Akkök exercises such joint control through direct and indirect ownership interest held by itself and/or through voting power Dinçkök family members and the related shareholders who declared to exercise their voting power inline with the voting preferences Akkök. The Group's interest in joint ventures is accounted for by way of equity method. Under the equity method, investments in the joint ventures are carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the joint venture and the comprehensive income reflects the share of the results of operations of the joint ventures. Where there has been a change recognised directly in the equity of the joint ventures, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. The table below sets out the joint-ventures, the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at 31 December 2013 and 31 December 2012:

	Proportion of voting power held by Akkök and its subsdiaries (%) (*)		Proportion of voting power held by certain Dinçkök family members and related shareholders (%) (**)		Total voting power held		Proportion of effective intererest (%)(***)	
Joint ventures	2013	2012	2013	2012	2013	2012	2013	2012
Ak-El Yalova Elektrik A.Ş.	100.00	90.07	-	5.86	100.00	95.93	20.43	20.43
Akenerji Elektrik Üretim A.Ş.	20.43	20.43	16.93	16.93	37.36	37.36	20.43	20.43
Ak Enerji Elektrik Enerjisi İthalat-İhracatve Toptan Ticaret A.Ş.	100.00	90.00	-	5.00	100.00	95.00	20.43	20.43
Akkur Enerji Üretim Tic. ve San. A.Ş.	100.00	99.43	-	0.29	100.00	99.72	20.43	20.43
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş	100.00	99.28	-	0.36	100.00	99.64	20.43	20.43
Akka Elektrik Üretim A.Ş.	-	90.00	-	5.00	-	95.00	-	20.43
Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş.	50.00	72.50	-	-	50.00	72.50	50.00	36.69
Akfil Holding A.Ş.	-	9.00	-	2.50	-	11.50	-	9.00
Sakarya Elektrik Dağıtım A.Ş.	100.00	100.00	-	-	100.00	100.00	50.00	36.69
Sakarya Elektrik Perakende Satış A.Ş.	100.00	72.50	-	-	100.00	72.50	50.00	36.69
Egemer Elektrik Üretim A.Ş.	100.00	100.00	-	-	100.00	100.00	20.43	20.43
Ak-el Kemah Elektrik Üretim A.Ş.	100.00	99.99	-	-	100.00	99.99	20.43	20.43
Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş.	100.00	99.99	-	-	100.00	99.99	20.43	20.43
Garanti Koza-Akiş Adi Ortaklığı	-	25.00	-	-	-	25.00	-	5.00
Dowaksa Advanced Kompozit Holding B.V.	50.00	50.00	-	-	50.00	50.00	19.79	19.79
DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.	100.00	100.00	-	-	100.00	100.00	19.79	19.79
DowAksa Switzerland GmbH	100.00	-	-	-	100.00	-	19.79	-
DowAksa USA LLC	100.00	-	-	-	100.00	-	19.79	-
Akferal Su Kimyasalları Sanayi ve Ticaret A.Ş.	50.00	-	-	-	50.00	-	21.00	-

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

d) Investments in associated undertakings are accounted for using the equity method of accounting (Note 7). These are undertakings, over which the Group generally has between 20% and 50% of the voting rights; through the voting rights of Akkök and its subsidiaries and/or through the voting rights of certain members of Dinçkök family and related shareholders in those companies who declared to exercise their voting rights inline with Akkök's voting preference or through the Group's exercise of significant influence with, no controlling power. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking or significant influence of the Group ceases. The carrying amount of the investment at the date when significant influence ceases is regarded as cost thereafter. The table below sets out the associates accounted for using the equity method of accounting, the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at 31 December 2013 and 2012:

	Proportion of voting power held by Akkök and its subsidiaries (%)		Proportion of voting power held by certain Dinçkök family members and related shareholders (%)		Total voting power held		Proportion of effective interest (%)	
Subsidiaries	2013	2012	2013	2012	2013	2012	2013	2012
Akmerkez GayrimenkulYatırım Ortaklığı A.Ş. ("Akmerkez")	13.12	13.12	5.57	5.57	18.69	18.69	13.12	13.12
Saf Gayrimenkul Yatırım Ortaklığı A.Ş.	6.56	6.56	14.21	14.21	20.77	20.77	2.06	1.31

e) Other investments in which the Group and its subsidiaries have an interest below 20%, or Group and its subsidiaries have an interest over 20% but the Group does not exercise a significant influence, or which are immaterial, are classified as available-for-sale investments. Available-for-sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value (Note 6).

	Proportion of voting power held by Akkök and its subsidiaries (%) (*)		Proportion of voting power held by certain Dinçkök family members and related shareholders (%) (**)		Proportion of effective interest (%) (***)	
Financial Investments	2013	2012	2013	2012	2013	2012
Akhan Bakım Yön. Ser. Hiz. Tic. A.Ş.	99.00	99.00	0.15	0.15	99.00	99.00
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	39.37	39.37	-	-	39.37	39.37
Aken B.V.	100.00	100.00	-	-	20.43	20.43

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

f) The portion of the profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through the subsidiaries, by the parents, is presented as non-controlling interest.

Changes in Group structure

Merger of Akiş and Ak-al

Two of Group's subsidiaries, Akiş and Akal, have merged and continue their operations under a single legal entity as of 4 January 2013. This merger did not have an impact in the consolidated financial statements.

Purchase of Akcez shares by Akkök Sanayi ve Yatırım Geliştirme A.Ş.

Akkök acquired 22.5% of Akcez shares held by its joint venture, Akenerji. Impact of this transaction is disclosed in Note 7.

Sale of Akfil and Garanti Koza shares

The Group has disposed their interests in its joint ventures, Akfil Holding and Garanti Koza-Akiş for an amount of USD 62,425 thousand on 11 March 2013. As a result of this disposal, the Group recognized a sales gain of TL 98,893 (Note 24).

2.3 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.4 Amendments in International Financial Reporting Standards ("TFRS")

a) Standards, amendments and interpretations effective for annual periods ending on or after 31 December 2013:

- Amendment to TAS 1, 'Financial statement presentation', regarding other comprehensive income; is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- Amendment to TAS, 'Employee benefits'; is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

- Amendment to TFRS 1, 'First time adoption', on government loans; ; is effective for annual periods beginning on or after 1 January 2013. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to TFRS. It also adds an exception to the retrospective application of TFRS, which provides the same relief to first-time adopters granted to existing preparers of TFRS financial statements when the requirement was incorporated into TAS 20 in 2008.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- Amendment to TFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting¸; is effective for annual periods beginning on or after 1 January 2013. This amendment includes new disclosures to facilitate comparison between those entities that prepare TFRS financial statements to those that prepare financial statements in accordance with US GAAP.

- Amendment to TFRSs 10, 11 and 12 on transition guidance¸; is effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to TFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before TFRS 12 is first applied.

- Annual improvements 2011; is effective for annual periods beginning on or after 1 January 2013.These annual improvements, address five issues in the 2009-2011 reporting cycle.
It includes changes to:

• TFRS 1, 'First time adoption'
• TAS 1, 'Financial statement presentation'
• TAS 16, 'Property plant and equipment'
• TAS 32, 'Financial instruments; Presentation'
• TAS 34, 'Interim financial reporting'

- TFRS 10,'Consolidated financial statements'; is effective for annual periods beginning on or after 1 January 2013. The objective of TFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

- TFRS/IFRS 11, 'Joint arrangements'; is effective for annual periods beginning on or after 1 January 2013. TFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- TFRS 12, 'Disclosures of interests in other entities'; is effective for annual periods beginning on or after 1 January 2013. TFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- TFRS 13, 'Fair value measurement'; is effective for annual periods beginning on or after 1 January 2013. TFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across TFRSs. The requirements, which are largely aligned between TFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within TFRSs or US GAAP.

- TAS 27 (revised 2011), 'Separate financial statements'; is effective for annual periods beginning on or after 1 January 2013. TAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of TAS 27 have been included in the new TFRS 10.

- TAS 28 (revised 2011), 'Associates and joint ventures'; is effective for annual periods beginning on or after 1 January 2013. TAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of TFRS 11.

- TFRIC 20, 'Stripping costs in the production phase of a surface mine' is effective for annual periods beginning on or after 1 January 2013. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under TFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body.

b) New TFRS/IFRS standards, amendments and TFRIC/IFRICs published as of 31 December 2013 but effective after 1 January 2014

- Amendment to TAS 32, 'Financial instruments: Presentation', on asset and liability offsetting is effective for annual periods beginning on or after 1 January 2014.These amendments are to the application guidance in TAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- Amendments to TFRS 10,12 and TAS 27 on consolidation for investment entities is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made TFRS 12 to introduce disclosures that an investment entity needs to make.

- Amendment to TAS 36, 'Impairment of assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- Amendment to TAS 39 'Financial Instruments: Recognition and Measurement' - 'Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

- TFRIC 21, 'Levies' is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of TAS 37, 'Provisions, contingent liabilities and contingent assets'. TAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- TFRS 9 'Financial instruments' – classification and measurement; is effective for annual periods beginning on or after 1 January 2015. This standard on classification and measurement of financial assets and financial liabilities will replace TAS 39, 'Financial instruments: Recognition and measurement'. TFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the TAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions.

- Amendments to TFRS 9'Financial instruments', regarding general hedge. These amendments to TFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

- Amendment to TAS 19 regarding defined benefit plans; ; is effective for annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- Annual improvements 2012; is effective for annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010 - 2012 cycle of the annual improvements project, that affect 6 standards:

- TFRS 2, 'Share-based payment'
- TFRS 3, 'Business Combinations'
- TFRS 8, 'Operating segments'
- TAS 16, 'Property, plant and equipment' and TAS 38'Intangible assets'
- Consequential amendments to TFRS 9, 'Financial instruments', TAS 37, 'Provisions, contingent liabilities and contingent assets', and
- TAS 39, Financial instruments – Recognition and measurement'

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

- Annual improvements 2013; is effective for annual periods beginning on or after 1 July 2014. The amendments include changes from the 2011-2012-2013 cycle of the annual improvements project that affect 4 standards:

- TFRS 1, 'First time adoption'
- TFRS 3, 'Business combinations'
- TFRS 13, 'Fair value measurement' and
- TAS 40, 'Investment property'

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

2.5 Comparatives and adjustment to previous periods' financial statements

In order to enable consistent presentation of the financial status and performance trends, the consolidated financial statements of the Group are being prepared in comparison to the previous period. Previous period's consolidated financial statements have been restated in accordance with revised TAS 19 "Employee Benefits" and TFRS 11 "Joint Arrangements", which have been effective from 1 January 2013. These standards have been applied retrospectively in accordance with "TAS 8 -Accounting Policies, Changes in Accounting Estimates and Errors" and impact of these restatements on previously issued consolidated financial statements is explained below.

Impact of TAS 19:

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

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

Impact of TFRS 11:

The Group's interests in Joint Ventures have been accounted for by proportionate consolidation method in accordance with "TAS 31 Shares in Joint Ventures" prior to 1 January 2013. Under the proportionate consolidation method, the Joint Venture's assets, liabilities, equity, income and expenses are consolidated by the total ownership interest of the Group and intercompany transactions and balances with Joint Ventures are eliminated during the consolidation.

"TFRS 11 Joint Arrangements", effective for the annual periods on or after 1 January 2013, supersedes "TAS 31 Shares in Joint Ventures" and requires the application of the equity method for the consolidation of interests in joint ventures in accordance with "TAS 28 Investments in Associates and Joint Ventures".

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Under the equity method, the investment in a joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions (dividends etc.) received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

In accordance with this amendment, the Group changed its policy regarding the accounting of its Joint Ventures from proportionate consolidation method to equity accounting method.

The Group's investment in its joint ventures is recognised as at the beginning of the earliest period presented in the consolidated financial statements as of 1 January – 31 December 2013. This initial investment has been measured as the aggregate of the carrying amounts of the assets and liabilities that the Group has previously proportionately consolidated, including any goodwill arising from acquisition.

Total direct and indirect ownership interest of Akkök has been taken into consideration in the accounting of Joint ventures by equity method.

Reconciliation of previously reported financial statements of 31 December 2012 restated as of 31 December 2013 are as follows:

	Previously reported balance at 31 December 2012	Impact of change in TFRS-11	Impact of change in TAS 19	Impact of change in other accounting policy	Restated 31 December 2012
Current assets	1,698,417	(462,063)	-	-	1,236,354
Non-current assets	2,367,858	(486,909)	-	(14,777)	1,866,172
Total Assets	4,066,275	(948,972)	-	(14,777)	3,102,526

	Previously reported balance at 31 December 2012	Impact of change in TFRS-11	Impact of change in TAS 19	Impact of change in other accounting policy	Restated 31 December 2012
Current liabilities	1,306,625	(352,480)	-	(26,283)	927,862
Non-current liabilities	921,915	(596,492)	-	26,252	351,675
Total Liabilities	2,228,540	(948,972)	-	(31)	1,279,537
Total Equity	1,837,735	-	(1,671)	(13,075)	1,822,989
Total Assets	4,066,275	(948,972)	(1,671)	(13,106)	3,102,526

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

	Balance at 31 December 2012	Impact of change in TFRS-11	Impact of change in TAS 19	Impact of change in other accounting policy	Restated 31 December 2012
Continued operations					
Revenue	2,919,591	(829,790)	-	-	2,089,801
Cost of sales (-)	(2,523,875)	770,078	-	(7,053)	(1,760,850)
Gross Profit	395,716	(59,712)	-	(7,053)	328,951
Profit/loss before tax	392,090	(22,427)	996	(7,053)	363,606
Net profit for the period	302,001	(8,868)	996	(7,053)	287,076

	31 December 2012	Restated 31 December 2012
Cash flow from operating activities	120,880	239,776
Cash flow from investing activities	(337,937)	(183,816)
Cash flow from financing activities	368,740	25,448
Net increase/(decrease) in cash and cash equivalents	151,683	81,408

2.6 Going Concern

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policies, accounting estimates and errors

Significant changes in accounting policies or significant errors are corrected, retrospectively; by restating the prior period consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

3.2 Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them, associates and joint ventures are considered and referred to as related parties (Note 8).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is three months or less. The maturity at the time of purchase is higher than three months deposits recognize in financial assets (Note 5).

3.4 Financial assets

Financial assets within the scope of TAS 39 "Financial instruments: Recognition and measurements" are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

As of 31 December 2013 and 2012 the Group does not have any financial assets at fair value through profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for-sale or that are not classified in any of the three categories (a) loans and receivables, (b) held-to-maturity investments and (c) assets at fair value through profit or loss. A gain or loss on an available for- sale financial asset after initial recognition shall be recognised directly in equity, through the statement of changes in equity, except for impairment losses, dividend and interest gains, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss. If a fair value loss on an available-for-sale asset has been recognised directly in equity, and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity should be recycled into profit or loss even though the financial asset has not been sold.

Available-for-sale financial assets are subsequently measured at fair value. Available-for-sale financial assets that are quoted in active markets are measured based on current bid prices. If the market for a financial asset is not active the fair value is determined by using valuation techniques such as discounted cash flow analysis and option pricing model (Note 6).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries excluded from the scope of consolidation

For investments as subsidiaries that are excluded from the scope of consolidation on the grounds of materiality where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment in value (Note 6).

3.5 Trade receivables and payables

Trade receivables have a maturity range of 30-120 days and are recognised at original invoice amount and carried at amortised cost less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The allowance is an estimated amount which is difference between existing receivable and collectible amount. Collectible amount is the discounted value of trade receivables, all cash flows including collections from guarantees by using original effective interest rate. Bad debts are written off when identified (Note 9).

Trade payables consist of the amounts invoiced or not invoiced related with the realised material or service purchases, and are carried at amortised cost (Note 9).

3.6 Inventories

Inventories are valued at the lower of cost or net realisable value less costs to sell. Cost of inventories comprises the purchase cost and the cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving weighted average method. The cost of borrowings is not included in the costs of inventories. Net realisable value less costs to sell is the estimated sales price in the ordinary course of business, less the estimated costs necessary to make the sale (Note 10).

3.7 Investment property

Land and buildings that are held in the production or supply of goods or services or for administrative purposes or for long-term rental yields or for capital appreciation or both rather than for the sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation (except for land) (Note 12).

Investment properties are reviewed for possible impairment losses and where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. Recoverable amount of the investment property is the higher of future net cash flows from the utilisation of this investment property or fair value less cost to sell.

Investment property in accordance with the principle of the straight-line method, useful lives are amortised. Land is not depreciated because it is an indefinite life for the estimated useful life for buildings is between 5 and 50 years.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided for property, plant and equipment on a straight-line basis (Note 3). Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Useful life
Land improvements	2-50
Buildings	5-50
Machinery and equipment	3-40
Motor vehicles	4-8
Furniture and fixtures	2-50
Leasehold improvements	4-46

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the event of circumstances indicating that an impairment has occurred in the tangible assets, an inspection is performed for the purpose of determining a possible impairment, and if the registered value of the tangible asset is higher than its recoverable value, the registered value is reduced to its recoverable value by reserving a provision. The recoverable value is considered either the net cash flow to be caused by the current use of the respective tangible assets or the nest sales price, whichever is higher.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the related income and expense accounts, as appropriate (Note 24).

Repairs and maintenance are charged to consolidated statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. The depreciation period for the intangibles capitalised in relation with the new models will be started after the production of these models is started. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable (Note 14).

Intangible assets useful lives vary between 3 and 15 years.

Research and development expenses

Expenditures for research and development are expensed in the period incurred. Except with the following criteria for project expenditures are recorded as expense in the period incurred as well. The costs related to the development projects are capitalised when the criteria below are met and amortised on a straight-line basis over the useful lives of related projects according to standard TMS 38 Intangible assets (Note 14):

- The product or process is clearly defined and costs are separately identified and measured reliably,
- The technical feasibility of the product is demonstrated
- The product or process will be sold or used in-house
- A potential market exists for the product or its usefulness in case of internal use is demonstrated
- Adequate technical, financial and other resources required for completion of the project are available.

The Group manages research and development projects with project declaration documentation. On the beginning and ending of projects, top management of Group confirms projects declaration forms, reviews projects and controls research and development expenses and capitilization.

3.10 Revenue recognition

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are stated net of discounts, value added and sales taxes. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Net sales are invoiced amounts of delivered goods excluding sales returns.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as financial income.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Revenue recognition (Continued)

Dividend income is recognised when the Group has the right to receive the dividend payment. Rent income is recognised in the financial statements when the Groups right to receive the monthly rent income is established.

Commission income is recognised when the intermediary goods have been billed by the seller.

The Group has accrued discount premiums in line with the fibers customers' purchase targets to be paid at the end of the year. In the current period, the Group has classified the discount premiums under "other discount" account in sales.

Income generated from the sales of the real estate (residential units and shops classified as inventories) is accounted as soon as the below conditions are met:

- The Group has transferred all significant risks and rewards associated with the property to the buyer. (Transfer of title generally coincides with the final acceptance by the customers of the residential units or shops sold and that is when the risk and rewards of ownership is considered to pass to the customer),
- The Group does not have any control on the sold properties and no continued administrative participation associated with the property,
- Reliable measurement of revenue,
- Probability that the economic benefits from the transaction will flow to the Group and
- Reliable measurement of costs,

Incomes from the leased assets are recorded on an accrual basis. Revenue of economic benefits arising from the transaction is deemed, if possible entries to a group, and that the amount of revenue can be measured reliably. Quarterly, incomes from leased assets discounts are dislosed net of rental income in the period it occurred.

Interest income from leased assets, the principal amount of the financial asset and the estimated future cash inflows through the expected life of the asset's net book value, which comes on the basis of the effective interest method, is accrued in the period.

3.11 Borrowings

All bank borrowings are initially recognised at cost, being the fair value of the consideration received net of issue cost associated with the borrowing. After initial recognition, bank borrowings are subsequently measured at amortised cost using the effective yield method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement (Note 18).

3.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Provisions for employee termination benefits

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

Under the Turkish Labour Law, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees (Note 16).

The Group has an employee benefit plan called "Seniority Incentive Bonus" ("Bonus") which is paid to employees with a certain level of seniority. The Group accounts for this Bonus according to IAS 19, "Employee Benefits". Seniority incentive bonus provision which is disclosed within the employee termination benefit represents the present value of the estimated total reserve of the probable future obligations (Note 16).

3.14 Current and deferred income tax

Tax expense or income is the aggregate of current income tax and deferred taxes which are based on the gains and losses for the period.

The corporation tax rate is 20% after 1 January 2006 in Turkey. Corporation tax rate is applicable on the total income of the companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment incentive exemption, etc.) and income tax deductions (for example research and development expenses deduction). No further tax is payable unless the profit is distributed.

Except for the dividends paid to non-resident corporations which have a representative office in Turkey or resident corporations, dividends are subject to withholding 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 withholding tax.

Akmerkez, one of the affiliate's of the Group and Akiş, one of the the subsidiaries of the Group are not subject to Corporate Tax according to article 94, paragraph 6-a of Income Tax Law and the stopage rate is decided as "%0" according to decision numbered 93/5148 by Council of Ministers.

Deferred income tax is provided for in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax liabilities are recognised for all taxable temporary differences, whereas 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 differences can be utilised.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Current and deferred income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. The carrying amount of deferred income tax assets is reviewed by the Group at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized (Note 27).

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, at individual entity level.

3.15 Events after the balance sheet date

The Group adjusts the amounts recognised in its financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements (Note 30).

3.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate (Note 15).

3.17 Contingent assets and liabilities

Contingent liabilities are not recognised in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements, but disclosed when an inflow of economic benefits is probable.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial tables and are treated as contingent assets or liabilities.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised. A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial (Note 15).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Offsetting

If the essence of the transaction and events requires offsetting, presentation of these transactions and events at their net values or following up of the assets at their amounts after the deduction of impairment, is not evaluated as a breach of the non-deductibility rule.

3.19 Business combinations

Business combinations are accounted in accordance with IFRS 3 "Business Combinations". Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. If the purchase amount is less than the fair value of provisions, contingent assets and liabilities, the subjected difference is identified with income statement.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group (the "Economic Entity Model"). Disposals to minority interests result in gains and losses for the Group that are recorded in the equity.

3.20 Foreign currency transactions

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in Turkish Lira, which is the functional currency of Akkök.

Foreign currency transactions and balances

Income and expenses arising in foreign currencies have been translated into TL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated statement of income.

3.21 Derivative financial instruments

The Group's derivative financial instruments are composed of interest rate swap and forward foreign exchange purchase and sale transactions.

Since interest rate swap transactions ensure effective protection against risks for the Group and meet the conditions necessary for TAS 39 "Accounting of financial instruments" in terms of hedge accounting, they are accounted for hedge accounting derivatives in the consolidated financial statements.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Derivative financial instruments (Continued)

While certain forward foreign exchange purchase and sale transactions provide effective protection for the Group against foreign exchange risks, they are still recognised as held-for-trading financial instruments in the consolidated financial statements since they don't meet the conditions necessary for TAS 39 "Financial instruments: Recognition and Measurement" for hedge accounting.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognized in equity under "hedging reserve", whereas changes in the fair value of derivatives designated as held for trading, are recognized in the comprehensive statement of income.

3.22 Reporting of cash flows

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows of the Group generated from operations. Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (capital expenditures and financial investments).Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months (Note 5).

3.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are recognised in the income statement by deducting from research and development expenses. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

3.24 Paid in share capital

The shareholders are classified as share capital. The share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings (Note 20).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 Leases

a) The Group as the lessor

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease (Note 23).

b) The Group as the lessee

Finance leases

Assets held under a finance lease are presented in balance sheet as a receivable at an amount equal to the present value of lease payments. Interest income is determined over the term of the lease using the net investment period, which reflects a constant periodic rate of return and the deferred financial income on the transaction date is recognised as unearned finance income.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the consolidated balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised in the consolidated income statement on a straight-line basis over the lease term (Note 23).

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements according to TFRS, necessitates the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next reporting period are outlined below:

a) Akport investments

As explained in detail in Note 15, the Agreement to Transfer the Right to Operate the Tekirdağ Port signed between Akport, TDI and the Privatisation Authority was terminated on 6 March 2012. Group management anticipates receiving compensation for the investments in Tekirdağ Port and that the compensation will not be less than their book value as recorded in the Group's consolidated financial statements dated 31 December 2013.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

b) Fair values of investment property

Land and buildings that are held in the production or supply of goods or services or for administrative purposes or for long-term rental yields or for capital appreciation or both rather than for the sale in the ordinary course of business are classified as "investment property".

Investment properties are stated at cost less accumulated depreciation and impairment, if any, shown by the impairment loss. Investment properties are indexed as of 31 December 2004 balance sheet date has been brought to the purchasing power of the Turkish Lira. Its values after 1 January 2005 are shown with their nominal values. Investment property loans used for the acquisition of the property belonging to financial expenses incurred during the investment period, adjusted for inflation have been included in the cost. Fair values of investment property disclosed in Note 12 have been estimated by management through use of independent property valuation experts.

c) Deferred income tax assets

Deferred income tax liabilities are recognised for all taxable temporary differences, where deferred income tax assets resulting from deductable 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 utilised (Note 27).

d) Useful lives of property, plant and equipment and intangible assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. Useful lives of property, plant and equipment, rely on best estimates of management, these estimates are reviewed balance sheet dates and if necessary adjustments are made necessary (Note 13, 14).

e) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation (Note 15).

f) Income taxes

Subsidiaries, joint ventures and associates of the Group are subject to income tax and various tax legislations. The group performs the accounting of liabilities related to the taxes expected based on the assumption of whether additional tax will be paid or not. If the tax amount reached as a result of these is significantly different from the amount first entered to the book, these differences may affect the provision of income tax and deferred taxes related to that period (Note 27).

g) Provision for employment termination benefits

Provision for employee termination benefits at present value is determined on an actuarial basis using certain assumptions. These assumptions, including the discount rate, are used in determining the current year charge (income) arising from the change in the provision. Changes to these assumptions impact the carrying amount of the provisions.

At the end of each year, the Group determines the discount rate to be used in the calculating the present value of the estimated future cash flows. In estimating the discount rate, the Group considers the yields on long-term high quality corporate and sovereign bonds and inflation estimates of Central Bank of Turkey (Note 16).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 5 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Cash	229	204	289
Bank			
Demand deposit	55,847	36,786	32,323
Time deposit	563,112	333,628	271,060
Other	4,604	6,829	11,162
Total	623,792	377,447	314,834

The analysis of cash and cash equivalents in terms of the consolidated statements of cash flows at 31 December 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Cash and cash equivalents	623,792	377,447	314,834
Less: restricted deposits	(4,605)	(4,693)	(3,741)
Cash and cash equivalents	619,187	372,754	311,093

Interest rate of time deposits with maturities less than 3 months at 31 December 2013, 2012 and 2011 are as follows:

	Time Deposit	2013 %	Time Deposit	2012 %	Time Deposit	2011 %
TL	336,721	8.72 – 10.00	94,025	6.90 – 11.00	69,080	8.50 – 12.30
USD	161,309	2.90 – 4.75	210,903	2.70 – 4.05	182,435	4,44 – 5.40
Euro	64,991	2.90 – 3.30	28,497	2.70 – 3.20	19,545	4.41 – 5.45
Other	91	-	203	-	-	-
Total	563,112		333,628		271,060	

NOTE 6 - FINANCIAL INVESTMENTS

Non-current financial investments:	2013	2012	2011
Available-for-sale financial investments	9,813	13,211	6,840
Financial investments not included in the scope of consolidation	226	1,054	1,116
Total	10,039	14,265	7,956

Available-for-sale financial investments:	%	2013	%	2012	%	2011
Yapı ve Kredi Bankası A.Ş.	<1	8,798	<1	12,284	<1	6,332
Akçansa Çimento Sanayi A.Ş.	<1	666	<1	578	<1	313
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	347	<1	347	<1	194
Türkiye Vakıflar Bankası A.Ş.	<1	2	<1	2	<1	1
Total		9,813		13,211		6,840

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 6 - FINANCIAL INVESTMENTS (Continued)

Movements of available-for-sale financial investments for the years ended 31 December 2013 and 2012 are as follows:

	2013	2012
1 January	13,211	6,840
Changes in fair value	(3,398)	6,371
31 December	9,813	13,211

Financial investments not included in the scope of consolidation:

	2013	2012	2011
Üçgen Bakım ve Yönetim Hizmetleri A,Ş,	107	107	107
Akhan Bakım Yönetim Servis Hizmet Ticaret A,Ş,	119	119	122
Akgirişim Kimya ve Ticaret A,Ş,	-	-	98
Aksu Textiles E,A,D,	-	828	789
Total	226	1,054	1,116

Financial investments that are not material regarding the Group's consolidated net assets, financial position and financial performance, were not included in the scope of consolidation and classified as available-for-sale financial investments. These are measured at restated costs in accordance with inflation accounting requirement applied until 31 December 2004 when fair value cannot be reliably measured (Note 2.2.e).

NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The analysis of the investments accounted for by the equity method at 31 December 2013, 2012 and 2011 is as follows (Note 2.2.d).

	2013	2012	2011
Akcez	277,937	181,108	150,912
DowAksa	245,108	227,742	-
Akenerji	118,191	147,515	69,346
Akmerkez	25,429	23,530	21,145
Saf GYO	4,070	2,864	5,732
Akferal	306	-	-
Akfil Holding A,Ş, (*)	-	12,387	-
Total	671,041	595,146	247,135

(*) Akiş' shares in Garanti Koza Akiş Adi Ortaklığı were sold to Akfil Holding A.Ş. for USD 10,000,000, on 11 March 2013. On the other hand, Akiş' shares in Akfil Holding A.Ş. were sold to Garanti Koza İnşaat, the other venturer in this joint-venture, for USD 52,425,000 on 11 March 2013. The sale gain arising from these transactions has been recognised in the consolidated income statement for the year ending 31 December 2013 under "Income From Investing Activities" (Note 24).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Movements of investments in associate during the years ended 31 December 2013, 2012 and 2011 is as follows:

	2013	2012
1 January	595,146	247,135
Share of profit from associates	(77,947)	41,048
Dividend received	(24,318)	(10,345)
Other comprehensive income from associates	46,760	13,626
Increase in ownership rate (**)	125,930	75,940
Reinstatement of net liabilities in associate during disposal	5,470	-
Additional shares recognized (***)		227,742
31 December	671,041	595,146

(**) The amounts increase in shares of dividends are related with purchasing of Akenerji shares of Akcez at 31 December 2013 (Note 2.2).
(***) In light of the sub-paragraph (b) of clause 3 of Article 19 of Corporate Tax Law No. 5520, Article 19.2.2 of the General Communiqué on Corporate Tax Serial No. 1 and the Common Communiqué on Regulation of Principles and Procedures Regarding the Partial Spin-off of Joint Stock and Limited Companies issued by the Ministry of Finance and the Ministry of Industry and Commerce and published in Official Gazette No. 25231 dated 16 September 2003, it is deemed appropriate for the carbon fibre activities of Aksa Akrilik Kimya Sanayii Anonim Şirketi, one of the Group's subsidiaries, to be spun-off into a newly established joint stock company via a partial spin-off through the transfer of shares as capital in-kind. This spin-off was accepted by the partners in the extraordinary general assembly meeting held on 02 January 2012 and Aksa Karbon Elyaf Sanayi A.Ş. was established.

Before the international partnership transactions to be established as 50%-50% with Dow Europe Holdings B.V., Aksa has acquired all of the shares belonging to Celtic Pharma Holdings II B.V., which had a nominal capital amount of EUR18.000; incorporated in the Netherlands on 01 June 2012; and changed the company title to Aksa Netherlands.

Aksa has transferred all of the shares owned by Aksa Karbon Elyaf Sanayi A.Ş, one of its subsidiaries, and whose 99.99% of the shares belong to the company, to Aksa Netherlands as capital in-kind amounting to USD185,000,000.

Within the context of the international scale partnership transactions, to be established as 50%-50% with Dow Europe Holdings B.V., Aksa sold 8.108% of the shares owned by Aksa Netherlands to Dow Europe Holdings B.V. on 29 June 2012 for USD15,000,000, and on same date, following this transaction, Dow Europe Holdings B.V. established a 50% partnership with Aksa Netherlands Holding B.V. via a capital increase of USD170,000,000 and a share premium contribution and changed the company title to DowAksa Advanced Composites Holdings B.V. ("DowAksa Holdings") on the same date.

Because the relevant transactions are considered "loss of control over subsidiary" for the Group in accordance with SIC 13-Jointly Controlled Enterprises-Non-Monetary Participation Shares of Joint Ventures, the profit amounting to TRY88,169 arising from the sale of 8.108% of the shares, the capital increase and share premium contributions transactions of Dow Europe Holdings B.V. is recognised under "Income From Investing Activities" (Note 24). Also, the income and expenses which occurred up until the date that the control over the subsidiary was lost are recognized in the consolidated income statement.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

As of 31 December 2013 and 2012, summaried financial information for the Group's investments accounted for using the method are presented below:

2013	Assets	Liabilities	Revenue	Net profit for the period
Akcez	1,625,168	1,176,173	1,814,676	(43,189)
DowAksa	508,814	221,357	66,696	(51,050)
Akenerji	3,201,383	2,373,355	771,029	(127,082)
Akmerkez	197,524	3,707	81,415	59,842
Saf GYO	972,678	775,061	8,419	20,727
Akferal	2,014	1,401	2,177	113

2012	Assets	Liabilities	Revenue	Net profit for the period
Akcez	1,580,658	1,087,105	1,728,327	68,457
DowAksa	610,993	155,510	16,613	(16,733)
Akenerji	2,823,508	1,879,073	801,981	81,116
Akmerkez	182,742	3,397	73,558	54,322
Saf GYO	739,696	521,352	15,334	(38,678)
Akfil	389,584	115,120	-	478

As of 31 December 2013 and 2012, market capitalization of the Group's investments accounted for using the equity method are presented below:

2013	31 December 2013 Total market capitalization	Group's share
Akmerkez GYO	557,469	73,140
Akenerji	853,122	174,293
Saf GYO	984,128	20,273
Total	2,394,719	267,706

2012	Balance at 31 December Total market capitalization	Group's share
Akmerkez GYO	834,714	109,514
Akenerji	1,203,121	245,798
Saf GYO	868,870	11,396
Total	2,906,705	366,708

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 8 - RELATED PARTY DISCLOSURES

a) Trade receivables due from related parties

The analysis of trade receivables due from related parties as at 31 December 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Akenerji	10,727	8,538	5,916
DowAksa	3,510	2,979	-
Akcez	2,051	1,666	2,549
Garanti Koza-Akiş Adi Ortaklığı	-	14,587	33,571
Other	2,818	900	265
Total	19,106	28,670	42,301

b) Other receivables due from related parties

The analysis of other receivables due from related parties as at 31 December 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Akenerji	-	65,159	71,844
Akcez	2,146	1,738	-
Garanti Koza-Akiş Adi Ortaklığı	-	-	10,213
Other	793	-	1,901
Total	2,939	66,897	83,958

c) Short-term trade payables due to related parties

	2013	2012	2011
DowAksa	16,237	5,003	-
Akkon Yapı Taahhüt Yapı İnşaat Müşavirlik A,Ş,	4,232	-	8,220
Akenerji	829	1,049	-
Other	1,345	813	7,398
Total	22,643	6,865	15,618

d) Short-term other payables due to related parties

	2013	2012	2011
Saf GYO	-	-	57,769
Total	-	-	57,769

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 8 - RELATED PARTY DISCLOSURES (Continued)

e) Sales to related parties

	2013	2012
Akenerji	66,137	42,028
DowAksa	30,283	11,423
Akcez	11,038	7,022
Diğer	4,408	954
Total	111,866	61,427

f) Service and product purchases from related parties

	2013	2012
DowAksa	53,535	12,247
Akkon	17,652	19,831
Akenerji	8,650	6,372
Akhan Bakım Yönetim Servis Hizmet Ticaret A,Ş,	4,586	3,220
Garanti Koza	-	42,376
Diğer	4,317	1,502
Total	88,740	85,548

Purchases from related parties consist of energy, chemical products,services, consultancy and rent expenses.

g) Key management compensation

Group has determined the key management personnel as the members of the board of directors and executive committee members.

	2013	2012
Key management compensation	9,309	6,848
Other benefits	550	508
Total	9,859	7,356

h) Commitments given to related parties

Akkök Sanayi Yatırım ve Geliştirme A.Ş. and CEZ A.Ş., individually (each one separately and to be responsible for a maximum of half of the outstanding debt) are guarantors to the USD 325,000,000 loan obtained by Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş.("Akcez") and its subsidiaries Sakarya Elektirk Dağıtım A.Ş. ve Sakarya Elektrik Perakende Satış A.Ş and Sakarya Elektrik Perakende Satış A.Ş., from the International Finance Corporation ("IFC"), the European Bank for Reconstruction and Development ("EBRD") and Unicredit Bank AG ("UCB") on 6 December 2010. Redemption of loan is done by Akcez. As of 31 December 2013, the remaining principal of this loan is USD 288,000,000.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 9 – TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from third parties

	31 December 2013	31 December 2012	31 December 2011
Trade receivables	506,729	466,878	588,462
Less: Provision for doubtful receivables	(55,577)	(57,946)	(58,475)
Less: Rediscount of trade receivables	(3,417)	(138)	(2,596)
Sub total	447,735	408,794	527,391
Trade receivables due from related parties	19,106	28,670	42,301
Total	466,841	437,464	569,692

The past experience of the Group in collecting receivables has been taken into consideration when determining the provision amount for doubtful receivables. Therefore, the Group believes that, there is no additional collection risk for trade receivables other than the provision provided.

Maturity of trade receivables of the Group is generally less than three months (2012 and 2011: less than three months).

Movements of provision for doubtful trade receivables for the years ended 31 December 2013 and 2012 are as follows:

	2013	2012
1 January	57,946	58,475
Collections and reversal of provisions	(3,976)	(765)
Charge for the period	1,607	236
31 December	55,577	57,946

As at 31 December 2013, trade receivables amounting to TL 59,803 (2012: TL 37,490 and 2011: 61,921) were past due but not impaired. The Group does not foresee any collection risk for receivables overdue up to one month due to sector dynamics and circumstances. To certain extent, trade receivables that are past due for over a month are restructured by charging interest.

Aging of past due but not impaired trade receivables at 31 December 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Up to 3 months	42,133	26,205	55,368
More than 3 months	17,670	11,285	6,553
Total	59,803	37,490	61,921

The Group has a guarantee letter from mentioned receivables in above amounting TL 144,608 (2012: TL 129,316 and 2011: TL 195,359)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 9 – TRADE RECEIVABLES AND PAYABLES (Continued)

b) Trade payables from third parties

	2013	2012	2011
Trade payables	352,699	260,630	286,331
Less: Rediscount of trade payables	(2,093)	(1,179)	(1,985)
Subtotal	350,606	259,451	284,346
Trade payables due to related parties	22,643	6,865	15,618
Total	373,249	266,316	299,964

NOTE 10 - INVENTORIES

	2013	2012	2011
Raw materials	138,195	118,679	142,392
Finished goods	48,043	38,964	40,561
Uncompleted residence	24,683	3,592	96,988
Semi-finished goods	15,875	18,182	25,362
Trade goods	14,476	24,142	6,493
Completed residence	2,387	17,323	-
Other inventories and spare parts	15,810	16,166	12,459
Less: Provision for impairment in inventories	(1,226)	(686)	(1,674)
Total	258,243	236,362	322,581

At 31 December 2013, carrying value of the Group's non-current inventories comprising uncompleted residences is TL 244,632 (2012: TL 7,645, 2011: TL 1,957).

Provision for impairment in inventories is mainly related to finished goods as of 31 December 2013, 2012 and 2011.

	2013	2012
1 January	686	1,674
Provisions released	-	(988)
Charged in for the year	540	-
31 December	1,226	686

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

a) Prepaid expenses in current assets

	2013	2012	2011
Advances given for inventories	23,203	8,347	8,349
Prepaid expenses	11,817	9,253	19,561
Total	35,020	17,600	27,910

b) Prepaid expenses in non-current assets

	2013	2012	2011
Advances given	12,167	4,048	16,497
Prepaid expenses	5,242	7,184	8,458
Total	17,409	11,232	24,955

c) Deferred income

	2013	2012	2011
Advances received	41,922	1,839	4,627
Deferred income	719	7,033	141,459
Total	42,641	8,872	146,086

NOTE 12 - INVESTMENT PROPERTY

Movement of investment property for the years ended 31 December 2013 and 2012 are as follows:

	1 January 2013	Additions	Disposals	31 December 2013
Cost:				
Land, land improvements and buildings	414,738	44,965	(9,795)	449,908
Total	414,738	44,965	(9,795)	449,908
Accumulated depreciation:				
Land, land improvements and buildings	20,498	15,828	-	36,326
Total	20,498	15,828	-	36,326
Net book value	394,240			413,582

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 12 - INVESTMENT PROPERTY (Continued)

	1 January 2012	Additions	Disposals	31 December 2012
Cost:				
Land, land improvements and buildings	418,505	6,546	(10,313)	414,738
Total	418,505	6,546	(10,313)	414,738
Accumulated depreciation:				
Land, land improvements and buildings	19,793	705	-	20,498
Total	19,793	705	-	20,498
Net book value	398,712			394,240

Fair value of the Group's investment properties, as of 31 December 2013 were estimated by a independent valuation company as TL 868,352 (2012: TL 696,841).

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2013	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2013
Cost						
Land and land improvements	215,803	5,046	(2,791)	20,208	229	238,495
Buildings	148,956	1,172	(2,203)	13,428	474	161,827
Machinery and equipment	1,131,439	2,054	(142,970)	149,290	925	1,140,738
Motor vehicles	75,777	77,529	(72,643)	-	57	80,720
Furniture and fixtures	57,387	5,106	(1,842)	4,107	36	64,794
Leasehold improvements	14,869	70	-	-	-	14,939
Construction in progress (**)	146,045	158,431	(5,903)	(199,113)	-	99,460
Total	1,790,276	249,408	(228,352)	(12,080)	1,721	1,800,973
Accumulated Depreciation						
Land and						
Land improvements	56,337	5,547	(248)	-	-	61,636
Buildings	45,274	3,795	-	-	93	49,162
Machinery and equipment	790,277	55,488	(134,107)	-	493	712,151
Motor vehicles	64,734	3,034	(63,784)	-	27	4,011
Furniture and fixtures	37,417	4,957	(987)	-	18	41,405
Leasehold improvements	10,343	693	-	-	-	11,036
Total	1,004,382	73,514	(199,126)	-	631	879,401
Net book value	785,894					921,572

(*) The transfer amounting to TL 12,080 are representing to transfers from property, plant and equipment to intangible asset in 2013.
(**) The main part of constructions in progress is consist of projects of support to insfrastructure of carbon fibres, energy productivity increment projects and modernization projects. For the year ending 31 December 2013, the Group capitalized borrowing costs amounting to TL 15,807 (2012: TL -, 2011: TL 24,073) in relation to borrowings obtained to fund construction of a coal power plant and productivity projects.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2012	Additions	Disposals	Transfers (*)	Sales of subsidiaries	Currency translation differences	31 December 2012
Cost							
Land and Land improvements	211,191	3,496	(2,092)	9,385	(5,888)	(289)	215,803
Buildings	204,705	6	(32,041)	4,089	(26,750)	(1,053)	148,956
Machinery and equipment	1,412,914	1,022	(148,103)	47,641	(175,280)	(6,755)	1,131,439
Motor vehicles	75,479	1,124	(808)	-	(12)	(6)	75,777
Furniture and fixtures	64,177	4,743	(12,799)	2,309	(1,002)	(41)	57,387
Leasehold improvements	10,910	3,649	(477)	787	-	-	14,869
Construction in progress (**)	186,054	155,742	(924)	(64,719)	(126,532)	(3,576)	146,045
Total	2,165,430	169,782	(197,244)	(508)	(335,464)	(11,720)	1,790,276
Accumulated Depreciation							
Land and Land improvements	50,508	6,336	(124)	-	(368)	(15)	56,337
Buildings	72,826	3,949	(29,559)	-	(1,872)	(70)	45,274
Machinery and equipment	912,236	56,939	(135,016)	-	(42,225)	(1,657)	790,277
Motor vehicles	62,778	2,722	(759)	-	(7)	-	64,734
Furniture and fixtures	46,045	4,412	(12,795)	-	(261)	16	37,417
Leasehold improvements	9,058	1,718	(433)	-	-	-	10,343
Total	1,153,451	76,076	(178,686)	-	(44,733)	(1,726)	1,004,382
Net book value	1,011,979						785,894

(*) The transfer amounting to TL 508 are representing to transfers from property, plant and equipment to intangible asset in 2012.
(**) The main part of constructions in progress is consist of projects of support to insfrastructure of carbon fibres, energy productivity increment projects and modernization projects. For the period ending 31 December 2012, as the foreing exchange gains offset interest expenses in relation to the borrowing obtained to fund the construction of coal power plant and productivity projects, no borrowing cost were capitalized.

Of the current year depreciation and amortization expenses, TL 81,427 (2012: TL 67,351) was charged to cost of sales, TL 3,272 (2012: TL 1,250) to research and development expenses, TL 6,172 (2012: TL 6,779) to general administrative expenses, TL 56 (2012: TL 250) to marketing and selling expenses, TL 434 (2012: TL 1,600) to constructions in progress, and TL 1,017 (2012: TL 3,500) to inventories.

The total amount of mortage on the lands of the Group as of 31 December 2013 is TL 527,159 (2012: TL 294,129 , 2011: TL 375,169).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 14 - INTANGIBLE ASSETS

	1 January 2013	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2013
Cost:						
Rights	9,241	2,627	(60)	73	115	11,996
Development costs	4,347	1,224	(2,272)	11,054	-	14,353
Other intangible assets	4,099	31	(67)	953	-	5,016
Total	17,687	3,882	(2,399)	12,080	115	31,365
Accumulated amortisation:						
Rights	7,115	753	(35)	-	6	7,839
Development costs	896	1,925	(94)	-	-	2,727
Other intangible assets	3,622	358	(48)	-	-	3,932
Total	11,633	3,036	(177)	-	6	14,498
Net book value	6,054					16,867

(*) The transfer amounting to TL 12,080 is representing to development cost transfers from property, plant and equipment to intangible assets in 2013.

	1 January 2012	Additions	Disposals	Transfers (*)	Sales of subsidiaries	Currency translation differences	31 December 2012
Cost:							
Rights	7,241	1,992	(7)	144	-	(129)	9,241
Development costs	24,301	1,562	-	364	(20,366)	(1,514)	4,347
Other intangible assets	3,629	569	-	-	(7)	(92)	4,099
Total	35,171	4,123	(7)	508	(20,373)	(1,735)	17,687
Accumulated amortisation:							
Rights	5,832	1,290	(7)	-	-	-	7,115
Development costs	3,895	2,440	-	-	(5,439)	-	896
Other intangible assets	3,403	219	-	-	-	-	3,622
Total	13,130	3,949	(7)	-	(5,439)	-	11,633
Net book value	22,041						6,054

(*) The transfer amounting to TL 508 are representing to development cost transfers from property, plant and equipment to intangible assets in 2012.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

	2013	2012	2011
Provision for lawsuits	1,458	1,924	902
Other provisions	1,663	300	1,805
Total	3,121	2,224	2,707

Other provisions mostly consist of provision for operating right payments of Akport.

a) Mortgages, guarantee notes and cheques, guarantee letters and other commitments received for short-term trade receivables are as follows:

	2013	2012	2011
Insurances on receivables	248,977	193,385	139,522
Eximbank limits	163,245	86,595	78,444
Recieved notes, guarantee and cheques	113,310	96,437	152,668
Received mortgages	74,944	82,556	75,940
Confirmed/nonconfirmed letters of guarantees	35,216	64,629	42,190
Received guarantee letters	31,298	32,879	42,691
Limits from direct debit systems	21,324	22,236	29,464
Total	688,314	578,717	560,919

b) Guarantee letters, mortgages and letters of credit given by the Group are presented below:

	2013	2012	2011
Mortgages given	527,159	294,129	375,169
Guarantee letters given	302,246	241,301	291,880
Letters of credit given	254,789	150,690	163,759
Total	1,084,194	686,120	830,808

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) The details of Akport port's investment are as follows:

Akport, a subsidiary of the Group, took over the right to operate the Tekirdağ Port for 30 years on 17 June 1997 as a result of the Agreement to Transfer the Right to Operate the Tekirdağ Port ("Agreement") signed with Türkiye Denizcilik İşletmeleri A.Ş. ("TDİ") and the Republic of Turkey's Prime Ministry Privatisation Authority ("Privatisation Authority").

Based on its conclusion in its business plans that the Tekirdağ Port would be operationally effective only if it were transformed into a container port, Akport built a container terminal area of 101,820 square metres by filling in the sea along the coast within the coordinates specified in the Tekirdağ Port Instruction as of the date the operation right was acquired. The container terminal area is recognised with a net book value of TL 49,852 in the Group's consolidated financial statements as of 31 December 2013.

Following construction of the container port, the Ministry of Finance's General Directorate of National Estate claimed title to the area on which the container platform was located and charged various eviction penalties to Akport. Subsequently, Akport's permission to operate the Tekirdağ Port expired on 1 November 2010. The Undersecretariat for Maritime Affairs did not extend the permission, and Akport was charged an administrative fine of TL 4,434 on the grounds that the port was used without permission until the date 31 December 2012. The fine payments are recorded as expense in 2012.

As efforts to obtain the required permission remained fruitless, the situation created legal and penal liabilities for Akport and its officials and events occurring outside of Akport's discretion reached an uncontrollable level. It became impossible to manage the port administratively and legally, which in turn made it impossible to uphold the Agreement between TDİ, the Privatisation Authority and Akport.

In the face of these developments, Akport advised the Privatisation Authority on 6 February 2012 that the operational activities were halted and the facility should be taken back over. The response letter sent to Akport by the Privatisation Authority on 6 March 2012 stated that the Privatisation Authority and TDİ were authorised to take actions in line with the decision of the Privatisation Authority relating to the request of Akport, and the Tekirdağ Port began to be operated by TDİ during the course of March 2012. In order to ensure that public services at the port were not interrupted following this transfer, certain services requested by TDİ continued to be offered by Akport until October 2012.

Because the Agreement was terminated due to the impossibility of fulfilling the requirements as specified in the Code of Obligations, the area built for the purpose of transforming the port into a container port should be returned to Akport. Therefore, the valuation study performed in the presence of the Tekirdağ 2nd Civil Court of Peace which indicates the value of container terminal area as 78,025 TL and railway and land improvements as 10,050 TL. However, as the area constructed by means of filling the sea cannot be returned by means of an ordinary demounting process, Akport claims that Akport should be compensated for the cost of construction of the container port aggregated to 88,075 TL and a claim for compensation against Türkiye Denizcilik İşletmeleri was opened. As at 31 December 2013 the case was still in the process. Group management estimates that the compensation amount will not be less than the book value of the relevant constructed area included in the consolidated financial statements as of 31 December 2013.

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

In the meantime, with its letter dated 19 September 2012 with No. 6199, the Privatisation Authority of the Turkish Prime Minister's Office requested that USD 74,673,983 should be paid within one month as the unpaid rent that should be paid by Akport until the end of the Agreement term due to expiry of the Agreement". Following the notification of Akport that it would not be possible to fulfil this request, the Privatisation Authority with its letter dated 09 November 2012 with No. 7524 opened a lawsuit for the collection of the said amount in the presence of arbitrators.

Arbitration commitee that was appointed by the court to solve this dispute between Privitization Authority and Akport Tekirdağ Liman İşletmesi A.Ş. announced its unaniomous ruling on 28 February 2014.

Ruling is as follows;

1- Relationship between the parties were ended due to impossibility of fullfilment the requirements as specified in the code of obligations as of 1 November 2010,
2- Akport should pay, USD 2,834,135 plus USD 1,047,127, a total of USD 3,881,262 for operating right of the part up to 1 November 2012,
3- All other claims by either party will be dropped,
4- Appeal to this ruling is permitted,

Accordingly, no additional provisions were recognized related to this claim as of 31 December 2013.

d) Explanations of change in share capital:

As explained in Note 20, certain shareholders filed the two lawsuit against the Company following the extraordinary general assembly dated 31 October 2013:

- Annulment for extraordinary general assembly
- Annulment of subsequent Board of Director's decision

In addition, there are two lawsuits by the same shareholders, declaratory judgement lawsuit and request for appoinment of a specialist auditor.

Aforementioned lawsuits continue as of date of these consolidated financial statements.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 16 - EMPLOYEE BENEFITS

Long-term employee benefits

	2013	2012	2011
Provision for premium	7,127	3,256	-
Unused vacation provision	2,782	2,296	2,391
Subtotal	9,909	5,552	2,391
Provision for employment termination benefits	26,521	26,366	24,128
Total	36,430	31,918	26,519

The conditions of provision for employment termination benefits are explained below.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and who reaches the retirement age (58 for women and 60 for men), whose employment is terminated without due cause, is called up for military service or passed away. Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement.

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

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

IAS 19 "Employee Benefits" require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions have been used in the calculation of the total liability:

	2013	2012	2011
Discount rate (%)	2.82 – 3.81	1.67 – 2.50	4.66
Probability of retirement (%)	95.56 – 100.00	98.11 - 99	98.01 – 100.00

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. As the maximum liability is revised once every six months, the maximum amount of TL 3,428 effective from 1 January 2014 (1 January 2013: TL 3,129) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Movements in the provision for employment termination benefits for the years ended 31 December 2013 and 2012 are as follows:

	2013	2012
1 January	26,366	24,128
Compensation paid	(2,781)	(4,063)
Service cost	2,447	4,451
Interest cost	972	716
Actuarial (gain)/loss	(784)	2,704
Sales of shares of subsidiaries	301	(1,570)
31 December	26,521	26,366

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 17 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	2013	2012	2011
VAT receivable	56,730	73,391	91,417
Income accruals	8,591	1,812	2,728
Other	601	2,884	4,159
Total	65,922	78,087	98,304

b) Other non-current assets:

	2013	2012	2011
VAT receivable	41,072	40,229	41,021
Other	40	79	813
Total	41,112	40,308	41,834

c) Other current liabilities:

	2013	2012	2011
Expense accrual	3,654	9,835	4,947
Taxes and funds payable	1,905	5,897	4,633
Other	-	7,616	3,049
Total	5,559	23,348	12,629

NOTE 18 – BORROWINGS

	2013	2012	2011
Short-term bank borrowings	692,272	493,686	330,054
Short-term factoring and leasing liabilities	27,975	24,726	39,535
Subtotal	720,247	518,412	369,589
Current portion of long-term bank borrowings	150,058	90,997	70,242
Total short-term financial liabilities	870,305	609,409	439,831
Long-term bank borrowings	306,355	242,120	502,409
Long-term factoring and leasing liabilities	14,087	21,734	28,669
Total long-term financial liabilities	320,442	263,854	531,078

	2013		2012		2011	
	Fair Value	Book Value	Fair Value	Book Value	Fair Value	Book Value
USD borrowings (*)	723,438	703,759	742,213	720,328	924,073	908,910
EUR borrowings (*)	195,093	191,606	70,008	70,008	5,114	5,114
TL borrowings	295,382	295,382	82,927	82,927	56,885	56,885
Total	1,213,913	1,190,747	895,148	873,263	986,072	970,909

(*) Calculated by taking into account swap interest rates.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 18 – BORROWINGS (Continued)

	2013		2012		2011	
	Weighted average interest rate %	TL	Weighted average interest rate %	TL	Weighted average interest rate %	TL
Short term bank borrowings:						
USD Loans	1.95	463,199	2.31	347,743	2.19	279,213
TL Loans	10.36	140,844	9.66	75,936	11.52	50,841
Euro Loans	4.70	88,229	7.27	70,007	-	-
Total		692,272		493,686		330,054
Short-term factoring and leasing liabilities		27,975		24,726		39,535
Current portion of long-term:						
USD Loans	3.60	136,028	3.71	90,997	3.60	70,242
Euro Loans	3.14	14,030	-	-	-	-
Total		150,058		90,997		70,242
Total short-term financial liabilities		870,305		609,409		439,831
Long-term bank borrowings:						
USD Loans	4.06	221,278	3.71	242,120	3.15	502,409
Euro Loans	3.83	85,077	-	-	-	-
Total		306,355		242,120		502,409
Long-term factoring and leasing liabilities		14,087		21,734		28,669
Total long-term financial liabilities		320,442		263,854		531,078

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 18 - BORROWINGS (Continued)

The redemption schedule of borrowings is as follows:

	2013	2012	2011
The payment within 1 - 2 year	68,290	63,602	155,976
The payment within 2 - 3 year	96,189	60,708	109,450
The payment within 3 - 4 year	96,189	53,280	64,115
The payment within 4 year and over	59,774	86,264	201,537
Total	320,442	263,854	531,078

At 31 December 2013, bank borrowings with floating interest rates amounted to TL 279,538 (2012: TL 243,092). The floating interest rate bank borrowings denominated in USD, which represents a significant portion of total bank borrowings of the Group, have interest rates fluctuating between Libor+1.45% and Libor+3.5% (London Interbank Offered Rate) (2012: Libor +1.45%-Libor +3.6%).

NOTE 19 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2013		31 December 2012		31 December 2011	
	Asset	Liabilities	Asset	Liabilities	Asset	Liabilities
Held for hedging	524	-	-	1,723	-	4,175
Held for trading	-	10,033	-	184	-	-
Total	524	10,033	-	1,907	-	4,175

Derivative instruments held for hedging:

	31 December 2013		31 December 2012		31 December 2011	
	Contract amount	Fair value Liability	Contract amount	Fair value Liability	Contract amount	Fair value Liability
Interest rate swap	56,014	524	32,593	1,723	90,747	4,175

Derivative financial instruments are initially recognised in the consolidated balance sheet at cost and subsequently are re-measured at their fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and interest rate swap instruments.

On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognised asset or liability ("fair value hedge"), or a hedge of a forecasted transaction or a firm commitment ("cash flow hedge"). These derivative transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for hedging. Changes in the fair value of derivatives that are designated as being and qualify as cash flow hedges and are highly effective, are recognised in equity as "hedging reserve".

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 19 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, or when a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement. The realisation of promised or probable future transactions are recorded in the income statement, if not realised, accumulated gains or losses are recognised as income or loss in the consolidated financial statements.

At 31 December 2013, the fixed interest rates vary from 0.91% to 4.2% (2012: 1.35% to 2.5%), and the main floating rates are EURIBOR and LIBOR. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2012 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings (Note 18).

NOTE 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

At 31 December 2013, 2012 and 2011, the Group's share capital and shareholding structure exceeding 1% were as follows:

	% Share	2013	% Share	2012	% Share	2011
A.R.D Holding A.Ş.	33	204,366	33	4,365	33	4,365
Atlantik Holding A.Ş.	33	204,366	33	4,365	33	4,365
N.D.Ç Holding A.Ş.	33	204,365	33	4,365	33	4,365
Other	1	1	1	3	1	3
Total		613,098	100	13,098	100	13,098
Paid-in capital		(75,000)		-		-
		538,098		13,098		13,098
Adjustment to share capital		157,537		160,967		160,967
Total Equity		695,635		174,065		174,065

The Group's authorised share capital consists of 61,309,752,112 shares of TL 0.01 value (2012 and 2011: 1,309,752,112). There are no privileges given to shares of different groups and shareholders.

The Board of Directors', with its decision dated 30 September 2013, decided to start procedures to increase the share capital of the Company by TL 600,000 to TL 613,098; of which TL 300,000 will be paid in cash by the shareholders and the remaining TL 300,000 will be transferred from retained earnings and other reserves (ie. inflation adjustments). Subsequent to this decision, an extraordinary general assembly was held on 31 October 2013 and share capital increase was accepted by a majority of shareholders. This general assembly was approved by the Trade Registry on 4 December 2013.

Certain shareholders filed the two lawsuit against the Company following the extraordinary general assembly dated 31 October 2013 (Annulment for extraordinary general assembly and Annulment of subsequent Board of Director's decision). In addition, there are two lawsuits by the same of shareholders, declaratory judgement lawsuit and request for appoinment of a specialist auditor. Afore mentioned lawsuits continue as of date of these consolidated financial statements (Note 15).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOT 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

On 21-22 November 2013, 25% of the committed share capital increase in cash, TL 75,000 was paid by all shareholders by exercise of their pre-emptive rights. For the remaining 75%, TL 150,000 was paid by A.R.D Holding A.Ş. and N.D.Ç Holding A.Ş. on 18 December 2013; however, with the temprorary injuction decision dated 16 December 2013, Atlantik Holding A.Ş. did not yet paid its portion as of the date of these consolidated financial statements. In January 2014, the Company, in order to comply with the temporary injuction decision (of Board of Director's resolution No 27 dated 31 October 2013) by the Istanbul 34th Commercial Court file No 2013/317E in relation to exercies of pre-emptive rights and to consider and preserve the shareholding rights, the Company paid back the amounts received from A.R.D Holding A.Ş., N.D.Ç Holding A.Ş., Ali Raif Dinçkök, Nilüfer Dinçkök Çiftçi, Melis Gürsoy and Mehmet Emin Çiftçi.

Inflation adjustment to share capital and carrying value of extraordinary reserves can be used for free capital increase, cash dividend distribution or loss deduction. However, the use of inflation adjustment to the capital for dividend distribution will be subject to corporation tax.

Retained earnings in the statutory financial statements can be distributed as dividends other than judgments related to legal reserves described below.

Legal reserves consist of first and second legal reserves, calculated in accordance with the Turkish Commercial Code. The first legal reserve is calculated as 5% of the financial statutory profits per annum until the total reserve reaches 20% of the historical paid-in share capital. In accordance with Turkish Commercial Code, resricted reserves not exceeding %50 of share capital can be offset against accumulated losses, but cannot be distributed.

As of 31 December 2013, 2012 and 2011 retained earnings of Akkök in accordance with statutory financial statements are as follows:

	2013	2012	2011
- Legal reserves	4,994	13,670	13,670
- Other capital reserves	18,989	32,532	32,532
- Extraordinary reserves	190,493	391,696	263,105
- Special funds	165,978	143,482	143,482
- Undistributed reserves	40,469	73,147	148,000
Total	420,923	654,527	600,789

Informations an subsidiaries with significant non-controlling interest

Summarized of financial informations about the Groups' subsidiaries with significant share of non-controlling interest are stated below:

2013	Asset	Liability	Revenue	Net profit for the period
Akiş	852,922	528,403	70,958	50,453
Akkim	253,812	127,536	271,556	10,652
Aksa	1,929,296	768,115	1,765,452	161,441
Total	3,036,030	1,424,054	2,107,966	222,546

2012	Asset	Liability	Revenue	Net profit for the period
Akiş	565,070	398,702	170,645	38,236
Akkim	211,733	63,417	263,285	20,889
Aksa	1,672,331	590,101	1,624,979	269,118
Total	2,449,135	1,052,220	2,058,909	328,243

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 21 – REVENUE AND COST OF SALES

a) Revenue

	2013	2012
Revenue	1,522,127	1,442,137
Exports	672,081	689,575
Less: Sales returns (-)	(8,400)	(14,586)
Less: Sales discounts (-)	(41,214)	(27,325)
Sales, net	2,144,594	2,089,801

b) Cost of Sales

	2013	2012
Raw materials	1,359,576	1,245,460
Cost of trade goods sold	99,541	109,020
Depreciation and amortisation	81,427	67,351
Personnel expenses	58,809	46,632
Cost of other goods sold	48,668	83,714
Cost of services sold	34,229	33,639
Shopping mall costs	19,984	15,776
Production overheads	19,332	19,240
Cost of residences sold	9,189	126,009
Rent expenses	1,889	13,887
Other	159	122
Total	1,732,803	1,760,850

NOTE 22 - GENERAL AND ADMINISTRATIVE EXPENSES

a) General Administrative Expenses

	2013	2012
Personnel expenses	44,379	43,002
Consultancy expenses	18,689	23,979
Bad debt expense	7,097	-
Other tax expenses	6,454	7,904
Income share payments	6,623	2,926
Depreciation and amortisation	6,172	6,779
Travelling expenses	5,672	5,198
Communication expenses	5,573	3,913
Office expenses	2,591	1,928
Rent expenses	2,434	2,352
Donations and charities	2,418	1,537
Other	19,032	20,061
Total	127,134	119,579

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 22 - GENERAL AND ADMINISTRATIVE EXPENSES (Continued)

a) Marketing Expenses

	2013	2012
Commission expenses	16,149	11,216
Export expenses	14,596	9,706
Personnel expenses	9,034	8,858
Transportation expenses	2,853	2,735
Advertisement expenses	2,605	7,253
Other tax expenses	1,482	167
Travel expenses	810	667
Consultancy expenses	677	577
Other	4,059	5,575
Total	52,265	46,754

NOTE 23 – OTHER OPERATING INCOME AND EXPENSE

a) Other operating income

	2013	2012
Foreign exchange gain on trade receivables and payables	40,511	20,510
Interest income from sales on credit	16,406	25,356
Insurance claims	6,580	53
Provisions no longer required	3,464	3,037
Income from sales of scrap	3,119	1,423
Rent income	1,515	7,497
Other	7,104	1,682
Total	78,699	59,558

b) Other operating expense

	2013	2012
Foreign exchange gain on trade receivables and payables	64,749	43,801
Interest expense from purchases on credit	10,663	8,163
Provision expenses	2,566	2,137
Other	1,343	6,138
Total	79,321	60,239

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 24 – INCOME AND EXPENSE FROM INVESTING ACTIVITIES

a) Income from investing activities

	2013	2012
Gain on sales of subsidiaries and associates (Note 7)	99,835	88,169
Gain on sale of property, plant and equipment	21,897	29,089
Dividend income from subsidiary	4,527	16,490
Gain on sale of marketable securities	-	11,617
Total	126,259	145,365

b) Expenses from investing activities

	2013	2012
Loss on sales of sales of a subsidiary	944	-
Other	189	47
Total	1,133	47

NOTE 25 – EXPENSE BY NATURE

Expenses classified by nature for the period of 31 December 2013 and 2012 are as follows:

	2013	2012
Raw materials	1,359,576	1,245,460
Personnel expenses	113,101	101,093
Cost of trade goods sold	99,541	109,020
Depreciation and amortisation expenses	90,927	75,630
Cost of other good sold	48,668	83,714
Cost of services sold	34,229	33,639
Shopping mall costs	19,984	15,776
Consultancy expenses	19,388	24,677
Production overheads	19,332	19,240
Commission expenses	16,319	11,736
Travelling and communication expenses	15,929	13,651
Export expenses	14,596	9,706
Cost of residences sold	9,189	126,009
Other	59,415	63,499
Total	1,920,194	1,932,850

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 26 - FINANCIAL INCOME AND EXPENSES

a) Financial income

	2013	2012
Foreign exchange gain	196,896	175,776
Interest income	24,493	25,726
Other	1,130	1,859
Total	222,519	203,361

b) Financial expenses

	2013	2012
Foreign exchange losses	(261,055)	(152,795)
Interest expenses	(40,080)	(29,596)
Total	(301,135)	(182,391)
Net Financial Income / (Expense)	(78,616)	20,970

NOTE 27 - TAXES ON INCOME

	2013	2012	2011
Corporate and income taxes payable	59,440	80,986	37,710
Less: prepaid corporate income tax	(44,931)	(72,143)	(29,839)
Taxes on income, net	14,509	8,843	7,871

The details of taxation on income in the statements of comprehensive income for the years ended 31 December 2013, 2012 and 2011 are as below:

	2013	2012
Current income tax expense	(59,440)	(80,986)
Deferred tax income, net	8,621	4,579
Total tax expense, net	(50,819)	(76,407)

	2013	2012	2011
Deferred income tax assets	7,694	4,048	5,368
Deferred income tax liabilities	(8,738)	(16,633)	(28,402)
Deferred income tax liabilities, net	(1,044)	(12,585)	(23,034)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 27 - TAXES ON INCOME (Continued)

Deferred tax assets and liabilities

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2013, 2012 and 2011 using the enacted tax rates is as follows:

	Temporary taxable differences			Deferred tax assets / (liabilities)		
	2013	2012	2011	2013	2012	2011
Employee benefits	27,175	27,695	26,415	5,435	5,539	5,283
Provision for doubtful receivables	3,985	7,410	3,330	797	1,482	666
Carry forward tax losses	-	-	40,195	-	-	8,039
Other current assets	-	-	5,235	-	-	1,047
Other current liabilities	-	-	2,740	-	-	548
Provisions for lawsuits	-	270	340	-	54	68
Derivative financial instruments	7,049	5,185	4,175	1,410	1,037	835
Investment properties	385	4,075	-	77	815	-
Other	6,196	14,010	-	1,239	2,802	-
Deferred income tax assets	44,790	58,645	82,430	8,958	11,728	16,486
Property, plant and equipment and intangible assets	(38,755)	(91,040)	(122,130)	(7,751)	(18,208)	(24,426)
Available-for-sale financial assets	(7,215)	(1,685)	-	(1,443)	(337)	-
Trade payables	(2,510)	-	(2,175)	(502)	-	(435)
Inventories	-	-	(7,670)	-	-	(1,534)
Accounting of construction differences	-	-	(4,480)	-	-	(896)
Investment properties	-	-	(41,770)	-	-	(8,354)
Other payables	-	-	(6,070)	-	-	(1,214)
Other	(1,530)	(28,840)	(13,305)	(306)	(5,768)	(2,661)
Deferred income tax liabilities	(50,010)	(121,565)	(197,600)	(10,002)	(24,313)	(39,520)
Deferred income tax liabilities, net				(1,044)	(12,585)	(23,034)

Implications of net presentation form for the consolidated balance sheet of the Group are reflected, in consequence of joint ventures and subsidiaries as an independent tax payers, presented their deferred income tax assets and liabilities as a net, however temporary differences, deferred income tax assets and liabilities shown in the table above are prepared on the basis of the gross value of items.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 27 - TAXES ON INCOME (Continued)

Movements of deferred tax liability as at 31 December 2013 and 2012 as below:

	2013	2012
1 January	12,585	23,034
Deferred tax income for the year, net	(8,621)	(4,579)
Sales of shares of subsidiaries	-	(4,425)
Amounts recognised under equity	(519)	892
Currency translation differences	(2,401)	(2,337)
Balances at 31 December	1,044	12,585

The reconciliation of tax expenses stated on the consolidated statement of comprehensive income for the years ended 31 December 2013 and 2012 is as follows:

	2013	2012
Profit before tax on consolidated financial statements	192,341	363,606
Expected tax expense of the Group (20%)	(38,468)	(72,721)
Effect of tax losses for which no deferred tax asset recognized	2,539	7,154
Effect of consolidation adjustments	(15,346)	(16,351)
Non-deductable expenses	(11,903)	(4,634)
Other income exempt from tax	8,949	10,919
Discount from research and developments	2,740	1,166
Other	670	(1,940)
Actual tax expense of the Group	(50,819)	(76,407)

According to the consideration made by the Group as of balance sheet date, the Group did not recognize deferred income tax assets and carry forward tax losses' expiration dates are as follows:

Dates of expiry	2013	2012	2011
2014	-	4,621	5,016
2015	9,809	9,809	30,246
2016	12,689	12,689	80,173
2017	21,865	21,865	-
2018	6,934	-	-
Total	51,297	48,984	115,435

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Financial risk factors

The Groups principal financial instruments are cash and cash equivalents, trade receivables and financial liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has 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 liquidity risk, foreign currency risk and credit risk. The Group management reviews and agrees policies for managing each of the risks as summarised below.

28.1 Foreign currency risk

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities with sales or purchase commitments. The risk is managed by monitoring and analysis of the foreign currency position of the Group. Derivatives are used in managing the risk, particularly as a means of protection from short-term exchange rate movements. As of 31 December 2013, the foreign currency position of the Group is prepared using the following foreign exchange rates USD/TL 2,1343 , EUR/TL 2,9365. (2012: USD/TL 1,7826, EUR/TL 2,3517; 2011: USD/TL 1,8889, EUR/TL 2,4438).

Foreign currency position table denominated in Turkish Lira as of 31 December 2013,2012 and 2011 is as follows:

	2013	2012	2011
Assets	619,734	601,002	763,135
Liabilities (-)	(1,304,938)	(965,479)	(1,199,933)
Net balance sheet position	(685,204)	(364,477)	(436,798)

	2013			
	USD	EUR	Other foreign currency	Total
Assets:				
Cash and cash equivalents	159,861	65,009	7,507	232,377
Financial investments	24,838	-	-	24,838
Trade receivables	290,695	61,602	556	352,853
Other assets	8,226	279	1,161	9,666
Total assets	483,620	126,890	9,224	619,734
Liabilities:				
Short-term borrowings	688,017	143,680	60	831,757
Long-term borrowings	98,059	49,105	-	147,164
Trade payables	301,354	23,319	-	324,673
Other liabilities	331	-	1,013	1,344
Total liabilities	1,087,761	216,104	1,073	1,304,938
Net foreign currency position				(685,204)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOT 28 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	2012			
	USD	EUR	Other foreign currency	Total
Assets:				
Cash and cash equivalents	228,096	33,574	2,484	264,154
Financial investments	20,854	-	-	20,854
Trade receivables	233,498	57,957	342	291,797
Other assets	22,559	797	841	24,197
Total assets	505,007	92,328	3,667	601,002
Liabilities:				
Short-term borrowings	438,662	70,007	-	508,669
Long-term borrowings	211,781	-	-	211,781
Trade payables	212,636	12,204	-	224,840
Other liabilities	17,422	2,767	-	20,189
Total liabilities	880,501	84,978	-	965,479
Net foreing currency position				(364,477)

	2011			
	USD	EUR	Other foreign currency	Total
Assets:				
Cash and cash equivalents	144,869	19,299	4	164,172
Financial investments	2,059	-	-	2,059
Trade receivables	487,648	106,730	427	594,805
Other assets	1,140	113	846	2,099
Total assets	635,716	126,142	1,277	763,135
Liabilities:				
Short-term borrowings	424,463	-	-	424,463
Long-term borrowings	509,384	-	-	509,384
Trade payables	201,752	18,255	1,528	221,535
Other liabilities	41,724	2,827	-	44,551
Total liabilities	1,177,323	21,082	1,528	1,199,933
Net foreign currency position				(436,798)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The table below shows the sensitivity of the net foreign currency position of the Group to the changes in the consolidated financial statements as of 31 December 2013, 2012 and 2011.

2013	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%		
USD net assets / liabilities	(60,414)	60,414
USD net effect - income/ (expense)	(60,414)	60,414
Change of EUR against TRY by 10%		
EUR net assets / liabilities	(8,921)	8,921
Euro net effect - income/ (expense)	(8,921)	8,921

2012	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%		
USD net assets / liabilities	(37,549)	37,549
USD net effect - income/ (expense)	(37,549)	37,549
Change of EUR against TRY by 10%		
EUR net assets / liabilities	735	(735)
Euro net effect - income/ (expense)	735	(735)

2011	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%		
USD net assets / liabilities	(57,379)	57,379
USD net effect - income/ (expense)	(57,379)	57,379
Change of EUR against TRY by 10%		
EUR net assets / liabilities	9,359	(9,359)
Euro net effect - income/ (expense)	9,359	(9,359)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOT 28 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

28.2 Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by offsetting interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. As of 31 December 2013 and 2012, the Group's borrowings at floating rates are mainly denominated in USD and Euro.

At 31 December 2013, if interest rates on USD denominated borrowings had been higher/lower by 1 base point with all other variables held constant, profit before income taxes would have been TL 2,795 (2012: TL 2,431 and 2011: TL 2,513) higher/lower, mainly as a result of high interest expense on floating rate borrowings.

28.3 Credit risk

Credit risk of financial instruments at 31 December 2013, 2012 and 2011 are as follows:

	Trade and other receivables		
31 December 2013	Related party	Other	Bank deposits
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	22,045	457,196	643,797
Secured portion of the maximum credit risk by guarantees	-	214,341	-
A. Net book value of financial assets that are neither past due nor impaired	22,045	442,366	643,797
- Security, etc.. have been secured with some (-)	-	-	-
B. Net book value of financial assets with renegotiated conditions otherwise will be accepted as overdue or impaired	-	5,470	-
C. Net book value of financial assets that are past due but not impaired	-	14,830	-
- Security, etc.. have been secured with some (-)	-	8,616	-
D. Net book value of impaired asset			-
- Overdue (gross book value)	-	56,769	-
-Impairment (-)	-	(55,577)	-
- Security, etc.. have been secured with some (-)	-	1,192	-
- Not overdue (gross book value)	-	-	-
- Impairment (-)	-	-	-
- Security, etc.. have been secured with some (-)	-	-	-
E. Off-balance sheet items with credit risk	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	Trade and other receivables		
31 December 2012	Related party	Other	Bank deposits
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	95,567	417,757	391,268
Secured portion of the maximum credit risk by guarantees	-	174,303	-
A. Net book value of financial assets that are neither past due nor impaired	92,959	399,479	391,268
- Security, etc.. have been secured with some (-)	-	-	-
B. Net book value of financial assets with renegotiated conditions otherwise will be accepted as overdue or impaired	-	5,009	-
C. Net book value of financial assets that are past due but not impaired	2,608	18,278	-
- Security, etc.. have been secured with some (-)	-	9,492	-
D. Net book value of impaired asset			
- Overdue (gross book value)	-	59,946	-
- Impairment (-)	-	(57,946)	-
- Security, etc.. have been secured with some (-)	-	2,000	-
- Not overdue (gross book value)	-	-	-
- Impairment (-)	-	-	-
- Security, etc.. have been secured with some (-)	-	-	-
E. Off-balance sheet items with credit risk	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	Trade and other receivables		
31 December 2011	Related party	Other	Bank deposits
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	126,259	545,436	305,442
Secured portion of the maximum credit risk by guarantees	-	234,888	-
A. Net book value of financial assets that are neither past due nor impaired	126,259	485,119	305,442
- Security, etc.. have been secured with some (-)	-	-	-
B. Net book value of financial assets with renegotiated conditions otherwise will be accepted as overdue or impaired	-	13,656	-
C. Net book value of financial assets that are past due but not impaired	-	60,317	-
- Security, etc.. have been secured with some (-)	-	21,070	-
D. Net book value of impaired asset			
- Overdue (gross book value)	-	60,475	-
- Impairment (-)	-	(58,475)	-
- Security, etc.. have been secured with some (-)	-	2,000	-
- Not overdue (gross book value)	-	-	-
- Impairment (-)	-	-	-
- Security, etc.. have been secured with some (-)	-	-	-
E. Off-balance sheet items with credit risk	-	-	-

28.4 Liquidity risk

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed. The liquidity is minimised by balancing the cash inflows and outflows and also securing funds from reliable financial institutions.

The breakdown of financial assets and liabilities according to their maturities is disclosed considering the due date periods. Financial assets and liabilities that have no certain due dates are classified in over one year column.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

2013:

Contractual maturities	Contractual value	Carrying cash flows (=I+II+III+ IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Non-derivate financial liabilities						
Borrowings	1,190,747	1,227,175	329,205	537,155	341,137	19,678
Trade payables	350,606	353,521	263,752	89,769	-	-
Due to related parties	22,643	22,643	22,643	-	-	-
Total	1,563,996	1,603,339	615,600	626,924	341,137	19,678

	Contractual value	Carrying cash flows (=I+II+III+ IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Derivate financial assets, (net)						
Derivative cash outflows	10,033	10,033	6,759	3,274	-	-

2012:

	Contractual value	Carrying cash flows (=I+II+III+ IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Contractual maturities						
Non-derivate financial liabilities						
Borrowings	873,263	908,643	278,369	375,181	204,160	50,933
Trade payables	259,451	260,543	210,482	50,061	-	-
Due to related parties	6,865	6,865	6,555	310	-	-
Total	1,139,579	1,176,051	495,406	425,552	204,160	50,933

Expected (or contractual) maturities	Carrying value	Contractual cash flows (=I+II+III+ IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Derivate financial assets, (net)						
Derivative cash outflows	1,907	2,309	377	1,932	-	-

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

2011:

Contractual maturities	Carrying value	Contractual cash flows (=I+II+III+ IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Non-derivate financial liabilities						
Borrowings	970,909	1,053,814	166,877	355,859	531,078	-
Trade payables	284,346	286,290	197,911	88,373	6	-
Due to related parties	73,387	73,387	15,618	57,769	-	-
Total	1,328,642	1,413,491	380,406	502,001	531,084	-

	Carrying value	Contractual cash flows (=I+II+III+ IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Derivate financial assets, (net)						
Derivative cash outflows	4,175	4,288	311	1,954	2,023	-

28.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company controls its capital using the net debt/total capital ratio. This ratio is calculated by dividing net debt by the total capital amount. Net debt is calculated as total liability amount (comprises of financial liabilities, trade payables and payables to related parties as presented in the balance sheet) less cash and cash equivalents Total capital is calculated as equity plus the net debt amount as presented in the balance sheet.

The ratio of net debt/equity at 31 December 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Total liabilities	1,563,996	1,139,579	1,270,873
Less: cash and cash equivalents (Note 5)	(623,792)	(377,447)	(314,834)
Less: short term financial investments	(24,838)	(20,854)	(2,059)
Net debt	915,366	741,278	953,980
Total shareholders' equity	2,120,752	1,822,989	1,589,022
Total equity	3,036,118	2,564,267	2,543,002
Debt/equity ratio	%30	%29	%38

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

28.6 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following methods and assumptions are used to estimate the fair value of the financial instruments:

Monetary assets

Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. These balances are anticipated to approximate their book value.

The carrying values of significant portion of cash and cash equivalents are assumed to approximate to their fair value due to their short-term nature.

The carrying values of trade receivables are assumed to approximate to their fair value with their provisions for doubtful receivables.

Monetary liabilities

Bank loans and other liabilities are anticipated to approximate their book value due to their short-term nature.

The long-term loans are assumed to approximate to their carrying value due to their variable interest rates (Note18). The determined fair value of long-term loans to explain on notes, is discounted amount of cash flows according to agreements with current market interest rate.

Fair Value Estimation:

Effective from 1 January 2011, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3: Inputs for the asset or liability that is not based on observable market data.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

2013	Level 1	Level 2	Level 3
Available-for-sale financial assets	9,813	226	-
Total assets	9,813	226	-

2012	Level 1	Level 2	Level 3
Available-for-sale financial assets	13,211	1,054	-
Total assets	13,211	1,054	-

2011	Level 1	Level 2	Level 3
Available-for-sale financial assets	6,840	1,116	-
Total assets	6,840	1,116	-

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

NOTE 29 – RECONCILIATION WITH TAS

The Group accounted for the net effect of the adjustments under "Retained earnings/losses" as of 1 January 2012 which are recognized in accordance with Illustrative Financial Statements and Application Guidance published by POA to present the financial statements compatible with TAS.

The reconciliation of consolidated financial statements prepared for TAS to the Group's previous periods' financial statements prepared for the law no. 6762 and other legislations is presented below;

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 29 - RECONCILIATION WITH TAS (Continued)

i) Balance sheet reconciliation at 1 January 2012:

		Financial Statements prepared in accordance with the law no. 6762 and other regulations				
	Notes	Standalone Akkök financial statements	Subsidiaries	Combined	Impact of transition to TAS	Consolidated financial statements prepared in accordance with TAS
Cash and cash equivalents		72,722	239,695	312,417	2,417	314,834
Financial assets		-	-	-	2,059	2,059
Trade receivables	2	1,581	760,796	762,377	(192,685)	569,692
Other receivables	2	186,649	187,738	374,387	(287,877)	86,510
Inventories		-	312,787	312,787	9,794	322,581
Prepaid expenses	8	1	64,919	64,920	(37,010)	27,910
Other current assets	8	362	98,184	98,546	337	98,883
Current Assets		261,315	1,664,119	1,925,434	(502,965)	1,422,469
Other receivables		-	6,369	6,369	9,124	15,493
Financial investments	1	678,868	79,993	758,861	(503,770)	255,091
Property, plant and equipment	3	9,862	1,300,494	1,310,356	(298,377)	1,011,979
Intangible assets	4	(439)	11,435	10,996	11,045	22,041
Investment properties	3	-	-	-	398,712	398,712
Deferred tax assets		-	-	-	5,368	5,368
Other non-current assets	8	306	19,630	19,936	48,810	68,746
Non-current Assets		688,597	1,417,921	2,106,518	(329,088)	1,777,430
TOTAL ASSETS		949,912	3,082,040	4,031,952	(832,053)	3,199,899
Short term borrowings	5	-	349,422	349,422	20,167	369,589
Short term portion of long term borrowings	5	-	70,248	70,248	(6)	70,242
Other financial liabilities	5	-	-	-	4,175	4,175
Trade payables	2	313	462,160	462,473	(162,509)	299,964
Liabilities for employee benefits		103	2,935	3,038	(1,523)	1,515
Other payables	2	107,718	83,218	190,936	(133,158)	57,778
Deferred income	8	-	146,104	146,104	(18)	146,086
Short term provisions	8	-	2,322	2,322	2,776	5,098
Other current liabilities		(3,638)	72,352	68,714	(48,214)	20,500
Current Liabilities		104,496	1,188,761	1,293,257	(318,310)	974,947
Long term borrowings	5	-	650,028	650,028	(118,950)	531,078
Long term provisions		310	27,458	27,768	21,016	48,784
Deferred tax liabilities	6	-	-	-	28,402	28,402
Deferred income	8	-	7,175	7,175	20,491	27,666
Non-current Liabilities		310	684,661	684,971	(49,041)	635,930
Non-controlling interest		-	-	-	766,007	766,007
Paid-in share capital	7	13,098	354,850	367,948	(354,850)	13,098
Adjustments to share capital	7	171,373	258,973	430,346	(269,379)	160,967
Share premium		-	246	246	(246)	-
Other comprehensive income /expense not to be reclassified to profit or loss		32,532	35,993	68,525	(75,863)	(7,338)
Restricted reserves		13,670	48,003	61,673	(48,003)	13,670
Accumulated profit / (loss)		554,587	374,825	929,412	(375,817)	553,595
Net profit for the year		59,846	135,728	195,574	(106,551)	89,023
Total shareholders equity		845,106	1,208,618	2,053,724	(464,702)	1,589,022
TOTAL EQUITY		949,912	3,082,040	4,031,952	(832,053)	3,199,899

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 29 - RECONCILIATION WITH TAS (Continued)

ii) Balance sheet reconciliation at 31 December 2012:

		Financial Statements prepared in accordance with the law no.6762 and other regulations				
	Notes	Standalone Akkök financial statements	Subsidiaries	Combined	Impact of transition to TAS	Consolidated financials statements prepared accordance with TAS
Cash and cash equivalents		103,640	290,264	393,904	(16,457)	377,447
Financial assets		-	-	-	20,854	20,854
Trade receivables	2	2,314	655,670	657,984	(220,520)	437,464
Other receivables	2	209,746	193,569	403,315	(334,795)	68,520
Inventories		-	234,108	234,108	2,254	236,362
Prepaid expenses	8	1,508	95,366	96,874	(79,274)	17,600
Other current assets	8	2,520	118,318	120,838	(42,751)	78,087
Helds for sale		-	-	-	20	20
Current Assets		319,728	1,587,295	1,907,023	(670,669)	1,236,354
Other receivables		-	489	489	6,851	7,340
Financial investments	1	688,246	387,978	1,076,224	(466,813)	609,411
Property, plant and equipment	3	8,448	1,071,686	1,080,134	(294,240)	785,894
Intangible assets	4	642	45,225	45,867	(39,813)	6,054
Investment properties	3	-	-	-	394,240	394,240
Deferred tax assets		-	-	-	4,048	4,048
Other non-current assets	8	133	7,685	7,818	51,367	59,185
Non-current Assets		697,469	1,513,063	2,210,532	(344,360)	1,866,172
TOTAL ASSETS		1,017,197	3,100,358	4,117,555	(1,015,029)	3,102,526
Short term borrowings	5	67	545,422	545,489	(27,077)	518,412
Short term portion of long term borrowings	5	-	53,609	53,609	37,388	90,997
Other financial liabilities	-	-	-	1,907	1,907	
Trade payables	2	881	444,389	445,270	(178,954)	266,316
Liabilities for employee benefits		70	3,250	3,320	(2,027)	1,293
Other payables	2	115,884	12,403	128,287	(128,189)	98
Deferred income	8	-	24,523	24,523	(15,651)	8,872
Short term provisions		-	7,989	7,989	(213)	7,776
Other current liabilities	8	2,642	96,569	99,211	(67,020)	32,191
Current Liabilities		119,544	1,188,154	1,307,698	(379,836)	927,862
Long term borrowings	5	-	354,486	354,486	(90,632)	263,854
Long term provisions		1,027	30,418	31,445	21,204	52,649
Deferred tax liabilities	6	-	-	-	16,633	16,633
Deferred income	8	-	489	489	18,050	18,539
Non-current Liabilities		1,027	385,393	386,420	(34,745)	351,675
Non-controlling interest		-	-	-	857,407	857,407
Paid-in share capital	7	13,098	359,755	372,853	(359,755)	13,098
Adjustments to share capital	7	171,373	259,019	430,392	(269,425)	160,967
Share premium		-	246	246	(246)	-
Other comprehensive income/ (expense)		32,532	36,754	69,286	(73,356)	(4,070)
Restricted reserves		13,670	60,085	73,755	(60,085)	13,670
Accumulated profit / (loss)		608,325	385,803	994,128	(352,165)	641,963
Net profit for the year		57,628	425,149	482,777	(342,823)	139,954
Total shareholders equity		896,626	1,526,811	2,423,437	(600,448)	1,822,989
TOTAL EQUITY		1,017,197	3,100,358	4,117,555	(1,015,029)	3,102,526

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 29 - RECONCILIATION WITH TAS (Continued)

iii) Comprehensive income statement reconciliation at period of 1 January -31 December 2012:

		Financial Statements prepared in accordance with the law no.6762 and other regulations				
	Notes	Standalone Akkök financial statements	Subsidiaries	Combined	Impact of transition to TAS	Consolidated financials statements prepared accordance with TAS
Revenue	9	15,998	2,912,247	2,928,245	(838,444)	2,089,801
Cost of sales (-)	9	(2,848)	(2,518,972)	(2,521,820)	760,970	(1,760,850)
Gross Profit		13,150	393,275	406,425	(77,474)	328,951
General administrative expenses (-)		(18,072)	(137,562)	(155,634)	36,055	(119,579)
Marketing expenses (-)		-	(30,088)	(30,088)	(16,666)	(46,754)
Research and development expenses (-)		-	(5,647)	(5,647)	(20)	(5,667)
Other operating income	10	45,642	402,623	448,265	(448,265)	-
Other operating expenses (-)	10	(32,158)	(181,857)	(214,015)	213,334	(681)
Operating profit		8,562	440,744	449,306	(293,036)	156,270
Income from investments	10	40,444	18,450	58,894	86,424	145,318
Share of profit investments accounted for using the equity method	11	-	-	-	41,048	41,048
Operating profit before financial income and expense		49,006	459,194	508,200	(165,564)	342,636
Financial expenses (-)	12	8,622	(28,745)	(20,123)	41,093	20,970
Profit/loss before tax from continued operations		57,628	430,449	488,077	(124,471)	363,606
Income tax from continuing operation						
- Deferred tax income		-	-	-	4,579	4,579
- Taxes on income	13	-	(5,300)	(5,300)	(75,686)	(80,986)
Loss after tax from discontinued operations		-	-	-	(123)	(123)
Net loss for the period		57,628	425,149	482,777	(195,701)	287,076
Other compherensive income						
Items to be reclassified to statement of income						
- Increase/decrease in fair value of derivatives		-	-	-	(543)	(543)
- Increase/decrease in fair value of available		-	-	-	5,997	5,997
- Currency translation differences		-	-	-	(2,687)	(2,687)
Items not to be reclassified to statement of income						
- Remeasurement gain arising from defined benefit plans		-	-	-	(996)	(996)
Total comprehensive income for the period		57,628	425,149	482,777	(193,930)	288,847

NOTE 29 - RECONCILIATION WITH TAS (Continued)

Detailed explanation of TFRS adjustments are stated below:

1. Adjustments on financial investments in the scope of consolidation mainly arise from elimination of investment balance and the corresponding equity in the subsidiary, and adjustments for other available for sale financial assets are due to measurement at fair value in accordance with TAS 39.

2. Adjustments on trade receivables and payables mainly arise from separate classification of related parties balances and classification of reverse balances. Adjustments arising on consolidation are due to elimination of related party receivables and payables.

3. Adjustments on property, plant and equipment mainly arise from inflation accounting differences, useful life differences and capitalization differences between TAS and Turkish tax accounting. Investment properties classified to a separate account from remaining property, plant and equipment in accordance with TAS.

4. Adjustments on intangible assets mainly arise from useful life differences and capitalization differences between TAS and Turkish tax accounting.

5. Adjustments on borrowings mainly arise from reflection of loans interest accruals and differences from short term and long term classification.

6. Adjustments on deferred tax assets and liabilities arise from differences in carrying amount of assets and liabilities between consolidated financial statements prepared in accordance with TAS and financial statements prepared in accordance with Turkish Tax Procedural Law.

7. Adjustments on paid-in capital and adjustments to share capital mainly arise from inflation accounting differences based upon TFRS; and in the scope of consolidation, investment balance and the corresponding equity in the subsidiary.

8. Differences arise mainly from classification differences between other asset-liabilities, prepaid expenses, deferred income and other short-long term liabilities.

9. Adjustments on revenue, cost of sales and other income mainly arise from elimination of sales to entities included in consolidation and the corresponding cost of sales or inventory balance.

10. Adjustments on other operating income mainly arise from differences in classification of income accounts between classification specified in POA Illustrative Financial Statements and Application Guidance and Uniform Chart of Accounts used for Turkish Tax Procedure Law, and gross presentation of certain income accounts.

11. Adjustmenst for share of profit investments accounted for using equity method consist of amounts of profit/loss from investments accounted for using equity method.

12. Adjustments on financial expenses mainly consist of classification of interest gain/loss on overdue receivables/payables and foreign exchange gain/losses on trade receivables/payables.

13. Adjustments on current period of tax income/expense consist of tax expense calculated over net profit for the period.

NOTE 30 - EVENTS AFTER THE BALANCE SHEET DATE

1. DowAksa Advances Composites Holdings and Holding Company Composite (HCC) and the Fund for Infrastructure and Educational Programs (FIEP, a member of the RUSNANO Group), signed an investment agreement on 24 January 2014 for 208 Million Rubles (USD 6.1 Million). After this agreement, DowAksa Holdings will participate in the capital of Nanotechnology Center of Composites (NCC) with 134 million Rubles (USD 4.3 million), each party - DowAksa Holdings, HCC and FIEP – will own one third of NCC's total charter capital after the second tour invesments perfomed by HCC and FIEP.

2. Akiş Gayrimenkul Yatırımı A.Ş, added two property to its portfolio in accordance with the decision taken in the Board of Directors's meeting dated 4 November 2013. Dates of acquisition and addresses of these property are:

• On 15 January 2014, property with the address "İstanbul İli, Kadıköy İlçesi, Bağdat Caddesi, 106 Pafta 378 Ada 25 Parsel No: 319-321 Erenköy".
• On 8 January 2014, property with the address "İstanbul İli, Kadıköy İlçesi, Bağdat Caddesi, 67 Pafta 3206 Ada 14 Parsel No: 481 Uşaklıgil Apartmanı".

3. As part of a restructuring of its debt, on 22 January of 2014, Group's joint venture Akenerji redeemed thousands of USD 9,375 of its current and thousands of USD 65,625 of non-current borrowings obtained from International Finance Corporation ("IFC"). Following redemption, guarantees given to IFC in relation to these borrowings will be cancelled during 2014. Prior to this redemption, on 15 January 2014, Akenerji obtained non-current borrowings amounting to thousands of TL 125,000 and thousands of USD 20,000 from a consortium including T.Garanti Bankası A.Ş., Yapı ve Kredi Bankası A.Ş, T.Vakıflar Bankası T.A.O and T.İş Bankası A.Ş., with similar maturities to the borrowings obtained from IFC. There are no pledges on property, plant and equipment in relation to these borrowings.

Addresses

Akkök Sanayi Yatırım ve Geliştirme A.Ş.
Miralay Şefik Bey Sokak No: 15
Ak Han Gümüşsuyu 34437
Istanbul/TURKEY
Tel: +90 212 393 01 01
Fax: +90 0212 393 01 12
www.akkok.com.tr
akkok@akkok.com.tr

CHEMISTRY

Aksa Akrilik Kimya San. A.Ş. Merkez
Miralay Şefik Bey Sokak No: 15
Ak Han Gümüşsuyu 34437
Istanbul/TURKEY
Tel: +90 212 251 90 00
Fax: +90 212 251 45 07
www.aksa.com
aksa@aksa.com

Factory
Yalova Karamürsel Yolu 13. Km
P.K. 114, 77600 Yalova/TURKEY
Tel: +90 226 353 25 45
Fax: +90 226 353 33 07

Ak-Kim Kimya San. ve Tic. A.Ş. Merkez
Vişnezade Mah. Süleyman Seba Cad.
No: 82 Maçka Istanbul/TURKEY
Tel: +90 212 258 31 22 -
0212 381 71 00
Fax: +90 212 259 12 92
www.akkim.com.tr
akkim@akkim.com.tr

Factory 1
Taşköprü Mevkii, P.K. 39 Yalova/
TURKEY
Tel: +90 226 815 33 00
Fax:+90 226 353 25 39

Factory 2
Organize Sanayi Bölgesi, Fevzi Paşa
Mah. Namık Kemal Bulvarı No: 116
Çerkezköy-Tekirdağ/TURKEY
Tel: +90 282 726 70 60
Fax: +90 282 726 70 63

Aktem Uluslararası Mümessillik ve Tic. A.Ş.
Süleyman Seba Cad. Acısu Sokak
Taşlık Apt. No: 13
Maçka 34357 Istanbul/TURKEY
Tel: +90 212 258 31 22 -
+90 212 259 74 02
Fax: +90 212 259 79 86

DowAksa İleri Kompozit Malzemeler Sanayi Ltd.Şti
Merkez Miralay Şefik Bey Sk.,
Ak Han No:15, 34437
Gümüşsuyu /Istanbul/TURKEY
Tel: +90 212 251 45 00
Fax: +90 212 249 35 99

Factory
Karamürsel Yolu 13. Km.
77100 Yalova/TURKEY
Tel: +90 226 353 25 45
Fax: +90 226 353 33 07

ENERGY

Akenerji Elektrik Üretim A.Ş. Merkez
Miralay Şefik Bey Sok. No: 15 Ak Han
Gümüşsuyu 34437 Istanbul/TURKEY
Tel: +90 212 249 82 82
Fax: +90 212 249 73 55
www.akenerji.com.tr
info@akenerji.com.tr

Branch
Tepe Prime Business
Eskişehir Devlet Yolu (Dumlupınar Blv.)
9. Km. No: 266 A Blok Kat: 15
D:85 06800 Mustafa Kemal Mah.
Çankaya-Ankara/TURKEY
Tel: +90 312 447 50 60
Fax: +90 312 446 17 93

AKCEZ-AKCEZ Enerji Yatırımları San. ve Tic. A.Ş.
Maltepe Mah. Orhangazi Cad. Trafo
Tesisleri No: 72 54100 Sakarya/
TURKEY
Tel: +90 264 295 85 00
Fax: +90 264 275 10 48

SEPAŞ-Sakarya Elektrik perakende Satış A.Ş.
Maltepe Mah. Orhangazi Cad.
Trafo Tesisleri No: 72 54100
Sakarya/TURKEY
İrtibat Bürosu: Karabaş Mah.
Hafız Selim Sk. Asya İş Merkezi
D-100 Karayolu Üzeri No:14
Ofis25/26/27 İzmit-Kocaeli/TURKEY
Tel: +90 262 444 5 186
Fax: +90 262 322 88 40

SEDAŞ-Sakarya Elektrik Dağıtım A.Ş.
Orhangazi Cad. Trafo Tesisleri
PK 160 54100 Sakarya/TURKEY
Tel: +90 264 295 85 00
Fax: +90 264 275 10 48
SEDAŞ Müşteri Hizmetleri Hattı 444
5 186
www.sedas.com
info@sedas.com

REAL ESTATE

Akiş Gayrimenkul Yatırım Ortaklığı A.Ş.
Miralay Şefik Bey Sokak No: 11
K: 4-5-6 Gümüşsuyu 34437 Istanbul/
TURKEY
Tel: +90 212 393 01 00
Fax: +90 212 393 01 02
www.akisgyo.com
info@akisgyo.com

Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.
Nispetiye Cad. E-3 Blok K: 1
Etiler 34340 Istanbul/TURKEY
Tel: +90 212 282 01 70
Fax: +90 212 282 01 15 -
+90 212 282 01 65
www.akmerkez.com.tr
info@akmerkez.com.tr

Akmerkez Residence
Adnan Saygun Cad. Ulus 34340
İstanbul
Tel: +90 212 282 01 70 -
+90 212 282 11 28
Fax: +90 212 282 06 12
www.akmerkez.com.tr
residence@akmerkez.com.tr

Ak Turizm ve Dış Tic. A.Ş.
Miralay Şefik Bey Sokak
No: 15 Ak Han
Gümüşsuyu 34437 İstanbul
Tel: +90 212 251 92 00
Fax:+90 212 292 13 66-67

SAF Gayrimenkul Yatırım Ortaklığı A.Ş.
Ankara Devlet Yolu Haydarpaşa
yönü 4. km Çeçen Sokak
Acıbadem, Üsküdar 34660 İstanbul
Tel: +90 216 428 3132
Fax: +90 216 340 69 96

KidZania
Akasya Çocuk Dünyası A.Ş.
Ankara Devlet Yolu Haydarpaşa Yönü
Çeçen Sk. Akasya Alışveriş Merkezi
Acıbadem, Üsküdar 34660 İstanbul
Tel: +90 216 428 67 63
Fax: +90 216 545 88 49

TEKSTİL
Ak-Tops Tekstil San. A.Ş.
Taşköprü Mevkii P.K. 98 77200 Yalova
Tel: +90 226 353 32 05
Fax: +90 226 353 22 18
www.ak-tops.com
ak-tops@ak-tops.com

Aksa Egypt Acrylic Fiber
Industry S.A.E. 4th Industrial Zone,
Plot: 19 (Parts: 1-2-13-14)
New Borg El Arab City,
İskenderiye/Egypt
Tel: +203 459 48 50/51
Fax: +203 459 74 31

SUPPORT SERVICES

Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş.
Paper Moon İstanbul
Ulus Cad. Akmerkez No: 224
Etiler 34340 İstanbul
Tel: +90 212 282 16 16
Fax: +90 212 282 13 34

Ak-Pa Tekstil İhracat Pazarlama A.Ş.
Miralay Şefik Bey Sokak
No: 15 Ak Han
Gümüşsuyu 34437 İstanbul
Tel: +90 212 251 92 00
Fax: +90 212 292 13 66-67
www.akpa.com.tr
akpa@akpa.com.tr

Aktek Bilgi İletişim Teknoloji San. ve Tic. A.Ş.
Miralay Şefik Bey Sok. No: 11 K: 2-3
Gümüşsuyu 34437 İstanbul
Tel: +90 212 393 00 90
Fax: +90 212 393 00 91
www.aktekbilisim.com
info@aktekbilisim.com

Dinkal Sigorta Acenteliği A.Ş.
Miralay Şefik Bey Sok. No: 11 Kat: 1
Gümüşsuyu 34437 İstanbul
Tel: +90 212 393 01 11
Fax: +90 212 393 00 11
www.dinkalsigorta.com.tr
dinkal@dinkalsigorta.com.tr

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Akkök Sanayi Yatırım ve Geliştirme A.Ş.
Miralay Şefik Bey Sokak No: 15 Ak Han
Gümüşsuyu 34437 İstanbul
Tel: +90 212 393 01 01 Fax: +90 212 393 01 12
www.akkok.com.tr