Akkök Holding A.Ş.

Annual Report 2014

AKKÖK
HOLDİNG

CONTENTS

Appropriate investments, sustainable progress...

We invest in the future with our services and products, raising standards in the chemical, energy and real estate industries.

AKKÖK AT A GLANCE

Total combined turnover of US$ 3.1 billion.

AKKÖK HOLDİNG

- Mr. Raif Dinçkök founded the Akkök Holding of Companies in 1952, with the establishment of Aksu Yarn and Weaving Factories.
- Some 62 years later, today, focusing primarily on the chemicals, energy and real estate industries, Akkök Holding includes over 4.600 employees and 17 industrial and commercial companies.
- The Holding's total turnover amounted to US$ 3.1 billion in 2014.

GROUP COMPANIES

KİMYA

AKSA

- Aksa was founded in 1968 as part of Akkök Holding.
- 100% Turkish owned, Aksa has a production capacity of 315.000 tons/year.
- Established on an area of 502.000 square meters, and Turkey's only local acrylic fiber producer, Aksa is also the world's biggest producer with a share of 17% in the international market.

AK-KİM

- An approximate area of 400.000 m^2 over five locations in total
- Ak-Kim internationally-recognized inorganic and organic chemicals, textile auxiliaries, pulp and paper chemicals, water treatment chemicals, cement grinding and concrete admixtures
- Extensive Product Range
- The company exports in 55 countries on five continents.

DOWAKSA

- DowAksa is an international 50:50 joint venture between The Dow Chemical Company and Aksa Akrilik Kimya Sanayii A.Ş.
- A wide range of products and technical service solutions offered to the composite industry, the raw material of which is carbon fiber
- Advanced technology developed fully by Turkish engineers
- Strong production network and advanced production infrastructure.

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.
- 9.1 TWh of transaction volume in energy trade.

EGEMER

- A strategic joint-venture between two prominent companies Akkök and ČEZ.
- Erzin Natural Gas Cycle Power Plant with a capacity of 904 MW.
- Capacity to meet 3% of Turkey's electric energy needs
- Became operational in 2014 Q3.

AKCEZ

- AKCEZ is a joint venture company established by Akkök Holding, one of the leading industrial groups of Turkey, and CEZ 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 3.228.580 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

- A separate company within AKCEZ joint venture established by Akkök Holding and CEZ Group.
- Retail Electricity Sales Company, the region's final supplier in Bolu, Düzce, Sakarya, Kocaeli and Gebze.
- Developing expertise in know-how, improving distribution channels and use of advertising tools.
- The power and reliability brought about by national and international cooperation.

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.

AKASYA CHILDREN'S WORLD

- Akdünya is the franchise licensee in Turkey for KidZania, which currently operates in 14 countries and 17 cities.
- More than 90 role-play opportunities in more than 60 activity areas for children according to their skills and interests
- 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.

REAL ESTATE
AKİŞ REIT

- AKİŞ REIT's success in the real estate industry is a result of Akkök Holding'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.

ABOUT US

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

Founded in 1952 by the late Raif Dinçkök, and with deep know-how spanning 62 years, Akkök Holding ranks among the most well established industrial groups in Turkey. The Holding conducts operations in the fields of chemicals, energy and real estate, with 17 commercial and industrial enterprises, one of which is overseas, and with 18 production plants. By closely following the trends in the world's markets and in its operating industries, Akkök Holding aims to catch up with the global competition, and achieve world-class standards together with all the companies under its roof.

With an annual installed production capacity of 315.000 tons, Aksa is the only domestic acrylic fiber manufacturer in Turkey. The Company holds a 17% global market share in acrylic fiber production, and supplies the textile and industrial textile industries in more than 50 countries across five continents. In 2009, after improving its technology infrastructure, Aksa commenced production of carbon fiber, which is considered one of the most vital raw materials of the 21st century.

As of 2012, carbon fiber production is executed under the umbrella of DowAksa İleri Kompozit Malzemeler Sanayi Limited Şirketi as a 50:50 joint venture between Aksa Akrilik and The Dow Chemical Company. With the DowAksa joint venture, it is aimed to produce and market carbon fiber and carbon fiber based products across the world. Carbon fiber is a high value added and strategic product, which provides innovative solutions for the most significant problems confronting the world, such as enhancing energy generation of wind turbines, reducing fuel consumption in automobiles, strengthening infrastructure and constructions, and thus prolonging their useful life. Thanks to DowAksa's technical expertise and advanced production opportunities, it is among the most powerful companies, racing to the top of the world in carbon fiber and carbon fiber based material production.

Ak-Kim stands out as a model company in the chemicals industry with its world-class manufacturing facilities and an annual production capacity of 600.000 tons.

Thanks to a rich product portfolio of more than 500 assorted chemicals, Ak-Kim continuously consolidates its competitive strength in international markets. The Company exports to about 55 countries across five continents, and aims to reach a minimum turnover of USD 1 billion in 2023. It acquired the companies Gizem Frit ve Glazür Sanayii ve Ticaret A.Ş. and Gizem Frit Pazarlama ve Dış Ticaret A.Ş. Gizem Frit, one of the world's biggest enamel and ceramic frit producers, opening up to a new market. With this acquisition Ak-Kim adds enamel and ceramic frit production, used in the coating of many products in our daily life such as white goods, kitchenware, ceramic, aluminum and glass bottles, to its product portfolio. Ak-Kim achieved another inorganic expansion in 2013 within the structure of Akferal, established along with Feralco, and acquired the water refining chemicals division of Dostel Group.

Akiş REIT, the real estate investment company operating under Akkök Holding, continues to develop projects that help improve quality of life in the regions where it operates. The projects successfully managed by the Company include Akbatı Shopping and Lifestyle Centre, as well as Akasya Acıbadem, in which Akiş REIT holds shares at a rate of 6.56%, and which was developed by SAF REIT. Moreover, street merchandising projects are developed on Bağdat Street as a new business model.

With their steadily improving structures, and activities that add value to society as a whole, SAF REIT and Akmerkez shopping mall also help reinforce Akkök Holding's reputation in the real estate industry. Akasya Acıbadem, opened in the first quarter of 2014, bringing a breath of fresh air to the Anatolian Side, and the KidZania Children's Republic is a vital social platform to teach children, while also entertaining them.

One of the leading power generation companies in Turkey, Akenerji is a model for the sector, with 25 years of know-

how and leading investments. Akenerji, the 50/50 joint venture between one of Turkey's leading industrial groups, the Akkök Holding, and Europe's leading power company, the ČEZ Group, is one of the biggest private sector power generation companies in Turkey, with a total installed capacity of 1292 MW. Standing out with its energy-related investments, particularly in renewables, Akenerji's renewable energy capacity of 388 MW accounts for 30% of its total installed capacity.

Project design works for Kemah Hydroelectric Power Plant, with an installed capacity of 198 MW, established in Erzincan, have beenfinalized. Erzin Natural Gas Combined Cycle Power Plant, with an installed capacity of 904 MW established in Hatay Erzin, was completed and activated during Q3 2014. The largest one-off investment by Akenerji, Erzin Natural Gas Combined Cycle Power Plant doubled Akenerji's total installed capacity. Today, Akenerji efficiently manages an energy portfolio way above its generation capacity. In 2011, Akenerji headed for the global market, and commenced import and export activities. The company expands and maintains its operations in this area.

Sepaş Enerji, which develops and grows by the day as a new player in the electricity sales sector, serves under the AKCEZ joint venture established by Akkök Holding and ČEZ Group. Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) has been rendering its power distribution services successfully in Sakarya, Kocaeli, Bolu and Düzce, covering a total area of 19.421 square kilometers across 4 provinces, 45 districts, 66 municipalities, 1.441 villages, and a population of 3.228.580.

Akkök Holding signed the United Nations Global Compact in 2007, and thus further strengthened the principles of openness and accountability that are adopted by all Group companies. In the Group's relationships with all social stakeholders, particularly employees, customers, suppliers and shareholders, Akkök Holding adheres to these two fundamental principles. In addition to fulfilling their financial obligations, all Group companies act as good corporate citizens, and strive to add value to society, the natural environment, and the economy as a whole in all their operations.

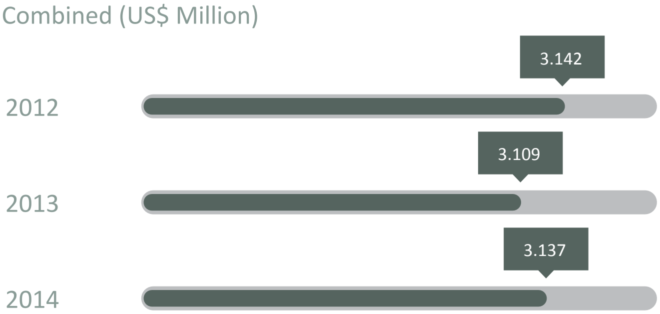
Akkök Holding achieved a combined turnover amounting to USD 3.1 billion in 2014, with its sterling employees numbering more than 4.600. USD 414 million of this amount came from exports to more than 50 countries.

KEY FINANCIAL INDICATORS*

Demonstrating a resilient performance in 2014, Akkök Holding recorded consolidated EBITDA of US$ 173 million which increased 5% compared to the previous year.

NET SALES

Combined (US$ Million)

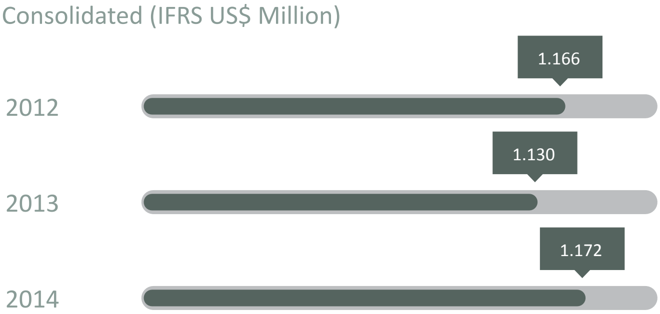


GROWTH IN NET SALES

In 2014, the Akkök Holding registered growth of 1% in US$ and 16% in TL as a result of the consistent success of its companies, undertaking leading roles in their respective sectors.

NET SALES

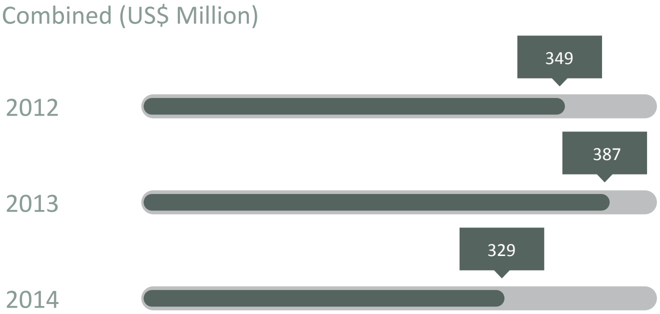
Consolidated (IFRS US$ Million)



The Akkök Holding's Consolidated Net Sales climbed by 4% in US$ and 19% in TL compared to the previous year.

EBITDA

Combined (US$ Million)



Standing out from its rivals by means of its sustainable financial performance, the Akkök Holding announced combined EBITDA of US$ 329 million in 2014.

* 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

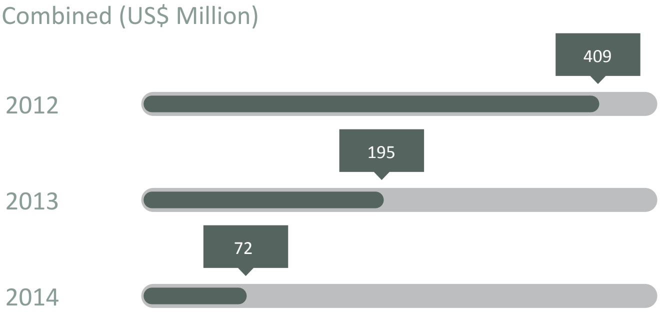
Consolidated (IFRS US$ Million)

RISE IN EBITDA

Standing out from its rivals by means of its sustainable financial performance, the Akkök Holding recorded EBITDA growth of 5% in US$ and 20% in TL in 2014.

NET PROFIT

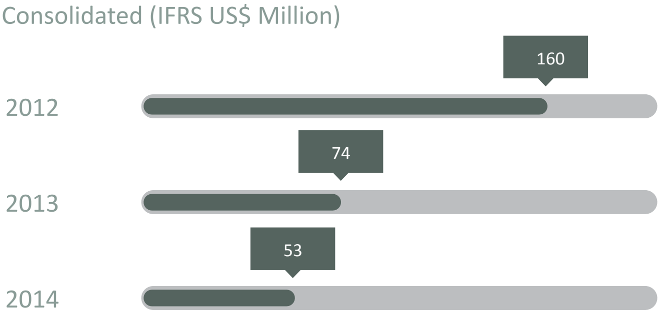
Combined (US$ Million)



Although the exchange rate difference calculated over the Akkök Holding’s long term investment loans turned to loss as a natural result of the devaluation in TL in 2014; and the profitability level expected in the Energy Generation Group could not be attained owing to drought, a combined net profit for the year amounting to US$ 72 million was achieved in 2014.

NET PROFIT

Consolidated (IFRS US$ Million)



Apart from profits on fixed asset sales within the previous year period income, a rise of US$ 42 million is observed in 2014. Although the exchange rate difference calculated over the Akkök Holding’s long term investment loans turned to loss as a natural result of the devaluation in TL in 2014, and the profitability level expected in the Energy Generation Group could not be attained owing to drought, consolidated net period income amounting to US$ 53 million was achieved in 2014.

* 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.

HISTORY AND DEVELOPMENT

Investments adding value to the Turkish economy and society from past to present...

1950s

Aksu was established in Bakırköy, Istanbul in 1952, as the Holding'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. Following this transition, Çerkezköy Plant, with the capacity of 1,100 ton/year, started its operations in April to produce sodium metabisulphite. One year later, Ak-Kim commenced producing persulphate with its own technology. In 1982, the textile Softeners and Wetting Agents Facility was established and activated and two years later, production of sodium thiosulphate and Ferric III chloride was initiated.

Foundations of Ak-Al Bozüyük Plant were laid in 1982, and Akmerkez Etiler Ordinary Partnership was set up in 1985. Ak-Tops was established in 1986 and Aksa was listed on the ISE 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 methyl amines.

1990-1994

Dinkal was restructured as an insurance consultation and brokerage corporation and Ak-Kim started producing dimethylformamide for the first time in 1990. 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 Chlor-Alkali 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 the 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 Ak-Kim inagurated Turkey's first Hydrogen Peroxide plant. 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 producing 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 Chlor-Alkali plant to JBC, a US-Jordanian joint venture and also the Company was granted the 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 Holding. 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 sodiumpercarbonate facility in Turkey.

2007

In 2007, Ak-Kim put the hydrogen peroxide plant into operation for which the company undertook basic and detailed engineering works for Sitara Chemicals, operating in Pakistan. Ak-Kim started production of concrete additive chemicals and signed the United National Global Compact together with Akkök Holding as an indication of their sustainability and the corporate citizenship concept.

Aktek is was established, and Akiş commences commenced Akkoza construction in partnership with Garanti Koza and Corio. Akenerji acquires acquired MEM Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş., and signed a protocol for the construction of Yalova Raif Dinçkök Cultural Center. In 2007, Aksa is was recognized as "Turkey's Most Responsible Company" by Capital magazine. The book, Yadigâr-ı İstanbul (Relics of Istanbul), composed of photo albums of Yıldız Palace, was published with Akkök Holding's contribution.

2008

In 2008, the AKCEZ 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), and conducted by the Republic of Turkey Prime Ministry Privatization Administration. Akkök Holding signed a strategic partnership agreement with CEZ for the 50:50 partnership in Akenerji.

Ak-Kim delivered two turnkey Chlor-Alkali 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.

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 was awarded the 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 Holding, 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. As part of the change in the corporate identity, the Company logo was renewed and Ak-Kim completed the REACH registration of its eight products for 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.

Offering more than 80 new products that it developed for sale, Ak-Kim attended International Textile Machinery Exhibition (ITMA) with its new product portfolio and had its first international exhibition experience. In addition to the sodium metabisulphite (SMBS) facility, Ak-Kim established a new SMBS facility with a capacity of 40,000 tons/year. In the same year, Ak-Kim delivered the hydrochloric acid production facility to the Kapachim company, operating in Greece.

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 904 MW installed capacity Erzin Combined Cycle Natural Gas Power Plant, to be constructed in Hatay's Erzin district.

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 Holding enterprise, started to trade on the Borsa Istanbul as of December 2011. Raif Dinçkök Cultural Center whose construction had been initiated by Akkök Holding 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 June 5. In addition to the chlorine alkali facility in Algeria (Oran), Ak-Kim signed a new Engineering and Procurement Service Contract (EPS) with Adwan Chemicals in 2012 for a Ferric III chloride project at a rate of 40%, and with a capacity of 90 ton/day. Deliveries for Akbatı Residences, an Akiş project located in İstanbul Esenyurt, were made. Akiş was granted the title of Real Estate Investment Trust as a result of the application it made to the Capital Markets Board. 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. In 2012, the corporate 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".

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 Firefly Mobile Learning Project operating in Yalova. The Akkök Festival for Kids was organized and held at the Raif Dinçkök Cultural Center in Yalova.

2013

Akkök

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

As part of Akkök Holding'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). Furthermore 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 Enerji

During the privatization process of all Electricity Distribution Companies, Akkök Holding 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 Holding decided to shut down the production facility of Çerkezköy Natural Gas Plant due to the current and expected market conditions as of December 31, 2012.

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 (2011), 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 "Şehit 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."

In 2013, Akbatı Shopping Mall won three platinum awards in the "Community Relations/Public Relations/Special Event", "Community/PR/Public Relations Program", "Community/PR/Corporate Social Responsibility" categories at the Marcom Awards, won the Gold award in the "Community/PR/Special Event" category, and received an Honor award in the "Community/PR/Social Media Campaign" category.

Aktek

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

2014

Akkök

First GRI approved sustainability report was published.
Akkök Children's Fest was organized for the third time. The theme of the fest was sustainability.

Aksa

According to ISO's "Top 500 Industrial Corporations of Turkey" list for the year 2013, Aksa ranked as the 38th largest industrial corporation on the list.

As a result of evaluation of the main titles namely shareholders, public disclosure and transparency, stakeholders and board of directors within the scope of the CMB Corporate Governance Principles, Aksa's Corporate Governance Rating was calculated as 9.22 out of 10. Aksa Akrilik proved that it is a self-confident and successful company, as the 50th company subjected to rating voluntarily among more than 400 companies registered to the Capital Markets Board and listed on the foreign exchange.

Aksa Akrilik showed full compliance with the regulations, Aksa is subject to "Corporate Risk Management", which it has maintained since 2012. Aksa Akrilik successfully completed the "TS ISO 31000 Risk Management System Verification Audit" performed by the "Turkish Standards Institute (TSI)". By this means, Aksa Akrilik becomes the first corporation in its sector, and just the second in Turkey, to obtain the "Risk Management System Verification Certificate".

Aksa Akrilik published its 2013 Sustainability Report for the first time at GRI-B level.

An investment of US$ 5.5 million was made for Akrilik filament Yarn R&D works and production.

Works on High Pile (RC) and modacrylic continued in 2014.

The Joint Treatment Facility project was commenced along with Ak-Kim and DowAksa.

The Reverse Osmosis Project was initiated.

Ak-Kim

Betaine Facility became operational. The Adwan Ferric III Chloride facility project was completed. 1st phase sodium persulphate facility was established with an annual capacity of 1.200 tons. Ak-Kim was awarded GRI A level of approval, and the LACP award for its 2013 Sustainability Report.

Akenerji

"Erzin Natural Gas Combined Cycle Power Plant" is the largest investment made by Akenerji to date, with annual generation capacity of 7.4 TWh. The project was completed and became operational in 2014 Q3.

Taking current market conditions into account, the Kemalpaşa and Bozüyük power plants, with lower efficiency, were closed.

Project design works for the Kemah Hydroelectric Power Plant, with a capacity of 198 MW, and which is planned to be built in Erzincan, were finalized. Kemah is also Akenerji's largest investment based on renewable resources.

In order to work more efficiently, and to be more easily adaptable to changing conditions, with costs appropriate to the current competitive environment, allied to climbing trade volume, the optimization and risk management works initiated in 2014 are maintained efficiently.

New products and services are developed with the “Smart Electricity” approach for the economical and appropriate consumption of power.

Thanks to the “Carbon Neutral Electricity” product, with which emission reduction certificates zeroing carbon footprint (occurring due to electricity usage) are offered, our customers efforts towards sustainability are supported.

In order to enhance profitability and market penetration, an agency network infrastructure has been established, and agency selection and development works have started.

The 2013 Sustainability Report’s level was scaled up from C to B, and approvals were taken as an indicator that solutions minimizing environmental and social risks are prioritized in all activities.

“ZERO ERROR” was identified during the external audit conducted in 2014 within the scope of the Quality Environment and OHS Management Systems.

Feke I, Himmetli, Gökkaya Power Plants, which became operational at 2012 year-end, passed through certification audit and were granted certification. As of 2014 year-end, 10 locations (Headquarters Building, Ayyıldız, Uluabat, Akocak, Burç, Bulam, Feke 2, Feke I, Himmetli, and Gökkaya Power Plants) possess Integrated Management Systems certifications, and their sustainability continues.

A “Greenhouse Gas Monitoring Plan” has been prepared for Erzin Natural Gas Power Plant, and information about the amount of greenhouse gas generated as a result of the power plant’s generation activity, how to monitor and calculate it is presented, in plan format, to the Ministry of Environment and Urbanization, and approved in the online system.

SEDAŞ

SEDAŞ materialized the unbundling project it had initiated in 2012 by starting Sepaş Enerji in early 2013. In 2014, SEDAŞ focused solely on distribution activities and further improved the OSOS project, which SEDAŞ had put into operation as one of its largest projects.

With the Automatic Meter Reading System (AMR) installed, SEDAŞ enables meters that measure street lighting and free consumer consumptions to be read remotely, as well as 65% of the energy consumed in its region. The technological infrastructure, which will enable remote monitoring of electric power and responding promptly to failures, became operational in Kocaeli, Gebze and Sakarya, within the scope of the SCADA (Supervisory Control And Data Acquisition) Project. Works slated for finalizing in Bolu and Düzce by the end of 2015 continue.

Sepaş Enerji

Sepaş Enerji strengthened its position in the sector by means of active marketing activities and the campaigns it conducted during the year, and it initiated process enhancement and new implementations to enhance customer satisfaction. Within the scope of sustainable and transparent management perception, Sepaş Enerji aims to keep service quality at the top level. With a 180 degree change, Sepaş Enerji Customer Services Centers turned into units, where customers’ subscription transactions are effectuated swiftly, free consumer sales transactions are executed, and every request, recommendation and complaint is answered by expert staff with a robust infrastructure, and finally the corporate identity is reflected.

The “Electricity Market Analysis” research that Sepaş Enerji commissioned from Method Research is the most comprehensive market research yet conducted for Turkey’s electricity sector. Accordingly, Sepaş Enerji won bronze in the “Curious Baykush” category of the “Baykush Awards”, in which the Turkish Researchers’ Association awards corporations in the category of most successful marketing and social research. Sepaş Enerji came second among the retail sales companies that enable generation of the most successful demand estimate.

AKCEZ

AKCEZ acquired the privatized electricity distribution and sales 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 Enerji – on July 1, 2013. It creates added value with its contribution to the administrative functions of both entities.

Akiş REIT

Operations oriented toward high street retail gain impetus. The old buildings bought from the Şaşkınbakkal, Caddebostan, Suadiye and Çatalçeşme districts have been re-projected, and commercial real estates have started to be developed. The project is expected to be completed in 2016.

The shopping mall with 80.000 m^2 of leasable space belonging to the Akasya Acıbadem project, and developed by SAF REIT (in which Akiş REIT has a 6.56% share), opened its doors on March 6, 2014.

Located near the Akbatı Shopping Mall and Residences, Akbatı White Tower boasts 100 residences on three acres of land. Handover of Akbatı White Tower residences started in 2014.

In 2014, Akbatı Shopping Mall and Residences won a total of 12 awards in domestic and international competitions.

MESSAGE FROM THE CHAIRMAN

Ongoing stagnation in the world economy

Leaving behind the year 2014, we observe that the ongoing global crisis and the imbalances in the world economies, the impacts of which have been felt since 2008, are not fully eliminated yet. Growth rates in the world economy still underperform the long term average. While the crisis primarily started in the developed economies, the crisis shows itself as economic shrinkage, high unemployment and growing public debt stock in the USA and the Eurozone. The fundamental changes in the economy, such as slowdown in the pace of working age population - as experienced in Europe and the USA in the past five years and in Japan for the past two decades - are projected to hinder economic growth. To sum up, there is a demand deficiency problem in the economies of developed countries, which cannot be overcome, even with near-zero interest rates. On the other hand, it is observed that the developing economies, including Turkey, deal with crises relatively smoothly, with the benefit of young and dynamic populations.

In spite of the 2.1% decline registered in the US economy in 2014 Q1, the US economy recovered swiftly with the help of the appropriate policies adopted by the FED over the remainder of the year, closing 2014 with growth of 2.2%. While the recession in unemployment has continued, it triggered a stir in the markets. Despite this above expectations positive outlook in the US economy, the Eurozone closed 2014 with near-zero growth and inflation; and the Japanese economy entered recession once again in the third quarter of the year. On the other hand, China – the world's second largest economy – lost its seemingly endless high growth momentum. Central Banks' monetary easing policies in the Eurozone and Japan to support their economies are evaluated as a factor that may balance FED based dissolution in the global liquidity conditions.

Another recently emerging development in the global markets is the rapid decline observed in oil and other commodity prices, in parallel with the concerns related to growth. The barrel price of Brent oil dropped more than 45%, declining from US$ 115 in June to US$ 60 as of December. This development indicates a negative outlook for natural resource exporter countries.

While this situation affects risk notions considerably oriented to Turkey, it will create a positive impact mainly on our power bills, as well as on the current account deficit and financing. It will positively affect the external balances of energy importer countries such as Turkey.

As long as the recovery in the US economy and the current situation in the Eurozone carry on in 2015, the appreciation of the Dollar versus the Euro will continue. We hope that sustainable investments and infrastructure works, which boost Turkey's competitive edge and focus on the production sector, will carry Turkey to a stronger and more advantageous position in competition with the world.

We attain sustainable growth with projects supporting Turkey

In spite of all these negative issues in the world, Akkök Holding closed 2014 with successful figures. It added value to the national economy and employment with its high performance, contributed to the development of social and cultural life in the regions it operates by means of corporate social responsibility projects, and initiated many works focused on sustainable environment awareness.

In 2014 Akkök Holding attained a combined turnover amounting to US$ 3.1 billion, with more than 4.600 employees. US$ 414 million of this amount is composed of exports to more than 50 countries. Akkök Holding made investments of US$ 328 million in 2014, and plans to make approximately US$ 210 million in investments in 2015.

On behalf of Akkök Holding, which targets sustainable success, and set not only sectorial growth but also social development as its focus, I 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 DİNÇKÖK
Chairman

MESSAGE FROM THE CEO

2014 was a volatile year in terms of both the world and Turkey. The fluctuations witnessed in Russia, and the disorders in the various geographies of the world due to the drop in oil prices in the final days of the year, affected Turkish markets just like the rest of the world. We started the New Year with questions about how 2015 would pan out. The abrupt upsurge in the dollar, contraction in oil prices, and reflection of geographical irregularities on economies are among the top issues determining the world's economic agenda. When we look into the course of events in the Eurozone, it is observed that concerns regarding inflation and economic activities are deepening. In spite of the steps taken recently in fiscal policy, which support economic activity, it is seen that inflation maintains its low-level course, and the economic recovery has not gained stability yet.

Industrial production in Turkey registered a rise at a rate of 3.6% in 2014 compared to the previous year. However Turkey's growth remains limited, at 2.9%, owing to the ongoing problems in Russia and Iraq, Turkey's key export markets.

Sustainable success performance in spite of uncertainties

Looking into Akkök Holding's 2014 data, we observe that we completed the year successfully. In the Corporate Governance Rating report, Aksa Akrilik is rated as 9.22 and Akiş REIT as 9.16 out of 10, which is calculated through evaluating the main components, such as shareholders, public disclosure and transparency, stakeholders and board of directors, within the framework of the CMB's Corporate Governance Principles, and these results make us proud.

Ceaseless developments, new attempts in real estate

Following the key success that Akiş REIT seized with the Akbatı Shopping Mall and Residences, Akiş signed the seal on a significant project upon the completion of Akasya Acıbadem in 2014, in which Akiş owns shares. Akasya Acıbadem opened its doors in the first quarter of 2014, and brought a blast of fresh air to the Anatolian Side of Istanbul. KidZania Children's Republic, located in Akasya Acıbadem, is a key social area with its concept of both entertaining and educating children.

According to 2014 data, the Turkish Real Estate Sector has reached a certain saturation in housing and shopping mall investments. Therefore AKİŞ REIT began to focus on different investment areas, and deemed it appropriate to enter the high street retail business as an alternative to the Shopping Mall market. The old buildings bought from the Şaşkınbakkal, Caddebostan, Suadiye and Çatalçeşme districts have been re-projected, and projects oriented towards developing commercial real estate are slated for completion in 2016.

Other 2014 developments of our Group in real estate included the success of Akbatı Shopping Mall and Residences in winning 12 awards in domestic and international competitions, and made us very proud, as well as the first signature appended along with Beymen in high street retail investment. The renovation works initiated in Akmerkez are targeted for completion in the first quarter of 2015.

Projects shaping Turkey's future…

One of the most significant developments of the previous year was the 'Shared Treatment Facility' initiated commonly by our companies; Ak-Kim Kimya, Aksa Akrilik and DowAksa, the production facilities of which are found in Yalova. The facility, which will be put into operation to use water resources efficiently as per the Group's sustainability philosophy, and to achieve excellence in environmental conditions, makes it possible to obtain fresh water from seawater.

The Shared Treatment Facilities, in which Ak-Kim Kimya, Aksa Akrilik, and DowAksa's waste waters will be treated all together, and the Reverse Osmosis (RO) Facilities, which will convert 3.5 million m^3 of seawater to fresh water annually, are planned to be put into operation in 2015.

In December 2014, DowAksa acquired a 50% share of the German prepreg producer "c-m-p GmbH" and took a significant step in enhancing high value added, carbon fiber based productions for industrial applications, namely for the automotive industry.

2014 was the year when the giant investment in energy, the "Egemer Project", with a capacity of 904 MW, was completed. Being aware of Turkey's need for high technology energy power plants, which will meet Turkey's ascending energy demand continuously and economically, Erzin Natural Gas Combined Cycle Power Plant, with an installed capacity of 904 MW, was completed and activated. Reaching total installed capacity of 1.292 MW, Akenerji took a bold and robust step in a period of fluctuations in the global economy after putting the Egemer project into operation, and created a major resource for fulfilling Turkey's energy needs. The Erzin Natural Gas Combined Cycle Power Plant is Akenerji's largest one-off investment, doubling its existing installed power, and it is among the most substantial projects by the Akkök-CEZ partnership.

Pioneer of the Turkish Chemical sector

Ak-Kim aims to reach a minimum turnover of US$ 1 billion in 2023. Within this scope, the company sustains its investments to ensure continuity in growth in accordance with its strategic planning. It acquired Gizem Frit, one of the world's biggest enamel and ceramic frit producers, opening up to a new market. This was one of Ak-Kim's major investments of 2014. With this acquisition, Ak-Kim adds enamel and ceramic frit production, used in the coating of many products in our daily life such as white goods, kitchenware, ceramic, aluminum and glass bottles, to its product portfolio, and aims to reinforce its pre-eminent position in the market.

Akkök Holding: Profitable investments, Innovative steps

Planning to make an investment of circa US$ 210 million in 2015, Akkök Holding will continue its mission of being one of the locomotive groups supporting Turkey's industry, economy and employment, and be the home of profitable, sustainable and innovative investments. I would like to express my gratitude to our employees, who with their dedication have added major value, while also extending my thanks to our shareholders, business partners, and all of our stakeholders for their unwavering trust and support.

Sincerely yours,

Ahmet C. DÖRDÜNCÜ
Chief Executive Officer

EXECUTIVE BOARD

"Achieving a combined turnover of US$ 3.1 billion in 2014, our Group will continue to maintain its consistent performance in a profitable manner."

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 Holding has grown stronger with its strategic investments, and it contributes to Turkey's exports by means of efforts enhancing export potential in the chemicals area."

Özlem Ataünal
Executive Board Member

AKKÖK BOARD OF DIRECTORS

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 Holding of Companies. Currently, he serves as Chairman of Akkök Holding A.Ş. and as Board Member at other Akkök Holding 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 Holding A.Ş., and on the Boards of Directors of other Holding 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. Mr. Dördüncü has served as Chairman of the Executive Board of Akkök Holding since January 2013. While serving on the Boards of Directors at various Group companies, he is also a Board Member of the following companies; Anadolu Isuzu Otomotiv Sanayii ve Ticaret A.Ş., Coca-Cola İçecek A.Ş., Anadolu Efes Biracılık ve Malt Sanayii A.Ş. and International Paper Co.

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. Mr. Berkman joined the Koç Group in 1972 and served as General Manager at MAKO, Uniroyal, DÖKTAŞ and Arçelik. He then assumed the position of Head of Strategic Planning, Human Resources and Industrial Relations. As of December 31, 2003, he resigned due to the retirement policy of the Group. In September 2005, Mr. Berkman assumed the role of Board Member and Chairman of the Executive Board at Akkök Holding. He handed over his Chief Executive Officerposition at Akkök Holding'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 Holding 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 Holding A.Ş., and on the Boards of Directors of several Akkök Holding 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 2004. 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 Holding 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 Holding A.Ş. and other Holding 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 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. Mr. Yılmaz served as a Board Member of Akkök Holding until 23.05.2014.

CHEMICALS

• Aksa Akrilik Kimya Sanayii A.Ş.

AKSA

"Aksa produces acrylic fiber to meet the knitwear needs of 2 million people per day, with daily production capacity reaching 850.000 kilograms."

Cengiz Taş
General Manager

Aksa Akrilik Kimya Sanayii A.Ş.

As a consequence of evaluation under the key headings; Company's shareholders, public disclosure and transparency, stakeholders and board members under the CMB's Corporate Governance Principles, the Company's Corporate Governance Rating was determined at 9.22 out of 10. This places us among the top ranks of 50 companies in the index, out of more than 400 companies registered with the Capital Markets Board and listed on the Exchange, which have voluntarily subjected to rating. Accordingly, Aksa proves that it is a self-confident and successful company.

Displaying full alignment with the regulation that the Company is subject to in "Corporate Risk Management", maintained since 2012, Aksa successfully completed the "TS ISO 31000 Risk Management System Verification Audit", executed by the "Turkish Standards Institute (TSE)", and qualified for the certification. The Company became the second in Turkey, and first among the exchange and industry institutions, to obtain this certification.

- Aksa Akrilik published its 2013 Sustainability Report for the first time as GRI B level.
- An investment worth US$ 5.5 million was made in acrylic filament R&D works and production.
- Works continued on High Pile (RC) and modacrylic in 2014.
- The Shared Treatment Facility Project was commenced.
- The Reverse Osmosis Project was initiated.

The Acrylic Fiber Market in 2014

Thanks to the Company's robust and balanced financial structure, Aksa, the world's largest acrylic fiber producer, maintained its strong market position in 2014, without being affected by the uncertainties in the market. During the year, the Company expanded its share in the domestic market, focused on profitable export markets, and built its marketing and sales strategies on protecting unit sales and sales collateralization. To this end, the Company forged close relationships with customers through effective marketing activities and higher sales by reaching a record high capacity utilization of 99%. The selling prices range in parallel with the change in prices of Acrylonitrile (ACN), the raw material of acrylic fiber.

2014 was a year when political issues in Russia, Ukraine and Iraq, and on-going uncertainty and instabilities in the Middle East and North African countries became evident. As for the economic perspective, it was a year when sustainable strategies, once again, played a key role in all sectors, mainly in textile, across many regions of both Turkey and the world, amid depreciation in the Euro, an unexpected slump in oil prices, and devaluation in Russia and Ukraine. The decline in customer demand in the domestic knitwear industry throughout the year, together with demand contraction in the carpet sector starting from the second half of the year, posed an evident challenge for Aksa, brought about by current economic and political difficulties. On the other hand, capacity growth continues and demand hikes are observed in the hand-knitting sector, where Aksa holds a dominant position.

Escalating its domestic market share, Aksa also managed to raise its share in target export markets in 2014.

In accordance with its customer-focused approach, Aksa sustained the technical consultancy engagements that it initiated in 2013 in the domestic market. In addition, for Aksa's strategic foreign markets, this service has been expanded through consultancy and technical support works for the related region, and via regular visits. Thanks to these engagements, success has been attained in continuity and greater customer satisfaction, and a considerable reduction can be observed in customer complaints, which are among the strategic targets of the Company.

A year of strong marketing strategies

Considering sustainability within the scope of foreign markets, whose basis was laid in the previous year, strategies oriented to boost market share in profitable export markets were initiated in 2014, and market share was expanded in target markets. Aksa has become the most reliable supplier in these markets. With regard to value-added products aimed at the Chinese market, Aksa entered into strategic partnerships in terms of production and quality, in order to achieve the level of quality sought after in this key market. Meanwhile, the Company continued to maintain a presence, through a customer-focused approach, in the Near and Middle East markets, which are plagued by adverse political and economic conditions.

Escalating its domestic market share, Aksa also managed to raise its share in target export markets in 2014. 67% of sales are to the domestic market, while 33% are exported.

Aksa renewed its mission and vision at its current position that has been attained as a result of the changes experienced in the acrylic fiber world. Accordingly, strategic collaborations are established and works to ensure that acrylic fiber enters into new usage areas are accelerated.

Developing efficiency with productive business processes

Aksa maintained its operational excellence strategy in 2014, as well as adopting and expanding the strategy in all of its activities. Aiming for higher quality with lower costs in acrylic fiber, the Company focused on efficiency projects and investments to attain this goal in 2014. Within this scope, business processes were revised, and works to enhance process effectiveness and efficiency were conducted.

A capital expenditure amounting to TL 132.6 million was made for 144 projects in 2014. In addition to the 505 Solvent recovery units, shared treatment facility and reverse osmosis investments, efficiency projects are also listed among the said investments.

Acrylic Fiber

Aksa confirmed its leading position in the market with 2014 production above 304.000 tons, capacity utilization reaching 99%, and with production efficiency in the acrylic fiber market. Aksa achieved an enhancement in "Unplanned Disruption" based production losses up to 48% compared to 2013, owing to efficiency oriented projects and planned maintenance works, and attained + 0.8% production growth compared to 2013. Since Aksa commenced its production journey, it reached the maximum capacity utilization rate in 2014, and ensured continuity of efficiency enhancing works in line with operational excellence, which is an integral part of its main strategy.

Energy

Aksa generates electricity energy and process steam, meeting its own energy needs, and also sells the surplus. While gross power generation was 575 GWh in 2013, this figure grew by 28%, reaching 736 GWh in 2014. The proportion of coal within the electricity generated was boosted by enhancing the availability of the coal plant, and running this plant more efficiently, and power generation costs were reduced compared to the previous year. Upon the finalization of the majority of the projects developed, both the internal need for the power plant was reduced, and power plants were operated in an optimized manner.

2014 - New Product Development

With the help of unique technology knowledge acquired through extensive R&D works, pigment dyed acrylic filament fiber began to be produced. Research shows that in the upcoming period, the market volume of acrylic filament fiber will step up still further. Considering the booming market demand, an investment worth US$ 5.5 million was made in acrylic filament R&D works and production in the previous year. Thanks to this product, a perfect color blaze, self-cleaning feature, high quality appearance, and high level of waterproofing are achieved in the fabric. Aksa is the only producer of this product, developed with its own technology. Additionally, works still continue on High Pile (RC) and modacrylic.

High Pile fibers are developed for use in plush fabrics, artificial furs, toys and bathroom floor mats. Modacrylic fiber is used in products that need to be nonflammable.

▶ The use of “Reverse Osmosis (RO)” technology is planned. An alternative raw water resource will be obtained in the event of any prospective drought across the country, with the implementation of this project. While this technology has been in use for a very long time in Arab countries, due to their limited water resources, it is possible that this implementation may enter our lives soon, including drinking-utility water for cities. Once the common refining project of Ak-Kim, Aksa and DowAksa, the companies established in Yalova, becomes operational, this recycled water will be raw water at the same quality as dam water. Thus the alternative raw water resource is created, and it will not be discharged to the sea.

▶ The Common Refining Plant, in which all domestic and industrial wastes belonging to Aksa, Ak-Kim and DowAksa, among the Akkök Holding companies, are to be refined, will be established on an area of 17.000 m^2. The first investment in the refining plant is budgeted at US$ 17 million, and will have the capacity to meet wastewater discharge of 15.000 m^3/ day. Physical refining, chemical treatment, biological treatment and sludge dewatering units will be established in the plant.

▶ 505 Solvent Recovery Unit: Within the scope of the modernization engagements executed recently at AKSA, such as the enhancement of acrylic fiber quality and the energy efficiency projects, the need for establishing a solvent purification unit, compatible with new technologies, has risen to obtain more purified solvent and water, which affect acrylic fiber’s quality directly, and which emerges as a product from solvent purification units. While the project is a product of an investment of US$ 33 million and a detailed 2-year engagement, and consists of process design, detailed engineering works and mounting phases, it includes 7 storage tanks, 7 process pillars and associated heat exchangers, flashers, and cooling equipment serving thereto.

Aksa confirmed its leading position in the market with 2014 production above 304.000 tons, and capacity utilization rate reaching 99%.

CHEMICALS

- DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.

"As DowAksa we have created a global company reaching across the world from Yalova in 6 years. Today we are among the world's esteemed producers in carbon fiber which we emphasized as the product of the future."

Mithat Okay
General Manager

DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.

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.

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.

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.

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.

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.

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. In December DowAksa acquired a 50% share of German prepreg producer “c-m-p”. With this acquisition, DowAksa aims to enhance its production of high value-added, carbon fiber based products for industrial applications, mainly for the automotive industry.

Moreover, the engagements within the scope of joint development agreement executed among Ford, Dow and DowAksa to develop materials and processes in the use of carbon fiber in the automotive sector, continue with success.

In the first month of 2014, DowAksa acquired a 33% share of NCC (Composite Nanotechnology Centre), which was established at the end of 2011 and is a composite-oriented engineering and development center.

The engagements within the scope of joint development agreement executed among Ford, Dow and DowAksa to develop materials and processes in the use of carbon fiber in the automotive sector, continue with success.

CHEMICALS

- Ak-Kim Kimya Sanayi ve Ticaret A.Ş.

Akkim

"While in 2014 Ak-Kim's chemicals turnover grew by 4% in USD terms compared to 2013, the profitability in our chemicals sales jumped by 21%. With the consolidated sales coming from inorganic growth activities, Ak-Kim aims to grow about 50% in 2015. We allocated a USD 45 million budget for investments planned for 2015."

Onur Kipri
General Manager

Ak-Kim Kimya Sanayi ve Ticaret A.Ş.

Ak-Kim Kimya aims to reach a minimum turnover of US$ 1 billion in 2023. Within this scope, the company maintains its investments in basic chemicals and water treatment technologies to ensure continuity in its growth.

The company allocated a budget of US$ 45 million for the investments planned for 2015. In the meantime, investments and inorganic growth opportunities in Turkey and abroad are being researched.

It acquired Gizem Frit, one of the world's biggest enamel and ceramic frit producers, opening up to a new market. This was one of Ak-Kim's major investments in 2014*. With this acquisition Ak-Kim adds enamel and ceramic frit production, used in the coating of many products in our daily life such as white goods, kitchenware, ceramic, aluminum and glass bottles, to its product portfolio, and aims to reinforce its pre-eminent position in the market.

Ak-Kim entered a joint venture with Feralco resulting in the establishment of Akferal in 2013. Ak-Kim made another inorganic expansion by acquiring the water treatment chemicals division of Dostel Group at the end of 2014 for Akferal. Thus, the company added Aluminum Sulphate products into its portfolio.

Already boasting strategic significance in the chemical sector, Ak-Kim aims to expand its product portfolio and grow further in the sector by means of these acquisitions, which will contribute towards its future goals.

Ak-Kim opened its Betaine production facility, with capacity of 15.000 tons, in 2014. The company expands its existing portfolio of personal care products in accordance with customer needs. In order to widen the Persulfate product range, a 1st phase Sodium Persulfate facility, with an annual capacity of 1.200 tons, was established in 2014.

** The acquisition process started in in the second quarter of 2014 and accelerated towards the year-end.
The closure of the share transfer agreement signed in December 2014 happened in the first days of 2015.*

Silver Award for Ak-Kim's 2013 Sustainability Report from LACP League of American Communication Professionals

38 new products were developed in the Ak-Kim R&D Centre in 2014. New products and solutions for organic and inorganic chemicals, textile, water treatment, paper and construction sectors continue to be developed.

In addition to the existing activity areas, R&D works are being carried out in the Nano-technology, bio-based chemicals, personal care, food, nutrition and medication areas.

In 2014, Ak-Kim added a brand new project into its international engineering projects. All basic and Detail Engineering works, Purchasing Service and Mounting Works, and Supervisory Services of the 30.000 ton/year Ferric III Chloride capacity facility established in Mostaganem in Algeria, were carried out by Ak-Kim. The facility became operational in September 2014.

Pioneer in SEVESO engagements

One of the first companies to start its operations within the scope of SEVESO II (Regulation on Prevention of Major Industrial Accidents and Diminishing their impacts), Ak-Kim worked closely with the Republic of Turkey Ministry for Environment and Urbanization in 2014. Ak-Kim has already completed the major part of the Security Report, which must be prepared by 01.01.2016 as per the foregoing Regulation. Within the scope of SEVESO II, Ak-Kim finalized its Chemical Classification, Chemical Exposure Risk Evaluation and HAZOP (Hazard and Operability) studies. Though it is not legally obligatory, the Company commenced its Individual and Social Risk (F-N curve) engagements. A total budget of US$ 2.400.000 is allocated for the SEVESO works to be conducted in the 2015 – 2016 period.

In conjunction with the Global Compact, Ak-Kim works with a sustainable and extensive global economy vision under the titles of human rights, working conditions, protection of the environment, and combating fraud. Ak-Kim listed in the Global Compact Turkey local network as a Board Member representing the Akkök Holding. Ak-Kim won LACP's Silver Award with its 2013 Sustainability Report, prepared under the United Nations Global Compact, and in accordance with internationally accepted GRI (Global Reporting Initiative).

According to the 2013/2014 evaluations of International Communication Awards, organized each year by LACP (League of American Communications Professionals), world's one the most prestigious public relations platform, Ak-Kim's 2013 Sustainability Report received 97 points out of 100 from the evaluation containing all sectors.

Ak-Kim broke new ground in the Turkish Chemicals sector with the approval of GRI A level, and the LACP prize based on this report, which transparency, responsibility and accountability principles at the level of customers, shareholders and all stakeholders.

Ak-Kim places great significance on sustainable development in Turkey, both consumer and corporate-based, and to leave a better world for the future. Being a transparent and sustainable company, Ak-Kim aims to continue engagements to enhance its performance at these standards.

Production in 5 locations and 800 employees

Following its acquisitions, Ak-Kim now has production facilities in 5 locations, and nearly 800 employees.

In 2015, Ak-Kim will continue to search for new acquisition opportunities to reach its 2023 targets. Ak-Kim aims to add a new project into its international engineering projects in 2015. Kazakhstan, Russia and the Gulf countries are on the company's radar.

ENERGY

• Akenerji Elektrik Üretim A.Ş.

"In the challenging conditions of the energy sector in 2014, Akenerji managed to sustain its competitive edge in the market thanks to its well-directed steps. The 904 MW Erzin Natural Gas Combined Cycle Power Plant, which is the largest one-off investment made by Akenerji, has doubled our existing installed power."

Ahmet Ümit Danışman
General Manager

Akenerji Elektrik Üretim A.Ş.

Always one step ahead of the competition with an installed capacity of 1292 MW...

Being aware of the responsibility required of energy companies for a secure future, Akenerji shapes its goals under this awareness, and continues to take each step with sensitivity towards the environment and society.

Akenerji's investments in renewable energy resources started by participating in tenders for the first hydroelectric resourced generation facilities opened for private sector investment by the Energy Market Regulatory Board (EMRA) in 2005. The Ayyıldız Wind Power Plant became operational in 2009 as the Company's first renewable energy generation facility. Following that Akocak, Bulam, Burç Bendi, Feke II, Uluabat Hydroelectric Power Plant (HPP) investments were made in 2010, and Himmetli Regulator and HPP, Feke I Regulator and HPP, Gökkaya Dam and HPP were successfully put into operation in Adana in 2012.

Giant investment "Egemer Project" is completed

Akenerji, with a total installed power capacity of 647 MW as of the beginning of 2014, put the Erzin Natural Gas Combined Cycle Power Plant into operation, with power of 904 MW. This is deemed as a bold and robust step in such a period when there is serious volatility in the global economy.

As the largest one-off investment, Egemer is one of the key projects of the Akkök-CEZ strategic partnership. Becoming operational in 2014 Q3, the Erzin Natural Gas Combined Cycle Power Plant scaled Akenerji's installed power up to 1292 MW.

Upon activation of Egemer, which has an annual electricity generation capacity of 7.4 billion KWh with its new generation turbine technology, Akenerji ceased the operations of the low-efficient Kemalpaşa and Bozüyük Power Plants, in consideration of the current market conditions.

Kemah Dam and Hydroelectric Power Plant

Kemah Dam and Hydroelectric Power 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. Preparations for the technical specifications and other documentation works pertaining to the construction and electro mechanics engagements continued in 2014.

Stability and a consistent approach are the factors behind Akenerji's sustainable success.

Efficiency and technology centered sustainable growth

Akenerji, the 50:50 joint venture between Akkök and CEZ in 2009, has made consistent investments since its establishment, contributing to meeting Turkey's energy needs.

Thanks to its current know-how and market power, Akenerji not only offers the electrical energy it generates from its own power plants, but also offers efficiently the electrical energy it procures from other producers to the market. Accordingly it continued to provide optimum solutions for eligable consumers, supplier and production companies in 2014 as well.

Akenerji dynamically follows up the generation, supply and sales balance, and developments in the market, and takes relevant actions so as to eliminate any negative impact that may arise out of or in connection with price fluctuations.

In order to maintain its strong position in the sector and make electricity supply more reliable, Akenerji aims to sustain its balanced portfolio structure in 2015. While it is estimated that 2015 will be a challenging year in terms of Turkey and the global economy, Akenerji will effectively maintain the optimization works that it started in 2014, and risk management based on its climbing trade volume, to operate more efficiently and to adapt to changing conditions more easily, with prices compatible with current competition conditions.

Stability and a consistent approach are the factors behind Akenerji's sustainable success.

Appropriate analysis, innovative products and services

Akenerji's expert staff identifies the sectors where customers operate with appropriate analysis and strategies; understands their needs, and offers the most suitable and innovative products and services.

In 2014, Akenerji focused on marketing activities that consolidate its leading position in energy sales, and provided added value by selling energy of 1.5 billion KWh that it procured from third parties.

In line with Akenerji trade unit's strategy of establishing its presence in OTC markets that it targeted previously, the volume it attained by buying from and selling to the other market participants reached almost 2.9 billion KWh in 2014, becoming a significant sales, arbitrage and risk management channel. In other words, this volume corresponds to the generation capacity of a Natural Gas Combined Cycle Power Plant with a capacity of 370 MW. This volume, which was reached in such a year when liquidity in the market remained below expectations due to drought and gas supply limitations, is an indicator of the scale that Akenerji will reach in electricity trade in the upcoming years.

In addition to the new energy power plants becoming operational, it is aimed to enhance sales volume and reinforce the leading position in the electricity sector in 2015, within the framework of purchase agreements executed with various energy companies.

Akenerji develops new products and services oriented to the economical and appropriate consumption of energy with the "Smart Electricity" approach. The Company aims to raise profitability by reducing the energy consumption item, which makes up one of the major parts of customer costs.

By means of the "Carbon Neutral Electricity" product, with which Akenerji offers emission reduction certificates that zero the carbon footprint arising from electricity usage, Akenerji supports customers' engagements in sustainability.

Akenerji consolidated both its leader position in wholesale electricity sales and its transaction volume in this field compared to previous years. Today, the company manages a portfolio above its generation capacity, with its escalating success trend in this field.

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.

EPİAŞ, which is planned to become operational in 2015, will upgrade both transparency and liquidity, and will become one of the milestones in the electricity market. As a Group C shareholder of EPİAŞ, Akenerji will consolidate its presence in the Turkish electricity market.

ENERGY

• AKCEZ Enerji Yatırımları Sanayi ve Tic. A.Ş.

"For AKCEZ, 2014 was a year when the Group Companies were supported with well-equipped manpower, renovated informatics infrastructure, and contemporary management approaches; the conditions of Group Companies, opening to free competition, were improved with AKCEZ's experienced human resources support; and the quality and efficiency oriented service concept was maintained unwaveringly in the constantly changing energy market."

Mehmet Hilmi Karan
General Manager

AKCEZ Enerji Yatırımları Sanayi ve Ticaret A.Ş.

2014 was a challenging year for our country and our companies. Two elections in Turkey within the same year, tension in the political environment, and problems on our borders wearied us all as a country. However, Turkey managed to register growth of 3% in the first half of 2014, in spite of all these problems, and the energy sector made a significant contribution to this growth.

As we may derive from this outlook, energy, which becomes a more strategic issue by the day, continues to dominate countries' and companies' agendas in recent years, when there is a drastic drop in oil prices. Therefore, energy companies are primarily affected by developments in the energy sector depending on oil prices. Along with our Group Companies, we are aware of the crucial mission that we assume in the sector, and continue our activities accordingly.

In addition to the reliability afforded by two long-established names behind AKCEZ – the joint venture between one of Turkey's leading industrial groups, Akkök Holding, and Europe's prominent energy companies, CEZ Group – the company is a strong one in Turkey's continuously growing electricity distribution and retail sales business, and one of the new players in Turkey's energy sector with its dynamic structure.

When we evaluate the year 2014 on our companies' basis, we observe that this was not only a challenging year but also a successful one for us.

SEDAŞ and Sepaş Enerji, in which AKCEZ holds shares, continued to lead the way in electricity distribution and retail sales activities, and to play a leading role in the sector based on the constant boost in customer satisfaction. The companies proved themselves in their expertise with each passing day.

Continuously enhancing service quality with investments in its region, this year SEDAŞ put the SCADA Project into operation, making a major breakthrough. The first step of this project was taken on February 7, 2012. Non-stop works have been conducted for 2 years to complete the project, which is planned to be implemented with an investment of TL 40 million. The SCADA project is slated for completion in 2015.

Since its privatization, SEDAŞ has always moved its brand identity forward, starting to hit the headlines in the sector with its distribution services and communication activities, in addition to noteworthy investments. SEDAŞ aims to complete the projects planned for 2015, and make hundred percent investments.

Sepaş Enerji has muscled its way in among the key players in the retail sector, where competition is fiercer then ever. Our Group Company is frequently mentioned in the national press, and it conducted successful marketing activities this year as well. Embarking on a substantial change in customer services, Sepaş Enerji accelerated its service quality. Sepaş Enerji consolidated this achievement with awards and won bronze in the "Curious Baykush" category in the Baykush Awards.

AKCEZ provides new expansions to the activity area, sector and competition environment. AKCEZ continues its engagements to build a new future out of today, in the awareness of creating an epitome model for consumers, in addition to establishing new values for the market and Turkey.

ENERGY

• SEDAŞ Sakarya Elektrik Dağıtım A.Ş.

"By means of its well-equipped workforce, SEDAŞ fulfills renewal, capacity enhancement, and repair-maintenance works completely with its projects and investments in the East Marmara Region, which is regarded as the heart of Turkish industry, and which adds value to the national economy and development. It executes the necessary enhancements, while maintaining its activities."

Bekir Sami Güven
General Manager

SEDAŞ Sakarya Elektrik Dağıtım A.Ş.

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. The company, with total installed capacity of 3.050 MVA and peak power of 1.825 MW, renders its power distribution services successfully in Kocaeli, Sakarya, Bolu and Düzce, covering a total area of 20.000 square kilometers across 45 districts, 66 municipalities, 1.441 villages, population of 3.2 million and 1.5 million consumers. 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 minimize the number of consumers affected from failures by decreasing duration and number of failures throughout its responsibility region and offer constant and high-quality electrical energy.

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 detects failures in electricity distribution assets and connecting lines as well as failures in connection lines obtained and installed by customers. The company ensures that power consumption is measured on the basis of a set reading period, based on meter reading schedules.

It provides services for meeting disconnection-reconnection requests delivered by supplier companies related to consumers who do not pay their consumption debt on time, evacuation of suppliers and new subscriptions within the scope of laws.

The company, without compromising on service quality or consumer satisfaction, will keep advancing on its successful voyage, working at full throttle along with its foresighted executives and employees, equipped with know-how and experience, to make efficient projections at all times.

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 nontechnical 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 consumer facilities or equipment due to errors in operating electricity distribution network. 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. Thanks to its robust infrastructure, the company successfully conducts energy distribution works in this region, which constantly ingests new population, and where electricity consumption climbs rapidly.

Ascending service quality with restructuring works

While SEDAŞ underwent a transformation in an organizational sense, it continued investments to make its operational achievements sustainable in investment, operation, maintenance and repairing works, provided employment for the people of the region, added power to its human resources, and brought more dynamism to its operations by reinforcing the vehicle park, along with the synergy of employing the staff of the contractor firm. SEDAŞ made considerable investments for its employees with Technical Training Center investments in the areas of technical and administrative trainings and work safety. In order to ensure quality in electricity distribution and continuity in electrical energy, the network investments were renewed. The old network was established in the region in 1984, and had completed its economic lifetime. It enhanced the network capacity of developing settlements, and focused on the construction of new energy transfer lines. SEDAŞ completed two thirds of the SCADA project, an investment of TL 40 million, which was initiated to monitor the network remotely and to respond to failures swiftly. Accordingly, SEDAŞ completed the Kocaeli, Gebze and Sakarya legs of the project and put it into operation. The SCADA project will be completed in Bolu and Düzce provinces in 2015. The automatic meter reader system (OSOS) project became operational, and 17.000 electricity meters can now be read remotely. With the help of this reading, 65% of the energy consumed in the region is read and billed remotely.

While SEDAŞ underwent a transformation in an organizational sense, it continued investments to make its achievements in the field sustainable. In order to ensure high-quality and uninterrupted electrical energy, SEDAŞ hiked its network investments in 2014. The previous investment had been made in the region in 1984. SEDAŞ's 2014 investment outlay was recorded at approximately TL 68 million. Between the tariff periods of 2011 to 2015, almost TL 291 million worth of investments were made. These consist of circa TL 52 million in 2011, circa TL 70 million in 2012, circa TL 101 million in 2013, and TL 68 million in 2014. Thus, the company quadrupled the total investments made during the public institution period. The total investments of SEDAŞ, covering the five-year period of 2011-2015, will reach TL 302.6 million along with 2010 prices.

As one of the first distribution companies to be privatized, SEDAŞ holds a leading position in the sector based on its environment friendly business concept, respecting social values along with its swift and efficient business model. SEDAŞ will continue to provide added value to its region with investment projects, offer quality service to all consumers, and contribute to Turkey's development. SEDAŞ have completely executed the maintenance – repair work targeted for 2014. In 2014, the company maintained its consistent progress in the transformation period, the foundation of which was laid in 2011. On the basis of the awareness that a well-equipped workforce is the most crucial factor in the said process, the company organized efforts to enhance its workforce throughout the year.

SEDAŞ will maintain its visionary approach in 2015 and continue its investments with the aim of offering services to world standards.

The company, without compromising on service quality or consumer satisfaction, will keep advancing on its successful voyage, working at full throttle along with its foresighted executives and employees, equipped with know-how and experience, to make efficient projections at all times.

ENERGY

• SEPAŞ Sakarya Elektrik Perakende Satış A.Ş.

"2014 was a year in which Sepaş Enerji demonstrated performance above expectations, took noteworthy steps oriented to enhancing service quality and efficiency, and determined our long term strategies as part of our customer-centered principle. In 2015, our focus will be on optimizing our brand value and service quality, protecting our port, where we have 1.5 million customers, and gaining new customers on the ocean. We will analyze the value and attitude based inclinations of our customers, sustaining our existence as a company that touches every single customer, differentiates for them and creates value."

Rostislav Diza
General Manager

SEPAŞ Sakarya Elektrik Perakende Satış A.Ş.

Power Line Stretching from Marmara to the Rest of Turkey

AKCEZ Holding, a joint venture of Akkök Holding 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 Enerji 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 line with the new corporate identity engagements, Sepaş amended its brand name and logo in 2013. Obtaining the brand registry certificate in 2014, the company continues its operations under the name of Sepaş Enerji.

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.

Pursuant to EMRA's (Energy Market Regulatory Authority) decision, the free consumer limit was reduced. This led to market growth, a rise in the number of competing firms newly entering the market, acceleration in competition, growing significance in brand investments with price optimizations, and marketing and advertising activities now bear critical importance.

Fast Adaptation to the Everchanging and Developing Sector

The Sales Management, Energy Demand and Balancing Management, Customer Services Management, Marketing Management, Retail Customer Management and Management Support Services, all reporting to Sepaş Enerji General Management, conducted coordinated activities. The company thus adapted easily to the abrupt changes in the electricity sector. In 2014, Sepaş continued to consolidate its marketing activities, enhance its distribution channels, and use advertising channels as part of its long-term strategies.

Service Quality and Process Improvement Works

In 2014, Management Support Services carried out R&D works in the management of customer relations and sales processes. The Atlas CRM Solution, Demand-Recommendation-Complaint Management Project was developed. Moreover Atlas-Abone.net Integration, Atlas-Pricing Module, Online Sales, Online Transactions and E-archive projects were initiated. By dint of Atlas CRM solution, customer and meter information are recorded, enabling management of the sales processes and sending the records to the Market Financial Settlement Center automatically.

Sepaş Enerji has analyzed consumer attitudes and expectations by market research, which was conducted in 2014 and awarded with the Turkish Researchers' Association Baykush Award, and made a computation with respect to brand recognition.

In 2014, as well as swiftly executing customers' subscription transactions, Sepaş Enerji Customer Services Centers have been converted into units where sales transactions for free consumers were made. Any sorts of demands, recommendations and complaints are responded to by means of expert staff and robust infrastructure, and the corporate identity is reflected.

Thanks to the improvements arising from systemic arrangements made at Sepaş Enerji Customer Services Centers, a great number of applications are put into practice, which will make consumers' lives easier, from payment transactions to subscription transactions. Service quality and customer satisfaction were targeted with reductions in waiting periods, transaction period and transaction error rates, as well as bill notifications via SMS and e-mail, the centralization of demand & complaint managements, and sales support unit. The average transaction period at the Customer Services Centers has been reduced from 15 - 20 minutes to 3 - 8 minutes. The transaction error rate has been pushed down from 5% to 1%. The 10 - 50 minute waiting period has been lowered to 1 - 15 minutes. The practice of executing cash collection transactions at Customer Services was halted, and thus negative issues such as forged money and deficient cash at the counter were eliminated.

Billing errors have been reduced by means of the GPRS system, and the number of bill cancellations is reduced by 77% after systemic improvements. In 2014, the practice of installment collection with credit card, automatic business opening orders for subscribing and debiting, and IVR searching for billing and execution are initiated in Sepaş Enerji, which has a 98% collection rate. Efficiency has been tripled due to the automation and process improvement works performed on the issue of receivables.

Brand Investments, Sales and Marketing, Energy Demand and Balancing Activities in line with Long Term Strategic Targets

Combining its lengthy experience with the strength of its domestic and international cooperation and dynamic staff, Sepaş Enerji acts under the ideal of taking a leading position in Turkey's retail electricity sales sector, and with the aim of being a prominent company at world standards, creating sustainable value for stakeholders.

Within the scope of long-term strategies, the Sepaş Enerji Marketing Department has two main goals: create brand recognition and support hot sales. In parallel with these goals, the company uses new generation marketing techniques and tools, enhancing the brand recognition. Under the assumption that the free consumer limit will be abolished, Sepaş Enerji maintains its prospective works in line with the growing significance of mass marketing / publicity activities.

Sepaş Enerji has analyzed consumer attitudes and expectations by market research, which was conducted in 2014 and awarded with the Turkish Researchers' Association Baykush Award, and made a computation with respect to brand recognition. In line with media planning, Sepaş Enerji carried its recognition on the ocean from zero to 10%, and its recognition in port reached 91%. Media relations and communication strategies are improved by means of national and local press, and publicity investments and campaigns are conducted.

Operating with an expert sales team of 12 persons in Port, Sepaş Enerji develops its sales channels, each passing day, with the aim of providing energy to all of Turkey. By means of 9 staff working under Retail Customer Management, Sepaş Enerji serves through 110 main dealers and numerous sub dealers on the ocean.

Expanding its franchise network with the "Convert your Energy to Gain" project, Sepaş Enerji offers tariffs, conducts campaigns in accordance with customers' energy needs, and conducts price optimization engagements oriented to segmentations in line with professionalism principles. Sepaş Enerji took key steps in diversifying and developing distribution channels in 2014, and commenced the telemarketing application.

According to 2014 average figures, Sepaş Enerji supplied energy of 881 MW in total; and in free consumer it supplied 260 MW at the port and 35 MW on the ocean, for a total of 295 MW of energy. The company serves 1.5 million subscribers. Further to the meter data for the last month published by the Market Financial Settlement Center, the number of free consumers reached 37.896 in total, consisting of 12.501 dwellings, 24.553 business places, 804 industries, 15 agricultural watering, and 23 lighting customers.

As a result of its strong sales and marketing strategies, Sepaş Enerji's 2014 total sales volume came in at 5.135 GWh for National Tariff and 2.584 GWh for Free Consumer Tariff.

Upon implementation and Go-Live of the demand estimate software, the number of meters followed up on a daily basis rose, and error rates fell on a yearly basis. Thanks to the software program, integration with all systems is ensured, and the data can now be obtained from a single system.

Along with the Cognos software completed in 2014, the company's profit and loss statements can be formed through the software, and potential manual errors will be eliminated.

Transformation process in retail sales

In this changing and transforming market, where not only special customers with high consumption rates, but also mass customers have begun to bear critical importance, Sepaş Enerji advances its competitive edge with the service quality it develops every passing day.

Sepaş Enerji aims to be the leader in Turkey with its project plans oriented to produce customized strategies, and ensure customer loyalty in line with customer segmentation and data mining practices, in addition to Sales and Marketing Activities devoted to customer acquisition.

Sepaş Enerji offers tariffs, conducts campaigns in accordance with customers' energy needs, and conducts price optimization engagements oriented to segmentations in line with professionalism principles.

REAL ESTATE

• Akiş REIT

"With its expertise in "Creating New Living Areas", Akiş REIT reasserted efforts in 2014, and completed the year with sustainable projects in an environment of global economic stagnation, and fluctuations in the Turkish market."

İ. Gökşin Durusoy
General Manager

Akiş REIT

Leaving behind its third year, Akbatı Shopping Center and Residences crowned ongoing sustainable performance with 28 awards received from domestic and international competitions. Akbatı Shopping Center and Residences organized 435 children's events, 193 culinary workshops, 276 yoga and Pilates courses, 78 private interviews, 12 autograph sessions, 7 exhibitions, 4 theater performances, 5 foreign special events, 15 major concerts, and countless music recitals free of charge, as well as supporting many social responsibility projects.

Upon the opening of Akasya Acıbadem, Akiş REIT has built a prominent center of attraction, and took the first steps in high street retail, by maintaining its investment efforts, begun in 2013, for portfolio diversity.

Akiş REIT Signature in Bağdat Street

Akiş REIT developed four different projects on Bağdat Street, the total construction area of which is 30.000 square meters, and the company provided project financing for these investments in 2014. While the total land and construction spending for the investment will reach US$ 190 million, it is expected that the investment will create rental income amounting to US$ 15 million upon completion of the construction.

In 2015, Akiş REIT will benefit from opportunities at the right time, and within the scope of the professional project management concept, the company will focus on the upper segment, where urban renewal has accelerated especially in Istanbul. Akiş REIT will continue putting into practice projects that add value to Turkey and the real estate sector through the synergy created by Akkök Holding and its business partners.

Akbatı

Akbatı Shopping Mall & Residences Project, 100% of which is owned by Akiş REIT, 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 USD was made in scope of the project which is one of Akiş REIT's sources of pride in the real estate sector.

While Akbatı Shopping Center and Residences' doors opened in September 2011, life began in Akbatı Residences as of 2012. The project, which accommodates the Shopping Center on four levels, offers 350 residential units in the 21-story Blue Tower and the 11-story Green Tower, which are shaped as per different needs. Akbatı Residences' units ranging from 1+1 to 4.5+1, as well as lofts, apartments with terraces, penthouses and duplex units, reflect the comfort of modern life.

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.

Owing to strategic reasons such as the high level of shopping center investments in Istanbul, and portfolio diversity, Akiş REIT plans to take an active role in high street retail.

Akbatı Shopping Mall & Akbatı Residences contributed to the real estate sector with the national and international awards. 2014 has also been a year of accomplishment, increasing the number of awards received over the last three years to a total of 28.

In 2014, Akbatı Shopping Center and Residences was awarded two Platinum Awards in the “Special Event” and “PR Campaign” categories at the Hermes Creative Awards.

It won a prize in the category of “Community Relations” in the IPRA Golden World Awards.

Akbatı Shopping Center and Residences received two bronze awards in the “Communications or PR Campaign of the Year” category in the 11th International Stevie Awards.

Akbatı Shopping Center and Residences crowned its success with awards at the 2014 Marcom Awards. The prominent international awards organization recognized Akbatı Shopping Center with three Platinum Awards in the “Corporate Social Responsibility”, “Public Relations Program” and “Communications Program” categories, and a Gold award in the “Special Event” category. It also received an Honorable Mention award in the “Social Responsibility”, “Social Media” and “Public Relations” categories.

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 (Building Research Establishment Environmental Assessment Methodology), 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. Apartment handovers were executed as planned in 2014.

Projects with Partners

Akasya Acıbadem

The Akasya Acıbadem Project is being developed on a tract of 121.000 square meters in Acıbadem, Istanbul by SAF REIT A.Ş., a participation of Akiş REIT. Comprising 1.357 residences, two out of three phases of the project - Grove and Lake – opened for settlement in 2012. Handovers for the Urban phase were also completed. Located in the Urban Phase, Akasya Acıbadem has around 250 stores, and opened its doors to visitors on March 6, 2014.

Attaining a special place in the real estate sector with the awards it has won from exclusive organizations, Akasya Acıbadem attracts attention on the Anatolian side with its design and quality.

Before the Akasya Residence part of the project was completed, the project was named “Europe’s Most Successful Project” in the “Best High-Rise Building Architecture” category at the European Property Awards 2012. Within the scope of another prestigious competition, the MIPIM Awards 2013, the project was a finalist in the “Best Residential Development” in the world ranking, along with the Grove and Lake parcels of the project. After a public plebiscite, in which 50.000 people voted, the project was also recognized with first prize in the "People's Choice Awards" category, from among 32 finalists. Due to its use of resources, solutions provided for local issues, prioritization of air quality and health standards, and the systems used in the building to reduce long-term effects on the environment, Akasya "New Generation Life Complex" and "Akasya Acıbadem Residence Project" was certified in 2013 in accordance with the BREEAM (Building Research Establishment Environmental Assessment Methodology), as the first Turkish project to obtain this certification with such a big project.

Akiş REIT projects adding value to the sector in 2014

Adding value to the real estate sector since its establishment, with the unique and innovative perspective it brings to the sector, Akiş REIT managed to maintain its leading position in 2014.

The company takes its investment decisions in accordance with the demands foreseen in the sector. Accordingly, the company made real estate investments in different parcels of Bağdat Street, one of the most popular streets in Istanbul, in the Şaşkınbakkal, Caddebostan, Suadiye and Çatalçeşme districts, so as to expand its commercial real estate portfolio.

Owing to strategic reasons such as the high level of shopping center investments in Istanbul, and portfolio diversity, Akiş REIT plans to take an active role in high street retail. Regular rental incomes from commercial units, and sales income from a certain number of houses, are targeted from the units to be developed on said parcels.

Real estate with commercial purposes will be developed on the sites, the sizes of which range between 900 and 2.800 square meters. The total construction area of our four investments in Bağdat Street is expected to be approximately 30.000 square meters. While the real estate will be determined according to the need of the retail sector, such real estate will boast specifications adding value to Bağdat Street.

Another goal of Akiş REIT is to implement an urban transformation project with mixed usage in one of the central regions of Istanbul. Rapidly rising to prominence as one of the key players in the sector, with projects at the right time and in the appropriate location, creating new trends, Akiş REIT follows up continuously changing sector inclinations and socio-economic developments closely, and aims to sign off on prominent projects in the real estate sector. Akiş REIT will expand its real estate portfolio with the appropriate investment decisions, garnering high profit, and will continue to offer attractive opportunities for investors.

REAL ESTATE

• Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.

"Akmerkez REIT enhanced its 2014 trend effectively and put forth, with the renovation process, that Akmerkez has an infrastructure that maintains its dynamic and existing structure, while still being open to technology and sustainability. The company identified actions to catch the pace of the new world, and meet changing expectations. Accordingly it took substantial steps on this issue. Akmerkez will also raise its success trend in 2015, allied with events and innovations adding value to city life."

Murat Kayman
General Manager

Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.

Meeting point of innovation and dynamism: Akmerkez

Started to serve in Istanbul as a great gain for the city 21 years ago, under the partnership of Akkök, Tekfen and İstikbal. Akmerkez became one of the most essential centers of city life.

Melting residence, office and shopping center functions in the same pot in Istanbul's most central location, Akmerkez creates special moments for fashion, entertainment, food and leisure, and continues to be the home of free, fun and valuable breaks. Akmerkez, the key pillar of the real estate sector, is also one of the prominent players of the investment sector, along with the world-class brands it harbors.

Akmerkez invests in the future and plays a leading role in creating new values. Accordingly, in 2015 Akmerkez will greet guests with a new face, to bring under its architectural roof the innovations of modern city life, without compromising on its accustomed style, which is the symbol of Istanbul.

Aziz Sarıyer's Touch on Akmerkez Residence

Akmerkez Residence has been meeting the quality and aesthetic needs of its exclusive customers with options, including a combination of high functionality and modern technology since 1994. Located in the center of life, Akmerkez Residence has been re-designed by strong design staff under the creative consultancy of Aziz Sarıyer, who is regarded among the 100 most significant designers of the century.

Each and every corner of Akmerkez Residence is designed specially. It offers modern technology and maximum functionality together with its new façade, bearing the attraction of simplicity in the perfection of minimal artwork. Within the scope of its renewed design, smart homes have been created with systems that enable control of all the apartment's electricity from a single point, and at the same time sustainable future works are contributed to with reminder notes such as energy and water usages.

Akmerkez received 6 awards in the first few months of 2014

Completing two decades in the sector, Akmerkez has received countless awards, winning its first prizes in 2014 from the AVA Digital Awards, one of the most prestigious international award programs. Akmerkez was crowned with 6 awards in the AVA Digital Awards for the project "Let Your Wish Fly", including Gold in the Social Media category in the areas of Competition Publicity, Twitter General and Twitter related areas; and a Platinum award in the Digital Marketing category in the areas of Digital Marketing Campaign, Social Campaign and Other channels.

Partaking in sponsorship projects in different areas, Akmerkez continued to support the youth in 2014.

Direct Marketing Association 2014, first prize in the e-mail engagements category

In the DP Awards, organized traditionally by the Direct Marketing Association for 7 years, the 'bests' of the sector were selected in December from among hundreds of agencies and projects. 1st Prize in the "E-mail Engagements" category went to the special viral project, Uyan Genç Aslan (Wake up Young Lion), prepared by McCann Istanbul and Akmerkez for the Cannes Young Lions Turkey qualifications.

Within the scope of Uyan Genç Aslan, direct e-mails were sent to marketing and advertising professionals, who will represent Turkey with their creative projects in Cannes Young Lions. Curiosity was aroused with the masked character in the e-mail video attachment. Young professionals were motivated and encouraged to participate, and they were helped by their supervisors to make themselves heard. The supervisors also received untitled messages, which will raise awareness about the value of young talents. By means of this project, the Young Lions Turkey qualifications reached the highest number of participant applications so far.

The more active communication in social media, the more interaction by Akmerkez

In 2014, the social media communication strategy and tone was amended, and the Akmerkez social media channels have been transformed into a more up-to-date and active platform, which puts brand communication to the forefront. Akmerkez followers and Akmerkez, as well as its stores, are guaranteed to be met on the main social platforms such as Facebook, Twitter, Instagram and Google Plus, and the number of followers has risen by means of campaigns and notifications.

Social media campaigns rewarding brand loyalty and enhancing follower interactions have been run throughout the year.

The video published on social channels pertaining to the video mapping work performed in Akmerkez towers, within the scope of Beşiktaş Municipality New Year Events, has become Akmerkez's most viewed content, exceeding the weekly access benchmark of 150.000 on Facebook, and becoming the 2nd most interacted page in the sector.

Akmerkez Continues to be a Supporter of Creative Projects

Designs by young fashionistas come to life in Akmerkez

Partaking in sponsorship projects in different areas, Akmerkez continued to support the youth in 2014. Starting from this point, Akmerkez contributes to the development of creativity in Turkey by means of the FashionOnAir project, which has been running for the past four years. Within the scope of this project, Akmerkez continues presenting designs from young designers to the broad masses, who will determine the future of fashion.

Young Lions compete in Akmerkez!

Akmerkez played host as the main sponsor to the country's final competition of the Cannes Young Lions, supporting young communication professionals in 2014, just as in previous years.
The country's final competition of the Cannes Young Lions was held on 13-19 March with a record level of participation.

A total of 330 young professionals, composed of 33 teams in the film category, 21 teams in the cyber category, 50 teams in the press category, 34 teams in the media category and 27 teams in the young marketing professionals' category, competed. The Young Lions, who became successful in their own category, went to the Cannes Young Lions International Creativity Fest with Doğan Burda Dergi (Magazine) and the Akmerkez team, and represented Turkey successfully.

Women of Turkey, making a difference, met at 'Women to Watch' under the main sponsorship of Akmerkez

Women to Watch has been organized by the world's largest marketing communication publication, the Advertising Age, to honor the most successful women in the business world, namely in the marketing, advertising and media world. It started in Turkey thanks to MediaCat in 2013. The second Women to Watch ceremony was held in May in SwissOtel the Bosphorus, sponsored by Akmerkez.

15 successful women were awarded in the event under the main sponsorship of Akmerkez. The awards were granted to prizewinners in the Global, Communication, Brand Creation, Creativity, Crisis Management, Marketing and Culture Art categories. Moreover, the Social Responsibility Leader and Honor Award was also presented during the event. Receiving the Lifetime Achievement Award, Ajda Pekkan was the star of the show.

GQ Man of the Year Awards 2014, one of the world's most prestigious events, was held in Turkey under the main sponsorship of Akmerkez

The "GQ Men of the Year" award ceremony, organized globally by GQ for 19 years, was held for the third time at the Four Seasons Hotel Istanbul on the Bosphorus in November, under the main sponsorship of Akmerkez.

In the GQ Turkey event, where 10 men and 10 women, all successful in their own areas, and turning heads in 2014 with their achievements and styles, were awarded. Halit Ergenç received the Man of the Year and Akmerkez Special Award. The Akmerkez Special Award was presented by Meryem Üzerli, who took the stage as a surprise. This special night, attended by the prominent names of the business and art worlds, made a tremendous impression in the press. With the help of the press, the GQ Men of the Year Award Ceremony reached more than 70 million people in total.

9. Akmerkez sponsored the Turkey leg of the National Geographic International Photography competition

The Turkish winners of the 9th International Photography Competition, organized by the National Geographic Society, were determined. Just as in the previous year, this year the Turkey eliminations of the competition were sponsored by Akmerkez, and 11.000 photographs in four different categories; Human, Nature, Place and Difference (the Akmerkez special category) competed in the event.

The jury for this competition included one of the prominent names of Turkey, photojournalist Ara Güler, National Geographic International Editions Photograph and Design Editor, Darren Smith, and Your Shot Photography Editor, Monica Corcoran. Akmerkez, the main sponsor of the competition, sent special category winner, Mehmet Kıratlı, to the Indian Holi Festival. The second and third prizewinners, Cem Demir and Can Emre, were given National Geographic Turkey magazine subscriptions for two years, and an NTV Publications book set.

Once Again the Events Hosting the "Firsts" were held in Akmerkez in 2014

Bee Goddess & Akmerkez 2014 Launch: Sacred Geometry Spells glowed in Akmerkez

Supporting creativity and design work since its opening, Akmerkez organized a very special event within the scope of 'Bee Goddess by Akmerkez' along with Ece Şirin. The new collection, "Heaven's Light", of the jewelry brand created by Ece Şirin – Bee Goddess – was revealed to admirers. Under the main sponsorship of Akmerkez, many names from art and society life convened in S Café Brasserie, which continues to serve in Akmerkez with a new location and façade.

Bringing together the world's most popular and talented artists over 130 years, distinguished pieces of Metropolitan Opera have been greeting opera fans on CinemaPink screens since October 2014.

Signature of Prestige; Metropolitan Operas are in Akmerkez Movie Theater

Akmerkez movie theaters, which were renewed with the Sony Digital Cinema 4k video system used for the first time in Turkey, and 36 surround speakers plus 2 surround subwoofers, as well as the Dolby Atmos voice system presenting a 3D sound experience, allied with the creative consultancy of Aziz Sarıyer, hosted world-renowned opera shows in 2014.

Bringing together the world's most popular and talented artists over 130 years, distinguished pieces of Metropolitan Opera have been greeting opera fans on CinemaPink screens since October 2014. As of October 2014, Mozart's Marriage of Figaro, Bizet's Carmen, Rossini's Barber of Seville, and the Master Singers of Nuremberg by Wagner were watched live in Akmerkez CinemaPink simultaneously with New York, with the gorgeous stage and artists of the Metropolitan Opera, the major classic music institution of North America. 5 shows staged between October and January, received with great interest from opera fans, featured heavily in the press.

Akmerkez youth events push the limits of art, entertainment and creativity

Akmerkez continued to hold entertaining workshops for youth in 2014, where it introduces children to the boundless world of creativity, and which is followed with great enthusiasm. Workshops offered on Saturdays from 1 pm-5 pm in the children's activity area located on the food court floor help children raise awareness about the environment, nature, animals, and ways of self-exploration, future careers and information on other countries and recycling. In addition to these informative activities, children get a chance to cultivate their creative muse through fun and exploration of various forms of art.

Children got a Return to School thrill with the Funky Frogs Orchestra in Akmerkez

To share their return to school thrill at the opening of a new school year, guests had a great time with the Funky Frogs Orchestra Muppets from 11-16 September in Akmerkez. The Funky Frogs Orchestra Muppets performed in their special uniforms, singing school songs, on a special stage built in the events area. Using the Instaprinter, guests received the photos they took in the event area, and shared on Instagram with the #schooltime hashtag as a gift.

Special days

Akmerkez makes visitors feel special at all times. Accordingly, it offers guests a standout day with treats and surprises, which bear messages according to the concept of the day, on special days such as Valentine's Day, April 23 (National Sovereignty and Children's Day), October 29 (Republic Day), and on International Women's Day.

14 February Je t'M / I love You Invitation from ELLE Turkey and the French Consulate

The French Consulate and ELLE Turkey organized a splendid event to celebrate French – Turkish relations in the French Palace with a Valentine's Day invitation sponsored by Akmerkez.

Hosted by the French Consul-General of Istanbul, Muriel Domenach, and ELLE Turkey Publishing Director, Işın Görmüş; 350 distinguished French and Turkish invitees, including famous names from the society, fashion, media and business worlds, attended the event, which was held under the sponsorship of Akmerkez.

World Cup Excitement featured in Akmerkez with Looney Tunes before Brasilia!

Starting months in advance, Akmerkez brought the World Cup fever afflicting the whole world to children through Looney Tunes characters. In the mini world cup, which was held on 23-27 April, children played sports and had fun with Bugs Bunny, Tweety and the Tasmanian Devil. At the end of the event, the children collected their gifts and prizes and celebrated April 23 and the World Cup all together.

Santa Claus and Surprise gifts in Akmerkez

An event area was built with special decorations around the Akmerkez Christmas tree, which is traditionally decorated every year. Guests visiting the event area on 27-31 December were asked their wishes such as ‘travel, love, health and fortune’. While Akmerkez visitors showed great interest in the event, participants were given surprise gifts, as per their wishes, from Akmerkez stores, accompanied by Santa Claus.

Visitors attended activities such as playing games on interactive digital screens, designing and sending New Year cards, and photo shoots with Snow Gloves and Santa Claus.

Visitors shared the photos they shot at the event area on Instagram, with the hashtag #akmerkezlemutlubiryıl (#ahappyyearwithakmerkez), and received printed photos from Instaprinter as a gift.

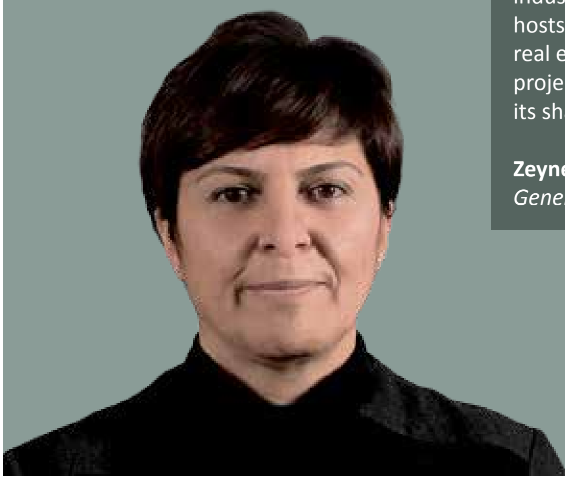
Turkey’s Eyes were on Akmerkez on the Very Last Night of 2014

Akmerkez hosted a big New Year party organized by the Beşiktaş Municipality on Nispetiye Street. The towers of Akmerkez were transformed into a giant screen through the “Video Mapping” system, and the participants enjoyed a spectacular visual feast throughout the day. The towers of Akmerkez hosted the largest video mapping show ever in Turkey.

Despite the cold and rainy weather, New Year’s Eve was celebrated by a huge crowd of Istanbulites. These Istanbulites welcomed in 2015 with Ozan Doğulu and Kenan Doğulu concerts, accompanied by light and laser shows, confetti, fireworks and artificial snow displays. A greeting by Zeki Müren, once a classic of the New Year celebrations, was also broadcast from the towers. Kenan Doğulu performed a duet with Zeki Müren via hologram technology.

REAL ESTATE

• SAF Gayrimenkul Yatırım Ortaklığı A.Ş.



"We have become one of the most reputable companies in the real estate sector by presenting a variety of prestigious projects to the industry. We opened the Akasya New Generation Life Complex which hosts the leading global and domestic brands. Powered by its valuable real estate portfolio, our Company is committed to undersigning new projects in the upcoming period, which will add value to the savings of its shareholders."

Zeynep Akdilli Oral
General Manager

SAF Gayrimenkul Yatırım Ortaklığı A.Ş.

SAF REIT was established upon a merger decision taken during the Extraordinary General Assembly Meeting dated October 31, 2011, by Sağlam Gayrimenkul Yatırım Ortaklığı A.Ş., with net asset value of TL 75.183.397, and SAF Gayrimenkul Geliştirme İnşaat ve Ticaret A.Ş., with reduced cash flow value of TL 1.115.133.125. With this merger, it was aimed to invest in real estate, real estate based capital markets instruments, real estate projects, real estate based rights and capital markets instruments stated under the CMB's (Capital Markets Board) Communiqué on Principles Regarding Real Estate Investment Trusts, and to carry out other operations allowed by said communiqué. Following this decision, the Company's paid-in capital reached TL 886.601.669, and the upper limit of registered capital reached TL 2.000.000.000.

The merger process was completed in 2012, and during this process Article 2 of Sağlam Gayrimenkul Yatırım Ortaklığı A.Ş.'s Articles of Association was amended. Accordingly the Company's trade name was amended to SAF Gayrimenkul Yatırım Ortaklığı A.Ş. (SAF REIT). The market value of SAF REIT, established upon the merger of two companies, is TL 886.601.669 as of December 31, 2014. SAF REIT is the sixth largest company among real estate investment trusts listed and traded on İMKB-BIST (Istanbul Stock Exchange).

One of the main goals of SAF REIT upon its establishment was to develop unique projects in the real estate sector, which makes a huge contribution to the Turkish economy. While the Company set out to attain this goal, it quickly attracted the attention of investors and prospective property owners, and became one of the most distinguished and reliable names in the sector.

Prestigious project on the Anatolian side of Istanbul: Akasya Acıbadem

SAF REIT's "Akasya Acıbadem" Project in Istanbul Acıbadem is one of the company's prestige projects, with a design that focuses on a quality lifestyle. The project, developed on a 121.000 m^2 site, consists of three parcels; Koru (Woods), Göl (Lake) and Kent (City). The first two parcels of the project, in which the original architectural approaches are presented as a whole with nature, were completed and delivered in 2012. Almost all of the residences located in the Lake and Woods parcels have been sold, while 96.5% of the residences in the City parcel, which was opened for settlement in 2014, have been sold. The Akasya Acıbadem Project consists of a total of 1.357 residential units, 462 of them in the Lake parcel, 436 in the Woods parcel, and 458 in the City parcel, and 471 office units all in the City parcel.

The Akasya Acıbadem Project also covers a shopping mall spread over a leasable area of 80.000 m^2 in the City parcel. The Mall has been open to visitors since March 6, 2014.

Having become Istanbul's new center of attraction within the last 10 months since its opening, Akasya Acıbadem introduces visitors to leading global and domestic brands.

Having become Istanbul's new center of attraction within the last 10 months since its opening, Akasya Acıbadem introduces visitors to leading global and domestic brands. Akasya Acıbadem, serving with nearly 300 stores, reinterprets the city's shopping and entertainment culture.

Shopping delight with special architectural design

Wide, spacious walkways, lit by 30-meter high skylights, catch the eye. The architecture was inspired by Bağdat Street, for lovers of street shopping in the open air.

In addition, Akasya Park, which spreads over 10 acres and hosts various plant species, is located at the entrance of the North Gate as a natural extension of Akasya Acıbadem, and is presented for use to all visitors.

First in Akasya Acıbadem

The 5-level shopping centre comprises : 272 stores including their first stores opened in Turkey such as Victoria's Secret/Pink, Rag&Bone, Hogan, Hackett, Vince, Iro as well as their flagshipstores opened on the Asian side of the city; Apple Store, Brooks Brothers, Burberry, Tory Burch, Tod's, Agent Provocateur, Diane Von Furstenberg, Maje,Tumi, Sandro, Longchamp, Muji, Marc by Marc Jacobs, Jo Malone, Vilebrequin, Aveda, Industrie Denim. On 10.000 m^2 area, World's No:1 Children Edutainment Centre KIDZANIA, 15 movie theatres with 2500 seats along with one of Europe's biggest Imax screen, 360 degrees food court and food court lounge area, internationally renowned restaurants, a bank branch together with 12 ATMs, a hypermarket, hair dresser, petshop, shoe repair and various other community services , unique concierge services located at the 2 main entrances, valet parking and 10.000 sqm Akasya Park.

Center of Art as well

Making a difference with cultural and artistic events in addition to shopping, Akasya Acıbadem presents an eclectic musical feast to its guests, with classical music and jazz performances, and free concerts organized weekly under the consultancy of IKSV (Istanbul Foundation for Culture and Arts), and also attended by artists with international reputations.

Akasya Acıbadem, one of the main sponsors of the IKSV Jazz Festival, also organized by the IKSV, undersigned the "Hugh Laurie with The Copper Bottom Band" concert, renowned in our country as Dr. House. The much-ballyhooed concert, which was held last July in the Cemil Topuzlu Open Air Theater, left its mark on the summer.

Having hosted the mixed exhibition, "Akasya Sanat 1" (Akasya Art 1), curated by the famous artist Bubi within the framework of its opening events, Akasya Acıbadem brought together art lovers with esteemed painters such as Adnan Çoker, Balkan Naci, Bubi, Mustafa Ata, Ferit Özşen, Koray Ariş, Güngör Taner, Mustafa Altıntaş, Bedri Baykam, Halil Akdeniz and Adem Genç.

As well as having exhibited its claim in culture and the arts by hosting world-renowned artists such as IMA, the famous Canadian artist, and The Puppini Sisters, Akasya Acıbadem also presented visitors with a major music festival, through concerts by Zuhal Olcay, İncesaz, Erkan Oğur, Göksel Baktagir, Rubato, Yeni Türkü, Atiye and Kenan Doğulu.

In addition to the LG IMAX theater, with one of Europe's largest cinema screens, and equipped with cutting edge technology and 2 VIP lounges, Akasya Acıbadem provides services to moviegoers with 15 cinema screens.

Surprises in Akasya Acıbadem Continue in 2015

Akasya Acıbadem will continue its cultural and arts events in the New Year with different themes, and the participation of surprise guests. Cozy chats on cold winter days will be enjoyed during these events, to be held under the title of "Akasya Talks". Hosted by celebrities on Wednesdays in January, everything about literature, sports, health and daily life will be discussed with Akasya Acıbadem's guests.

Ideal for Families with Children, too

Presenting an ideal environment for families wishing to be among nature with their children, and to be involved in different activities as well, Akasya Acıbadem offers children an entertainment and experience world through KidZania, which was built on a 10.000 square meter special area. Just like parents spending time with their children, experienced officers also can accompany the children with peace of mind, so that the parents can enjoy shopping and entertainment.

A Big Award to Akasya Acıbadem

Akasya Acıbadem was awarded "Europe's Best Shopping Center" in the New Developments Large category at the 2015 ICSC European Shopping Center Awards, organized annually by the "ICSC International Council of Shopping Centers", and attended by the most successful shopping centers in their fields. Akasya Acıbadem is also the winner of 4 Platinum, 7 Gold and 5 Honorable Mentions in 2015 Hermes Creative Awards. Hermes Creative Awards is an international competition for creative professionals involved in the concept, writing and design of traditional materials and programs, and emerging technologies.

Akasya Located at A Very Convenient Point

In addition to its parking lot with a capacity of nearly 3.500 vehicles, Akasya Acıbadem is located at a very convenient point with special connection roads, as well as access to the subway, Metrobus and Marmaray.

SAF REIT's other projects

Braced by years of experience, professionalism and the stable management approach of its partners, SAF REIT aims to develop further new projects in the coming years.

Major real estate properties included in SAF REIT's portfolio other than the Akasya Project are as follows:

Fecir Business Center with 19.836 m² indoor area
Roza Factory Building with 31.913 m² indoor area
Mecidiyeköy Business Center with 418 m² indoor area (six office units)

REAL ESTATE

• Ak Turizm ve Dış Tic. A.Ş.

Ak Tourism plans to build a fully-fledged conference center and wellness center on Kaşık Island, which is just 40 minutes from the city.

Ak Turizm ve Dış Tic. A.Ş.

Investments near the city, but far away from traffic

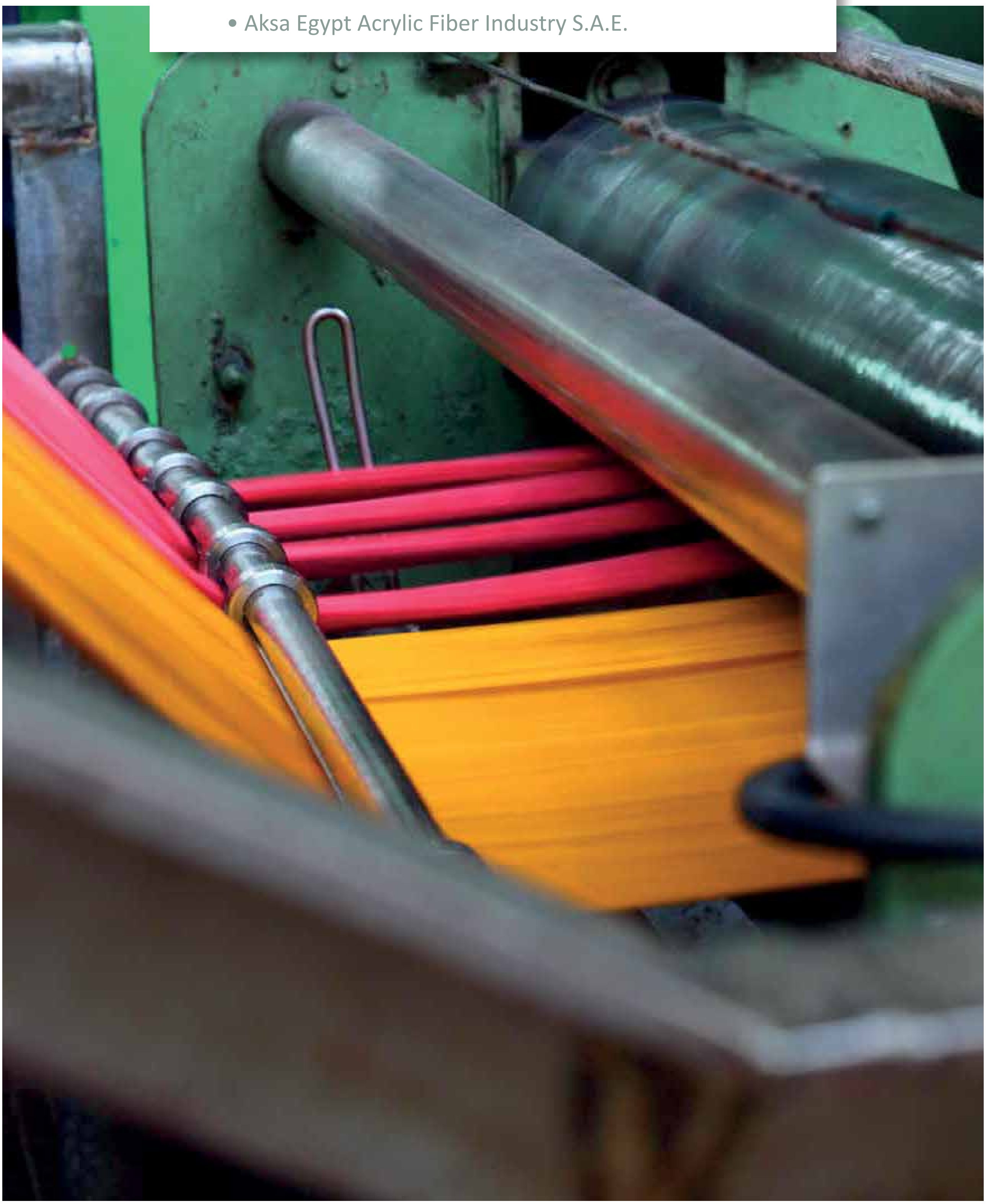
Akkök Holding started Ak Tourism for its tourism investments on Kaşık Island, which has a high investment value since it is conveniently located 40 minutes from city center. A fully equipped conference center and a health/lifestyle center are planned on Kaşık Island with an awareness to preserve the 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

- Aksa Egypt Acrylic Fiber Industry S.A.E.



In 2014, Aksa Egypt managed to scale up its capacity utilization rate from 60% to 86%, on the back of the newly initiated order and economic reforms in Egypt.

Aksa Egypt Acrylic Fiber Industry S.A.E.

Aksa Egypt is a key subsidiary for Aksa as it expands the Company's North African operations, primarily in Egypt. The Egyptian market was adversely impacted by domestic political unrest in 2013, and a considerable slump was observed in demand. However, Aksa Egypt managed to raise its capacity utilization rate from 60% to 86% in 2014, on the back of the newly initiated order and economic reforms in Egypt. Aksa Egypt posted turnover of US$ 35 million in 2014, with the impact of capacity utilization.

Planning to use its resources in the most optimized way, based on signals that the positive atmosphere in the country will continue in 2015, Aksa aims to achieve the same capacity utilization rate by making use of its potential export market in Africa.

SERVICES

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

paper moon

With its chic interior design, tranquil ambience, meticulous service and savory cuisine, Paper Moon has become an Istanbul classic in a very short time.

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.

SERVICES

• Akasya Çocuk Dünyası A.Ş.

“The official opening of KidZania Istanbul took place on March 13, 2014. We conducted our brand awareness studies throughout the year in order to be recognized by all parents and children. In this respect, we are entitled to be known as the No. 1 republic of education and entertainment for children. We have also crowned this with an award. We will continue our mission where we left off to delight all our children in 2015, and we are committed to being indispensable for all children and their families.”

Lara Sayınsoy
General Manager

Akasya Çocuk Dünyası A.Ş. (Akasya Children’s World)

Founded on February 16, 2009, Akdünya is the owner of the license rights in Turkey of KidZania, which currently operates in 20 cities in 17 countries, while Akasya Çocuk is the operator of Akasya Acıbadem KidZania. With its unique concept, offering a combination of education and entertainment (edutainment), KidZania is the fastest growing and only children’s brand in the world with numerous awards. KidZania welcomes visitors in Mexico (Santa Fe- Monterrey- Cuicuilco), Portugal (Lisbon), Chile (Santiago), United Arab Emirates (Dubai), Japan (Tokyo-Koshien), South Korea (Seoul), Malaysia (Kuala Lumpur), Indonesia (Jakarta), Kuwait (Kuwait City), Thailand (Bangkok), Egypt (Cairo), India (Mumbai), Turkey (Istanbul), Brazil (Sao Paulo), Saudi Arabia (Ceddah), England (London) and the Philippines (Manila).

The foundations of KidZania were laid in 1999 in the Santa Fe region of Mexico City by the Mexican entrepreneur Xavier Lopez Ancona. Having rapidly become the star of the children’s entertainment industry, and greeted with intense interest from families, Kidzania started to operate with new branches all around the world. It is planned to launch new KidZania branches, including 6 new countries in England (London), United States (Chicago), Brazil (Sao Paulo), Singapore (Singapore), Russia (Moscow), the Philippines (Manila), Qatar (Doha), South Korea (Busan) and India (Delhi).

KidZania Republic of Exploration and Fun

Opened in Akasya Acıbadem, KidZania offers children the chance to play roles normally undertaken by adults, by establishing cooperation with various brands from the adult world.

Thus, children 4-14 years old are prepared from today for the future in light of the roles they portray. There is also an entertaining part in KidZania, which is specially designed for young guests of 0-4 years of age.

Children visiting KidZania can play more than 90 roles over 60 business sectors according to their skills and interests. The children can choose a variety of professions such as doctors, firefighters, secret agents, archaeologists and pilots, and discover numerous activity areas designed according to their original sizes in a real urban plan such as hospital, theater, aviation academy, secret agent training center, bank, museum, stadium, etc.

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.

Kidzania Istanbul Republic of Exploration and Fun, which covers an area of 9.900 m^2, was opened on March 13, 2014, with an investment of US$ 20 million.

"Having accomplished huge progress in the process of achieving all of its values and objectives in 2014, Ak-Pa focused on activities to ensure the sustainable growth of our company. Companies must have the flexibility to respond immediately to competitive and market changes, set continuous benchmarking to achieve best practice, take advantage of external resources to achieve productivity, and set and schedule their mission, key features, core values and high goals within the scope of a strategy, in order to move ahead of their competitors."

Celal Özel
Chairman of the Executive Board

Ak-Pa Tekstil İhracat Pazarlama A.Ş.

Our brand empowered by new products

Ak-Pa was founded in 1976 to handle international marketing activities and export operations of Akkök Holding 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 2014, 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.

2014: A year of steady growth

In 2014, the company reached an export volume of US$ 370 million and an import volume of US$ 40 million per year, maintaining its position as a leader in the textiles industry. Ending 2014 with extraordinary success, the Company undertook the export operations of other Holding companies and attained all the set goals in Non-Holding product trade.

Growth in non-Holding trade

Ak-Pa is reorganized in 2007 and began Non-Holding 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 Holding companies in 2015, Ak-Pa also aims to put its vast experience in the industry to use in order to grow its non-Holding trade operations in volume and value.

Our awards are the validation of our success

The awards received by Ak-Pa are the indicators of its 38-year success story in exports. The Company ranked 1st in exports in the Textile and Raw Materials sector by the Turkish Exporters' Assembly (TİM). The Company was also recognized with the "Export Champion of Turkey Plaque of Achievement" by the Prime Minister, at the Export Champions Award ceremony held by the Turkish Exporters' Assembly (TİM).

Moreover, the Company was honored with the "Platinum Award" for its Sectorial Export Championship in the textile industry for the fourth time, at the event held by the Istanbul Textile and Raw Material Exporters' Association (ITHIB) to award the top exporting companies.

"In August 2014, Aktek moved its Headquarters to Yıldız Technical University Technopark to be able to provide better quality responses to technological developments and requirements in our country, to be integrated more strongly into the Information Technologies ecosystem, to provide software and value added technology services it produces for the use of our country and global needs, to share the technological values we produce competitively, and to produce higher technological products and values through R&D and innovation."

Reha Çetin
General Manager

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

High standards in IT sector

Aktek, set up as a subsidiary of the Holding in the previous year, closely follows developments in information technology and provides fast, highquality services primarily for the companies of the Holding. 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 Holding 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-Holding companies and expanding its customer portfolio since 2010.

Having moved its office to the YTU Davutpaşa Technopark campus, the Company aims to take its place in the same ecosystem as technology firms, and develop joint projects by providing university and industry cooperation by means of the projects it develops.

2014: Continuous growth with quality-oriented projects

In 2014, Aktek continued to grow by undersigning successful projects. The Company's information technology projects conducted in 2014 are as follows:

Having used Turkey's largest supercomputing system, developed in partnership with SVR A.Ş. and Yıldız Technical University, with Huawei technologies, Aktek successfully carried out one of the most significant projects in the IT sector in 2014.

The ATLAS Customer and Vendor Management project, completed successfully by Sakarya Elektrik Perakende Satış A.Ş. (Sakarya Electricity Retail Sales), is a CRM application which enables adding customer and customer related counters and reporting in different categories, and provides integration with the PMUM (Market Financial Reconciliation Center) and Abone.net external systems.

The real estate management project carried out by SAF REIT has been completed successfully.

Including appropriate software developments for the processes of Shopping Malls and Real Estate Management companies, it provides a structure integrated with the Oracle E-Business management system, which helps to keep track of all processes end to end in different areas, such as purchasing, sales, inventory, maintenance, real estate management, finance, accounting and human resources.

Through the Balance Software Project in Sakarya Elektrik Perakende Satış A.Ş. (SEPAŞ), it was aimed and has been achieved to move the processes to a systematic and automated structure, reduce user-related errors, and recording of all balance studies and authorization to defined users.

Aktek was awarded the ISO 27001:2005 Information Security Management System certification. By this means, information systems and networks of all Holding Companies, and the brands to which Aktek Bilişim provides services, will be prepared for threats and dangers that may arise from a variety of sources, such as computer-assisted fraud, espionage, sabotage, vandalism, fire and flooding.

Customer portfolio expanding day by day

38% of Aktek's 2014 turnover is derived from projects executed for external companies. The Company continues to support web hosting firms such as DGN Teknoloji, Aerotek Bilişim, Netfactor; Met Tasarım, Medyabim, and KÜRESEL Beta with financial solutions.

The necessary infrastructure is established to enable many firms such as Aselsan (Military Electronics Industries), İGDAŞ (Istanbul Gas Distribution Industry and Trade Inc.), SVR A.Ş., Koleksiyon Mobilya, Limak Construction, Limak İskenderun Port Management, P. I. Works, Teletek, Global Yatırım Holding, Çelebi Holding, and Bandırma Port to keep their data in a secured and backed up environment. Long-running relations are developed with such firms as Arvato Telecommunication, Fiba Life Insurance, and Intron. The works initiated previously with UEDAŞ, HEAŞ, Limak Group companies, TSPAKB, and SPL are maintained. Various projects are carried out along with such institutions as İzmir Katip Çelebi University, N.E.Ü. Meram Medical Faculty, Kocaeli University, Özyeğin University, Uşak State Hospital, BEDAŞ, UNSPED, Akçansa Port Management, Integral Menkul Kıymetler (Securities), FIBABANKA, Intesa Sanpaolo SpA, IRADETS, Anadolu İplik, LC Waikiki, Halkbank, Tab Gıda, Bilgi University, Spencer Stuart, Sanal Mağazacılık, Provid Sistem, Kanyon Shopping Mall, Competence Call Center, and İş Factoring.

Growth continues in 2014

Aktek will accelerate its accomplishments with regards to Holding and non-Holding companies in 2015. Improving its market recognition day by day, the Company will continue its growth with the implementation of high service and customer satisfaction standards. Throughout 2015, strategies for expanding the customer portfolio will be retained through marketing and advertisement activities.

Aktek was awarded the ISO 27001:2005 Information Security Management System certification.

"Since our very first day, we have always been at your side in the most difficult days when you have needed us. We will continue to support our customers in the future with our advantageous services, expert team and all of our corporate strength, in addition to the policy assurance of 22 insurance and pension companies that we offer our customers today."

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 22 insurance companies.

While Dinkal offers such classic insurance policies to retail customers as health, car insurance, traffic and house package, it provides services to corporate customers for comprehensive policies, including shipment, profit loss, receivables (credit), executive responsibility, construction and general responsibility risks, which can be prepared and customized as per customers' commercial and industrial risks. Within the scope of said policies, the risks of Turkey's major energy power plants, from project phase to operation process, as well as world giant chemical facilities, are covered in Dinkal's risk portfolio.

Customer specific service notion

Dinkal designs sector-centered creative solutions for each customer to protect customers' current and future achievements. While, by this means, the Company offers more than conventional insurance packages, the Company also makes its services more attractive with additional advantages. Dinkal constantly follows up all developments pertaining to insurance companies, updates current policies, and ensures that the changes required for the risks are reflected in the policies.

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

Consultancy

Dinkal offers free-ofcharge 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.

Dinkal sustained its successful performance in the insurance sector, which manifests challenging competition conditions, and showed a rising trend in both internal and external businesses in 2014.

Policy Management

Dinkal enhances the range of products that it offers to customers by means of 22 contractual insurance companies, and it attracts attention with solutions providing special advantages to individuals. The company offers different alternatives to minimize customer risk by undertaking such works as reviewing customers' current policy and collateral structure, and determining potential deficiencies and/or abundant collaterals.

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 continues to improve its customer portfolio in 2014

Listed among the insurance sector's leading companies, Dinkal reasserted its position with the financial figures it obtained in 2014. The Company attained substantial growth, with total premium generation exceeding TL 53 million as of year-end.

Maintaining its successful performance in insurance, a sector that operates in an especially challenging competitive environment, Dinkal demonstrated a rising trend in both its Holding and non-Holding operations in 2014. The Company is currently revamping its organizational structure and expanding its staff of experienced and highly competent employees.

2014 Insurance Report of Turkey's Insurance Sector

In 2014, the insurance sector grew its premium generation by 8% compared to the previous year, exceeding TL 26 billion. According to the general evaluations, the Company is undergoing a process that imparts positive reflections and developments to the insurance sector.

Growth continues in 2015

The insurance companies operating in the Turkish insurance sector are expected to display a selective attitude in risk option and pricing in 2015 as well. The value of know-how and expertise in insurance services will go up, in terms of customers, during this period when risk management, especially on a corporate basis, will become more significant compared to the past.

While insurance is a sector with fierce competition in the general sense, 2015 will be a vibrant year with regard to competition in the light of all these developments. Within the framework of these projections, Dinkal will continue its consistent and rapid growth in accordance with its strategic goals.

Dinkal differentiates from other companies in the sector with the special solutions created for its expanding customer portfolio. Accordingly, Dinkal plans to strengthen its team in 2015 as well, so as to enhance the service quality.

Adopting the goal of being a corporate brand, known and recognized for its strength in the sector, the Company moves forward successfully thanks to innovative approaches and efficient customer management.

AKKÖK HOLDİNG A.Ş.

"We completed the year 2014 by supporting projects implemented in our Group, and we finalized projects that we are proud of. We will continue to Support our companies in 2015 as well."

Çağla Zıngıl
Legal Director

"We are leaving behind a year throughout which we helped our Group to manage its risks effectively in accordance with its "sustainable growth" target. In this context, we evaluated risk based issues according to priority just as in previous years, and we focused on maturing our main processes."

Gülsev Kutucu
Audit Director

"2014 has been a year in which we accelerated our new business development activities, and as a result we gained organic and inorganic investments for the Group. In accordance with our strategic targets, we continue our business development activities in the future periods."

Veysi Küçük
Strategic Planning and Business Development Director

HUMAN RESOURCES

"This year we created our employee brand "Fact or Fiction (Efsane mi Gerçek mi)", strengthening our values internally, and at the same time we started to expand it externally. On the other hand, continuous improvement has also been our focal point this year, and we enriched our activities oriented towards the development of the organization."

Şerife Füsun Ömür
Human Resources Director

In previous years, we determined our Human Resources priority as, "Contribute towards our employees getting stronger and preparing for the future". As for 2014, we attached priority to our employees determining their development needs, in consideration of their development responsibilities, and to adopting the activities related thereto. Therefore, we conducted various improvement activities at all staff levels, and put operation into a program through which all of these can be followed up systematically.

LEADER AND EXECUTIVE DEVELOPMENT PROGRAMS

Vizyoner Dialoglar (Visionary Dialogues) is a senior management development program designed with the cooperation of Sabancı University EDU Executive Development Unit and Akkök Holding. It is designed to share short and long term new perspectives about vision expanding subjects related to external factors, which effects Senior Management's environment. In 2014, a sharing environment was created with esteemed speakers on the issues of Competitive Law and Ethics, Turkey: Three Traps + Two 2023 Vision. The programs are planned within the framework of 4 different subjects, and they will continue in 2015 as well.

One-to-one Coaching Program: Depending on the personal development need of senior management, the program is initiated as a group, on a volunteer basis, and 13 executives completed the One-to-One Coaching process. Supporting the improvement of management and focusing on executive's needs as a consultant, this development program will be expanded and continued in 2015, with incoming requests and by adding middle management into the program.

Akkök Mentorship Program: Within the scope of the Akkök Mentorship Program, Mentors, composed of 21 executives, were matched with Mentees, consisting of 21 middle level executives, and convened in the symphony of the experience, which will contribute to their developments. While the program started with the system design, it continued with the training of the Mentees with Mentor, and the contact meeting of the Mentees' supervisors. Further to the designated principles and criteria, voluntarily submitted Mentor and Mentee requests were evaluated by the Akkök Mentorship Program Committee, and matching was done accordingly. While the process initiated on October 15, 2014 has continued, the first Supervision meeting was held with the separate attendance of Mentor and Mentees. The philharmonic will carry on its symphony with the participation of Mentor and Mentees.

Executive Development Program: This is a middle level executive development program designed with the cooperation of Sabancı University EDU Executive Development Unit and Akkök Holding. The aim of the program is to prepare Akkök Holding middle level executives for the future, improve their managerial competencies, support continuous development of executives' competencies in the fields of 'Business Intelligence' and 'Human Management' using multiple learning tools and approaches, contribute towards executives' intellectual accumulation by means of support processes, ensure that the executives understand personal and corporate development needs through the applications, which will enable executives to mirror themselves and their organizations, and to develop common language, knowledge and applications at the management level.

The Executive Development program starts with Market Orientation training, and is composed of succeeding VI Modules. The Project Groups created in the final module manage a company through business simulation, reflecting all that they have learned. They then make presentations on the platforms, where the Akkök Executive Committee, Company General Managers and HR Executives participate. As a result of the evaluations, the most successful team is chosen, and the participation and achievements are celebrated with a cocktail party.

Mosaic: Be a part of it: Designed in 2013 to apply common human resources processes for the whole group, the training and development module was put into operation in the "Mozaik" system in 2014. After this module was transferred to Mosaic, all Human Resources processes were structured under a single roof, feeding one another. Actions for the Talent Management and 360 Degree Feedback processes implemented by the end of 2013 are carried over the system in this year.

Talent Management: At Akkök Holding, the second cycle of the Talent Management Process, covering all senior and middle level executives as well as the specialists, was completed successfully in 2014. The process was assessed at company level by the Company Talent Committee, and escalated to the Akkök Talent Committee across the Akkök Holding group. The Talent Committee convened 4 times: in the first meeting, the prospective analysis of Akkök Holding Executive Projections was made. Within the scope of the Employees' Leadership Potential Inventory (LPI), the positions of the employees evaluated by their upper executives, and their positions determined on the 9 Boxes, were discussed. The candidates to be promoted to the second phase were determined.

In the second meeting, all assessment results of the pool candidates were reviewed. Employees' competencies, related to their current roles and evaluated with 360-degree multi-dimensional perspective, were placed at the forefront. In the Assessment Centre application, the employee's strong and open to improvement areas were assessed by means of Global Solution (GS) tools for competencies at the level of upper management. Hogan Leadership Inventory emphasized employee's leadership characteristics, as well as performance risks arising from personality and obstructing leadership.

Within the scope of Career Management, the risk of losing the employee, the career preference of the employee, and the career recommendations by the employee's supervisor, were evaluated for candidates listed in the talent pool.

In the third meeting, the development plans of the Akkök Talent Pool candidates and backup issues were focused on. Within this scope, the development plans of the persons on training, mentorship, coaching, work rotation and other activities were discussed, finalized and approved accordingly.

In the last meeting of the Akkök Talent Committee, the Talent Management process was revised and committee members' opinions and recommendations were taken. Accordingly, areas required to be enhanced and related projects were determined.

The Akkök Performance Management System is structured in such a way as to provide integration between the corporate goals and the individual goals of the employees, and in such a way as to be adopted by all employees. Regular revision on a corporate and individual basis, and creation of a feedback culture, are among the system issues highlighted this year.

Further to the results of perception and image research conducted with all of Akkök's shareholders, we seized the opportunity to see clearly how much and with which activity lines the university students know us. Akkök recognition and preferability rates until the research process were reviewed. A project team has been established to determine and plan the activities that will ensure that Akkök Holding's recognition reaches the targeted level. Especially the "Y" generation team members were selected from the group's different companies and different functions so as to receive and hear each voice. As a part of this project called Domino, a 5-year roadmap has been drawn by shaping the strategy of ensuring Akkök and its Companies' perception and images reach their goals.

One of the key outputs of the project was to create a brand "Fact or Fiction? (Efsane mi Gerçek mi)" to form a group image compatible with the Group's area of activity, interesting and beneficial for the youth.

Our purpose with "Fact and Fiction?" is to discover and recruit young talent, who will implement the future strategies of the group, by introducing ourselves better at universities, and to take our place among the most recognized Holdings. Within the scope of this concept, we planned to establish one-to-one contacts with the target universities, hold events with the representatives of universities' career centers, and to make Holding and HR applications' introduction.

In 2014, we attended 4 different events as sponsor:

- ODTÜ (METU) Plus, organized by the ODTÜ Chemical Engineering Society
- Career Fair, held by the ODTÜ Career Centre
- Bilkent Business Areas
- Genç Akademi (Youth Academy), organized by Bilkent Operational Research Club

Employee satisfaction and engagement rating among our Akkök sustainability commitments are one of the issues that we focused on this year. A project team, composed of employees working in different functions and levels in our group companies, has been established. The main purpose of the project is to "create methodology for defining, rating and assessing a common 'Employee Loyalty' Akkök wide". Accordingly, it was resolved to plough on with "Confidence Index" rating methodology in consequence of workshops, meeting with consultancy companies and benchmark works.

Akkök Holding Principles of Business Ethics

In line with our corporate culture, which includes regulations that address both personal behavior and business ethical rules, we put together the "Akkök Holding Work Ethics Principles" as a reference for our employees, partners, suppliers, customers, branches and other beneficiaries, as well as the public, based on the group's long-established practices. In that sense, the Akkök Holding Ethical Committee Working Regulation and Ethical Committee in pursuance of this regulation has been formed, and company ethics representatives were selected.

Akkök Holding Principles of Business Ethics were announced to all employees via video message and personal letters. The necessary training programs were organized to apply and ensure recognition of Akkök Holding Principles of Business Ethics.

Akkök Human Resources Policies

Akkök Holding'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 Holding'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 humancentered context.

Human Resources Mission

"In order to create sustainable value in the Akkök Holding, we provide a climate to which our employees commit reliably and derive inspiration, and we strive to hand down this climate to following generations."

HUMAN RESOURCES STRATEGIES

1. Employee Loyalty
1.1 To build a climate with our consistent management concept, where employees' feel secure
1.2 To ensure that employees are proud of the company's business results, based on the employees' contributions to the business
1.3 To achieve success through teamwork and cooperation with all employees
2. Inspiring Climate
2.1 We adopt an innovative perspective and we encourage and authorize thereto
2.2 We assume development responsibility, evaluate learning opportunities, and attain success by learning from one another
2.3 We consider our differences as our richness and value this
2.4 We give feedback associated with open communication, and we move forward and continuously develop what we have done
2.5 We take notice and reward the good things done

Akkök Holding Employee Profile

The average age of Akkök Holding employees as of 2014 is 34 and average seniority is 6 years
Number of Total Employees: 4668
Number of Female Employees: 667
Number of Male Employees: 4001
Ratio of Women Executives to Total Number of Executives: 24.8%
Postgraduate Degree: 24.8%
Associate Degree: 18.3%
Ratio of High School and Vocational High School: 48.6%
Other: 8.3%

Akkök Holding'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 2014)	%
Born 1945 and earlier	0.1%
1946-1963	3.9%
1964-1979	36.9%
Born 1980 and later	59.1%

CORPORATE SOCIAL RESPONSIBILITY

"In addition to the value we have added to the national economy, we continued our contribution to social development through our social responsibility projects in education and sports."

Sultan Avtepe
(Acting) 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 Holding also enjoys a prestigious position in the private sector in terms of social responsibility initiatives. Akkök Holding places special importance on those social responsibility projects conducted in sites where its production facilities are located. Akkök Holding identifies the sensitivities and needs of the local population and supports regional development. Aimed at creating a healthy environment and raising welleducated young generations, these campaigns further strengthen the bonds between Akkök Holding 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 Holding undersigns well thought social projects in education, culture and arts, the environment and other fields. Positioning itself as a good corporate citizen, the Holding 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 Holding 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 Holding also contributes to the University of Yalova by undertaking the construction of its rectorate building.

Supporting Yalova Orthopedics Sports Club

Carrying out projects to foster social and cultural development in the locations where it operates, Akkök Holding of Companies continued to provide support to sports activities in Yalova in 2012. Following an agreement signed in November 2012, the Holding 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

Raif Dinçkök Cultural Center

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

We, as Akkök Holding 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 Holding 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 Holding 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

In 2012, Akkök initiated the ‘shared treatment facility’ project in order to improve the efficiency of energy and chemical use in production facilities in Yalova. In line with the project, all Group factories, which send wastewater to different treatment facilities, will gather all their wastewater in one facility, and treatment will be carried out at once. It is expected that the ‘shared treatment facility’, the foundations of which were laid at the beginning of last August, will be completed and opened for service in July 2015.

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.

Ever diligent in carrying out environmental and quality-related implementations in line with regulations, Ak-Kim successfully passes Bureau Veritas’s annual ISO 14001 external audits every year.

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.

Having successfully completed the audit carried out by the Ministry in 2014, Ak-Kim continues its activities to prepare the Safety Report by January 1, 2016, and to adapt existing equipment to the SEVESO Directive by January 1, 2017.

Performing environment and productivity oriented activities at each stage of its operations, Ak-Kim continues this approach when it comes to waste management. Aiming for the optimal protection of natural resources, the Company utilizes solid waste strategies efficiently. As a result of its solid waste management strategies, Ak-Kim, disposed of a total of 1.871 tons of waste in 2014, 593 tons through recycling, 520 tons through sanitary landfill, and 758 tons through incineration. In addition, 205.900 tons of wastewater was also disposed of in the treatment facilities in 2014.

As a result of its solid waste management strategies, Ak-Kim, disposed of a total of 1.871 tons of waste in 2014, 593 tons through recycling, 520 tons through sanitary landfill, and 758 tons through incineration.

Sharing its awareness of environmental issues with its employees, Ak-Kim provides trainings on topics such as Waste and Energy, Environmental Dimensions Assessment, Environmental Management System, Environmental Legislation, ISO 14001 and OHSAS 18001 System Identification, Points to Observe in Waste Collection and Transportation, and Total Quality and Environmental Education. Ak-Kim implemented energy-saving projects in January 2011, and has begun to see the results of the applications carried out resolutely from this date. As a result of the projects in effect, the Company recorded an energy saving rate of 27.000 Gj/year in 2014.

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 from Ak-Kim’s Environment-friendly Products

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.

- AKBLUE- Takes part in the breakdown of the nitrogen oxide gases contained in exhaust gas and causing air pollution, and converts them into nitrogen and water vapor. Prevents emission of nitrogen oxides, which are harmful to the environment.

- AKBLEACH SLD – There is normally a high-temperature requirement in whitening processes known as “bleaching” in textile facilities. This product bleaches even in low temperatures and thus provides energy saving by 25-35%.

- AKEF ANT 550 - As a silicon-based antimicrobial finishing, this product has no impact on the environment during use or over time.

- Sodium Hypochlorite - Used as a disinfectant in water and waste water treatment

- Polyaluminum Chloride - Used in the precipitation process during potable and wastewater treatment. Thus, hazardous waste is prevented from causing environmental pollution.

- Ferric 3 Chloride - Used in the precipitation process during household and industrial wastewater treatment.

- AKWASH SR – The largest consumption in the textile business is water. After reactive dyeing, the remaining excess dye is removed through six to eight baths. Water saving is enabled by reducing the number of baths, thanks to the improved wash-off feature of this product.

- AKAR SPEED - This product was developed as an alternative to the traditional de-icing salt. Since it provides a longer-term impact than salt, it helps consume less products and ensures a minimum level of asphalt corrosion.

- AKUA SAN 7391 - Used in recycling of water in advanced treatment systems thanks to its lime and scale inhibitors (antiscalant) feature. Water that would be wasted is thus recycled.

In the facilities built with its own know-how and technology, Ak-Kim gives priority to energy efficiency and savings in the selection of processes and equipment. While establishing the Chlorine Alkaline Facility with the ICI license in 1992, Ak-Kim selected the membrane cell process, which is more environment-friendly and technological compared to other processes. Ak-Kim is the first company in Turkey to implement the membrane technology, which causes no waste problem due to lack of mercury in the process, by making more business investments than the other mercurial systems. As a result of the prohibition of mercurial systems in line with legislative work carried out in recent years, the other Chlorine Alkali production facilities around the world have begun to abandon mercury and asbestos processes, and to make the transition to membrane systems.

In the scope of Ak-Kim's sustainability strategies, the Logistics and Storage Center was activated in 2012 in order to maintain sustainability in project/service quality, and achieve a sustainable competitive edge. With this project, it is aimed to reduce costs by performing storage and shipping operations conducted in each Ak-Kim production facility in appropriate, safe and efficient conditions, and that potential in-plant logistics traffic originated work accidents are minimized.

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 environmentallyfriendly 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 consolidates its position as an environmentally aware leader by getting actively involved in volunteer initiatives with regards to climate change. The Company places great emphasis on the follow up and tracking of greenhouse gas emissions resulting from energy production. Although there is no current legal obligation in this regard in Turkey, Aksa maintains its success in obtaining its certificate for "reasonable assurance" since 2010, by calculating carbon inventory in accordance with ISO 14064-1. With the data obtained in this concept, targets to ensure greenhouse gas emission minimization are defined under the annual corporate performance targets, and projects in accordance with these targets are 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-ofcharge in 2010 as a contribution to the 2008-2010 National Forestation Mobilization Action Plan by the Ministry of Environment and Forestry.

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.

2014- Corporate Social Responsibility Projects

▶ The Mobile Exhibition of the Istanbul Toy Museum, which was moved to Yalova with the support of Aksa Akrilik, welcomed visitors for free at Raif Dinçkök Cultural Center between November 8 and 17. The mobile museum was opened by the Yalova Mayor, Vefa Salman on Saturday, November 8. The most popular examples of toy history from the 1900s to date were exhibited. Nearly 8.000 people visited the Istanbul Toy Museum's Mobile Exhibition in 10 days.

Festival gifts by Aksa to the children of Yalova

▶ Aksa Akrilik celebrated April 23 National Sovereignty and Children's Day with the children of Yalova with the movie, Rio 2. While clowns greeted the children at the event, which reached an attendance of nearly 1.000 children, a variety of refreshments were provided during the screenings.

We carry on transparency in communication through Open Door Visits

▶ Aksa continued its "Open Door Visits" organized in accordance with the principle of transparency in 2014. During Open Door Visits, Non-governmental organizations, local people, schools, employees' families, customers, benchmarking teams, and both domestic and foreign visitors find the opportunity to visit the Aksa production site and gain information about the topics that concern them. The results obtained from questionnaires administered after the visits are evaluated within the scope of Aksa's improvement strategies.

We Carry on Blood Donation

▶ Having adopted social responsibility as a part of its corporate culture, Aksa organizes semiannual "Blood Donation Campaigns" in collaboration with the Red Crescent branch in Yalova. In 2014, the Blood Donation Campaign was organized with the voluntary participation of Aksa employees.

Akenerji's sustainability approach

While assessing its environmental impact, Akenerji is particularly alert to any major problems that might affect nature. The Company is fully aware of its responsibilities in the struggle against climate change. With this in mind, the Company capitalizes on its technological competence to mitigate environmental and public risks carried by its operations. Akenerji pays attention to preserve natural life and prevent environmental pollution in all business processes, with the principle of efficiency in generation, providing a solution to this issue. Akenerji's advanced technology applications provide the highest possible amount of energy production with the minimum use of resources.

Renewable Energy, Clean Investments

Akenerji continued its works in the field of renewable energy sources to combat climate change, which is a global problem, in 2014. The Company initiated its relevant investments by participating in the tenders of the first hydroelectric power plant opened by the Energy Market Regulatory Authority (EMRA) in 2005. Thus, it has become one of the first energy companies among private sector power producers to invest in renewable energy.

Considering the total feasible generation capacity of Akenerji's current renewable energy power plants, it is possible to eliminate approximately 1 million tons of greenhouse gas emissions, equivalent to the fresh air produced by approximately 42.2 million trees.

Motivated by the prospect of contributing to nature, Akenerji will continue to expand its renewable energy capacity and preserve its leadership in the field of sustainability with high efficiency generation processes.

Raised awareness among consumers and new legislation are other factors that reinforce Akenerji's resolve in this area.

ISO 14064 (Monitoring of Greenhouse Gas Emissions)

The Greenhouse Gas Monitoring Plan of our Erzin Natural Gas Combined Cycle Power Plant, which is included in the scope of the Regulation on Monitoring of Greenhouse Gas Emissions, has been prepared. Information including the amount of greenhouse gases resulting from the production activities of the power plant, and the method to monitor and evaluate these emissions, has been submitted in the plan to the Ministry of Environment and Urbanization. The plan was approved through the Ministry's online system. In this way, it will be possible to monitor greenhouse gases after 2015. Turkey will obtain measurable, reportable and verifiable emissions data as the monitoring, verification and reporting of greenhouse gas emissions become functional in the enterprises as of 2015.

Verification of greenhouse gases in the ISO 14064 framework will be conducted in later years. Akenerji also conducts operations for the reduction of nitrogen oxide levels in flue gas emissions of natural gas power plants. Steam injection systems or Dry Low NOx systems are used in the turbines for this purpose. The data of online emission monitoring system of the flue gases in Bozüyük and Kemalpaşa Power Plants remains within the limit values set out in the Large Combustion Plants Directive.

Natural Gas is burned with dry low NOx, producing NOx with low emissions, also in the Erzin Natural Gas Combined Cycle Power Plant, which became operational in the third quarter of 2014. A continuous emission measurement system has been installed for flue gas emissions. The relevant service procurement was conducted and studies were initiated towards the end of 2014 for connection to the online system of the Ministry of Environment and Urbanization.

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.

As an indicator of the fact that we prioritize solutions that minimize environmental and social risks in all our operations, the Sustainability Report level for the 2013 period was raised to B. The report for the 2014 period will be published in accordance with GRI-G4 Principles.

Integrated Management Systems

A major portion of work in the context of sustainability is performed with the management systems listed below:
ISO 9001:2008 Quality Management Systems Certification
ISO 14001:2004 Environmental Management Systems Certification
OHSAS 18001:2007 Occupational Health and Safety Management Systems Certification.

"ZERO NONCOMPLIANCE" was achieved in the External Audit performed in 2014.

Locations with Certification within Akenerji Elektrik Üretim A.Ş.:
Headquarters, Ayyıldız Wind Power Plant, Uluabat Hydroelectric Power Plant, Akocak Hydroelectric Power Plant

Locations with Certification within Akkur Enerji Üretim Tic. ve San. A.Ş.:
Burç Bendi Hydroelectric Power Plant, Feke II Hydroelectric
Power Plant, Feke I Power Plant

Locations with Certification within Mem Enerji Elektrik Üretim San. ve Tic. A.Ş.:
Bulam Hydroelectric Power Plant, Himmetli Hydroelectric Power Plant, Gökkaya Hydroelectric Power Plant

Eco-Friendly Production with Proper Waste Management

Focusing on the prevention of environmental pollution in all business processes, Akenerji displays this sensitivity especially in waste management practices. The Company's waste management practices include sending all waste generated in the plants, Akhan, Akenerji's head office, and Akenerji to corporations licensed by the Republic of Turkey Ministry of Environment and Urbanization, for recycling or disposal in accordance with the requirements of the Environmental Legislation, and under the control of Akenerji's Environmental Management Unit.

Several seminars took place at all work sites in 2014, with the purpose of informing and awareness raising through training on Reporting Environmental Incidents and Complaints, about what should be done in the event of a possible environmental incident. Subsequent to these training sessions, Environmental Incident Drills were conducted within the scope of ISO 14001 at all sites. Thus, employee intervention in the event of any environmental incident was observed, and the adequacy of the intervention methods was reported.

Social Responsibility

In all of its activities, Akenerji is committed to the social, cultural and economic wealth of the public. Akenerji's nationwide corporate social responsibility projects set an example for its subsidiaries and inspire them to create a brighter future. The Company's subsidiaries participate to a great extent in education, environment and culture & arts projects organized by Akenerji. Following the signing of the United Nations Global Compact by Akkök Holding in 2007, Akenerji was included in the first Global Compact Progress Report, covering the period 2008 to 2009. Thus, the Company, performing its activities in accordance with openness, honesty and transparency in addition to the activities organized for the employees, had the chance to share its social responsibility projects throughout Turkey.

Educational Support from Egemer to Erzin

In 2013, Egemer Elektrik Üretim A.Ş. completed construction of the Egemer Elektrik Üretim A.Ş. Şehit Uğur Ekiz Technical High School in Erzin, Hatay. The six-classroom Industrial Vocational High School, which was designed according to European Union standards and covers an area of 40.000 square meters, was opened in the 2013-2014 academic year.

Video Training Project for Visitors to Akenerji

The Video Training Project was initiated in 2011 to inform visitors to the Akenerji Group's power plants about electricity generation, environmental legislation and OHS regulations. The Video Training Project, which was implemented in 2012, continued in 2014.

Projects Initiated with an Environmental Consciousness

With an attentive, responsive, and trust-based management approach, Akenerji has implemented some practices for raising awareness among the local people, and protecting them from potential hazards in the regions where the power plants are established. Booklets and posters including potential hazards pertaining to the HEPPs and preventive measures have been prepared in this context. These booklets and posters were distributed to public places such as the local mukhtars' (town councillors') offices, schools, municipalities, teahouses and aviation facilities around the HEPPs. Approximately 1.700 booklets and 400 posters have been delivered to communities in Trabzon, Adıyaman, Bursa and Adana in recent years. Akenerji plans to distribute more of these materials to a larger number of provinces in the coming years.

HEPP Informative Presentations were organized in primary and secondary schools located around our power plants in Adana, in order to raise the awareness of the local people in the region around the HEPPs as of the end of December 2013. The functioning of the hydroelectric power plants, and the personal security measures students should take in their daily lives, were explained in these meetings, attended by 353 students and 23 teachers. In 2014, the same presentations were organized in June for Akocak HEPP, attended by 450 students and 20 teachers, and in November for Bulam Hydroelectric Power Plant in Adıyaman, with 68 students and 8 teachers, in addition to the presentation held with 155 students and 10 teachers for Burç Hydroelectric Power Plant.

Natural Gas is burned with dry low NOx, producing NOx with low emissions, also in the Erzin Power Plant. A continuous emission measurement system has been installed for flue gas emissions.

The relevant service procurement was conducted and studies were initiated for connection to the online system of the Ministry of Environment and Urbanization.

ISO 14064 (Monitoring of Greenhouse Gas Emissions)

AWARDS

Akiş REIT's environmentally friendly projects

Akiş REIT implements all its projects with a sense of environmental responsibility and awareness as a Real Estate Company towards one of our planet's biggest problems, climate change. To this end, the Company designs green buildings that prioritize efficient use and optimization of energy.

With environment-friendly practices that prioritize energy efficiency, Akbatı Shopping Mall & Akbatı Residences, one of Akiş REIT's projects, was certified at the "Good" level by the world's leading green building evaluation system BREEAM (Building Research Establishment Environmental Assessment Method) in 2013. Akbatı's sustainable practices were once again registered after this process, in which significant criteria such as proper use of resources, indoor environment and importance given to health are evaluated.

The BREEAM Certificate issued as a result of evaluations for buildings since 1990 aims to assess to what extent a building is sensitive to the environment against certain standards. The certificate, which can be renewed every year, evaluates projects using today's environmentally friendly technologies.

Prioritizing energy efficiency at all stages of its projects, Akiş REIT was also entitled to obtain the Class B "Energy Performance Certificate", which is granted for the purposes of effective and efficient use of energy and energy resources, prevention of energy waste, and protecting the environment in accordance with the "Energy Performance of Buildings Directive", for its Akbatı Shopping Mall & Akbatı Residences projects.

Akkök Sustainability Report 2012, which includes detailed information and performance data on the practices of Akkök Holding, Akiş REIT's parent company, in the fields of environment, human resources and social responsibility, has already been published. The works for the second report covering the periods 2013 and 2014 are ongoing, and it will be published in 2015.

In order to reduce energy consumption in the Akbatı Shopping Mall and Akbatı Residences project, wholly owned by Akiş REIT, low efficiency fluorescent lamps in the parking lot were replaced by LED lamps. It is planned to spread this application to the entire shopping center in the period ahead. In order to ensure water savings, the rainwater accumulated on the roofs is stored and used for irrigation in the summer. Negative ion generators are used to improve air quality in our shopping center. Many projects to be implemented in the coming period for the reduction of energy and water consumption and carbon emissions are being evaluated.

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.

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 18 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.

With its Open Door Policy, put into effect in 1999, Ak-Kim enabled employees to contact Company executives regarding all matters. 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 university level. In 2014, approximately 450 students and visitors visited Ak-Kim within the scope of the 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.

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 Holding believes in the important role of sustainability in social and environmental development. The Holding became a signatory to the Global Compact Principles at the end of 2007. Akkök Holding 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 Holding is aware of its responsibilities related to sustainable development and is committed to continuing its activities in accordance with the GCP. Akkök Holding is represented by a Member of the Board of Directors in Global Compact Turkey.

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 HOLDİNG A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2014 AND 2013

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

	Notes	2014	2013
ASSETS			
Cash and cash equivalents	5	571,751	623,792
Financial investments	6	33,702	24,838
Derivative financial instruments	19	2,775	-
Trade receivables		576,846	466,841
Due from related parties	8	26,731	19,106
Other trade receivables	9	550,115	447,735
Other receivables		6,750	11,018
Due from related parties	8	5,654	2,939
Other receivables		1,096	8,079
Inventories	10	301,009	258,243
Current income tax assets		4,648	65
Prepaid expenses	11	26,612	35,020
Other current assets	17	84,011	65,857
Subtotal		**1,608,104**	**1,485,674**
Assets held for sale		7,309	7,309
Current Assets		**1,615,413**	**1,492,983**
Trade receivables		917	1,358
Other trade receivables		917	1,358
Other receivables		70,616	-
Due from related parties	8	70,439	-
Other receivables		177	-
Financial investments	6	36,176	10,039
Investments accounted for using the equity method	7	610,088	671,041
Investment properties	12	495,505	413,582
Property, plant and equipment	13	922,050	921,572
Intangible assets	14	18,361	16,867
Inventories	10	240,723	244,632
Prepaid expenses	11	12,989	17,409
Deferred tax assets	27	5,262	7,694
Derivative financial instruments	19	4,246	524
Other non-current assets	17	28,101	41,112
Non-current Assets		**2,445,034**	**2,345,830**
TOTAL ASSETS		**4,060,447**	**3,838,813**

The consolidated financial statements for period 1 January - 31 December 2014 were approved by the Board Directors on 13 May 2015.

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2014 AND 2013

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

	Notes	2014	2013
LIABILITIES			
Short term borrowings	18	575,267	720,247
Short term portion of long term borrowings	18	147,878	150,058
Derivative financial instruments	19	261	10,033
Trade payables		472,706	373,249
Due to related parties	8	36,721	22,643
Other trade payables	9	435,985	350,606
Liabilities for employee benefits		1,747	1,511
Other payables		4,386	4,671
Other payables		4,386	4,671
Deferred income	11	29,847	42,641
Current income tax liabilities	27	12,000	14,509
Short term provisions		22,890	13,030
Provisions for employee benefits	16	18,336	9,909
Other short term provisions	15	4,554	3,121
Other current liabilities	17	3,272	5,559
Current Liabilities		**1,270,254**	**1,335,508**
Long term borrowings	18	694,520	320,442
Deferred income		-	368
Long term provisions		53,986	53,005
Provisions for employee benefits	16	35,903	26,521
Other long term provisions		18,083	26,484
Deferred tax liabilities	27	9,708	8,738
Non-current Liabilities		**758,214**	**382,553**
TOTAL LIABILITIES		**2,028,468**	**1,718,061**

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2014 AND 2013

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

	Notes	2014	2013
Equity attributable to equity holders of the parent			
Paid-in share capital	20	388,098	538,098
Adjustments to share capital	20	157,537	157,537
Total paid-in capital		**545,635**	**695,635**
Other comprehensive income/expense to be reclassified to profit or loss			
- Change in value of available-for-sale financial assets		6,845	4,043
- Hedging reserve		(6,755)	(6,601)
- Currency translation differences		26,930	20,471
Other comprehensive income/expense not to be reclassified to profit or loss			
- Remeasurements of post employment benefit obligations		(7,957)	(5,748)
Restricted reserves		6,449	4,994
Retained earnings		449,504	471,536
Net profit for the year		2,665	6,907
Total equity attributable to owners of the parent		**1,023,316**	**1,191,237**
Non-controlling interest		**1,008,663**	**929,515**
TOTAL EQUITY		**2,031,979**	**2,120,752**
TOTAL EQUITY AND LIABILITIES		**4,060,447**	**3,838,813**

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

	Notes	2014	2013
Revenue	21	2,562,815	2,151,058
Cost of sales (-)	21	(2,115,235)	(1,753,197)
Gross profit		**447,580**	**397,861**
General administrative expenses (-)	22	(109,865)	(122,094)
Marketing expenses (-)	22	(46,395)	(43,375)
Research and development expenses (-)		(8,602)	(7,992)
Other operating income	23	130,305	78,699
Other operating expenses (-)	23	(123,519)	(79,321)
Operating profit		**289,504**	**223,778**
Income from investing activities	24	683	126,259
Expenses from investing activities	24	-	(1,133)
Share of profit of investments accounted for using the equity method	7	(73,877)	(77,947)
Operating profit before financial income and expense		**216,310**	**270,957**
Financial expenses (-)	26	(42,813)	(78,616)
Profit before tax		**173,497**	**192,341**
- Taxes on income	27	(52,188)	(59,440)
- Deferred tax (expense)/income	27	(4,740)	8,621
Net profit for the year		**116,569**	**141,522**
Total income for the period attritable to:			
Non-controlling interest		113,904	134,615
Equity holders of the parent		2,665	6,907
Net profit for the year		**116,569**	**141,522**

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

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

	2014	2013
Net profit for the year	**116,569**	**141,522**
Other comprehensive income:		
Items to be reclassified to statement of income		
- Currency translation differences	17,377	49,252
- Change in fair value of derivatives	(481)	3,861
- Increase/decrease in fair value of financial assets	2,802	(3,358)
Items not to be reclassified to statement of income		
Remeasurement gain arising from defined benefit plans	(5,057)	(4,368)
Total comprehensive income for the period	**131,210**	**186,909**
Total comprehensive income attributable to:		
Non-controlling interest	121,647	163,767
Equity holders of the parent	9,563	23,142
Total comprehensive income	**131,210**	**186,909**

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

	Attributable to owners of the parent											
	Paid-in capital	Adjustment to share capital	Change in value of available for sale financial assets(*)	Currency translation differences	Hedging reserve(*)	Tanımlanmış 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 2013	**13,098**	**160,967**	**7,401**	**(424)**	**(9,376)**	**(1,671)**	**13,670**	**641,963**	**139,954**	**965,582**	**857,407**	**1,822,989**
Transfers to reserves	-	-	-	-	-	-	-	139,954	(139,954)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(655)	-	(655)	(93,692)	(94,347)
Capital increases – in cash (Note 20)	225,000	-	-	-	-	-	-	-	-	225,000	-	225,000
Capital increases (Not 20)	300,000	(3,430)	-	-	-	-	(8,676)	(287,894)	-	-	-	-
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**
Balance at 1 January 2014	**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**
Capital remandment (Note 20)	(150,000)	-	-	-	-	-	-	-	-	(150,000)	-	(150,000)
Transfer	-	-	-	-	-	-	1,455	5,452	(6,907)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(22,583)	-	(22,583)	(100,471)	(123,054)
Total comprehensive income for the period	-	-	2,802	6,459	(154)	(2,209)	-	-	2,665	9,563	121,647	131,210
Capital increase in subsidiaries (***)	-	-	-	-	-	-	-	-	-	-	53,071	53,071
Impact of changes in the ownership rate of subsidiaries	-	-	-	-	-	-	-	(4,901)	-	(4,901)	4,901	-
Balance at 31 December 2014	**388,098**	**157,537**	**6,845**	**26,930**	**(6,755)**	**(7,957)**	**6,449**	**449,504**	**2,665**	**1,023,316**	**1,008,663**	**2,031,979**

(*) Items to be reclassified to profit and loss
(**) Items not to be reclassified to profit and loss
(***) Amounts arising from Group's capital increase of Ak-Kim, Akiş, Zeytinliada and İstasyon.

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

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

		2014	2013
Net profit for the year		**116,569**	**141,522**
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization	12,13,14	96,273	90,927
Provision expenses		16,122	5,186
Interest income and expenses		45,916	15,587
Unrealized exchange loss/ (gain)		25,066	82,752
Fair value gain/ (loss)		(16,269)	9,849
Tax income / (expense)	27	56,928	50,819
Loss / (gain) on property, plant and equipment and intangibles		(3,785)	(15,675)
Loss / (gain) from investments accounted for using equity method	7	73,877	77,947
Gain on sale of joint venture	24	-	(98,891)
Cash flows before changes in assets and liabilities		**410,697**	**360,023**
Changes in working capital			
Inventories		(128,897)	(257,957)
Trade receivables		(101,939)	(49,532)
Amounts due from related parties		(6,855)	73,522
Other receivables		6,806	(6,456)
Trade payables		85,379	91,155
Amounts due to related parties		14,078	15,778
Other payables		(285)	4,573
Other changes in working capital		(95,966)	(31,863)
Tax payments		(16,563)	(53,774)
A. CASH FLOWS FROM OPERATING ACTIVITIES		**166,455**	**145,469**
Cash outflows from purchases of Group's interest in investments accounted for using the equity method	7	(6,797)	(125,930)
Cash inflows from sales of Group's interests in joint ventures		-	112,365
Cash inflows from sales of plant, property of equipment and intangibles		5,180	47,123
Cash outflows from purchase of plant, property of equipment and intangibles	13,14	(164,285)	(253,290)
Cash inflows from sales of invesment properties		111	9,795
Cash outflows purchases of investment properties	12	(1,052)	(44,965)
Cash outflows from transactions with non-controlling interest		-	(19,799)
Dividends received		12,394	28,845
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(154,449)**	**(245,856)**
(Repayments)/ proceeds from the issues of shares and other equity instruments		(150,000)	225,000
Proceeds from shareholder loan		156,340	-
Repayments of shareholder loan		(166,150)	-
Participation of non-controlling interest in subsidiaries' capital increase		53,071	-
Cash inflow from new borrowings obtained		964,662	1,013,456
Cash outflows from redemption of borrowings		(761,441)	(781,707)
Dividends paid to non-controlling interests		(100,471)	(93,692)
Dividends paid		(22,583)	(655)
Interest received		29,731	21,054
Interest paid		(65,896)	(34,410)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(62,737)**	**349,046**
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		**(50,731)**	**248,659**
D. CHANGE IN RESTRICTED DEPOSITS		**(6,166)**	**(3,896)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**617,517**	**372,754**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D+E)		**560,620**	**617,517**

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

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Akkök Holding 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).

On 22 April 2014, at the annual 2013 general assembly, the Company has changed its title to Akkök Holding Anonim Şirketi from Akkök Sanayi Yatırım ve Geliştirme Anonim Şirketi with the amendment of No.3 Company's articles of association and title change has been registered on 13 May 2014 followed by the declaration on 20 May 2014.

Akkök Holding 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 Istanbul

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

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

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:

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

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

Financial investments

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

Financial investments	Country of incorporation	Nature of business
Akhan Bakım Yön. Ser. Hiz. Tic. A.Ş. ("Akhan")	Turkey	Service
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. ("Üçgen")	Turkey	Service

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

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with the International Accounting Standards ("IAS") issued by International Accounting Standards Board ("IASB"). IAS contains International Accounting Standards, International Financial Reporting Standards ("IFRS") and its addendum and interpretations ("IFRIC").

The Company maintains its accounting records and prepares its statutory financial statements in accordance with Public Oversight Authority of Turkey's decision dated 30 December 2014 and General Communiqués on Accounting Systems Practices ("ASGC"), in Turkish Liras, in accordance with the requirements of Turkish Commercial Code (the "TCC"). 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 IFRS.

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.

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 that are controlled by Akkök. Akkök's control over the investee, only and only when all of the following indicators are available; (a) has power over the investee, (b) the exposure to variable returns from its involvement with the investee or is entitled to these returns, and (c) has the ability to use its power over the investee to affect the amount of return to be earned.

Such control is established through the joint exercise of; (a) the voting rights of Akkök and its subsidiaries, (b) 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 (c) 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.

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The table below sets out the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at 31 December 2014 and 2013:

	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 interest (%)(***)	
Subsidiaries	2014	2013	2014	2013	2014	2013	2014	2013
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş.	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Ak-Kim Kimya Sanayi ve Ticaret A.Ş.	42.00	42.00	36.63	36.63	78.63	78.63	42.00	42.00
Ak-Tem Uluslararası Mümessillik ve Ticaret A.Ş.	99.80	99.80	0.05	0.05	99.85	99.85	41.92	41.92
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	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.	96.30	91.11	3.70	4.45	100.00	95.56	96.30	91.11
Aksa Akrilik Kimya Sanayii A.Ş.	39.59	39.59	18.72	18.72	58.31	58.31	39.59	39.59
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	39.77
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
Zeytnliada Turizm ve Ticaret A.Ş.	89.61	89.61	9.27	4.64	98.88	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	31.53	39.54	43.93	71.07	75.46	31.53	31.53
Ak Yön Yönetim ve Bakım Hizmetleri A.Ş.	99.99	99.99	0.01	0.01	100.00	100.00	31.46	31.46
Aksu Real Estate E.A.D	100.00	100.00	-	-	100.00	100.00	31.46	31.46
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

(*) 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.

c) A joint arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an economic activity. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. 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 2014 and 31 December 2013:

	Proportion of voting power held by Akkök and its subsidiaries (%)(*)		Proportion of voting Proportion of voting power held by certain Dinçkök family members and related shareholders (%)(**)		Total voting power held		Proportion of effective interest (%)(***)	
Joint ventures	2014	2013	2014	2013	2014	2013	2014	2013
Akenerji Elektrik Üretim A.Ş.	20.43	20.43	16.93	16.93	37.36	37.36	20.43	20.43
Ak-El Yalova Elektrik A.Ş.	100.00	100.00	-	-	100.00	100.00	20.43	20.43
Ak Enerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret A.Ş.	100.00	100.00	-	-	100.00	100.00	20.43	20.43
Akkur Enerji Üretim Tic. ve San. A.Ş.	100.00	100.00	-	-	100.00	100.00	20.43	20.43
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş	100.00	100.00	-	-	100.00	100.00	20.43	20.43
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	100.00	-	-	100.00	100.00	20.43	20.43
Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş.	100.00	100.00	-	-	100.00	100.00	20.43	20.43
Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş.	50.00	50.00	-	-	50.00	50.00	50.00	50.00
Sakarya Elektrik Dağıtım A.Ş.	100.00	100.00	-	-	100.00	100.00	50.00	50.00
Sakarya Elektrik Perakende Satış A.Ş.	100.00	100.00	-	-	100.00	100.00	50.00	50.00
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	-	-	100.00	100.00	19.79	19.79
DowAksa USA LLC	100.00	100.00	-	-	100.00	100.00	19.79	19.79
Akferal Su Kimyasalları Sanayi ve Ticaret A.Ş.	50.00	50.00	-	-	50.00	50.00	21.00	21.00

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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 the 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 2014 and 2013:

	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	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Akmerkez GayrimenkulYatırım Ortaklığı A.Ş.	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	14.29	14.29	21.85	21.85	2.07	2.07

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	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
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	-	-	-	20.43

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.

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.

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2.4 Amendments in International Financial Reporting Standards (“IFRS”)

a) Standards, amendments and interpretations effective for annual periods ending on or after 31 December 2014:

- Amendment to IAS 32,‘Financial instruments: Presentation’, on offsetting financial assets and financial liabilities, effective from annual periods beginning on or after 1 January 2014. This amendment updates the application guidance in IAS 32, ‘Financial instruments: Presentation’, to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- Amendments to IAS 36, ‘Impairment of assets’, effective from annual periods beginning on or after 1 January 2014. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to IAS 39 ‘Financial instruments: Recognition and measurement’, on novation of derivatives and hedge accounting, effective from annual periods beginning on or after 1 January 2014. These narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument.

- IFRIC 21, ‘Levies’, effective from annual periods beginning on or after 1 January 2014, This interpretation is on IAS 37, ‘Provisions, contingent liabilities and contingent assets’, IAS 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.

- Amendments to IFRS 10, ‘Consolidated financial statements’, IFRS 12 and IAS 27 for investment entities, effective from 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 IFRS 12 to introduce disclosures that an investment entity needs to make.

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

- Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014, These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:

• IFRS 2, ‘Share-based payment’
• IFRS 3, ‘Business Combinations’
• IFRS 8, ‘Operating segments’
• IFRS 13, ‘Fair value measurement’
• IAS 16, ‘Property, plant and equipment’ and IAS 38,‘Intangible assets’
• Consequential amendments to IFRS 9, ‘Financial instruments’, IAS 37, ‘Provisions, contingent liabilities and contingent assets’, and
• IAS 39, Financial instruments - Recognition and measurement’

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- Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014, These amendments include changes from the 2011-12-13 cycle of the annual improvements project that affect 4 standards:

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

- IFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. IFRS 14, 'Regulatory deferral accounts' permits first–time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortization, effective from annual periods beginning on or after 1 January 2016. In this amendment it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- Amendments to IAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2017. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

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- Amendments to IAS 16 ‘Property, plant and equipment’, and IAS 41, ‘Agriculture’, regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

- Amendment to IAS 19 regarding defined benefit plans, effective from 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 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:

• IFRS 5, ‘Non-current assets held for sale and discontinued operations’ regarding methods of disposal.
• IFRS 7, ‘Financial instruments: Disclosures’, (with consequential amendments to
IFRS 1) regarding servicing contracts.
• IAS 19, ‘Employee benefits’ regarding discount rates.
• IAS 34, ‘Interim financial reporting’ regarding disclosure of information

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

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. In order to comply with the presentation of consolidated financial statements the current period when deemed necessary, comparative information is reclassified, and material differences are presented.

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.

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3.2 Related parties

Parties are considered related to the Group if;

a) directly, or indirectly through one or more intermediaries, the party:

i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
ii) has an interest in the Group that gives it significant influence over the Group; or
iii) has joint control over the Group;

b) the party is an associate of the Group;
c) the party is a joint venture in which the Group is a venture;
d) the party is member of the key management personnel of the Group or its parent;
e) the party is a close member of the family of any individual referred to in (a) or (d);
f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to In (d) or (e); or
g) the party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the ordinary course of business (Note 8).

3.3 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.

3.4 Derivative financial instruments

Financial assets within the scope of IAS 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 2014 and 2013 the Group does not have any financial assets at fair value through profit or loss.

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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.

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 (Note 6).

3.5 Trade receivables and payables

Trade receivables 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).

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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).

Land planned for used in current or near future development projects are classified as inventories. As of balance sheet date, inventories which are not expected to be sold in one year are classified under non-current assets.

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 properties 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.

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 13). 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

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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.

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 IASS 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 capitalization.

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3.10 Revenue recognition

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.

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 volume rebates in line with the fiber customers' purchase targets to be paid at the end of the year. The Group classifies such volume rebates as "sales discounts" account under revenues.

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:

a) 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),
b) The Group does not have any control on the sold properties and no continued administrative participation associated with the property,
c) Reliable measurement of revenue,
d) Probability that the economic benefits from the transaction will flow to the Group and
e) Reliable measurement of costs,

Rent income from investment properties is recognized on the accrual basis. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when the amount of revenue can be measured reliably and when it is probable that future economic benefits associated with the transaction will flow to the Group. The seasonal rent discounts are offsetted from rent revenue as incurred.

Interest income is recognized using the effective interest method, which takes into account the future cash inflows from an asset over its expected life.

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).

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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.

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).

IAS 19 "Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains/losses
(Note 16).

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 affiliates of the Group and Akiş, one of the subsidiaries of the Group are not subject to Corporate Tax according to article 94, paragraph 6-a of Income Tax Law and the stoppage 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.

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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.

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 29).

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 statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

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3.18 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.

Changes in Ownership Interests

The Group applies a policy of treating transactions with non-controlling interests that do not result in loss of control, as transactions with owners of the parent. In a purchase transaction with non-controlling interests, the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. In a sale transaction with non-controlling interests, the difference between fair value of any proceeds received and the relevant share of non-controlling interests are also recorded in equity. Consequently, gains or losses on disposals to non-controlling interests are not accounted for in the consolidated statement of comprehensive income.

3.19 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.

3.20 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 IAS 39 "Financial instruments: Recognition and Measurement" requirements in terms of hedge accounting, they are accounted for using hedge accounting in the consolidated financial statements.

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 IAS 39 "Financial instruments: Recognition and Measurement" requirements 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.

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3.21 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).

3.22 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.

3.23 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).

3.24 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 25).

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).

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NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements according to IFRS, 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 2014.

Moreover, in 2014, tax authorities issued a Value Added Tax ("VAT") penalty to Akport for year 2012. As of the date of approval of the consolidated financial statements, the Group estimates lawsuit related to tax will result in favour of the Company and does not consider a provision is required for the mentioned issue.

b) Fair values of 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 deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be 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).

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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).

NOTE 5 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2014 and 2013 is presented below:

	2014	2013
Cash on hand	256	229
Cash at banks		
Demand deposits	42,776	55,847
Time deposits	516,769	563,112
Other	11,950	4,604
Total	**571,751**	**623,792**

The reconciliation between cash and cash equivalents in the consolidated statement of financial position and the consolidated statements of cash flows as at 31 December 2014 and 2013 is as follows:

	2014	2013
Cash and cash equivalents	571,751	623,792
Less: restricted deposits	(10,771)	(4,605)
Less: interest accruals	(360)	(1,670)
Cash and cash equivalents	**560,620**	**617,517**

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Interest rate of time deposits with maturities less than 3 months at 31 December 2014 and 2013 are as follows:

	2014		2013	
	Time Deposit	Interest Rate %	Time Deposit	Interest Rate %
TL	83,779	9,82-11,30	336,721	8,72 -10,00
USD	413,882	0,97-2,95	161,309	2,90 - 4,75
Euro	17,085	1,85-2,30	64,991	2,90 - 3,30
Other	2,023	1,20-9,90	91	-
Total	**516,769**		**563,112**	

NOTE 6 - FINANCIAL INVESTMENTS

	2014	2013
Current financial investments:		
Bank deposits with maturities over three months (*)	33,702	24,838
Total	**33,702**	**24,838**
Non-current financial investments:		
Banks deposits with maturities over one year (*)	23,188	-
Available-for-sale financial investments	12,762	9,813
Financial investments not included in the scope of consolidation (**)	226	226
Total	**36,176**	**10,039**

(*) Bank deposits are blocked by banks for borrowings used by subsidiaries. Interest rates of such are between 2.25 % to 3.50 %.

(**) Financial investments that are excluded from the scope of consolidation are the investments excluded on the grounds of immateriality of the Group's net assets, financial status and consequences where these enterprises are considered as financial investments available for sale and as market in financial assets excluded from the scope of consolidation does not have a stock price, they have been shown over the adjusted cost in the framework of inflation accounting requirements applicable until 31 December 2004.

Available-for-sale financial investments:	%	2014	%	2013
Yapı ve Kredi Bankası A.Ş.	<1	11,501	<1	8,798
Akçansa Çimento Sanayi A.Ş.	<1	884	<1	666
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	375	<1	347
Türkiye Vakıflar Bankası A,Ş,	<1	2	<1	2
Total		**12,762**		**9,813**

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Movements of available-for-sale financial investments for the years ended 31 December 2014 and 2013 are as follows:

	2014	2013
1 January	9,813	13,211
Changes in fair value	2,949	(3,398)
31 December	**12,762**	**9,813**

Financial investments not included in the scope of consolidation:	2014	2013
Akhan Bakım Yönetim Servis Hizmet Ticaret A.Ş.	119	119
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	107	107
Total	**226**	**226**

NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2014	2013
Akcez	277,357	277,937
DowAksa	242,589	245,108
Akenerji	52,819	118,191
Akmerkez	27,693	25,429
Akferal	6,670	306
Saf GYO	2,960	4,070
Total	**610,088**	**671,041**

Movements of investments in associate during the years ended 31 December 2014 and 2013 is as follows:

	2014	2013
1 January	**671,041**	**595,146**
Share of profit/(loss) from associates	(73,877)	(77,947)
Dividend received	(11,711)	(24,318)
Other comprehensive income from associates	17,838	46,760
Capital advances given	6,797	-
Increase in ownership rate (*)	-	125,930
Reinstatement of net liabilities in associate during disposal	-	5,470
31 December	**610,088**	**671,041**

(*) Increase in ownership rate is related to acquisition of Akcez shares from Akenerji during 2013 (Note 2.2).

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As of 31 December 2014 and 2013, summarised financial information for the Group's investments accounted for using the method are presented below:

2014	Assets	Liabilities	Revenue	Net profit/(loss) for the period
Akenerji	3,244,111	2,736,019	1,124,671	(321,252)
Akcez	1,734,215	1,294,362	1,819,164	(952)
Saf GYO	1,797,289	611,564	552,555	206,558
DowAksa	755,860	353,359	79,800	(40,721)
Akmerkez	217,638	6,576	88,350	65,688
Akferal	20,851	7,235	11,189	(865)

2013	Assets	Liabilities	Revenue	Net profit/(loss) for the period
Akenerji	3,201,383	2,373,355	771,029	(127,082)
Akcez	1,625,168	1,176,173	1,814,676	(43,189)
Saf GYO	972,678	775,061	8,419	20,727
DowAksa	508,814	221,357	66,696	(52,481)
Akmerkez	197,524	3,707	81,415	59,842
Akferal	2,014	1,401	2,177	113

As of 31 December 2014 and 2013, market capitalizations of the Group's investments accounted for using the equity method are presented below:

31 December 2014	Total market capitalization	Group's share
Akenerji	933,330	190,706
Akmerkez GYO	605,540	79,477
Saf GYO	886,602	58,142
Total	**2,425,472**	**328,325**

31 Aralık 2013 tarihi itibarıyle halka açık iş ortaklıklarının ve iştiraklerinin seviye 1 piyasa değeri aşağıda sunulmuştur:

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

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NOTE 8 - RELATED PARTY DISCLOSURES

a) Trade receivables from related parties

The analysis of trade receivables due from related parties as at 31 December 2014 and 2013 is as follows:

	2014	2013
Akenerji	14,042	10,727
Akcez	6,247	2,051
DowAksa	5,131	3,510
Diğer	1,311	2,818
Total	**26,731**	**19,106**

b) Other receivables from related parties

The analysis of other receivables due from related parties as at 31 December 2014 and 2013 is as follows:

	2014	2013
Akcez	5,361	2,146
Diğer	293	793
Total	**5,654**	**2,939**

c) Non-current other receivables from related parties

	2014	2013
DowAksa (*)	70,439	-
Total	**70,439**	**-**

(*) In accordance with the Utilities Agreement signed between Aksa and DowAksa Holdings dated 29 June 2012, Aksa transferred the "505 Solvent Recovery Unit" at a consideration for its cost (including finance costs) plus a 5% margin, which is to be repaid in equal installments for the next 10 years; to DowAksa Holdings, who has an option to assure legal title to the asset for a nominal consideration at the end of the lease period.

d) Short-term other payables due to related parties

	2014	2013
DowAksa	30,464	16,237
Akgirişim	5,293	4,232
Diğer	964	2,174
Total	**36,721**	**22,643**

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e) Sales to related parties

	2014	2013
Akenerji	62,538	66,137
DowAksa	27,404	30,283
Akcez	13,659	11,038
Diğer	3,386	4,408
Total	**106,987**	**111,866**

f) Service and product purchases from related parties

	2014	2013
DowAksa	72,927	53,535
Akgirişim	24,418	17,652
Akenerji	8,647	8,650
Akhan	5,777	4,586
Diğer	2,757	3,880
Total	**114,526**	**88,303**

The Group has borrowed TL 50,000 and USD 50,000 from its shareholders with an interest rate 15.25% and 5.75% respectively. The loan was repaid in 2014 before its maturity date. Total borrowing cost arising from the loan is TL 21,180.

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.

	2014	2013
Key management compensation	13,598	9,309
Other benefits	115	550
Total	**13,713**	**9,859**

h) Commitments given to related parties

Akkök Holding 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 Elektrik 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 the loan is done by Akcez. As of 31 December 2014, the remaining principal of this loan is USD 269,126,083.

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The Group provided a guarantee amounting to TL 34,784 on behalf of Akgirişim for the treatment center which is under construction in Yalova.

NOTE 9 – TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from third parties

	2014	2013
Trade receivables	612,044	506,729
Less: Provision for doubtful receivables	(58,216)	(55,577)
Less: Rediscount of trade receivables	(3,713)	(3,417)
Subtotal	**550,115**	**447,735**
Trade receivables due from related parties (Note 8)	26,731	19,106
Total	**576,846**	**466,841**

Maturity of trade receivables of the Group is generally less than three months (2013: less than three months).

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.

Movements of provision for doubtful trade receivables for the years ended 31 December 2014 and 2013 are as follows:

	2014	2013
1 January	**55,577**	**57,946**
Collections and reversal of provisions	(581)	(3,976)
Charge for the period	3,220	1,607
31 December	**58,216**	**55,577**

As at 31 December 2014, trade receivables amounting to TL 35,855 (2013: TL 19,669) 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.

Aging of past due but not impaired trade receivables at 31 December 2014 and 2013 is as follows:

	2014	2013
Up to 3 months	27,769	11,893
More than 3 months	8,086	8,076
Total	**35,855**	**19,969**

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b) Trade payables from third parties

	2014	2013
Trade payables	438,276	352,699
Less: Rediscount of trade payables	(2,291)	(2,093)
Subtotal	**435,985**	**350,606**
Trade payables due to related parties	36,721	22,643
Total	**472,706**	**373,249**

NOTE 10 - INVENTORIES

	2014	2013
Raw materials	172,546	138,195
Finished goods	51,675	48,043
Semi-finished goods	26,532	15,875
Trade goods	16,866	14,476
Completed/uncompleted residences	5,990	27,070
Other inventories and spare parts	28,704	15,810
Less: Provision for impairment in inventories	(1,304)	(1,226)
Total	**301,009**	**258,243**

At 31 December 2014, carrying value of the Group’s non-current inventories comprising uncompleted residences is TL 240,723 (2013: TL 244,632).

Provision for impairment in inventories is mainly related to finished goods as of 31 December 2014 and 2013.

	2014	2013
1 January	1,226	686
Charged in for the year	78	540
31 December	**1,304**	**1,226**

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NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

	2014	2013
Current prepayments:		
Advances given for inventories	16,186	23,203
Prepaid expenses	10,426	11,817
Total	**26,612**	**35,020**
Non-current prepayments:		
Advances given	10,772	12,167
Prepaid expenses	2,217	5,242
Total	**12,989**	**17,409**
Deferred income:		
Advances received	28,193	41,922
Deferred income	1,654	719
Total	**29,847**	**42,641**

NOTE 12 - INVESTMENT PROPERTY

	1 January 2014	Additions	Disposals	Transfer (*)	31 December 2014
Cost	449,908	1,052	(111)	85,259	536,108
Accumulated depreciation	36,326	7,262	-	(2,985)	40,602
Net book value	**413,582**				**495,505**

(*) The transaction amounting to TL 2,922 consist of land and land improvements that were transferred from Akiş to Ak-kim. The Group has decided use the lands and buildings for its own operations during the year ended 2014. As a result, such lands and buildings are reclassified from investment property to tangible assets.

The Group has started Uşaklıgil Project at Istanbul City, Kadiköy District, Bostancı Street, Bağdat Avenue No: 481 located on City Block No 3206, Parcel No 14 and 1,437 m2 area with 3,432 m2 rentable area. This property amotunting to TL 91,166 was previously classified under long-term inventories and has been transferred to investment properties as of 31 December 2014.

	1 January 2013	31 December Additions	Disposals	2013
Cost	414,738	44,965	(9,795)	449,908
Accumulated depreciation	20,498	15,828	-	36,326
Net book value	**394,240**			**413,582**

Fair value of the Group's investment properties as of 31 December 2014 were estimated by an independent valuation company as TL 992,974 (2013: TL 868,352).

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NOT 13 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2014	Additions	Disposals (*)	Transfers (**)	Currency translation differences	31 December 2014
Cost						
Land and land improvements	238,495	240	-	4,382	76	243,193
Buildings	161,827	167	-	20,957	159	183,110
Machinery and equipment	1,140,738	2,127	(4,057)	49,040	329	1,188,177
Motor vehicles	80,720	1,742	(69)	-	19	82,412
Furniture and fixtures	64,794	4,787	(66)	3,311	13	72,839
Leasehold improvements	14,939	613	(522)	-	-	15,030
Construction in progress (*)	99,460	150,493	(73,924)	(76,807)	-	99,222
Total	**1,800,973**	**160,169**	**(78,638)**	**883**	**596**	**1,883,983**
Accumulated Depreciation						
Land and land improvements	61,636	6,656	-	-	-	68,292
Buildings	49,162	4,518	-	-	68	53,748
Machinery and equipments	712,151	61,307	(2,902)	-	312	770,868
Motor vehicles	4,011	5,770	(69)	-	19	9,731
Furniture and fixtures	41,405	6,390	(66)	-	12	47,741
Leasehold improvements	11,036	947	(430)	-	-	11,553
Total	**879,401**	**85,588**	**(3,467)**	**-**	**411**	**961,933**
Net book value	**921,572**					**922,050**

(*) TL 73,924 of disposals from constructions in progress was related to "505 Solvent Recovery Unit" financial leasing to DowAksa.
(**) TL 2,922 of transfers relate to land and land improvements which were previously classified as investment property. The Group decided to use these lands and land improvements as its own production facility; consequently the assets were transferred to property, plant and equipment.

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Of the current year depreciation and amortization expenses, TL 88.027 (2013: TL 81.427) was charged to cost of sales, TL 3,502 (2013 TL: 3,272) to research and development expenses, TL 4,645 (2013: TL 6,172) to general administrative expenses, TL 99 (2013: TL 56) to marketing and selling expenses, TL 1,126 (2013: TL 1,017) to inventories. Depreciation expense amounting to TL434 in 2013 was charged to constructions in progress.

The total amount of mortgage on the lands of the Group as of 31 December 2014 is TL 644,418 (2013: TL 527.159).

	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 improvement	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
Construction in progress	10,343	693	-	-	-	11,036
Total	**1,004,382**	**73,514**	**(199,126)**	**-**	**631**	**879,401**
Net book value	**785,894**					**921,572**

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NOT 14 - MADDİ OLMAYAN DURAN VARLIKLAR

	1 January 2014	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2014
Cost:						
Rights	11,996	3,036	(148)	-	71	14,955
Development costs	14,353	827	-	2,039	-	17,219
Other intangible assets	5,016	253	-	-	-	5,269
Total	**31,365**	**4,116**	**(148)**	**2,039**	**71**	**37,443**
Accumulated amortisation:						
Rights	7,839	1,146	-	-	34	9,019
Development costs	2,727	2,790	-	-	-	5,517
Other intangible assets	3,932	614	-	-	-	4,546
Total	**14,498**	**4,550**	**-**	**-**	**34**	**19,082**
Net book value	**16,867**					**18,361**

(*) TL 2,039 represents transfers from property, plant and equipment to intangible assets in 2014.

	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**

(*) TL 12,080 represents transfers from property, plant and equipment to intangible assets in 2013.

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NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:	2014	2013
Provision for lawsuits	2,144	1,458
Other provisions	2,410	1,663
Total	**4,554**	**3,121**

Non-current provisions mostly consist of provision for operating right payments of Akport.

Contingent assets and liabilities:

a) Guarantees received

Mortgages, guarantee notes and cheques, letters of guarantee and other commitments received for short-term trade receivables are as follows:

	2014	2013
Insurances on receivables	296,158	248,977
Eximbank limits	177,273	163,245
Received notes, guarantee and cheques	98,752	113,310
Received mortgages	47,395	74,944
Received letters of guarantee	35,178	31,298
Confirmed/nonconfirmed letters of guarantees	24,110	35,216
Limits from direct debit systems	16,054	21,324
Total	**694,920**	**688,314**

b) Guarantees given

Letters of guarantee, mortgages and letters of credit given by the Group are presented below:

	2014	2013
Mortgages given	644,418	527,159
Letters of guarantee given	394,154	302,246
Letters of credit given	285,434	254,789
Total	**1,324,006**	**1,084,194**

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").

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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 43,888 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 2013. 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 2014 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 2014.

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 committee that was appointed by the court to solve this dispute between Privatization Authority and Akport Tekirdağ Liman İşletmesi A.Ş. announced its unanimous ruling on 28 February 2014.

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Ruling is as follows;

1. Relationship between the parties were ended due to impossibility of fulfillment the requirements as specified in the code of obligations as of 1 November 2010,
2. Akport should pay a total of USD 3,881,262 for operating right of the part up to aforementioned date,
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 2014.

d) Lawsuits from shareholders:

In addition to the explanations in Note 20, following the extraordinary general assembly dated 31 October 2013 and ordinary general assembly related to the year ended 2013 dated 22 April 2014 (delayed to and completed on 23 May 2014), certain shareholders filed numerous lawsuits against the Group. The total number of lawsuits is 9 together with afeorementioned files. Two of the aforementioned lawsuits were rejected by the relevant court. One lawsuit was cancelled due to lack of non-pursuance of claimants on 4 March 2015; other six lawsuits continue as of the approval date of these consolidated financial statements.

e) VAT penalty issued to Akport:

Related to tax year 2012, tax authorities issued a tax penalty amounting to TL 16,107 and loss of tax penalty with the same amount to Akport on 24 December 2014. The Group proposed a settlement in 21 January 2015. If settlement negotiations are not successful, the Group may appeal to the penalty in court. As of the date of approval of the consolidated financial statements, the Group estimates lawsuit related to tax will result in favour of the Company and does not consider a provision is required for the mentioned issue.

NOTE 16 - EMPLOYEE BENEFITS

	2014	2013
Short term:		
Provision for bonuses	11,909	7,127
Unused vacation provision	6,427	2,782
Subtotal	**18,336**	**9,909**
Long term:		
Provision for employment termination benefits	32,781	23,289
Provision for seniority incentive plan	3,122	3,232
Total	**35,903**	**26,521**

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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:

	2014	2013
Discount rate (%)	2.44	3.71
Probability of retirement (%)	96.82 - 100.00	95.56 - 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 3,541 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 provisions for employment termination benefits and seniority incentive bonus for the years ended 31 December 2014 and 2013 are as follows:

	2014	2013
1 January	**26,521**	**26,366**
Compensation paid	(2,958)	(2,781)
Service cost	4,653	2,447
Interest cost	1,609	972
Actuarial (gain)/loss	6,078	(784)
Sales of shares of subsidiaries	-	301
31 December	**35,903**	**26,521**

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NOTE 17 - OTHER ASSETS AND LIABILITIES

	2014	2013
Other current assets:		
VAT receivable	83,095	56,730
Income accruals	496	8,591
Other	420	536
Total	**84,011**	**65,857**
Other non-current assets:		
VAT receivable	28,075	41,072
Other	26	40
Total	**28,101**	**41,112**
Other current liabilities:		
Taxes and funds payable	2,813	1,905
Expense accruals	459	3,654
Total	**3,272**	**5,559**

NOTE 18 – BORROWINGS

	2014	2013
Short-term bank borrowings	543,470	692,272
Short-term factoring and leasing liabilities	31,797	27,975
Subtotal	**575,267**	**720,247**
Current portion of long-term bank borrowings	147,878	150,058
Total short-term financial liabilities	**723,145**	**870,305**
Long-term bank borrowings	684,733	306,355
Long-term factoring and leasing liabilities	9,787	14,087
Total long-term financial liabilities	**694,520**	**320,442**

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The weighted average effective annual interest rates (%) for the financial assets and liabilities of the Group are as follows:

	2014		2013	
	Weighted average interest rate %	TL	Weighted average interest rate %	TL
Short term bank borrowings:				
USD Loans	1,43	429,013	1,95	463,199
Euro Loans	4,22	88,897	4,70	88,229
TL Loans	10,67	25,560	10,36	140,844
Total		**543,470**		**692,272**
Short-term factoring and leasing liabilities:				
USD Loans	3,87	124,107	3,60	136,028
Euro Loans	3,68	23,771	3,14	14,030
Total		**147,878**		**150,058**
Long-term bank borrowings:				
USD Loans	4,84	491,580	4,06	221,278
Euro Loans	4,51	193,153	3,83	85,077
Total		**684,733**		**306,355**

The book value and fair value of the borrowings as of 31 December 2013 and 2012 is as follows:

	2014		2013	
	Fair Value	Book Value	Fair Value	Book Value
USD borrowings	1,049,957	1,061,112	723,438	703,759
EUR borrowings	269,037	305,821	195,093	191,606
TL borrowings	50,033	50,732	295,382	295,382
Total	**1,369,027**	**1,417,665**	**1,213,913**	**1,190,747**

The redemption schedule of borrowings is as follows:

	2014	2013
Within 1 - 2 year	153,878	68,290
Within 2 - 3 year	142,787	96,189
Within 3 - 4 year	101,740	96,189
Within 4 year and over	296,115	59,774
Total	**694,520**	**320,442**

At 31 December 2014, bank borrowings with floating interest rates amounted to TL 101,951 (2013: TL 279,538). 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+3.25% and Libor+3.5% (London Interbank Offered Rate) (2013: Libor +1.45%-Libor +3.5%).

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NOTE 19 - DERIVATIVE FINANCIAL INSTRUMENTS

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Hedging instruments	-	261	524	-
Held for trading	7,021	-	-	10,033
Total	**7,021**	**261**	**524**	**10,033**

Derivatives as hedging instruments:

	2014		2013	
	Contract amount	Fair value Liability	Contract amount	Fair value Liability
Interest rate swap	41,667	(261)	56,014	524

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".

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 2014, the fixed interest rates vary from 1.43% to 4.22% (2013: 0.91% to 4.2%), 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 2014 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings (Note 18).

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NOTE 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

At 31 December 2014 and 2013, the Group's share capital and shareholding structure exceeding 1% were as follows:

	% Share	2014	% Share	2013
A.R.D. Holding A.Ş.	33	204,366	33	204,366
Atlantik Holding A.Ş.	33	204,366	33	204,366
N.D.Ç. Holding A.Ş.	33	204,365	33	204,365
Other	1	1	1	1
Total		**613,098**		**613,098**
Paid-in capital		(225,000)		(75,000)
		388,098		538,098
Adjustment to share capital		157,537		157,537
Total equity		**545,635**		**695,635**

The Group's authorised share capital consists of 61,309,752,112 shares of TL 0,01 value (2013: 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 lawsuits 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 judgment lawsuit and request for appointment of a specialist auditor. Afore mentioned lawsuits continue as of date of these consolidated financial statements (Note 15).

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 temporary 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 exercise 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.

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Retained earnings in the statutory financial statements can be distributed as dividends other than judgments related to legal reserves described below.

Legal reserves

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, restricted reserves not exceeding %50 of share capital can be offset against accumulated losses, but cannot be distributed.

As of 31 December 2014 and 2013 retained earnings of Akkök in accordance with statutory financial statements are as follows:

	2014	2013
Legal reserves	6,449	4,994
Other capital reserves	18,989	18,989
Extraordinary reserves	181,447	181,447
Special funds	166,887	165,978
Retained earnings	10,592	-
Retained loss	(1,684)	(1,684)
Net profit for the period	46,182	33,161
Total	**428,862**	**402,885**

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:

2014	Ownership of non-controlling interest	Assets	Liabilities	Revenue	Net profit for the period
Akiş	%68.47	907,502	523,285	91,584	16,048
Akkim	%58.00	532,252	350,720	316,886	31,683
Aksa	%60.51	1,998,065	884,702	2,104,898	162,856
Total		**3,437,819**	**1,758,707**	**2,513,368**	**210,587**

2013	Ownership of non-controlling interest	Assets	Liabilities	Revenue	Net profit for the period
Akiş	%68.47	852,922	528,403	70,958	50,453
Akkim	%58.00	253,812	127,536	271,556	10,652
Aksa	%60.51	1,929,296	768,115	1,765,452	161,441
Total		**3,036,030**	**1,424,054**	**2,107,966**	**222,546**

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NOTE 21 – REVENUE AND COST OF SALES

a) Revenue

	2014	2013
Revenue	1,874,441	1,528,591
Exports	782,744	672,081
Less: Sales returns	(13,295)	(8,400)
Less: Sales discounts	(81,075)	(41,214)
Revenue, net	**2,562,815**	**2,151,058**

b) Cost of sales

	2014	2013
Raw materials	1,801,941	1,491,913
Depreciation and amortisation	88,027	81,427
Personnel expenses	70,573	58,809
Shopping mall costs	22,843	19,984
Cost of residences sold	21,208	9,189
Other	110,643	91,875
Total	**2,115,235**	**1,753,197**

NOTE 22 - GENERAL AND ADMINISTRATIVE EXPENSES

a) General administrative expenses

	2014	2013
Personnel expenses	59,301	50,942
Consultancy expenses	8,508	11,484
Other tax expenses	7,354	6,454
Communication expenses	5,234	3,601
Depreciation and amortisation	4,645	6,172
Office expenses	3,865	2,591
Rent expenses	3,629	2,775
Donations and charities	2,774	2,418
Travelling expenses	2,162	2,100
Bad debt expense	-	7,097
Income share payments	-	6,623
Other	12,393	19,837
Total	**109,865**	**122,094**

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a) Marketing expenses

	2014	2013
Export expenses	17,003	14,596
Personnel expenses	11,391	9,034
Commission expenses	7,155	7,259
Transportation expenses	2,176	2,853
Travel expenses	1,092	810
Advertisement expenses	840	2,605
Consultancy expenses	708	677
Other	6,030	5,541
Total	**46,395**	**43,375**

NOTE 23 – OTHER OPERATING INCOME AND EXPENSE

a) Other operating income

	2014	2013
Foreign exchange gain on trade receivables and payables	100,078	40,511
Interest income from sales on credit	18,761	16,406
Provisions no longer required	2,174	3,464
Rent income	1,486	1,515
Income from sales of scrap	677	3,119
Insurance claims	156	6,580
Other	6,973	7,104
Total	**130,305**	**78,699**

b) Other operating expense

	2014	2013
Foreign exchange gain on trade receivables and payables	105,949	64,749
Interest expense from purchases on credit	9,988	10,663
Provision expenses	4,239	2,566
Other	3,343	1,343
Total	**123,519**	**79,321**

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NOTE 24 – INCOME AND EXPENSE FROM INVESTING ACTIVITIES

a) Income from investing activities

	2014	2013
Gain on sales of subsidiaries and associates	683	4,527
Dividend income from subsidiary	-	99,835
Gain on sale of property, plant and equipment	-	21,897
Total	**683**	**126,259**

b) Expenses from investing activities

	2014	2013
Loss on sales of sales of a subsidiary	-	944
Other	-	189
Total	**-**	**1,133**

NOTE 25 – EXPENSE BY NATURE

Expenses classified by nature for the period of 31 December 2014 and 2013 are as follows:

	2014	2013
Raw materials	1,802,094	1,491,913
Personnel expenses	142,950	119,664
Depreciation and amortisation expenses	96,273	90,927
Shopping mall costs	22,843	19,984
Cost of residences sold	21,208	9,189
Other	194,729	194,981
Total	**2,280,097**	**1,926,658**

NOTE 26 - FINANCIAL INCOME AND EXPENSES

a) Financial income

	2014	2013
Foreign exchange gain	252,005	196,896
Interest income	28,421	24,493
Other	-	1,130
Total	**280,426**	**222,519**

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b) Financial expenses

	2014	2013
Foreign exchange losses	(248,902)	(261,055)
Interest expenses	(74,337)	(40,080)
Total	**(323,239)**	**(301,135)**
Financial expense, net	**(42,813)**	**(78,616)**

NOTE 27 - TAXES ON INCOME

	2014	2013
Corporate and income taxes payable	52,188	59,440
Less: prepaid corporate income tax	(40,188)	(44,931)
Taxes on income, net	**12,000**	**14,509**

The details of taxation on income in the statements of comprehensive income for the years ended 31 December 2014 and 2013 are as below:

	2014	2013
Current income tax expense	(52,188)	(59,440)
Deferred tax income/(expense), net	(4,740)	8,621
Total tax expense, net	**(56,928)**	**(50,819)**

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 2014 and 2013 using the enacted tax rates is as follows:

	Temporary taxable differences		Deferred tax assets / (liabilities)	
	2014	2013	2014	2013
Employee benefits	36,830	27,175	7,366	5,435
Provision for doubtful receivables	7,580	3,985	1,516	797
Other	2,785	4,665	557	933
Deferred income tax assets			**9,439**	**7,165**
Property, plant and equipment and intangible assets	(57,595)	(46,065)	(11,519)	(9,213)
Trade payables	(2,745)	(2,510)	(549)	(502)
Other	(9,085)	2,435	(1,817)	487
Deferred income tax liabilities			**(13,885)**	**(9,209)**
Deferred income tax liabilities, net			**(4,446)**	**(1,044)**

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Since each subsidiary and joint venture are separate taxpayers, net deferred income tax assets or liabilities for each of these taxpayers have been calculated; however these have not been offset in the consolidated balance sheets.

	2014	2013
Deferred income tax assets	5,262	7,694
Deferred income tax liabilities	(9,708)	(8,738)
Deferred income tax liabilities, net	**(4,446)**	**(1,044)**

Movements of deferred tax liability as at 31 December 2014 and 2013 as below:

	2014	2013
1 January	**1,044**	**12,585**
Deferred tax income for the year, net	4,740	(8,621)
Amounts recognised under equity	(1,338)	(519)
Currency translation differences	-	(2,401)
Balances at 31 December	**4,446**	**1,044**

The reconciliation of tax expenses stated on the consolidated statement of comprehensive income for the years ended 31 December 2014 and 2013 is as follows:

	2014	2013
Profit before tax on consolidated financial statements	173,497	192,341
Expected tax expense of the Group (20%)	**(34,699)**	**(38,468)**
Effect of tax losses for which no deferred tax asset recognized	(5,284)	(8,770)
Effect of consolidation adjustments	(15,073)	(15,755)
Non-deductible expenses	(1,437)	(2,260)
Other income exempt from tax	5,224	13,602
Other	(5,659)	832
Actual tax expense of the Group	**(56,928)**	**(50,819)**

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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	2014	2013
2015	5,592	9,809
2016	13,563	12,689
2017	21,984	21,865
2018	20,327	6,934
2019	15,422	-
Total	**76,888**	**51,297**

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

Foreign currency risk is identified by the changes in cash flows and revenues due to changes in foreign currency rates. Akkök Group is exposed to foreign currency risk with the foreign currency transactions of sales, purchases and financial liabilities. In these transactions, USD Dollar and Euro are the main currencies. In selected subsidiaries, Akkök Holding A.Ş., implement written policies for managing these risks. Written policies are determined considering, a) risk appetite b) strategies and plan to reduce risk to an acceptable level c) risk monitoring methods (reporting, etc.). These policies are revised when necessary and reviewed at least once a year.

Net foreign currency positions of selected subsidiaries are analysed periodically by Akkök Holding A.Ş.. In order to manage the foreign currency risk, natural hedging is achieved, as practically possible, through balance sheet management. In addition, the Group enters into derivative contracts to manage shorter - term foreign currency risk, where necessary. For longer term management of the risk, the Group considers market conditions and enters into derivative contracts.

As of 31 December 2014, the foreign currency position of the Group is prepared using the following foreign exchange rates USD/TL 2.3189, EUR/TL 2.8207. (2013: USD/TL 2.1343, EUR/TL 2.9365).

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Foreign currency position table denominated in Turkish Lira as of 31 December 2014 and 2013 is as follows:

	2014	2013
Assets	1,134,732	628,215
Liabilities	(1,759,256)	(1,333,858)
Net balance sheet position	**(624,524)**	**(705,643)**

		2014		
	USD	EUR	Other currencies	Total
Assets:				
Cash and cash equivalents	440,895	18,484	9,733	469,112
Financial investments	56,891	-	-	56,891
Trade receivables	455,123	59,450	-	514,573
Other assets	92,515	1,641	-	94,156
Total assets	**1,045,424**	**79,575**	**9,733**	**1,134,732**
Liabilities:				
Short-term borrowings	553,120	112,668	-	665,788
Long-term borrowings	491,580	193,153	-	684,733
Trade payables	372,392	36,215	-	408,607
Other liabilities	128	-	-	128
Total liabilities	**1,417,220**	**342,036**	**-**	**1,759,256**
Net foreign currency position	**(371,796)**	**(262,461)**	**9,733**	**(624,524)**

		2013		
	USD	EUR	Other foreign currencies	Total
Assets:				
Cash and cash equivalents	166,818	66,450	7,590	240,858
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	**490,577**	**128,331**	**9,307**	**628,215**
Liabilities:				
Short-term borrowings	599,227	102,259	-	701,486
Long-term borrowings	221,278	85,077	-	306,355
Trade payables	301,354	23,319	-	324,673
Other liabilities	331	-	1,013	1,344
Total liabilities	**1,122,190**	**210,655**	**1,013**	**1,333,858**
Net foreign currency position	**(631,613)**	**(82,324)**	**8,294**	**(705,643)**

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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 2014 and 2013.

2014	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%		
USD net assets / liabilities	(44,223)	44,223
USD net effect - income/ (expense)	**(44,223)**	**44,223**
Change of EUR against TRY by 10%		
EUR net assets / liabilities	(26,246)	26,246
Euro net effect - income/ (expense)	**(26,246)**	**26,246**

2013	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%		
USD net assets / liabilities	(63,161)	63,161
USD net effect - income/ (expense)	**(63,161)**	**63,161**
Change of EUR against TRY by 10%		
EUR net assets / liabilities	(8,232)	8,232
Euro net effect - income/ (expense)	**(8,232)**	**8,232**

28.2 Interest rate risk

Interest rate risk arises from changes in interest rates of interest bearing liabilities and assets. As the medium and long term borrowings are only available with floating rates in the market Akkök Group is exposed to interest rate risk from time to time. Akkök Holding A.Ş., implemented written policies for managing these risks. Written policies are determined considering, a) risk appetite b) strategies and plans to reduce risk to an acceptable level c) risk monitoring methods (reporting, etc.). These policies are revised when necessary and reviewed at once a year. The Group watches markets closely, analyses sensitivity to interest rate changes and the weighted average maturity of liabilities to identify possible changes in costs. As a result of analysis; if necessary, interest rate swaps are used to fix some portion of the floating rate debt liabilities during the term of the loan.

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 2014 and 2013, the Group's borrowings at floating rates are mainly denominated in USD and Euro.

At 31 December 2014, if interest rates on USD denominated borrowings had been higher/lower by 100 base point with all other variables held constant, profit before income taxes would have been TL 1,010 (2013: TL 2,795) higher/lower, mainly as a result of high interest expense on floating rate borrowings.

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28.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Trade receivables are evaluated by the management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables Credit risk of financial instruments at 31 December 2014 and 2013 are as follows:

	Trade and other receivables		
2014	**Related party**	**Other**	**Bank deposits**
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	**102,824**	**552,305**	**628,385**
Secured portion of the maximum credit risk by guarantees	-	445,554	-
A. Net book value of financial assets that are neither past due nor impaired	102,824	517,322	628,385
- Security, etc.,, have been secured with some	-	424,774	-
B. Net book value of financial assets with renegotiated conditions otherwise will	-	37,477	-
- accepted as overdue or impaired	-	19,588	-
C. Net book value of financial assets that are past due but not impaired	-	1,192	-
- Overdue (gross book value)	-	59,408	-
- Impairment (-)	-	(58,216)	-
- Security, etc.,, have been secured with some	-	1,192	-
- Not overdue (gross book value)	-	-	-
- Impairment (-)	-	-	-
- Security, etc.,, have been secured with some (-)	-	-	-
D. Off-balance sheet items with credit risk	-	-	-

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	Trade and other receivables		
2013	**Related party**	**Other**	**Bank deposits**
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	**22,045**	**457,196**	**648,401**
Secured portion of the maximum credit risk by guarantees	-	352,823	-
A. Net book value of financial assets that are neither past due nor impaired	22,045	429,414	648,401
- Security, etc.. have been secured with some (-)	-	334,062	-
B. Net book value of financial assets with renegotiated conditions otherwise will be		26,590	-
accepted as overdue or impaired	-	17,569	-
C. Net book value of financial assets that are past due but not impaired	-	-	-
- 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 (-)	-	-	-
D. 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.

2014:

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						
Trade payables	435,985	463,587	332,188	131,399	-	-
Due to related parties	36,721	36,721	36,721	-	-	-
Total	**1,890,371**	**2,021,913**	**1,043,908**	**395,344**	**311,771**	**270,890**

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Expected (or contractual) maturities	Carrying value	Contractual cash flows (=I+II+III+ IV)	Up to 3 months	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Derivate financial assets, (net)						
Derivative cash outflows	261	261	-	261	-	-

2013:

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	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**

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	10,033	10,033	6,759	3,274	-	-

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.

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The ratio of net debt/equity at 31 December 2014 and 2013 is as follows:

	2014	2013
Total liabilities	1,890,371	1,563,996
Less: cash and cash equivalents (Note 5)	(571,751)	(623,792)
Less: short term financial investments	(56,890)	(24,838)
Net debt	**1,261,730**	**915,366**
Total shareholders' equity	2,031,979	2,120,752
Total equity	**3,293,709**	**3,036,118**
Debt/equity ratio %	**38**	**30**

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.

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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.

2014	Level 1	Level 2	Level 3
Available-for-sale financial assets	12,762	226	-
Total assets	**12,762**	**226**	**-**

2013	Level 1	Level 2	Level 3
Available-for-sale financial assets	9,813	226	-
Total assets	**9,813**	**226**	**-**

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 - EVENTS AFTER THE BALANCE SHEET DATE

On 5 January 2015, the Group acquired 100% shares of Gizem Seramik Frit ve Glazür San. Ve Tic. A.Ş. ve Gizem Frit Pazarlama ve Dış Tic. A.Ş. As a result of this acquisiton, the Group has addedcoating chemicals for many daily use products such as; durables, kitchen utensils, ceramic, aluminum, and glass bottles, to its products.

One of the Group's subsidiaries, Aksa Akrilik, performs negotiations with European Bank for Reconstruction and Development (EBRD), with a total of fifty (50) million Euros for the framework of the financing of investment and modernization projects which will be carried out in the near future.

The Group's joint venture Akenerji's subsidiary Egemer Elektrik Üretim A.Ş., has carried out technical investigation in Erzin Doğalgaz Kombine Çevrim Santrali to resolve identified technical interferences with its operations. As a result of the resolvement of interferences, the plant has started to operate with full capacity on 28 January 2015.

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