

Akkök Holding A.Ş.

Report 2015



AKKÖK
HOLDİNG

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**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 5.000 employees and 18 industrial and commercial companies.
- ▶ The Holding's total turnover amounted to US\$ 3.1 billion in 2015.

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

- ▶ Total production capacity of 800,000 tons
- ▶ Production allied with the subsidiaries on an area of 400,000 m² over 5 different locations
- ▶ Export spread across five continents and more than 50 countries
- ▶ 800 employees in total
- ▶ Nearly 50 employees in Ak-Kim R&D units, which is the only R&D center in Yalova

GİZEM FRİT

- ▶ Established in 1979, Gizem Frit commenced the first frit production
- ▶ The firm conducted pigment production in 1985, Electrostatic Powder Production in 1990, and ceramic frit production in 2008, and accomplished the first enamel frit export in 1995
- ▶ The Company joined Akkök Holding in 2015.
- ▶ Production capacity of 120,000 Tons/Year
- ▶ Indoor factory area of 30,000 m² on a 60,000 m² site
- ▶ The world's 2nd largest Enamel Frit producer, with a market share of 11%
- ▶ Enamel, ceramic, pigment and non-stick coating recognized across the international market
- ▶ More than 1,000 varieties of products
- ▶ Export to 55 countries on five continents

- ▶ Attaining the sector's highest export figure for the past 4 years running, it won the grand prize in the Istanbul Mineral and Metals Exporters' Association Sectoral Export

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

- ▶ Union of forces between Akkök Holding and the Czech energy company Cez Group
- ▶ With its leading actions in the field of renewable energy, Akenerji has become the representative of foresight and stability in the energy industry.
- ▶ An installed capacity of 1,292 MW as of 2015 year-end, 388 MW of which is renewable
- ▶ 10.7 TWh sales volume in Energy Trade

EGEMER

- ▶ Akenerji's largest investment
- ▶ Erzin Natural Gas Combined 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 3.384.719 in a total of four regions, 45 districts, 47 towns and 1.441 villages on an area of 19.421 square kilometers covering the regions of Sakarya, Kocaeli, Bolu and Düzce
- ▶ Installed 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 ENERGY

- ▶ Retail Electricity Sales Company, the region's final supplier in Bolu, Düzce, Sakarya, Kocaeli and Gebze
- ▶ The firm operates across Turkey, selling electricity to 1.5 million customers
- ▶ 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

- ▶ Export to more than 70 countries over five continents (acrylic fiber, carbon fiber, inorganic and organic chemical substances and frit)
- ▶ Brand strength in the market with the fiber and thread group (polyester, polyamide, viscose, cotton)
- ▶ 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 GYO

- ▶ 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 Dinçk k, and with deep know-how spanning 63 years, Akk k Holding ranks among the most well established industrial groups in Turkey. The Group conducts operations in the fields of chemicals, energy and real estate, with 18 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, Akk k 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.

DowAksa offers integrated carbon fiber composite solutions to industry sectors, primarily the energy sector, as well as the transportation and infrastructure industries. The Company develops solutions that aim to boost performance while reducing the total cost, providing a wide range of products for the fast growing carbon fiber composite industry. Expanding its product line with technical service support, DowAksa also conducts business development activities on a global scale. Today, DowAksa is among the most powerful companies, racing to the top of the world in carbon fiber and carbon fiber based material production. Moreover, DowAksa is the first and only Turkish company to carry out activities in the carbon fiber industry.

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. The Company's range of products is oriented towards various industry groups, particularly the chemicals, textile, food, water treatment, paper, pharmaceutical and construction sectors. 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 Gizem Frit, one of the world's biggest enamel and ceramic frit producers, opening upto 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 Akk k 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 holds shares at a rate of 19.71%, and which was developed by SAF REIT. Moreover, as an alternative to the shopping center investments in Bađdat Street as a new business model in Turkey, it also develops projects for street retail and investments. Akiş REIT aims to provide a regular dividend income for its partners by means of regular rental income, which will expand with these investments. Akiş REIT consistently follows changing sector trends and socio-economic developments closely, and aims to sign off on prominent projects in the real estate sector.

Another company belonging to Akkök Holding, whose success in the real estate industry has been inscribed with the Akmerkez Shopping Mall investment, is SAF REIT, which has reinforced the holding's reputation in the real estate industry with activities that add value to society as a whole. 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.

Starting its activities as an auto-producer group in the Akkök Group of Companies in 1989, Akenerji has been operating as an independent power generation company since 2005. Taking part in the 50:50 strategic partnership between Akkök Holding and ČEZ Group, one of Europe's leading energy companies, the Company has a total installed capacity of 1,292 MW, and solely fulfills 3.1% of Turkey's energy need as of the end of 2015. Having made notable strides in sustainable energy, Akenerji, with a total installed capacity of 388 MW, has raised the share of sustainable energy sources to 30%, with 8 hydroelectric power plants and one wind power plant. Project design works for the Kemah Hydroelectric Power Plant, with a capacity of 198 MW, and which is planned to be built in Erzincan, are ongoing.

Rendering services within the joint venture of AKČEZ, established by Akkök Holding and ČEZ Group, Sepaş Energy operates in Bolu, Düzce, Sakarya and Kocaeli as the region's electricity supplier, and all around Turkey with a retail electricity sales license. Sepaş Energy offered services to 1.5 million customers in 2015, providing energy to a portfolio of nearly 867 MW. On 01.11.2015, in accordance with legislation, Sepaş Energy executed the physical dissolution of electricity distribution and retail sales activities, required to be completed by 01.01.2016, upon the decision of AKČEZ's Board of Directors.

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, 47 municipalities, 1,441 villages, and a population of 3,384,719.

The understanding of "Sustainable Development" is a key component in creating Akkök Holding's future perspectives and strategies. Akkök Holding prepared its first Sustainability Report in 2012, with detailed information on the performances and practices regarding the environment and society, as well as ethics and the economy. The report applied international reporting standards in accordance with GRI (Global Reporting Initiative), and acquired an approval of level C. In the 2013-2014 period, a second sustainability report, which consisted of the operations of Akkök Holding, Aksa Akrilik, Ak-Kim Kimya, Akenerji and Akış REIT, was prepared and published within the framework of G4 reporting.

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.

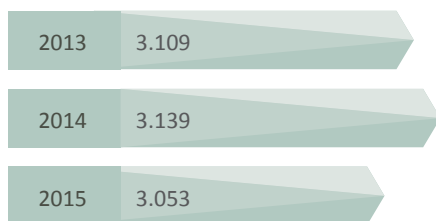
Today, more than 5,000 employees work at Akkök Holding.

Key Financial Indicators*

MAINTAINING ITS CONSISTENT PERFORMANCE IN 2015,
AKKÖK GROUP ANNOUNCED CONSOLIDATED
EBITDA OF US\$ 185 MILLION.

Net Sales

Combined (US\$ Million)



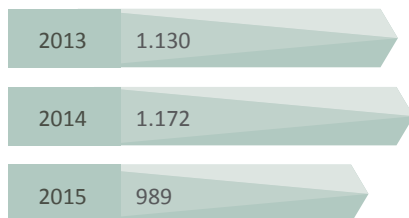
DROP OF 3% ⁽¹⁾

Declining by 3% compared to the previous year, Akkök Group achieved combined net sales amounting to US\$ 3,053 million.

⁽¹⁾ The rise on TL basis is 21%, and combined net sales are TL 8,302 million.

Net Sales

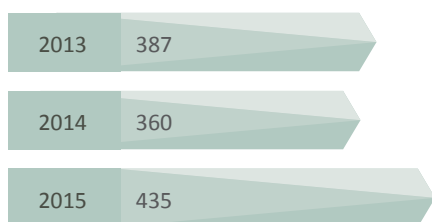
Consolidated (IFRS US\$ Million)



In 2015, Akkök Group achieved consolidated net sales of US\$ 989 million.

FVAÖK

Combined (US\$ Million)



21% HIKE ⁽²⁾

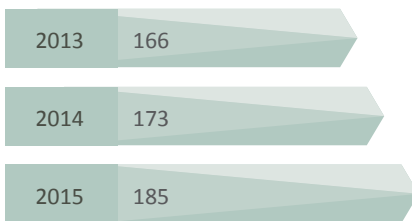
In 2015, Akkök Group announced EBITDA of US\$ 435 million.

⁽²⁾ The rise on TL basis is 50%, and the combined EBITDA is TL 1,184 million

^(*) Combined values are calculated as per the Regulatory Financial Statements of Akkök Holding A.Ş., as well as its Affiliates, Subsidiaries, and Jointly Controlled Entities, without being subject to elimination.

Ebitda

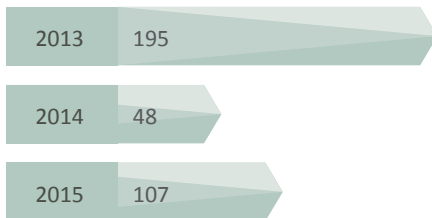
Consolidated (IFRS US\$ Million)



Akkök Group announced consolidated EBITDA of US\$ 185 million in 2015.

Net Profit

Combined (US\$ Million)



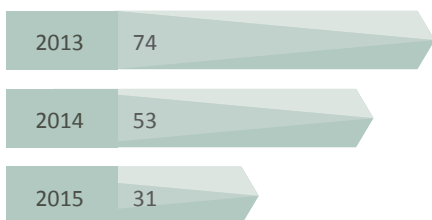
121% HIKE ⁽³⁾

Akkök group grew by 121% on a combined basis, and obtained a net profit of US\$ 107 million in 2015.

⁽³⁾ The hike in TL basis hit 175%, while the combined net profit is TL 290 million.

Net Profit

Consolidated (IFRS US\$ Million)



Akkök Group obtained a consolidated net profit amounting to US\$ 31 million in 2015.

^(*) Combined values are calculated as per the Regulatory Financial Statements of Akkök Holding A.Ş., as well as its Affiliates, Subsidiaries, and Jointly Controlled Entities, 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, İstanbul 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, İstanbul 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 İstanbul 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 inaugurated 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, Akxa 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

Akxa Egypt was established in Alexandria, Egypt and Akenerji commissioned its Izmir-Batçim 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. Akxa 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. Akxa 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, Akxa 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.

SAF REIT, one the subsidiaries of Akkök Holding, begins trading on BIST.

2008

In 2008, the AKCEZ Consortium, a partnership between Akkök, Akenerji and the Czech Republic energy company CEZ Group, 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 Group 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 Akxa 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. Akxa 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 Akış 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.

Raif Dinçök 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. The certification of Çerkezköy Natural Gas Power Plant was terminated on 31.12.2012, in consideration of the current and expected market conditions.

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 Akış project located in İstanbul Esenyurt, were made. Akış was granted the title of Real Estate Investment Trust as a result of the application it made to the Capital Markets Board. Akış 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.

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 Dınçkök 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 Enerji was established on November 12, 2012 to perform retail activities. After the company was reorganized into two separate entities, SEDAŞ and SEPAŞ Enerji, SEPAŞ Enerji 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

Necessary investment was made for Fekfe 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 Enerji. 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 İstanbul.

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.

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

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

An investment of US\$ 5.5 million was made for Akirilik 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.

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 audit and were granted certification. As of 2014 year-end, 10 locations (Headquarters Building, Ayıldız, 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 2017.

The shopping mall with 88.862 m² of leasable space belonging to the Akasya Acıbadem project, and developed by SAF REIT (in which Akiş REIT has a 19.71% share), opened its doors on March 6, 2014.

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

Aktek

Moving its head office to Yıldız Technical University Davutpaşa Teknopark campus, Aktek's projects enabled university and industry cooperation, and the Company aims to be in the same ecosystem as technology companies, and develop joint projects with them.

2015

Akkök

Akkök Holding has always acted in consideration of the youth in all its projects and social responsibility activities. Pursuant to its "We Invest in the Future" strategy, the Holding once again emphasizes its support for the young population with the Mamut Art Project, for which the Company assumed the key sponsorship in 2015.

The second sustainability report, covering the engagements of Aksa Akrilik, Ak-Kim Kimya, Akenerji and Akiş REIT, is prepared in accordance with G4 reporting framework for the 2013-2014 period.

Akkök Children's Fest was organized for the fourth time. The theme of the fest was water saving and efficient usage of water.

Aksa

Aksa's annual production capacity was boosted from 308,000 tons to 315,000 tons following recent modernization and efficiency projects and investments.

Aksa's Corporate Governance Rating was updated to 9.5 as a result of its assessment as per CMB Corporate Governance Principles, and took 3rd place on the BIST Corporate Governance Index as of year-end. Based on the ranking of the companies included in the index upon the revision of the

rates, the Company received an award as the "3rd Highest Scoring Company" in 2015 among 50 companies listed on the Corporate Governance Index, during the award ceremony of the 9th Corporate Governance Summit, organized by the Turkey Corporate Governance Association (TKYD) on January 14, 2016. With this award, Aksa Akrilik's excellence is crowned in a variety of fields, from corporate governance to the transparency it displays towards its stakeholders.

Yalova Composite and Chemical Expertize Improvement Organized Industrial Estate (YALKIM OSB), the founders of which are the Acrylic Based Composite, Advanced Materials and Technology Producers' Association, including Aksa as a member, as well as Yalova Special Provincial Administration, Taşköprü Municipality and Yalova Chamber of Trade and Industry, was established on a total area of 1,130,000 square meters at the address of Yalova's Çiftlikköy District, Taşköprü, with registry number 308 given by the Ministry of Science, Industry and Technology, on July 6, 2015.

Aksa Akrilik won the Proof Not Promises award for its GE Power & Water, Water and Process Technologies Project. The project was carried into effect to prevent unplanned shutdown of the boilers in the Power Generation Facility due to pipe damage. Thanks to Aksa Akrilik, the Proof Not Promises Award was once again granted to a company from Turkey, for the first time since 2013.

Aksa, along with all of its subsidiaries in Turkey, reported its sustainability performance for January 1 - December 31, 2014. With its 2014 Sustainability Report, issued in accordance with the GRI (Global Reporting Initiative), the Company leveraged its report from GRI G3 B level in 2013 to GRI G4 standard this year.

Ak-Kim

Ak-Kim acquired 100% shares in Gizem Frit. The Ultrafiltration Project, one of Ak-Kim's key investments, was completed. Ak-Kim Information Security Management System was put into operation. Ak-Kim obtained ISO 14064 Greenhouse Gas Inventory License and ISO 50001 Energy Management System Certification. A capacity increase project was signed for Adwan Chlorine Alkali facility, which was previously established by Ak-Kim.

Gizem Frit

The Company started the first non-stick coating production in 2014, and made its first export both in coating and ceramic frit in 2015.

In 2015, the composite ceramic facility investment was completed, and the product range was expanded.

The Oracle ERP integration was finalized in 2015, and a significant step was taken in terms of corporate structure.

Akenerji

Erzin Natural Gas Combined Cycle Power Plant joined the power plants that have obtained ISO 9001:2008 Quality, ISO 14001:2004 Environment, and OHSAS 18001:2007 Occupational Health and Safety Management Systems certifications.

ISO 27001:2013 Information Security Management System Certification was obtained for Head Office, Uluabat HPP and Erzin Natural Gas Combined Cycle Power Plant.

Project development and engineering works were completed for Kemal Hydroelectric Power Plant project, which is the largest hydroelectric power plant with installed power of 198 MW.

It became the first Turkish energy company to publish a Sustainability Report for the year 2014 using the latest version, G4, of the GRI Sustainability Reporting Guideline.

It is the first and only energy company reporting to the CDP Turkey Water Program since the first year it became effective.

Energy Market Regulatory Authority (EMRA) approval was obtained for expanding the capacity of Ayyıldız Wind Power Plant from 15 MW to 28.2 MW.

SEDAŞ

The SCADA Project, which enables remote monitoring of the power in the electricity network circulating through the Kocaeli, Gebze, Sakarya, Bolu and Düzce regions, and rapid intervention in power cuts, was completed as of 2015 year-end.

Sepaş Enerji

Sepaş Enerji composes campaigns and tariffs customized for customer needs.

A Customer Satisfaction Questionnaire, measuring 1.5 million customers' level of satisfaction with product and service processes across Turkey, was completed.

Online transactions and digital archive projects were completed. Breaking new ground in the sector, online electricity sales commenced over the website.

Demands, requests and suggestions such as debt inquiry and information request applications are collected, followed and finalized, by means of the Call Center.

600,000 addresses were updated through the Address Updating Project. Now Electricity Debt Notices, as well as electricity cut and opening orders, are automatically generated.

Thanks to the Data Mining Project, the segmentation of Sepaş Enerji customers and segment based customer management are performed.

AKCEZ

As the service procurement cannot be done over AKCEZ due to the EMRA regulation, the restructuring process was commenced for common service units within AKCEZ. Accordingly, the AKCEZ dissolution process was completed on November 1, 2015.

Akiş REIT

After our Company acquired 13.25% of SAF REIT's shares in July 2015 for an amount of US\$ 62,864,532.62, our total share in SAF REIT reached 19.71%.

Land purchases and flat for land contracts pertaining to the Beykoz project investment began to be signed.

A first rental agreement was signed as part of street retail and the construction works were commenced.

In 2015 Akbatı Shopping Mall and Residences were crowned with 14 Prizes in national and international competitions.

AKIS REIT A.Ş. conceptualized as a project the value it places on life and humanity with its new brand, Yaşam Akademisi (Life Academy). Yaşam Akademisi is the first project organized by the Company to offer a robust platform to those wishing to enhance individual awareness of a real estate firm in Turkey, and contribute to social happiness. The chat sessions organized, free of charge and under the umbrella of Yaşam Akademisi, initially started in Akbatı.

Aktek

In 2015, Aktek formed an entity named Aktek Garage, which structurally depicts internal and external innovation philosophy. With this structuring, Aktek gives opportunities to individuals with creative ideas to put their ideas into a project.

The installation and kick-off processes of Oracle EBS R12, the Corporate Source Management system of Gizem Frit, which joined Akkök Holding in 2015, were successfully completed.

Message from the Chairman

Considering the modest progress of global economic growth in 2015, high volatility exchange rate with the dollar throughout the year, the US rate hike after a decade's hiatus, 2 consecutive general elections, the fight against terrorism, and Turkey's relations with Russia and Syria, we can see that we have overcome a significantly testing year for Turkey.

When we look deeper into the world, we see that the global outlook sustained its uncertainty in 2015. Gradual recovery observed in advanced economies, as well as the slowdown in emerging economies' growth, were the main reasons for this uncertainty. Accordingly, global growth in 2015 remained below estimates, and came in at around 3%. It is projected that economic growth will decelerate in the coming period, with the expectation that labor force participation in the USA and Europe will shrink.

One of the eye-catching developments of this last year has been the sharp decline in the barrel price of Brent oil. The barrel price of Brent oil lost approximately 35% of its value in one year, due to the sharp decline observed throughout the year, bringing it to the lowest level of the past 11 years. Abolishment of the economic and financial sanctions imposed on Iran, China's decelerating economic growth, tension among OPEC countries, and the record high level of US oil stocks are among the factors exerting downward pressure on Brent oil prices.

On the other hand, the US economy closed 2015 with growth of 2.4%, which lay parallel with expectations. We may regard the FED's rate hike in December as the last economic development to hit the headlines in 2015. The USA hiked rates for the first time since 2006, raising the benchmark interest rate by 0.25 percentage points to a range of 0.25-0.50.

As for the Chinese economy, we see that China had the lowest economic growth of the last 25 years at 6.9% in 2015. The Chinese economy is expected to be supported by monetary and financial policies in 2016. It is projected that China's focus will be on reducing capacity abundance in industry, cutting real estate stocks, and minimizing financial risks.

Since 2011, the Eurozone has registered modest progress, growing by 1.5% in general. Similar growth is expected in the Eurozone for 2016. Behind these expectations, there lies the continuation of conditions conducive to growth. Additionally, we note that low oil prices, inflation below expectations, and climbing consumption due to developing workforce market also have an impact. In spite of this modest atmosphere, it can be said that the Eurozone countries are still dealing with some economic problems owing to different tax and spending approaches. Banks' non-performing loans could not be eliminated, and governments started to take radical steps. Moreover, the recent immigrant problem has led to high political tension in the Eurozone.

While 2015 was dominated by uncertainty in the markets as much as fluctuation, both economically and socially around the world, the Turkish economy closed the year with growth of 4%, exceeding expectations. The main components of this were modest demand growth in domestic consumption, the recovery trend in exports to the EU, and the positive contribution of net exports. As a result of the low trend in oil prices, which is one of our main import items, the cumulative current account deficit in 2015 reached US\$ 32.192 billion, the lowest level for the past 5 years. Industrial production rose by 4.5% in December 2015 compared to the same period of the previous year, again surpassing expectations.

WE CARRY ON OUR OPERATIONS WITHOUT COMPROMISING OUR PRINCIPLES, SUCH AS CONTRIBUTION TO THE NATIONAL ECONOMY AND EMPLOYMENT, TRANSPARENCY, SOCIAL RESPONSIBILITY, SUSTAINABILITY AND ENVIRONMENTAL CONSCIOUSNESS, THE KEY VALUES FOR OUR HOLDING.



“In 2016, we aim to maintain the investments we made during the previous year.”

Ali Raif Dinçök
Chairman

Despite all these economic fluctuations, uncertainties and various adverse issues, both in Turkey and worldwide, we at Akkök Holding closed another year successfully. We added value to the sectors we operate in by means of our investments and projects, and we had a fruitful and productive year. We carry on our operations without compromising our principles, such as contribution to the national economy and employment, transparency, social responsibility, sustainability and environmental consciousness, the key values for our holding. In 2016, we aim to maintain the investments we made during the previous year.

I would like to extend my gratitude on behalf of Akkök Holding, which maintains its operations with particular emphasis on social development as well as sustainable growth in the chemicals, energy and real estate sectors, to our devoted employees, esteemed executives, and all of our stakeholders who rely on us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ali Raif Dinçök', written over a white background.

Ali Raif DİNÇÖK
Chairman

Message from the CEO

Leaving behind another hectic year, economically, socially and politically, we remain steadfast on our path in the sectors where we operate as a locomotive corporation for the development of Turkey. Low oil prices throughout the year, drastic decline in commodity prices, and lower-than-expected growth in the Chinese economy led to worldwide economic uncertainty. Therefore, it is fair to say that both the global economy and Turkey's economy went through a volatile year overall.

The circumstances resulting in uncertainty and volatility for Turkey can be set out under a trio of titles: global economic developments, geopolitical crises, and repeated general elections.

Considering the current condition of Turkey's economy and the positioning of our company, we at AKKÖK HOLDİNG invest with longer-term strategies, and we take note of inorganic growth as well as organic growth by means of past and current projects. We believe that development of the Turkish chemical sector will play a key role in closing the gap in foreign trade. Hence, we pay close attention to the added value created by our group companies, such as Aksa Akrilik, Ak-Kim Kimya and DowAksa, with their activities in the chemicals sector. We strive to position Akkök Holding as one of Turkey's largest holdings investing in the chemicals sector.

In 2015, we maintained our turnover, whilst achieving a substantial recovery in our operating income.

In 2015, Aksa Akrilik tended toward export markets to compensate the negative effect of the drop in oil prices, and economic and political uncertainties in domestic markets. Hence, Aksa Akrilik focused on new business areas, gained new markets, and worked to enhance its penetration across existing markets during the previous year. By means of investments, the capacity utilization ratio reached almost 98%, and export's share of total sales reached 41%. Today Aksa has attained turnover of US\$ 750 million through delivering products to more than 300 customers, in 50 countries across 5 continents, and it stands its ground in a robust fashion. Based on gains from focusing on R&D activities in the last year, production began on pigment dyed acrylic filament thread, as the sole producer in the sector. In addition to this investment, the Company continued engagements in High Pile fiber and modacrylic throughout the year. The decorated GE Power&Water, Water and Process Technologies Project and Advanced Energy Solutions Project, which gain savings for the Company in energy efficiency and operational excellence, were put into operation in 2015.

Last year DowAksa signed a Joint Development Agreement with the automotive giant, Ford, to develop carbon fiber devoted to a high volume of automotive sector applications. The purpose of the said agreement, which combines DowAksa's raw material capacity, competency in carbon fiber, and intermediate material production with Ford's design, engineering and high volume manufacturing experience, is to manufacture much lighter vehicles. This will ensure lower fuel consumption and exhaust emission with optimum performance and cost. This joint project works in parallel with our holding's sustainability plan.

Allied with the acquisition in early 2015, Ak-Kim Kimya incorporated Gizem Frit, the world's third largest ceramic frit producer, into its structure. We need to ensure parallel organic and inorganic growth to enable Ak-Kim to attain its target of turnover amounting to US\$ 1 billion by 2023. In this sense, Gizem Frit is one of the crucial steps taken by the Company. Our investments in powder dye and inkjet continue to ensure Gizem Frit offers a wider range of products to customers in the coating sector.

Ak-Kim's ultrafiltration module production, consisting of perforated fibers, is just one of the Company's projects that were deployed for production in 2015. With this module, developed by the Company through its experience and market know-how in water treatment, advanced physical purification is achieved without transforming the water's chemical properties. Rapidly declining water sources mean that water treatment and recycling are vital. We aim to start harvesting the fruits of this investment in 2016.

The common refining project, constructed for joint usage in replacement of the refining facility used by our factories in Yalova, became operational in 2015. The facility is monitored online, 24 hours a day, by Yalova Provincial Directorate of Environment and Urbanization. The water-refining project, which is one of Akkök's sustainability projects, progresses in accordance with the purposes of efficient usage of water sources, and attaining the most appropriate conditions for the environment.

As for the real estate sector, Akış REIT continues to develop projects enhancing quality of life. As Shopping Mall investments reached a certain saturation level, a tendency has cropped up towards a new business model called street retail. Akış is developing street retail projects on Bağdat Street. The old buildings in Şaşkınbakkal, Caddebostan, Suadiye and Çatalçeşme were bought and re-designed. Accordingly, operations to develop commercial real estates are ongoing. Improvement and awareness-raising works continue in Akkök Holding, Akmerkez, Akbatı and Akasya. In the meantime, Akış REIT raised its shareholding in SAF REIT.



“Our ongoing innovation and efficiency based projects will generate results to close Turkey’s current account deficit.”

Ahmet C. Dördüncü
Chief Executive Officer

Operating in the energy sector, and growing by activating 10 new power plants in the past 6 years, Akenerji has 1292 MW installed capacity as of 2015 year-end, and the Company focused on benefiting from this installed capacity at an optimum level. Upon completion of the feasibility works for the Ayyıldız Wind Power Plant, activated in Balıkesir – Bandırma in 2009, the capacity enhancement works kicked off. As a result of these investments, the current capacity of 15 MW is expected to reach 28.2 MW. While 30% of Akenerji’s total installed capacity is composed of renewable resources, Akenerji will continue to make use of investment and project opportunities in renewable energy. In 2015, Akenerji further commenced engagements pertaining to energy efficiency projects and consultancy. The Company is up for partnering other group companies, non-group companies, plazas, shopping malls and houses in terms of energy saving.

Operating in informatics, our company Aktek aims to develop new projects and make investments by means of projects to be developed by employees within the company. It is also open to innovative ideas coming from external entrepreneurs, as well as being a corporate solutions partner. To this end, the “Aktek Garage” project was initiated in 2015, and negotiations with various individuals coming up with ideas were kicked off on many projects.

Akecz maintains technology and infrastructure investments to harmonize with the liberalization of the electricity distribution and retail sector, and to enhance efficiency.

At Akkök Holding, we closed 2015 with investments worth US\$ 354 million, and we plan to sustain such investments for 2016. Our ongoing innovation and efficiency based projects will generate results to close Turkey’s current account deficit. I would like to extend my gratitude to all of our employees, business partners, shareholders and all of our stakeholders, who contributed to our successful results within Akkök Holding throughout 2015.

Sincerely,

Ahmet C. DÖRDÜNCÜ
Chief Executive Officer

Executive Board



“Attaining US\$ 3.1 billion combined turnover in 2015, our Group grew by 7% compared to the previous year, gaining consolidated EBITDA of US\$ 185 million. Our Group will sustain its consistent and profitable structure. On the other hand, our notion of bringing benefit to youth, our future, and to the society we live in, will continue as long as we exist.”

Raif A. Dinçök
Executive Board Member



“We carry on creating added value for Turkey’s economy by means of our future investments to produce value added products in the chemicals sector.”

Özlem Ataunal
Executive Board Member

2015 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. Mr. Dinçkök, the Board Chairman of Akkök Holding A.Ş., serves on the Boards of Directors of various Akkök Group Companies.

Nilüfer Dinçkök Çiftçi

Vice Chairman

Born in İstanbul in 1956, Nilüfer Dinçkök Çiftçi graduated from Lycée Français Sainte Pulchérie in İstanbul in 1970. She continued her education in Switzerland, where she graduated from St. Georges School in 1976. He serves as a Board member in Akkök Holding and various Akkök Group Companies.

Ahmet Cemal Dördüncü

Member of the Board of Directors

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. Serving as the Chairman of the Executive Board since January 2013, Ahmet C. Dördüncü is the Board Chairman of SAF REIT and Gizem Frit, and he serves on the Boards of Directors at Akkök Holding and various Akkök Group Companies. Mr. Dördüncü 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

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 also served as Board Member and Chairman of Akkök Group Companies. He handed over his position as Chief Executive Officer at Akkök Holding's Executive Board on January 1, 2013. He still serves as Akkök Holding Executive Board Consultant. In addition to his duty as a Board Member in Aksa, Akenerji and Akış REIT, he is also on the Board of Directors of Akkök Holding and various Akkök Group Companies. Holding key roles in TÜSİAD (Turkish Industrialists' and Businessmen's Association), Kalder (Turkish Quality Association), and the Turkish Education Volunteers Foundation, Mr. Berkman continues to serve as Vice Chairman of the İstanbul Erkek Liseliler Foundation, a Member of the Board of Trustees of the Turkish Education Volunteers Foundation, and a Member of the Turkish American Business Council.

Raif Ali Dinçkök

Member of the Board of Directors

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. Serving as a member of Akkök Holding A.Ş. Board of Directors and Executive Board, Raif Ali Dinçkök is also the Board Chairman of Akmerkez REIT, Ak-Pa and Dinkal. He continues to serve on the Board of Directors of Akkök Holding and various Akkök Group Companies.

Alize Dinçkök Eyüboğlu**Board Member**

Born in 1983 in İstanbul, Alize Dinçkök Eyüboğlu graduated from Suffolk University, Sawyer School of Management, Department of Business Administration in 2004. She started her business career in 2005 as Strategic Planning Expert at Ak-Al Tekstil Sanayi A.Ş. Upon the establishment of Akış 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. Alize Dinçkök Eyüboğlu is the Chairman of the Board of Akmerkez Lokantacılık, as well as holding office on the Board of Directors at Akkök Holding and various Akkök Group Companies.

Mehmet Emin Çiftçi**Board Member**

Born in 1987 in İstanbul, Mehmet Emin Çiftçi graduated from the Faculty of Communications of İstanbul Commerce University. Starting his professional career in Ak-Kim Kimya Sanayi ve Ticaret A.Ş. Budget Planning and Reporting Department, Mr. Çiftçi graduated from the Business Administration Department of UCLA Extension (UCLA). Mehmet Emin Çiftçi works on the Board of Directors of Akkök Holding and various Akkök Group Companies.

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. Melis Gürsoy performs duties on the Board of Directors of Akkök Holding and various Akkök Group Companies.

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. He served as a Board Member of Akkök Holding A.Ş. until 03.04.2015.



CHEMICALS

• Aksa Akrilik Kimya Sanayii A.Ş.



“Were it not for our commitment to the values that make us ‘us’, our outstanding performance, ambition to work and determination, we would not be at this point today.”

Cengiz Taş
General Manager

Aksa Akrilik Kimya Sanayii A.Ş.

Corporate Governance Rating engagements were completed on July 23, 2015 by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş, which holds the operating license for conducting rating works in accordance with Capital Markets Board (CMB) Corporate Governance Principles. As a consequence of evaluation under the following 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 9.50 out of 10.

In consequence of the 2015 rating upgrade for the companies listed in the index, the Company received an award in the 9th Corporate Governance Summit, held by the Corporate Governance Association of Turkey (TKYD), as the “3rd Highest Scoring Company” among 50 companies listed on the Corporate Governance Index in 2015. Based on this award, Aksa Akrilik’s outstanding performance on many issues, from corporate governance to its transparency towards stakeholders, was crowned.

Aksa Akrilik won the Proof Not Promises award by means of its GE Power&Water, Water and Process Technologies Project, which it carried into effect to prevent unplanned shutdown of the boilers in the Power Generation Facility due to pipe damage. Thanks to Aksa Akrilik, the Proof Not Promises Award was once again granted to a company from Turkey, for the first time since 2013.

Boiler pipe damage is prevented by means of the project developed in cooperation with General Electric Company, and an annual saving of US\$ 3.2 million was achieved.

Shown as one of the best projects in Europe, the Water and Process Technologies Project has also received the title of Europe’s most profitable project. The GE Power&Water, Water and Process Technologies Project further catches the eye with its efficiency, contribution to the environment, and reduction of water consumption and energy costs.

- ▶ Aksa raised its implementation level to GRI G4 under its 2014 Sustainability Report.
- ▶ Aksa successfully completed TS ISO 31000 Risk Management Verification Audit.

IN 2015, AKSA EXPANDED ITS SALES IN EXPORT MARKETS, RAISING TOTAL SALES TONNAGE UP TO 310,000 TONS.

- 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, was established on an area of 17,000 m² within the structure of the YALKIM Organized Industrial Estate.

Acrylic fiber market in 2015

2015 passed in the shade of challenging conditions, due to exchange rate movements in global markets, the election process in the domestic market, and political instability at our borders, allied with the state of war. On the other hand, our Company, with the world's largest acrylic fiber capacity, managed to sustain its robust position in the global market, without being affected by the uncertainties in the world and in Turkey, on account of its strength, as well as its marketing and sales activities in many countries.

Our capacity, which was previously 308,000 tons, was raised to 315,000 tons in 2015, and the year was closed with a capacity utilization rate of 98%, without compromising on our collateralization strategy. Dollar appreciation and the downward movement of oil prices pressured raw material prices throughout the year, and led to suspension in demand. In parallel with the fall in raw material prices, our sales prices and turnover regressed in dollar terms compared to the previous year. When it comes to foreign markets, 2015 was a year of political problems in Russia, Ukraine, Syria and Iraq, ongoing uncertainties and instabilities in the Middle East and North African countries, growth problems in China, and an exchange rate base drop in Europe's purchasing power.

Our domestic market was negatively affected by repeated elections and the conditions that arose from this process. The resulting demand decline in the domestic market was compensated by foreign market sales. While Aksa's domestic market came in at 67% and foreign market at 33% in 2014, 2015 closed with the domestic market at 59% and foreign market at 41%.

The technical consultancy works initiated by Aksa in 2013 around the philosophy of customer intimacy were continued in the domestic market. In addition,

this service was expanded to Aksa's strategic foreign markets through localized consultancy and technical support works, and regular visits were paid. Thanks to these engagements, success was achieved in the area of customer satisfaction, continuity and enhancement, which is among the Company's strategic targets, and a substantial decline was observed in customer complaints.

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.

Aksa further invested in process security projects, as per the alignment with the "Regulation on Preventing Large-Scale Industrial Accidents" enacted on January 1, 2016. The Company conducted works to ensure more secure business environments, and made an investment expenditure of TL 226 million in 2015.

Acrylic Fiber

With production of over 309,000 tons in 2015, Aksa reinforced its leader position in the Acrylic Fiber market by means of production efficiency. Aksa attained record production tonnage in 2015, during which the Company managed to scale its efficiency based projects and planned maintenance activity capacity of up to 315,000 tons/year.

Energy

Aksa both meets its own energy needs and sells the excess energy generated on free markets by means of the electricity energy and process steam it generates. While gross power generation was 736 GWh in 2014, this figure grew by 6%, reaching 786 GWh in 2015. 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.

New Product Development

New business areas are worked on by means of the unique technology know-how attained through R&D works in Aksa. R&D works are also conducted for modacrylic fiber, which is non-flammable and can only be produced by a limited number of companies in the world. R&D works still continue for non-flammable products to meet rising demand for hard to flame / fire-retardant products and textile and performance tests are executed towards different usage areas and changing regulations. Modacrylic, a high added value product, can only be produced by a limited number of producers around the world, and it is primarily used in protective work uniforms, the plastic sector, and artificial hair production.

Investments

- ▶ “Reverse Osmosis (RO)” technology began to be used. After this project became operational, an alternative raw water source was formed to counter the prospect of drought across the whole country. While this technology has been in use for a long time in the Arabian Peninsula owing to limited water resources, it is possible that this practice may come into our lives soon, including in cities’ drinking and domestic water. The relevant facility has the capacity to generate almost 10,000 tons of water on a daily basis.
- ▶ 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, was established on an area of 17,000 m² within the structure of the YALKIM Organized Industrial Estate. Established with an investment of US\$ 18 million, the facility has the capacity to meet 15,000-m³/day wastewater discharge. The facility contains physical purification, chemical treatment and sludge dewatering units.





CHEMICALS

- DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.



DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.

Akkök Group Companies' carbon fiber journey started under the umbrella of Aksa, and continues as DowAksa on the back of a 50:50 joint venture with Dow Europe Holdings B.V., a subsidiary of The Dow Chemical Company, in 2012. 2015 was a crucial station on this journey. For DowAksa, this year was an exciting one when significant improvements were made in sectoral projects, noteworthy agreements were signed in global platforms, and quality and efficiency works were accelerated.

DowAksa is the first and only company operating in the Turkish carbon fiber sector. It offers a wide range of products and technical service solutions to the composite industry, whose raw material is carbon fiber. The Company exports a major portion of its production. With their sturdy yet light structure, carbon fiber based materials are extensively used in emerging sectors, where energy efficiency, lightness, durability and low emission oscillation are the fundamental performance criteria. When we look worldwide, it is observed that interest in composite solutions in all markets is on the rise, especially in the transportation, infrastructure and energy sectors. DowAksa's target is to enhance market share in these sectors, with projects developed in consequence of strategic collaborations. The Company takes firm steps to attain this goal by means of key projects conducted in 2015.

In April, DowAksa signed an agreement with Ford to conduct joint development works for carbon fiber to be used in affordable, high volume automotive applications. It is expected that carbon fiber will play a large part in manufacturing lighter vehicles, and consequently attaining the targets of achieving greater fuel saving, performance and capacity.



“For DowAksa, 2015 was an exciting year when we made significant improvements in our sectoral projects, signed noteworthy agreements on global platforms, and accelerated quality and efficiency works.”

Betül Sadıkoğlu
General Manager

THE CARBON WRAP OFFERED TO THE MARKET BY DOWAKSA IS A SOLUTION TECHNOLOGY, WHICH MAKES BUILDINGS MORE SECURE, PIPELINES MORE DURABLE, AND ROADS AND BRIDGES STRONGER, AT LOWER COSTS.

DowAksa was further listed among the Institute for Advanced Composites Manufacturing Innovation (IACMI) members, which were announced by US President Barack Obama in January. The Company is one of the 6 founding members of the institute, allied with Dow Chemical, Ford, Volkswagen, Dassault Systemes and Lockheed Martin. IACMI brings the world's leading producers together with universities and national laboratories that conduct significant works in advanced composite technology development and research matters. As part of the joint development agreement, DowAksa and Ford will support studies on finding solutions to high cost and limited production problems, and restricting carbon fiber usage in automotive, handled within IACMI.

As part of the joint agreement with Turkish Aerospace Industries (TAI) and the Undersecretariat for Defense, DowAksa maintains its engagements to manufacture and develop in Turkey the thermoset resin prepreg material, which is used in the aerospace industry. Carbon fiber prepreg will be the first locally manufactured material to be used in the Turkish aerospace industry. Product development works executed in this field picked up speed in 2015. The results of these activities can be seen in 2016.

DowAksa continues its global size initiatives with DowAksa China, which was established in 2015 and has headquarters in China. The Company serves the continuously growing China market and other markets in the Pacific region, and has reinforced DowAksa's strength in the region. Established in 2014, DowAksa USA maintains intensive activities in LLC, which is a major step for the Company in diversifying its product

range and taking an active role in international projects. Both Companies are crucial investments and steps to enable DowAksa to reach its future strategy.

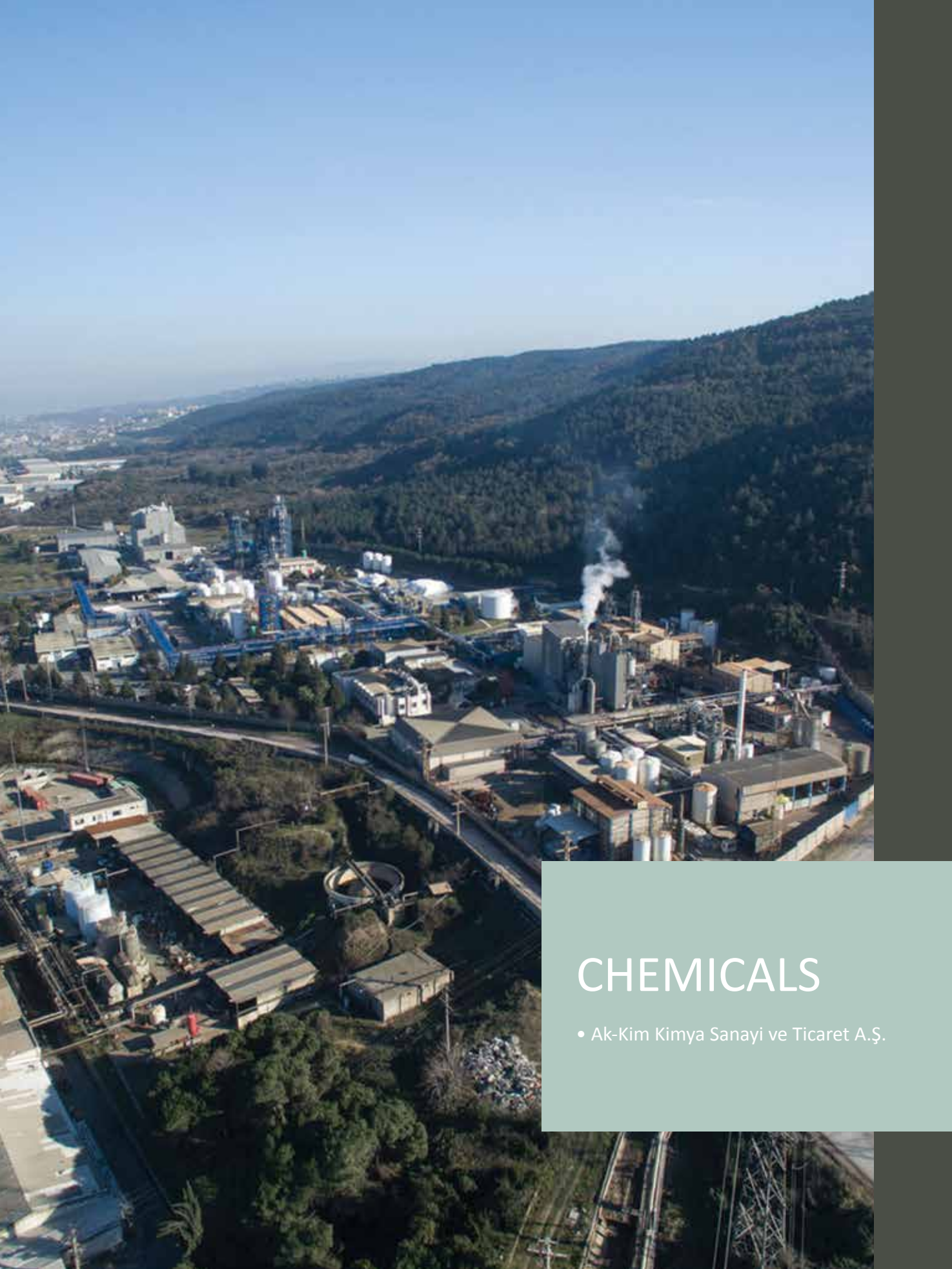
The election of DowAksa CarbonWrap® system, which is a solution technology making buildings more secure, pipelines more durable, and roads and bridges stronger at lower cost, to be used in significant projects in the USA and Turkey, is among the developments that made us proud in 2015. For example, the system will be used in the renewal of Wrigley Field, home of the Chicago Cubs baseball team. A carbon fiber supported polymer system will help reinforce the iconic baseball stadium and prolong its life.

DowAksa constitutes the first link of a sector chain open to new opportunities. However, the opportunities are not limited to this. The development of an industrial structuring applied around the world with high technology investments, and defined as 'clustering', in DowAksa's facility and around Yalova, will strategically strengthen Turkey's hand. This clustering model, to be composed of sectors using advanced material technologies, and companies marketing these products, is projected to create employment opportunities for almost 1,000 individuals for the region and the sector.

Therefore, the establishment of Yalova Composite and Chemical Expertize Improvement Organized Industrial Estate (YALKIM OSB) in July 2015, the founders of which are Acrylic Based Composite, Advanced Materials and Technology Producers' Association, Yalova Special Provincial Administration, Taşköprü Municipality and Yalova Chamber of Trade and Industry, are vital for the sector's future.



THE ENGAGEMENTS WITHIN THE SCOPE OF THE 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.



Ak-Kim Kimya Sanayi ve Ticaret A.Ş.

Steering its R&D works from chemical commodities to products that require high added value and advanced technology, Ak-Kim targets a minimum of US\$ 1 million in turnover for 2023. Accordingly, it takes steps to be one of the largest chemical companies in Turkey.

Under volatile and ambiguous market conditions, 2015 was a year when Ak-Kim sustained its market share and profit. During the past year, the Company carried on investments and completed management and integration works for Gizem Frit, which the Company acquired in January 2015.

By dint of long-term efforts, Ak-Kim entered into a new segment in water treatment technologies, and for the first time it started manufacturing equipment.

While R&D works have continued for 5 years on this project, Ak-Kim developed a high performance perforated fiber based membrane module, which is specifically designed for ultrafiltration systems, and has specifications beyond similar modules on the market.

It is planned to produce almost 20,000 modules per annum in the Ultrafiltration Module Production Facility, which is located in a 2,800 square meter indoor area in Yalova. As the first and only producer in Turkey and neighboring countries, Ak-Kim targets annual turnover of around US\$ 42-45 million after the production facility starts to operate at full capacity.

Ak-Kim continues to make the most of inorganic growth and acquisition opportunities, which will contribute to its attainment of future targets. Accordingly, Gizem Frit, acquired by Ak-Kim in early 2015, is the world's 2nd largest enamel frit producer, with a market share of 11%. Producing internationally accepted enamel, ceramic, pigment and non-stick coating, Gizem Frit completed its composed ceramic facility investment in 2015, and expanded its product range in this field.

Allocating 4-5% of its budget every year to R&D works and technology investments, Ak-Kim restructured its R&D center in 2015. In addition to engagements in performance chemicals, as well as process development and fundamental chemicals, the Ak-Kim R&D Center follows up world trends. The center continues research in the areas of boron based chemicals, bio-technology, nano-technology, health products and food additives for Gizem Frit. 26 new products were developed in Ak-Kim R&D laboratories in 2015.



“In 2015 we implemented our top-line investments in water treatment ultrafiltration membranes. By means of this investment, we assumed the title of the first and only producer in Turkey and neighboring countries.”

Onur Kipri
General Manager

Running its chemical facilities within its own structure, Ak-Kim acquired substantial know-how, and it has been selling the said know-how and technology to companies abroad since 2002. It further offers many different services, from engineering works to turnkey commitments. In 2015, Ak-Kim added another project to its international engineering projects. The Company signed a new project agreement to double the capacity of the Chlorine Alkali Facility, which was previously established by the Company in the Algerian city of Mostaganem. For the future period, the Company has placed Kazakhstan, Iran and Middle Eastern countries on its radar.

Ak-Kim aims for turnover of US\$ 250-300 million for 2016. The Company will pull out all the stops to attain its targets by means of new product projects and investments, as well as a couple of acquisition projects that are on the agenda.

Ak-Kim received the Grand Prize in the “R&D Project Market”

Ak-Kim won the grand prize in the “R&D Project Market in the Chemical Substances and Products Sector”, coordinated by the Turkish Exporters’ Assembly and supported by TÜBİTAK (Scientific and Technological Research Council of Turkey).

The 5th staging of the event was jointly organized in 2015 by the Istanbul Chemicals and Chemical Products Exporters Association and Akdeniz Chemical Substances and Products Association. With its “Nano-technological Surface Protection Chemical” project, Ak-Kim was listed among the top 30 projects out of 140, and took home first prize in the “Dyes and Adhesive” category.

In 2015 Ak-Kim showed up in national and international fairs

Ak-Kim attended theACHEMA fair in Germany on June 15 - 19, 2015. Ak-Kim was the only Turkish engineering company to attend theACHEMA Fair. So far, the Company has established Chlorine Alkali, Hydrogen Peroxide, Hydrochloric Acid and Iron-III Chloride facilities as key ready in Jordan, Saudi Arabia, Algeria, Pakistan and Greece. During theACHEMA fair, which is considered to be the foremost fair organization in the process industry field, Ak-Kim not only conducted technology sales and facility establishment activities, but also conveyed to visitors its business experience and know-how pertaining to the implemented projects.

ITMA, organized in Milan on November 12-19, 2015, and attended by Ak-Kim in 2011, is regarded as one of the sector’s globally accepted and followed events. During the fair, Ak-Kim exhibited its new products and innovative solutions, and seized the opportunity to convey its know-how and technologies to visitors. Ak-Kim attended the 2nd Cosmetics, Personal and House Care Product Components, Raw Materials and Technologies Fair in the Istanbul Fair Center on November 12-14, 2015. During the fair, Ak-Kim convened with visitors from various countries, and had the opportunity to negotiate not only with new prospective customers, but also suppliers with whom it can commence new collaborations in the future period.

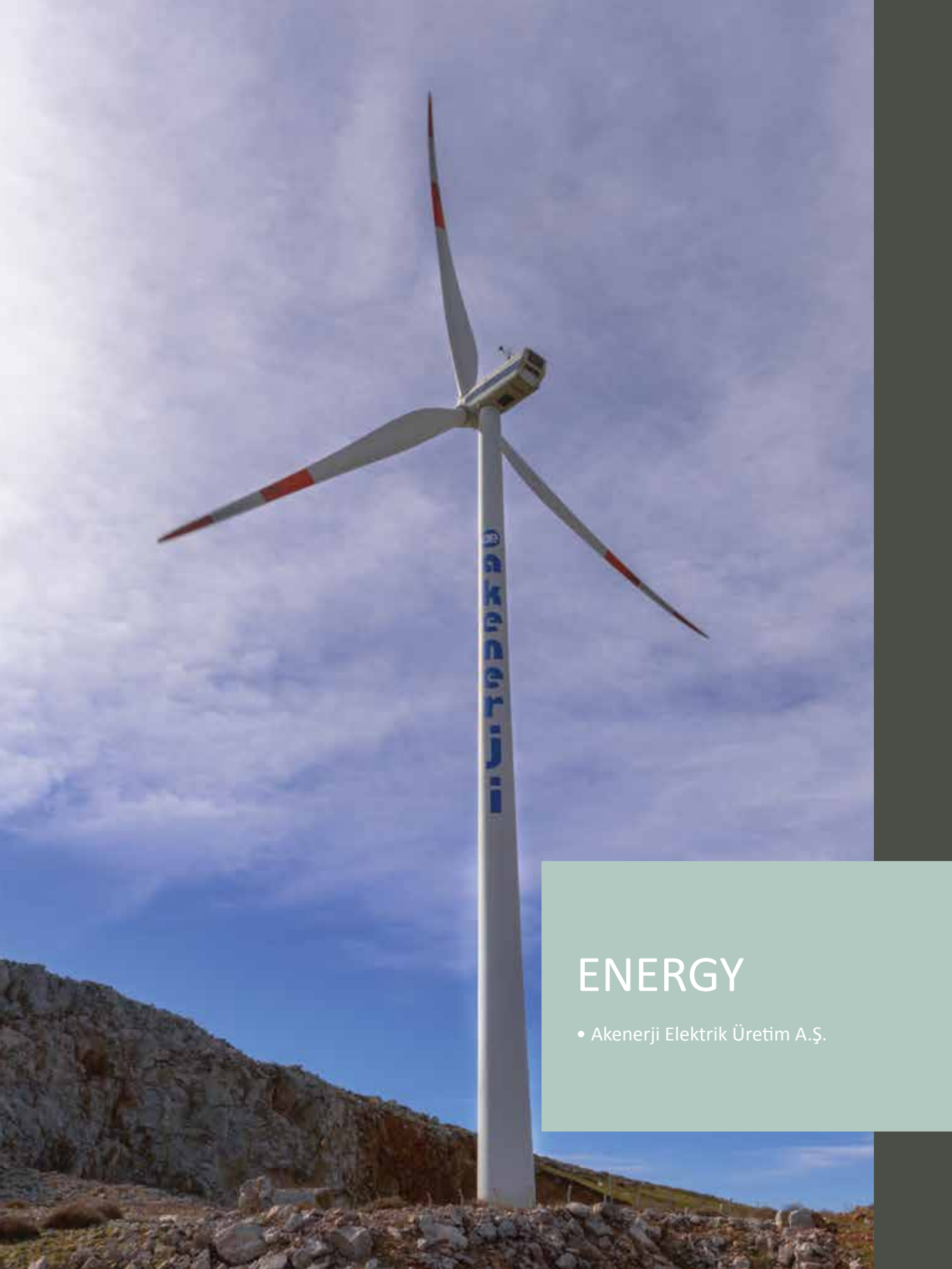
Always one step ahead in sustainability

Last year, Ak-Kim qualified for the “ISO 14064 Greenhouse Gas Inventory” certification, which constitutes the basis for reduction of carbon emission works. By means of this certification, the Company ensured that its current emissions are measured, and that these measurements are approved by an independent institution. Therefore, it gained considerable ground in reducing its carbon footprint. “ISO 14064 Greenhouse Gas Inventory” certification is the next step of GRI A Level Reporting and the LACP Silver Prize, awarded to Ak-Kim for sustainability.

In order to ensure sustainability of energy sources and reduce greenhouse gas emissions, Ak-Kim completed the works to establish the ISO 50001:2011 Energy Management System as of year-end, which it initiated in January 2015.



Ak-Kim Ultrafiltration Facility



Akenerji

ENERGY

- Akenerji Elektrik Üretim A.Ş.



Akenerji Elektrik Üretim A.Ş.

In parallel with its policy of enhancing source variety and keeping production costs to a minimum, which it commenced in 2005, Akenerji takes firm steps to be the most competitive private sector electricity generation company. Within this scope, the Company completed investments on 8 hydroelectric, 1 wind, and 1 natural gas power plant, and it put Erzin Natural Gas Combined Cycle Power Plant into operation in Q3 2014. Thus, Akenerji escalated its total installed capacity to 1292 MW, and production capacity to 8.5 TWh per annum.

Akenerji is the epitome of vision and stability in the sector, especially with its initiatives in renewable energy sources. Akenerji's renewable capacity reached 388 MW, along with three hydroelectric power plants it put into operation, one after another, in 2012. The share of renewable energy sources within the Company's total installed power hit 30%. Conscious of the significance of renewable energy sources against climate change, Akenerji will maintain its stable stance in this area in 2016, in consideration of Turkey's long term energy policy. During Q3 2014, Akenerji sparked off the Erzin Natural Gas Combined Cycle Power Plant with a capacity of 904 MW. Upon activation of the Egemer project, which is regarded as a bold and robust step in a period of a fluctuating global economy, Akenerji created a major resource towards meeting Turkey's energy need. Erzin Natural Gas Combined Cycle Power Plant, which doubled Akenerji's existing installed power, is the largest one-off investment by Akenerji, and it is also one of the key projects of the Akkök-ČEZ strategic partnership. It has annual electricity generation capacity of 7.4 TWh with new generation high efficiency turbine technology. Moreover, Erzin Natural Gas Combined Cycle Power Plant is regarded as one of Turkey's most significant investments in terms of optimum usage of resources, raising competition in such a way as to please consumers, and contributing significantly to regional employment.



“Akenerji is one of Turkey's largest private sector electricity producers with its wind, hydroelectric and natural gas based diversified production portfolio.”

Ahmet Ümit Danışman
General Manager

IN 2016 AKENERJİ ENVISAGES TAKING FURTHER FIRM STEPS PERTAINING TO RENEWABLE ENERGY SOURCED PROJECTS, HIGH IN CAPACITY AND PROFITABILITY, SUCH AS WIND AND SOLAR.

Slated for Erzincan 2015, and producing 560 GWh of electricity per year, the project development and engineering works for Kemah Hydroelectricity Power Plant, with installed capacity of 198 MW, were completed. Relocation Plan and State Hydraulic Works Final Design approval transactions continued for Kemah HPP, which is the largest hydroelectric power plant. Preparation works required for main equipment supply and construction works are slated for completion in 2016.

Akenerji's primary target is to operate its active power plants in an optimum fashion according to market conditions. Moreover, it determines strategies to adapt to changing market conditions, and to reinforce its competitive position, by taking new steps. In 2016, Akenerji aims to enhance its penetration in high value added service lines by means of 26 years of know how, quality human resources, and an innovative approach.

Furthermore, the performance of existing power plants is followed up, and projects pertaining to capacity expansion and performance enhancements are evaluated in detail. In 2015, engagements were commenced to raise Ayyıldız Wind Power Plant's current capacity of 15 MW by 13.2 MW more. After EMRA's positive opinion was obtained, works towards escalating the current license to 28.2 MW were ignited. The capacity expansion is slated for completion in 2016. Moreover, market research continues with respect to inserting new wind and solar energy based projects, high in capacity utilization rates and profitability in the renewable energy area, into the Company's portfolio.

Efficiency and technology centered sustainable growth

Akenerji, the 50:50 joint venture between Akkök and CEZ Group 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 eligible consumers, supplier and production companies in 2015 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 2016. Based on enhancing trade volume, Akenerji will efficiently maintain the optimization works it started in 2014, and risk management engagements, to work more effectively and adapt more easily to changing conditions, at costs suitable for current competition conditions.

Appropriate analysis, innovative product and service

In 2015, Akenerji emphasized trade activities that will strengthen its leader position in energy sales. Last year, the Company not only traded the electricity generated from its existing power plants, but it also traded electricity sourced from other market participants. Accordingly, Akenerji's total sales volume grew by 73% in 2015 compared to 2014, reaching 10.7 TWh. Growing liquidity, expanding number of participants, and product diversity play key roles in Akenerji's rising sales volume during 2015.

The trade volume created by Akenerji Trade Unit executing speculative and production based energy trade in the Over-the-Counter Market, the Derivatives Market under Borsa Istanbul (BIST), and through buy-sell transactions with other market participants, expanded by 85% compared to the previous year,

reaching 5.4 TWh in 2015. This secured a substantial sales, arbitrage and risk management channel.

In order to manage growing risks along with escalating trade volume, the Company focused on Risk Management works in 2015. Volatility in exchange rates, and economically unfavorable conditions driven by soaring global and national risks, caused some firms in the electricity market to fail in fulfilling their commercial commitments. Being aware of all these adverse conditions in the market, Akenerji focused on such areas as efficient risk management and financial productivity. The Company developed and maintained engagements pertaining to active risk management in 2015. In line with the needs determined as part of Risk Management engagements, the first steps were taken towards the "Energy Trade and Risk Management Project" (ETRM), and an agreement was signed with an international company.



WITH ANNUAL ELECTRICITY GENERATION OF 4.6 BILLION TWH IN 2015, AKENERJI OPERATED ITS POWER PLANTS AT A HIGH LEVEL OF EFFICIENCY AND CAPACITY, REACHING THE MOST PROFITABLE AND OPTIMUM PRODUCTION LEVEL.

By means of the ETRM project, which is to be put into operation as of Q1 2016, risks will be actively followed up, and the necessary infrastructure will be provided for on-time interventions.

Meeting the needs and requirements of the energy sector, whose regulations, product diversity, commercial platforms and dynamics are constantly changing, and where competition is gradually intensifying, Akenerji's mission is to fulfill its partners' and stakeholders' demands, both with liquid products and specially-designed derivative products. In line with this mission, Akenerji differentiated itself in the sector, offering market access and portfolio management services to the market with a proactive approach in 2015. Thanks to its long-lasting reliable stance and high volume of trade, the Company utilizes its access to various commercial platforms such as OTC and Derivatives markets, and secures for its stakeholders easy and reliable access to the electricity markets. Moreover, the Company offers portfolio management services to third parties by dint of an efficient and profitable operator planning strategy adopted over many years. It further shares its know-how on operator planning management and optimization. Both services turned heads in the market, and Akenerji enhanced its existing transaction volume through these activities. In 2016, it is planned to boost recognition of these products.

Considering the sector dynamics, Akenerji Perakende concentrated on works related to expertized agency network, portfolio optimization and new services throughout 2015, in accordance with the sustainable profitability goal.

Akenerji Perakende doesn't just contribute to the Company's financial results by means of electricity

sales to commercial business and industrial institutions. It also plays a key role in minimizing the risks arising from the nature of electricity trade. A major part of the customers within Akenerji's portfolio is composed of commercial businesses in line with the Company's long term plans.

Thanks to its marketing and corporate communication works, Akenerji received first prize in the "Energy" category, under the "Integrated Marketing" discipline, as part of the contribution to corporate reputation and brand value research conducted by Marketing Turkey with "Akademetre" for 2015. Owing to its successful marketing programs, Akenerji Perakende's customer numbers grew by 40% in 2015.

As of 2015, Akenerji sustained the "Smart Electricity" approach that it put into operation the previous year. As a result, the Company continued to support existing and prospective customers in enhancing their competitive edge in the markets where they operate. In addition to the "Reactive Energy Monitoring and Management", "Energy Efficiency Consultancy" and "Carbon Neutral Electricity" services, developed by the Company in consideration of customers' needs, the Company drafted business plans for the new products and services planned under "Energy Systems' Optimization and Management" in 2015. For this purpose, the Company established collaborations with expert engineering firms.

In addition to renewable energy, efficiency in energy production is among the primary issues for Akenerji. The engagements on this issue are maintained under a wide umbrella, from integrating new and efficient technologies into existing power plants to employee occupational training processes. The Company focused

on producing new ideas and projects, which will boost the energy efficiency of industrial and commercial customers via energy systems optimization and management services.

Akenerji Energy Services reduce customers' energy costs by means of various services from consultancy to asset management, and aim to boost their competitive edge. The initiatives made by Akenerji through efficiently following market conditions will continue to serve as an example in the electricity generation sector.

Setting an example in the sector in terms of preventing carbon emissions, Akenerji successfully maintains carbon certification works for all renewable energy investments. Ayyıldız Wind Power Plant is certified as per "Gold Standard" criteria. Certification processes for Uluabat, Burç, Akocak, Feke I and Feke II power plants were completed as part of the Voluntary Carbon Standard (VCS). Among these power plants, Uluabat HPP is Turkey's largest hydroelectric power plant with a dam, which was certified as per Voluntary Carbon Standard (VCS) as of its certification date. The certification works were completed in 2013 for Himmetli and Gökkaya HPPs, which became operational in 2012. The projects were certified according to 'Social Carbon' (SC) criteria. Akenerji serves as an example for other corporations based on its emission trade activities. In 2015, the Company actively traded the carbon emission certifications that it obtained

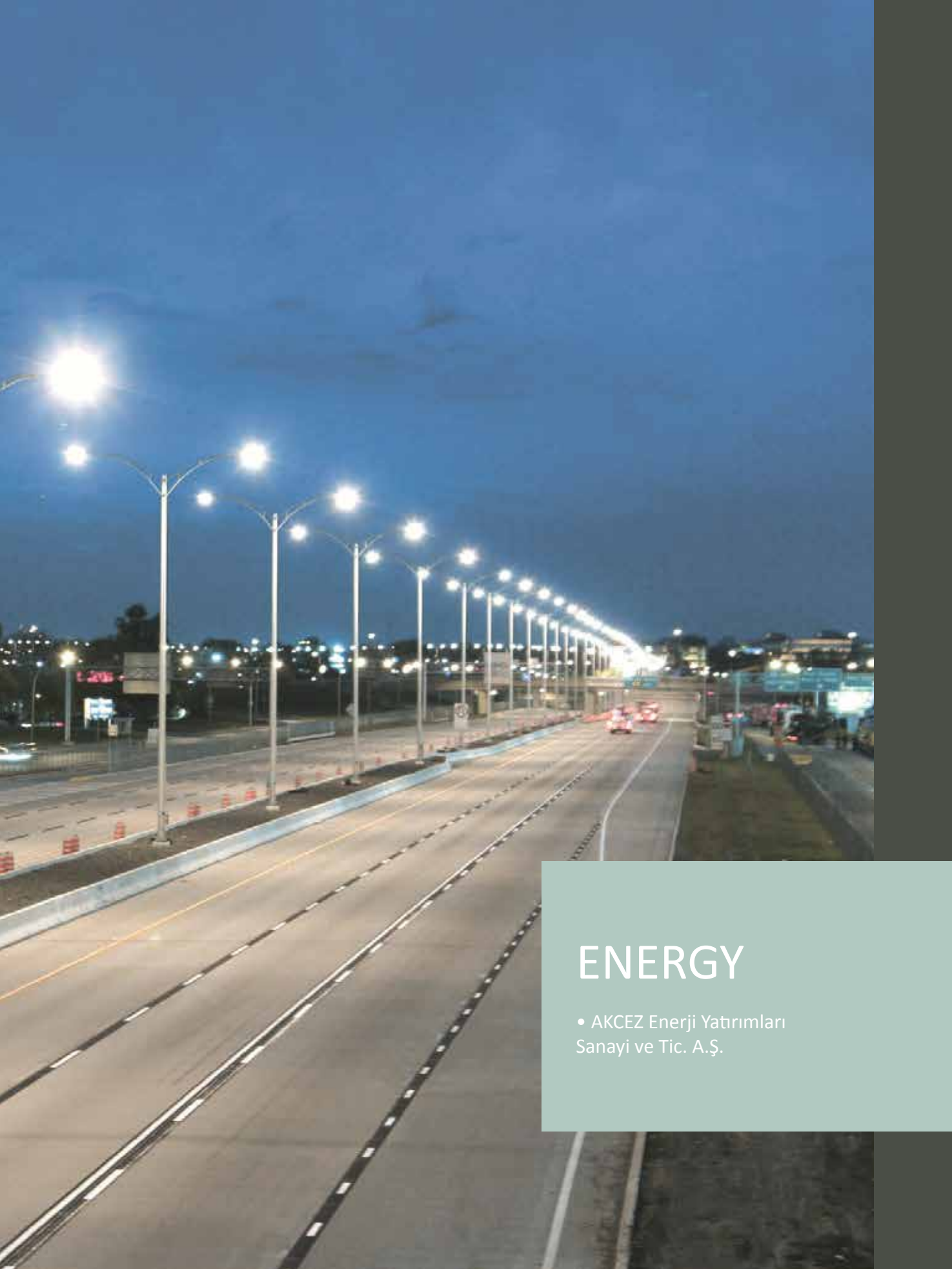
from Ayyıldız Wind Power Plant, Akocak, Uluabat and Feke II Hydroelectric Power Plants. Therefore, our customers can completely zero out the harmful effects of the electricity they use, if they so desire, and gain substantial advantages in sustainability.

Activities adding value to the energy sector

As a founding member of the Energy Trade Association, Akenerji sustained its goal of being a proactive and sector leader in 2015. To this end, all parameters of sector and market conditions are closely followed up, and their possible effects are assessed.

Regulations pertaining to the integrality and transparency of energy markets and EPİAŞ's improvement will be beneficial for the sector's liberalization target. Pertaining to the works on this matter, Akenerji takes an active role in the Energy Trade Association working group, and participates in conferences as a participant and/or speaker, thus highlighting the importance of the issue. In this direction, Akenerji became a shareholder with 100,000 shares in EPİAŞ in 2015. EPİAŞ was established to ensure efficient, transparent and reliable planning, development and operation of energy markets. With more than 25 years of experience, Akenerji will always keep risks under control, and serve as one of the forerunning and most active companies in terms of sector development in 2016.

AKENERJİ'S TOTAL SALES VOLUME GREW BY 73% IN 2015 COMPARED TO 2014, REACHING 10.7 TWH.



ENERGY

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



AKCEZ Enerji Yatırımları Sanayi ve Ticaret A.Ş.

2015 was a challenging year for our country and our companies. 2015 was an exhausting year for Turkey, due to two general elections held in June and November, tension in the political environment, and ongoing problems along the borders. Despite all these problems, Turkey managed to grow by 3% in 2015, and the energy sector made a substantial 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. Being aware of the significant duties we assumed in the sector allied with our Group Companies, we maintained the activities we had targeted for 2015.

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 2015 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 SCADA project, the first step of which was taken on February 7, 2012, was completed in 2015. Non-stop works have been conducted for 4 years to complete the project, which was planned to be implemented with an investment of TL 40 million.

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 successfully completed the projects planned for 2015, and made hundred percent investments.

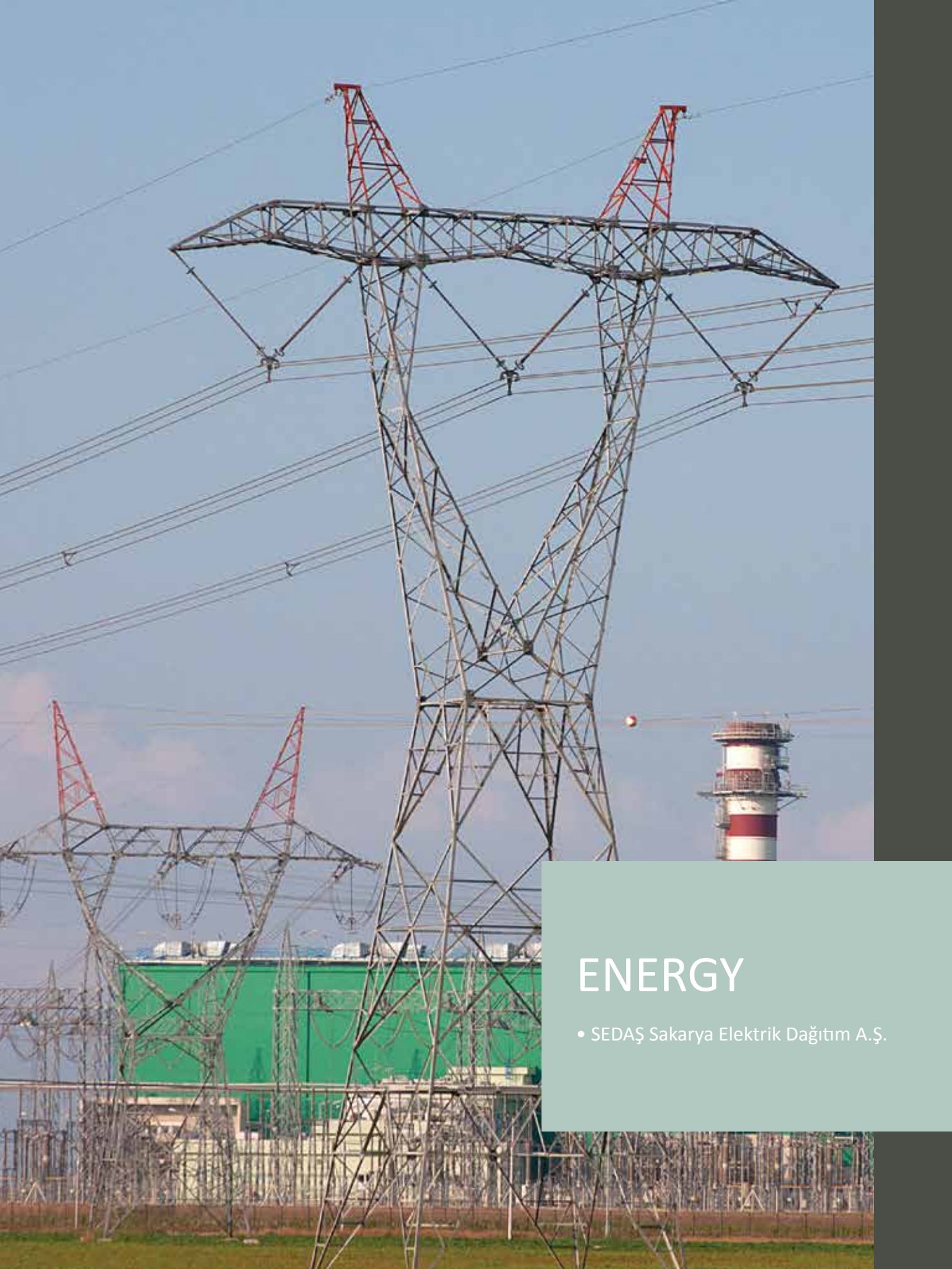
Sepaş Enerji has muscled its way in to reach long-term strategic targets in 2015. Operational processes were enriched and customer satisfaction was achieved at the top level. Thanks to the innovative implementations embarking on the changes in customer expectations and consumer demands, significant enhancements were made to service quality and efficiency in sales channels. While the service level improved by the day, Sepaş Enerji analyzed the tendencies of 1.5 million customers in 2015, and sustained its presence as a distinctive company.

For AKCEZ, 2015 was a year when the quality and efficiency oriented service concept was unwaveringly applied under constantly changing energy market conditions. While the Company continued to support Group Companies with well-equipped manpower, renovated informatics infrastructure, and contemporary management approaches, it also restructured one of the joint service units of AKCEZ, as it would not be possible for Group Companies to obtain service through AKCEZ from the beginning of 2016 as per EMRA's regulations. Therefore, the AKCEZ dissolution process was successfully completed as of November 1, 2015.



“For AKCEZ, 2015 was a year when the quality and efficiency oriented service concept was unwaveringly applied under constantly changing energy market conditions. While the Company continued to support Group Companies with well-equipped manpower, renovated informatics infrastructure, and contemporary management approaches, it also restructured one of the joint service units of AKCEZ, as it would not be possible for Group Companies to obtain service through AKCEZ from the beginning of 2016 as per EMRA's regulations. Therefore, the AKCEZ dissolution process was successfully completed as of November 1, 2015.”

Mehmet Hilmi Karan
General Manager



ENERGY

- SEDAŞ Sakarya Elektrik Dağıtım A.Ş.



“SEDAŞ keeps on providing continuous and quality electricity distribution services to a population of 3.4 million; fulfilling thoroughly the renewal, capacity increase, repair-maintenance works via projects and investments; making necessary enhancements and sustaining activities by means of its well-equipped workforce in the East Marmara region, which is Turkey’s most dense region in terms of population and production, adding value to the national economy and development.”

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-ČEZ Group (AKCEZ) Consortium which won the tender with US\$ 600 million. Pursuant to the transfer regulation and the final agreement signed on February 11, 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.

SEDAŞ’ chief area of operation is distribution of electricity. In addition to this service, the Company also conducts works ensuring efficient and uninterrupted service in construction, operation and electricity distribution of the distribution facilities, and provides services oriented to identify subscribers’ energy consumptions to electricity retail sales companies.

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, 47 municipalities, 1.441 villages, population of 3.4 million and 1.5 million consumers. SEDAŞ keeps on providing continuous and quality electricity distribution service to a population of 3.4 million; fulfilling thoroughly the renewal, capacity increase, repair-maintenance works via projects and investments; making necessary enhancements and sustaining activities by means of its well-equipped workforce in the East Marmara region, which is Turkey’s most dense region in terms of population and production, adding value to the national economy and development.

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.

WITHOUT COMPROMISING SERVICE QUALITY AND CONSUMER SATISFACTION, SEDAŞ WILL REMAIN ON ITS JOURNEY OF SUCCESS, EXERTING EVERY EFFORT THROUGH ITS VISIONARY MANAGERS AND EMPLOYEES, WITH THE KNOW-HOW AND EXPERIENCE TO MAINTAIN A CONSTANT EFFICIENT PROJECTION.

The duty of SEDAŞ relating to meters, via which it measures energy sold in its region, is to change broken meters upon complaints within the scope of law number 3516, and to seal and calibrate meters whose seals have expired their 10-year period. SEDAŞ performs troubleshooting and maintenance works for energy distribution assets and connecting lines. 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. 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.

In addition to the aforesaid works, the Company holds regular meetings with provincial and local authorities and NGOs in order to take into account the requests and suggestions of its community partners, and to take action towards troubleshooting.

SEDAŞ's area of activity covers the transition centers where all roads in Turkey intersect (highway, expressway, railway, seaway and airway).

While possessing Turkey's highest economic potential, this region is also a development point, with organized and well-ordered industrial service structuring. It further serves as an attraction center for Turkey's largest corporations and foreign investments in terms of quality workforce. This region is the R&D and technology hub of Turkey, and attracts the highest investment in the country with the most developed infrastructure. It serves as a junction in regional and international collaboration and in Turkey's foreign trade. Thanks to its robust infrastructure, the Company successfully conducts energy distribution in this

region, which always sees net immigration, and where electricity consumption is climbing 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 of electricity energy, the Company renewed network investments whose economic lifetime is expired region-wide. The Company also enhanced the electricity infrastructure capacity of developing settlements, and focused on construction of substations and new energy transmission lines in 2015.

The automatic meter reader system (OSOS) project became operational, and 21.136 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. Applying its signature to R&D projects approved by EMRA in 2015, SEDAŞ kicked off a project named “Effect of Profile Coefficient Preparation Methodology on Disparity Costs and Its Optimization”, in cooperation with Düzce University. Moreover, as of 2015 year-end, SEDAŞ commenced the “Remote Electronic Meter Reading” project, which is also an EMRA approved R&D project.

In 2015, SEDAŞ made a breakthrough with the CRM project that it planned with the aim of offering quality service to customers. SEDAŞ employees become competent at using the Customer Relations Management program, which can manage, peer-to-peer, all customer complaints and demands that are collected under the same channel and area of activity, through one-to-one contact with the customers. SEDAŞ invests in the electricity distribution sector and informatics technologies. The Company draws attention by means of prominent projects such as SCADA, OSOS,

GIS, SAP WFM. In 2015, the Company conducted the SAP WFM project in a pilot region. This is an innovative mobile application, enabling notifications to be rapidly coordinated and delivered to mobile devices of facility maintenance operation teams working on-site in electricity distribution activities, and enabling the closest breakdown team to intervene. It also allows reporting of the workforce activity. Accordingly, SAP Forum won the grand prize in Istanbul with this project, in the mobile application of the year category.

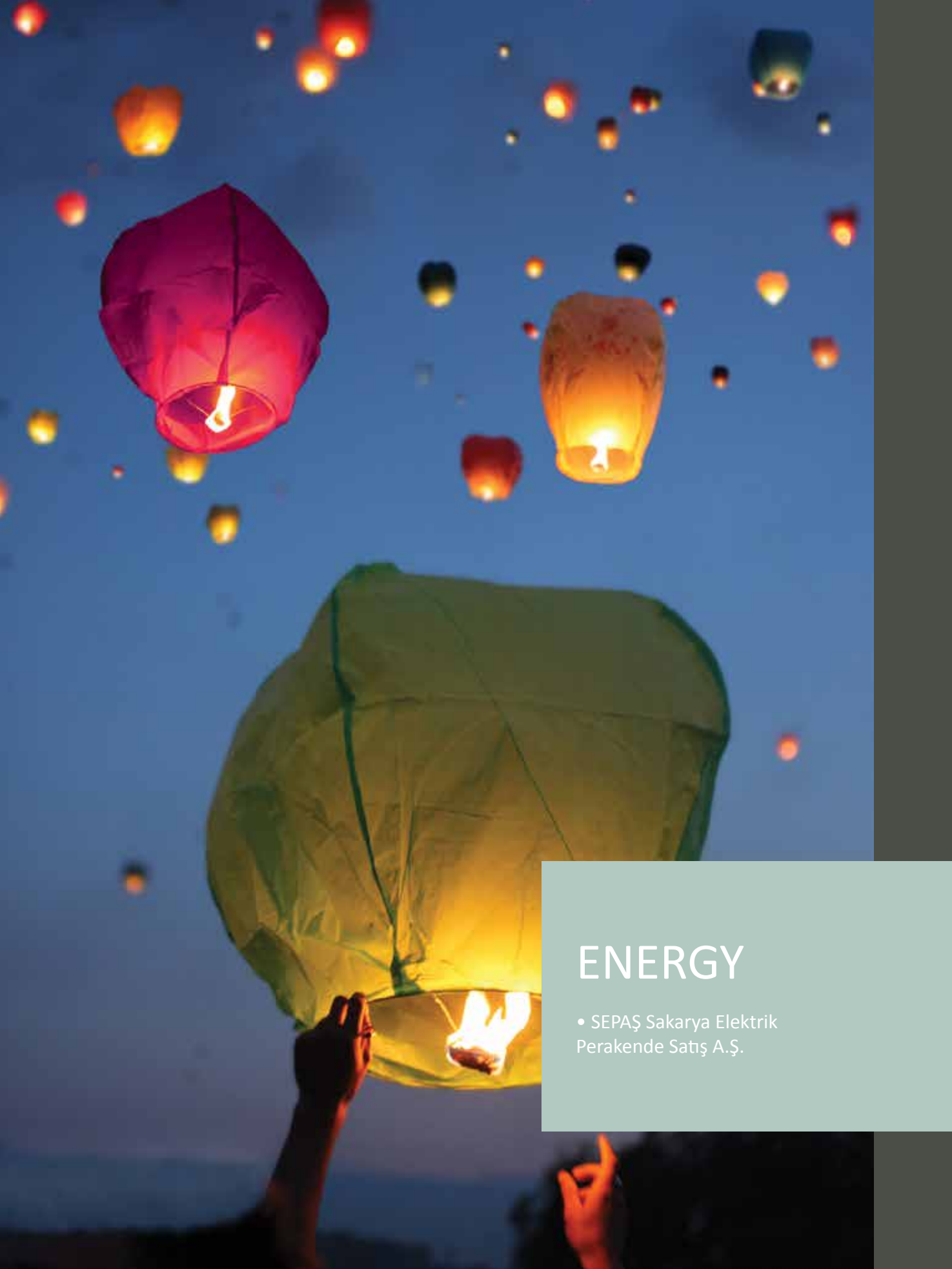
Operating in one of the distribution regions where electricity consumption is the highest owing to industrial density, SEDAŞ reinforces and modernizes the electricity distribution network in its region to provide customers with uninterrupted and better quality service.

SEDAŞ’s 2015 investment amounted to TL 85,385,002. During the tariff period between 2011 and 2014, an investment of TL 277,288,745 was made, which was approved by EMRA. Allied with the 2015 investment, a total investment amounting to TL 362,673,747 was made between 2011 and 2015. Hence, SEDAŞ quadrupled the total investments made during the period of public institutions.

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 2015. The Company is aware that well-equipped human resources is the most crucial factor. Therefore, it conducted works to boost manpower throughout the year, and completed the “Success Factors Performance Management” project in this process in 2015.

SEDAŞ will continue to maintain its visionary approach in 2016 and carry on its investments with the goal of offering services at world standards. Without compromising service quality and consumer satisfaction, SEDAŞ will remain on its journey of success, exerting every effort through its visionary managers and employees, with the know-how and experience to maintain a constant efficient projection.



ENERGY

- SEPAŞ Sakarya Elektrik Perakende Satış A.Ş.



SEPAŞ Sakarya Elektrik Perakende Satış A.Ş.

Power Line Stretching from Marmara to the Rest of Turkey

AKCEZ Group, a joint venture of Akkök Holding and CEZ Group, has unbundled its operations, which have been carried on as SEDAS 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 conducted in 2013 and 2014, Sepaş amended its brand name and logo. Obtaining the brand registry certificate, the Company continues operations under the name of Sepaş Enerji. In 2015, Sepaş Enerji maintained its business targets focusing on sales and customer satisfaction, and differentiated itself with operational innovations.

The unbundling decision made in line with the desired acceleration towards market liberalization, and participation of new players in the sector, contributed to a more competitive market. The growing significance of price and branch investments promoted a more accountable, consistent, quality and customer oriented service model.

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. Throughout 2015, Sepaş continued to consolidate its marketing activities and enhance its sales channels.



“2015 was a year when Sepaş Enerji attained our goals. We continued to strengthen our marketing activities, and improved our sales channels throughout the year. At the same time, we enriched our operational processes in accordance with our long-term strategic goals, and carried customer satisfaction to the top level. Based on innovative implementations, keeping pace with the change in customer expectations and consumer demands, we enhanced the competency of our service quality and sales channels.”

Ondrej Safar
General Manager

IN 2015, SEPAŞ ENERJİ BROKE NEW GROUND IN THE SECTOR AND COMMENCED ONLINE ELECTRICITY SALES VIA ITS WEBSITE TO CREATE INNOVATIVE SOLUTIONS AND OFFER EFFICIENT SERVICES TO ITS CUSTOMERS. THANKS TO ONLINE ELECTRICITY SALES, CUSTOMERS WISHING TO PURCHASE THEIR ENERGY FROM SEPAŞ ENERJİ HAVE THE OPPORTUNITY TO EXECUTE THEIR TRANSACTIONS IN AN EASY FASHION.

Service Quality and Research & Development Works

In 2015, R&D works were carried out by management support services. Development works continued on the Atlas-Free Consumer Management System, Pricing Module, Request-Recommendation-Complaint Management, and Abone.net/portal. Online Transactions and digital archive projects were completed.

On the Atlas Platform, agreements were standardized in such a way as to integrate them with the digital archive, and portfolio management design was established for the sales team. Moreover, work on the management of customer data, data synchronization and migration were initiated between the Abone.net and Atlas platforms.

By means of the Address Update Project, 600,000 addresses were updated on the Abone.net/portal. Electricity Debt Notifications, and electricity cut and opening orders began to be issued automatically. Moreover, a project was initiated where Abone.net records of the meters obtaining free consumer approval on PMUM (Market Financial Reconciliation Center) are created automatically via Atlas.

Engagements were commenced for the Business Intelligence Reporting Project, which will make the data on the system meaningful, and enable the said data to be open for the end-user in an operational and administrative reports format.

Data Architecture works were also initiated for campaign infrastructures and the Data Mining Project, which enables analysis, interpretation, de-duplication and segmentation of customer data. Engagements were

conducted regarding deployment to the E-platform (e-bill, e-archive) project as of year-end.

After the SEPAŞ Online Transactions Center opened for service, SEPAŞ Enerji customers can now terminate their subscriptions, pay bills, and access previous bills without having to visit Customer Service Centers.

Throughout the previous year, SEPAŞ Enerji continued its service and sales oriented works, and the wearing of uniforms was carried into effect. With the help of q-matic devices installed in 21 centers, details of every transaction were measured on a staff basis, and the average transaction period was cut from 8 minutes to 5.68 minutes. While customer waiting time was approximately 20 minutes in 2014, this time measured at 8.95 minutes for 2015.

Upon activation of the SEPAŞ Call Center number 444 5 186 in April 2015, debt query, information request applications, and all sorts of demands, requests and recommendations were swiftly collected, followed up and concluded. By means of the IVR (Interactive Voice Response) service, 218,600 calls out of 311,400 were resolved via IVR, and 92,800 customers were connected to Customer Representatives for eAkenerjicute transactions. According to the Commercial Quality Standards, service level achieved 116% success.

Sales and marketing, energy demand and balancing activities

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 in 2015.

In order to move customer service one step forward, and to create customized campaign tariffs as per customers' needs, SEPAŞ Enerji designed its research studies and projections in parallel with its strategies. In 2015, "Customer Satisfaction Research" was conducted to measure retail and corporate customers' satisfaction level for SEPAŞ Enerji's product and service processes, as well as to measure the points on which customers are pleased, and the points requiring improvement.

With the "Data Mining Project", it is aimed to analyze, interpret and de-duplicate data accumulating in SEPAŞ Enerji's data warehouse, and to reach insights about the axis of customer behaviors in such a way as to support strategies. The Data Mining Project allows for customer segmentation and segment-based customer management for SEPAŞ Enerji's customers.

Acting with an integrated approach for the services it offers customers, SEPAŞ Enerji activated an Online Transactions Center, and ensured customers of rapid and reliable execution of all subscription and post-subscription transactions.

Sepaş Enerji envisaged that campaign activities would proliferate in the Electricity Retail Sales Sector in 2015, so the Company arranged two device campaigns for its customers. It not only offered electricity sales to customers with advantageous prices by means of the "Apple Mobile Device" campaign in H1 and the "Cosa-Smart Combi Kit" campaign in H2, but it also provided devices according to invoice amounts.

Operating with an expert, 13-strong sales team in the Port, Sepaş Enerji develops its sales channels, every passing day, with the aim of providing energy to all of Turkey. Throughout 2015, the Company signed agreements with 3,296 customers by means of expert sales staff in the Port, and added 4,498 meters to the portfolio.

By means of 24 staff working under Retail Customer Management, Sepaş Enerji serves through 228 main dealers and numerous sub dealers in 49 cities. With the contribution of a reinforced dealer structure in 2015, production of 407 GWh was attained in the Ocean Region, which is under the responsibility of Retail Customer Management.

According to 2015 average figures, Sepaş Enerji supplied energy of 867 MW in total; and in free consumer it supplied 260 MW at the Port and 45 MW on the Ocean, for a total of 305 MW of energy. The Company serves 1.5 million subscribers. The number of free consumers reached 58,423 in total, consisting of 21,269 dwellings, 36,014 business places, 1001 industries, 35 agricultural watering, and 104 lighting customers.

As a result of its strong sales and marketing strategies, Sepaş Enerji's 2015 total sales volume came in at 4,920 GWh for National Tariff, and 2,678 GWh for Free Consumer Tariff. Moreover, services were offered to 510,186 customers with a transaction volume of 690,501.

In 2005, the improvement of Cognos was completed. Thanks to Cognos, monthly reports and budget works are shared with the relevant departments over the system. Data is entered into the system by authorized individuals, and the results are evaluated via the system. Aview, Sepaş Enerji's demand estimation software program, was installed, and improvement works continued in 2015. An enhancement of 4% was attained in demand estimation rates.

It enhanced the ratio of meeting demands by the sales teams, and enabled competitive prices and the purchase of low cost energy. It began to give price offers to large customers in the Port through the Atlas Platform, and it also began to collect price offers from Akenerji on a daily basis.



REAL ESTATE

- Akış REIT



“Accelerating its investments in street retail, Akış REIT raised its shares in Akasya Acıbadem, and strengthened its portfolio structure, further reinforcing its place in the real estate sector.”

İ. Gökşin Durusoy
General Manager

Akiş Gayrimenkul Yatırım Ortaklığı A.Ş.

2015 was a crucial year for portfolio structuring at Akış REIT. While some of the existing real estates in Yalova, Bozüyük and Çerkezköy were sold, the Company ventured into new investments such as SAF REIT share purchase and the Beykoz project.

The majority of the portfolio is now retail, and the Company has attained high rental income potential. Construction has started on the street retail investment on Bağdat Street.

Akbatı Shopping Mall and Residences had a very successful year. Total turnover of shops grew more than 16%, and this rise is well above the index of the Shopping Mall Investors’ Association, which reflects the sectoral average. Akasya Acıbadem, which is also within the scope of our SAF REIT partnership, has come to the fore in its second year. Visitor numbers and total store turnovers climbed steadily.

Works for compliance with the legal legislation the Company is subject to, and consolidation of the corporate governance structure, also continued in 2015. A Corporate Governance Assessment was carried out in November, and our Company’s Corporate Governance score, which was determined at 9.16 out of 10 in 2014, notched up to 9.28 in 2015. Akış REIT stands out among the companies of the real estate sector in terms of corporatization and transparency.

AKIS REIT A.Ş. conceptualized as a project the value it places on life and humanity with its new brand, Yaşam Akademisi (Life Academy). Yaşam Akademisi is the first project organized by the Company to offer a robust platform to those wishing to enhance individual awareness of a real estate firm in Turkey, and contribute to social happiness. The chat sessions organized, free of charge and under the umbrella of Yaşam Akademisi, initially started in Akbatı.

AKIŞ REIT SCALES UP ITS RENTAL REVENUE THROUGH INVESTMENTS, AND MAINTAINS ITS PROMINENT POSITION IN THE SECTOR.

Akiş REIT Signature in Bağdat Street

Developing four different projects on Bağdat Street within this context, Akiş REIT also provided project financing for these investments. This investment, total land and construction investment spending of which will reach up to US\$ 190 million, is expected to generate annual rental income of about US\$ 15 million upon completion of construction.

Commercial real estates will be developed on lots sized between 900 and 2,800 square meters. The total construction area of 4 investments on Bağdat Street is expected to be 29,000 square meters, and the total rentable area of the projects to be developed in this area is expected to be about 15,000 square meters. Real estates to be designed in accordance with the needs of the retail industry will contribute to the prestige of Bağdat Street. A lease agreement has been signed with Beymen Mağazacılık A.Ş. for the real estate located on Bağdat Street Block No. 3206, Parcel No. 14.

In 2016, 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.

Akbatı Shopping Mall & Akbatı Residences contributed to the real estate sector with the national and international awards. 2015 has also been a year of accomplishment, increasing the number of awards received over the last four years to a total of 42.

Akbatı Shopping Mall and Residences has organized 517 events for children, 218 food workshops, 370 yoga and pilates lessons, 14 fitness and Latin dance lessons for children, 112 conferences, 12 autograph sessions, 7 exhibitions, 5 theatre plays, 7 special events with international licenses, 15 major concerts, and countless music events over the past 4 years.

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 Acibadem has around 264 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 Acibadem 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 Acibadem 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 2015

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 2015.

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.

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 Gayrimenkul Yatırım Ortaklığı A.Ş.

Akmerkez is the center of life again in 2015!

Established in 1993 as a premium outlet for Istanbul, Akmerkez is one of the most vital living centers of urban life.

Combining residence, office and shopping mall under one roof in the most central location of Istanbul, Akmerkez continues to be the venue for free, enjoyable and precious leisure time for fashion, entertainment, food and social life. As a keystone of the real estate sector, Akmerkez is also one of the leading players of the investment sector, due to the world-renowned brands it carries.

Investing in the future as a leader in creating new values, Akmerkez will continue to serve guests by prioritizing comfort and difference in 2016, combining the innovations of modern urban life in its architectural structure, without abandoning its unique style, which has become a symbol of Istanbul.

World's most recognized marketing awards grants 13 prestigious awards to Akmerkez

Akmerkez has won a total of 13 awards from the Stevie Awards, Marcom Awards and Hermes Creative Awards, which are among the most prestigious business awards, with its New Year's Eve event in 2015. A team of judges, each renowned in their own fields, granted major awards from the world's greatest companies, advertising and public relations agencies, and non-governmental organizations.

Akmerkez won 6 platinum prizes in the Marcom Awards by AMCP (Association of Marketing and Communication Professionals), which assesses over 6000 projects each year, and added this to its international successes. These platinum awards were in the 'Media Response', 'Television Placement, Communication Program', 'Communications/ Public Relations Special Event', 'Marketing Promotion Campaign' and 'Marketing / Promotion Campaign Special Event' categories.



"Akmerkez REIT A.Ş. continued to renew trust through the now-completed renovation process and the new investment decisions of the existing lessees. Akmerkez boosted its success with its revamped exterior, projects to expand the visit frequencies of its customers, newly established terraces and outdoor areas for guest comfort, and by including Turkey's leading food and beverage brands in 2015."

Murat Kayman
General Manager

AFFORDING GUESTS A SHORT BREAK FROM THE HUSTLE AND BUSTLE OF THE DAY, THE TRIANGULAR TERRACE OFFERS A UNIQUE OUTDOOR EXPERIENCE WITH BRIGHT GREEN GRASS, AND SPECIALLY DESIGNED MODERN SWINGS, LOUNGERS, CUSHIONS, LIVE MUSIC AND SURPRISE TREATS.

In another major event, the Stevie Awards, Akmerkez won a total of 3 prizes; Gold in the 'Communications/PR Campaign of the Year – Sponsorship' category, Silver in the 'Best Public Relations Event' category, and Bronze in the 'Communications/PR Campaign of the Year - Events & Observances' category.

Akmerkez also won 4 platinum awards at the Hermes Creative Awards, which has been rewarding the most creative works in communications for 20 years. The categories were Special Event, Media Response, Other Events, and Digital Marketing Event, out of 195 categories in the competition.

Akmerkez is a breath of fresh air in the city with its triangular terrace

Uniting shopping and life, and hosting world brands in its urban location, Akmerkez added a new outdoor area after the Food Court Terrace. Open from 12:00-21:00, the Triangular Terrace is designed as a modern and special outdoor area for those who would like to escape the city while still being in the city.

Affording guests a short break from the hustle and bustle of the day, the Triangular Terrace offers a unique outdoor experience with bright green grass, and specially designed modern swings, loungers, cushions, live music and surprise treats. The Triangular Terrace is getting ready to host various events that will add serenity and color to the busy city life, and the entrance is from the Akmerkez Food Court.

Creative youngsters meet at the Young Lions Zone by Akmerkez!

Free and creative minds of the new world have a brand new meeting point in Akmerkez. The Young Lions Zone is designed as a meeting point for youths and young professionals, who are a source of inspiration, where they can combine life and arts and easily meet all their needs.

Hosting the Turkish eliminations for the Young Lions Competition, which is the special leg of the Cannes Lions International Creativity Festival for creative young people, Akmerkez carried its support for creative youngsters to a different platform with the Young Lions Zone by Akmerkez. Gathering the needs of a modern working environment under one roof, the center opened its doors as a meeting point for youths and young professionals, aged between 18 and 39, who would like to work freely, feeding on life and art.

Located on the Lower Shopping Floor, the Young Lion Zone is open for free use by visitors, and contains all the facilities they may need while working. The Young Lion Zone also includes a slide that inspires free ideas and a special sitting area where they can listen to the sector leaders.

The Young Lions Zone, which from the beginning has been a working space frequented by Akmerkez's young guests through membership, and an address used by professionals for their meetings and presentations, will continue serving with special events focusing on experience and creativity in 2016.

Young Lions Competed in Akmerkez

The Cannes Lions Young Lions Competition Turkey Eliminations, organized by Doğan Burda Magazine Group, which is the Turkish representative of the Cannes Lions International Creativity Festival, along with the Advertising Foundation, and sponsored and hosted by Akmerkez, were held between April 10th and 16th.

Akmerkez hosted the competition, elimination and training of teams preparing for the Cannes Lions festival, held between June 21st and 27th. A special work zone was allocated to the Young Lions on the Food Court Floor. The Young Lions Zone established for creative youths opened its doors at the same time, and became a center for jury assessments and mentoring.

Trainings started with a key training by prominent professionals, and were attended by creative people under 28 and marketers under 30. Akmerkez held special trainings by previous contenders and sector professionals, who are judges in the competition, for those who qualified for the finals. As a result of these trainings, for the first time in history, someone from Turkey came first in the Young Lions, and brought our country great joy and just pride.

272 young professionals in 136 teams competed in 5 categories in the Turkish eliminations of the Young Lions in Akmerkez. These included 17 teams in the young marketers category, 41 teams in the press category, 27 teams in the film category, 33 teams in the media category, and 18 teams in the cyber category. The competition was a hit with the press, and was covered in a total of 317 news articles.

10th National Geographic International Photography Contest took place under the main sponsorship of Akmerkez

The Turkish leg of the International Photography Contest, held by the National Geographic Society, was carried out under the sponsorship of Akmerkez this year, as in previous years. Approximately 17,000 photographs were entered for the contest this year in

four different categories; People, Nature, Places, and Akmerkez's Special Category, Discovery.

The contest judges included one of Turkey's most popular personalities, photojournalist Ara Güler, National Geographic International Editions Photography and Design Editor Darren Smith, and Your Shot Photography Editor Monica Corcoran. Akmerkez rewarded the winner of its special category with a trip to Thailand's Songkran Festival.

GQ Men of the Year 2015 Turkey was held with Akmerkez as the main sponsor

Run by GQ for 20 years worldwide, and held for the fourth time in Turkey this year under the sponsorship of Akmerkez, the GQ "Men of the Year" awards ceremony was held at the Four Seasons Bosphorus Hotel in December. 10 men and one woman, each successful in their own fields, and who turned heads in 2015 with their achievements and styles, were rewarded. This special night was attended by business and arts luminaries, and garnered heavy media attention.

Arda Turan won the Akmerkez Special Award and Man of the Year award this year, and the Special Award was given by Hidayet Türkoğlu, one of the most successful representatives of Turkish basketball abroad. Chris Noth, who became popular with the "Sex and City" TV show, won the International Icon of the Year award, Cem Yılmaz received the Icon of the Year award, Sila received the Woman of the Year award, Norman Reedus, the popular star of "The Walking Dead" TV show, won the International Star of the Year award, Faruk Süren received the Style Icon of the Year award, and the remaining awards were given to special people selected as the best in their field such as Edis, Arda Türkmen, Mete Atatüre and Cedi Osman.

The media covered GQ Men of the Year with a total of 908 news articles. Total print circulation containing the news amounted to 16,728,570. These articles reached 57,628,703 people. The total advertising equivalent of the print news and visual media was about US\$ 9,011,899.

AKMERKEZ CONTINUED ITS FUN WORKSHOPS, INTRODUCING KIDS TO THE LIMITLESS WORLD OF CREATIVITY, WHICH SAW GREAT INTEREST WITH ISTANBUL MODERN AND PACE ARTS CENTER IN 2015.

Metropolitan operas now in Akmerkez cinemas!

Outstanding pieces from the Metropolitan Opera, which has brought the most famous and talented performers in the world together for 130 years, were performed for opera-lovers on CinemaPink screens in 2015. Productions like Verdi's Othello and La Traviata, Bizet's Carmen, Puccini's Madame Butterfly, Mozart's Magic Flute, and Berg's Lulu were watched in real-time from New York in Akmerkez CinemaPink, with the magnificent stage and actors of the Metropolitan Opera, the greatest classical music institution in North America. 6 screenings were shown between October and January for 768 people, and received great media coverage.

Sanat Akmerkez'de shines a light on the past 150 years of Turkish painting in its 11th year

Hosting exhibitions and events keenly followed by art lovers each year, Sanat Akmerkez'de hosts an exhibition program containing 700 works from the last 150 years of Turkish Arts History. Turkish Painting Art's century-old history is presented for art lovers in a range from İbrahim Çallı to Adnan Çoker, the classical-impressionist tradition, and abstract art representing modern Turkish painting.

Art lovers could view special selections from this era at the group exhibition, which was held between April 18th and November 30th, and the exhibition saw great media coverage.

Arts, entertainment and creativity for kids at Akmerkez!

Akmerkez continued its fun workshops, introducing kids to the limitless world of creativity, which saw great interest with Istanbul Modern and Pace Arts Center in 2015. The little guests were taken on an artistic world tour in colorful and creative kids' workshops, presented in the event zone from 13:00 to 18:00 every Saturday. Kids carry out studies on the culture of a different country in each activity, and had the opportunity to learn about these cultures. As well as these educational activities, they discovered different branches of art, and developed their creativity while also having great fun.

Special Days

Hıdırellez celebration at Akmerkez

Celebrated to herald the summer on 5th and 6th of May each year, Hıdırellez was a first for Akmerkez guests. Combining the traditional with the modern in a creative concept, it became one of the most popular events with guests in 2015.

Guests wrote their wishes on cards, and hung them on rose bushes or tied colorful ribbons on trees, each color representing a different meaning such as "health, love, well-being, money", and 7,800 wish cards were used. Akmerkez was festooned with colorful flowers and rose bushes for the event. A traditional mixture of one pinch each of rice, salt, sugar and flour, prepared in Hıdırellez for abundance, was gifted to visitors in small jars.

World Happiness Day was celebrated for the first time at Akmerkez

“World Happiness Day”, which is not embraced by any other shopping mall or brand in Turkey, was celebrated for the first time by Akmerkez. The day was adopted to identify the concept of happiness with the brand, and to add value to guest loyalty and satisfaction. Under the theme “Everyone is very happy today in Akmerkez”, guests were welcomed with delightful little surprises. They were also greeted with cotton candy and a fun ambiance created with special balloons and happy songs. Social media followers won cinema tickets in a mini contest.

Happy moments of the New Year in Akmerkez

A New Year atmosphere was created in Akmerkez event zone with the special New Year décor, erected between 28th and 31st of December: The floor was coated with a specially designed floor graphic, and the Boğaziçi A Capella choir performed New Year songs in Akmerkez and at the event zone. Guests were able to design their own New Year decorations and gift-wraps, and they took fun photos with the special decor and in the Mirror Booth. A “Happy Moments 2016” gift album with photos taken with Santa Claus at the zone was presented to all participants at the end of the event.

Akmerkez’s free New Year “Gift Wrapping Service” stood out from the competition by presenting special gift wrapping alternatives, decorations and cards to write New Year wishes, for guests to choose from with their New Year shopping. A special gift-wrapping service area, set up beside the Information desk, was highly popular with Akmerkez guests, and 2050 gifts were wrapped.

Akmerkez is the center of 2016 New Year celebrations in Istanbul!

Akmerkez hosted a phenomenal New Year party on Nispetiye Street last year with Beşiktaş Municipality. During Hande Yener’s New Year Concert in front of Akmerkez, the Shopping Mall’s towers were turned into giant screens with the “Video Mapping” system, and participants were treated to a magnificent visual feast.

The New Year event was crowded with Istanbulites, despite the heavy snowfall, and citizens celebrated 2016 at concerts by famous DJ David Venderra, as well as Hande Yener, accompanied by light and laser shows, confetti, artificial snow and fireworks. The New Year Concert and Mapping Show were also broadcast live on TV.

Specially lighted Akmerkez billboards were placed in New Year tags on the Beşiktaş - Ortaköy and Nispetiye line, and event marketing appeared on 600 billboards and 1,000 pillar billboards for a total of 4 weeks in December, within the scope of sponsorship rights.

Akmerkez’s event was covered effectively in the media both before and after New Year’s Eve. Total advertising equivalent earnings of US\$ 5,499,633 were secured with 80 pieces of news coverage on various TV channels; Kanal D, Star TV, Show TV, Fox TV, CNN Türk, NTV and TV8. A total advertising equivalent of US\$ 688,409.81 came from 53 news articles published in various newspapers and magazines such as Hürriyet, Milliyet, Habertürk, Akşam, Sözcü, Vatan, Star, Cumhuriyet, Hafta Sonu and Şamdan, and the news reached 17,775,350 people.



REAL ESTATE

- SAF Gayrimenkul Yatırım Ortaklığı A.Ş.



“As a company acting on the principle of the right investment at the right time, SAF REIT A.Ş is focused on creating more value for its stakeholders with its standing in the market, as evidenced by its experienced shareholders and strong financial structure. Our foremost investment, Akasya Acıbadem displayed stellar growth in 2015, beating the Turkish average in both visitor numbers and turnover volume. Visitor numbers in 2015 exceeded our goals, reaching 14.5 million people, and our mall rapidly gained a position among the top shopping malls in Turkey. In a contest organized by the International Council of Shopping Centers (ICSC) to evaluate the most successful shopping centers and accord the most prestigious award of the Shopping Center industry, Akasya Acıbadem received the best Shopping Center in Europe award in the “ICSC New Developments: Large” category, thus putting the seal on its international success.”

Zeynep H. Akdilli Oral
General Manager

SAF Gayrimenkul Yatırım Ortaklığı A.Ş.

SAF REIT decided to merge with Sağlam Gayrimenkul Yatırım Ortaklığı A.Ş., established in 2005, where the net asset value of Sağlam Gayrimenkul would be 75,183,397 TL, and the discounted cash flow value of Saf Gayrimenkul Geliştirme İnşaat ve Ticaret A.Ş. would be 1,115,133,125 TL, at the Extraordinary Meeting of the General Assembly held on October 31, 2011. The Company’s capital became 886,601,669 TL, and the registered capital upper limit reached 2,000,000,000 TL with this decision. During the mentioned merger process, Article 2 of Sağlam Gayrimenkul Yatırım Ortaklığı A.Ş.’s Articles of Association was amended, and the company title was changed to Saf Gayrimenkul Yatırım Ortaklığı A.Ş. This merger is intended to invest in real estates, capital markets instruments based on real estates, real estate projects, real estate based rights, and capital markets instruments stated in the communiqué of the Capital Markets Board (CMB) regarding the principles of Real Estate Investment Companies, and to carry out other activities allowed by the aforementioned communiqué.

The market value of SAF REIT, established upon the merger of two companies, is TL 700.415.319 as of December 31, 2015. SAF REIT is the second largest company in terms of paid up capital among the real estate investment companies traded on BIST.

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 m² site, consists of three parcels; Kuru (Woods), Göl (Lake) and Kent (City). The first two parcels of the project, in which the original

HAVING BECOME ISTANBUL'S NEW CENTER OF ATTRACTION WITHIN THE LAST NEARLY 2 YEARS SINCE ITS OPENING, AKASYA ACIBADEM INTRODUCES VISITORS TO LEADING GLOBAL AND DOMESTIC BRANDS.

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 98.6% of the residences in the City parcel, which was opened for settlement in 2014, have been sold. The Akasya Acibadem Project consists of a total of 1.371 residential units, 463 of them in the Lake parcel, 436 in the Woods parcel, and 472 in the City parcel, and 471 office units all in the City parcel.

The Akasya Acibadem Project also covers a shopping mall spread over a leasable area of 88.862 m² 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 nearly 2 years since its opening, Akasya Acibadem introduces visitors to leading global and domestic brands. Akasya Acibadem, serving with 264 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 Acibadem, and is presented for use to all visitors.

First in Akasya Acibadem

Major brands of Akasya Acibadem, such as Crate & Barrel, the most famous home decoration store in the US, which entered our country's retail market for the first time with us, the world's first large toy store Hamley's, Victoria's Secret with its first full line store in Turkey, including the Pink collection, world renowned Italian ready-to-wear brand Hogan, Rag&Bone, one of the world pioneers of young and sophisticated style, IRO and Hackett, Michael Kors with its largest Turkish store, and Tod's, Tory Burch, Marc by Marc Jacobs, Maje, Longchamp, Diane Von Furstenberg with their first stores on the Anatolian side, and Burberry with its largest store on the Anatolian side, bring new life to high-end fashion and entertainment.

Akasya Acibadem also welcomes guests with a rich selection of brands in the ready-to-wear, health, beauty, cosmetics, shoes, bags, accessories, home decoration, cafe, restaurant and superstore fields that are leaders in their own industries.

A center of arts

Standing out with arts and cultural activities as well as shopping, Akasya Acibadem presents guests with a unique musical feast, including classical music, jazz events and concerts throughout the year, with the collaboration of İKSV (Istanbul Foundation for Culture and Arts), and featuring world-renowned performers.

Introducing guests to various celebrities from literature to music in its arts and culture events, Akasya Acibadem hosted Ajda Pekkan, Candan Erçetin, Yalın, Mor ve Ötesi and Nil Karaibrahimgil concerts, as well as performers like İncesaz, Erkan Oğur, Göksel Baktagir and Rubato in the park throughout the month of Ramadan.

Akasya Acıbadem Becomes the Show Sponsor to the IKSJ Jazz Festival

Akasya Acıbadem was the show sponsor to the highly popular “Hugh Laurie with The Copper Bottom Band” concert, held in Cemil Topuzlu Open-Air Theatre in 2014, and a Marcus Miller concert in 2015 within the context of the IKSJ Jazz Festival.

Akasya Acıbadem celebrated its 1st Anniversary in March 2015!

Celebrating its first anniversary in March 2015, Akasya Acıbadem hosted significant people and groups in a series of events from concerts to ballet shows, literary conferences and exhibitions. While presenting delightful chats with Enver Aysever, Ayşe Arman and Yekta Kopan, Akasya Acıbadem hosted the “Live Statues” exhibition, assembling live statues of prominent people who have left their mark on the world through innovations and designs, between 6th and 15th of March. Live statues of world-renowned individuals who marked the history of humanity with their works and monuments were presented to Istanbulites for the first time in Turkey at the world premier of the “Live Statues Exhibition” in Akasya. Live statues of famous people like Steve Jobs, Alexander Graham Bell, Alfred Nobel, Thomas Alva Edison, Albert Einstein, Wolfgang Amadeus Mozart, Gustave Eiffel, Henry Ford, John Pemberton, Coco Chanel, Andersen and Walt Disney were introduced to Akasya Acıbadem Guests.

For International Women’s Day on March 8th, Akasya presented “Aeternum”, an epic flamenco show enriched with magical symphonic music by the Los Vivancos group, known as the Princes of Flamenco, for women and all guests.

After Nil Karaibrahimgil and Mor ve Ötesi gave a virtuoso musical performance lasting 4 hours, the entertainment continued with Yalın and the Boğaziçi Jazz Choir, and the ballet shows, “Fırat’a Ağıt” (A Lament for Euphrates) and “Çalikuşu” (The Goldcrest) were very popular.

Famous Akasya Chats!

Various celebrities, including decorated, popular authors, journalists and columnists who are all experts in their own fields were hosted in Akasya Chats, held for the first time in January 2015. The twice-monthly Akasya Chats, which have now become a tradition, have so far hosted 18 famous people; Ayşe Arman, Kürşat Başar, Enver Aysever, Yekta Kopan, Buket Uzuner, Ahmet Ümit, Mutlu Tönbekici, Rüzgar Mira Okan, Ayşe Tolga, Zülfü Livaneli, Prof. Dr. Bengi Semerci, Ece Temelkuran, Dr. Ender Saraç, Uzm. Diyetisyen Dilara Koçak, Aret Vartanyan, Eralp Caner, Saffet Emre Tonguç and Ajda Pekkan.

June 21st longest night event

Akasya Acıbadem Park hosted an unforgettable classical music concert and synchronized fireworks launched by the Italian Festi company, known for the world’s most famous street festivals, together with the 70-strong Istanbul Philharmonic Orchestra.

Summer nights became more colorful with Cinema Nights held in summer in Akasya Acıbadem Park.

In addition to the LG IMAX cinema, equipped with state-of-the-art technology, and one of the largest cinema screens in Europe, cinema lovers also have 15 cinema saloons, including 2 VIP saloons, at their disposal in Akasya Acıbadem.

Surprises in Akasya Acıbadem Continue in 2016

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”. Chats with Akasya Acıbadem guests will feature major celebrities, and chat topics will include anything about daily life from literature and sports to health.

AKASYA ACIBADEM WON 2 BRONZE STEVIES AT THE INTERNATIONAL STEVIE AWARDS, ONE OF THE MOST PRESTIGIOUS EVENTS IN THE USA, AT WHICH THOUSANDS OF PROJECTS, FROM MORE THAN 30 COUNTRIES, HAVE BEEN EVALUATED SINCE 2002.

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 Acibadem 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.

Akasya Acibadem receives a notable award

Akasya Acibadem received the Best Shopping Center award in the “New Developments: Large” Category of the ICSC European Shopping Center Awards 2015, one of the most prestigious awards in the real estate field, organized by the International Council of Shopping Centers to assess the most successful shopping centers in their fields.

AKASYA ACIBADEM WINS A STRING OF AWARDS in 2015: 34 International Awards given to Akasya Acibadem

Akasya Acibadem received a total of 5 Platinum, 5 Gold and 5 Honorable Mention awards in the social responsibility, public relations, communications-marketing, event, magazine and sales promotions categories at the Marcom Awards 2015, the leading international award program of the communications and marketing world.

The Marcom Awards, applied by the world’s greatest companies, advertising and public relations agencies and non-governmental organizations, received 6,500 applications from all over the world. The Marcom Awards are granted by a jury consisting of leading experts in their own fields under the supervision of International Marketing and Communication Professionals.

The Hermes Awards have been held in the USA in order to encourage creativity, by the Association of Marketing and Communication Professionals, since 1995. Corporate marketing and communications units, advertising agencies, public relations companies, production companies, web based entrepreneurs, and freelance workers are entitled to enter this contest. Works by Akasya Acibadem marketing department were rewarded with 4 Platinum, 7 Gold and 5 Mention awards.

Akasya Acibadem won 2 Bronze Stevies at the International Stevie Awards, one of the most prestigious events in the USA, at which thousands of projects, from more than 30 countries, have been evaluated since 2002.

Akasya Located at A Very Convenient Point

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

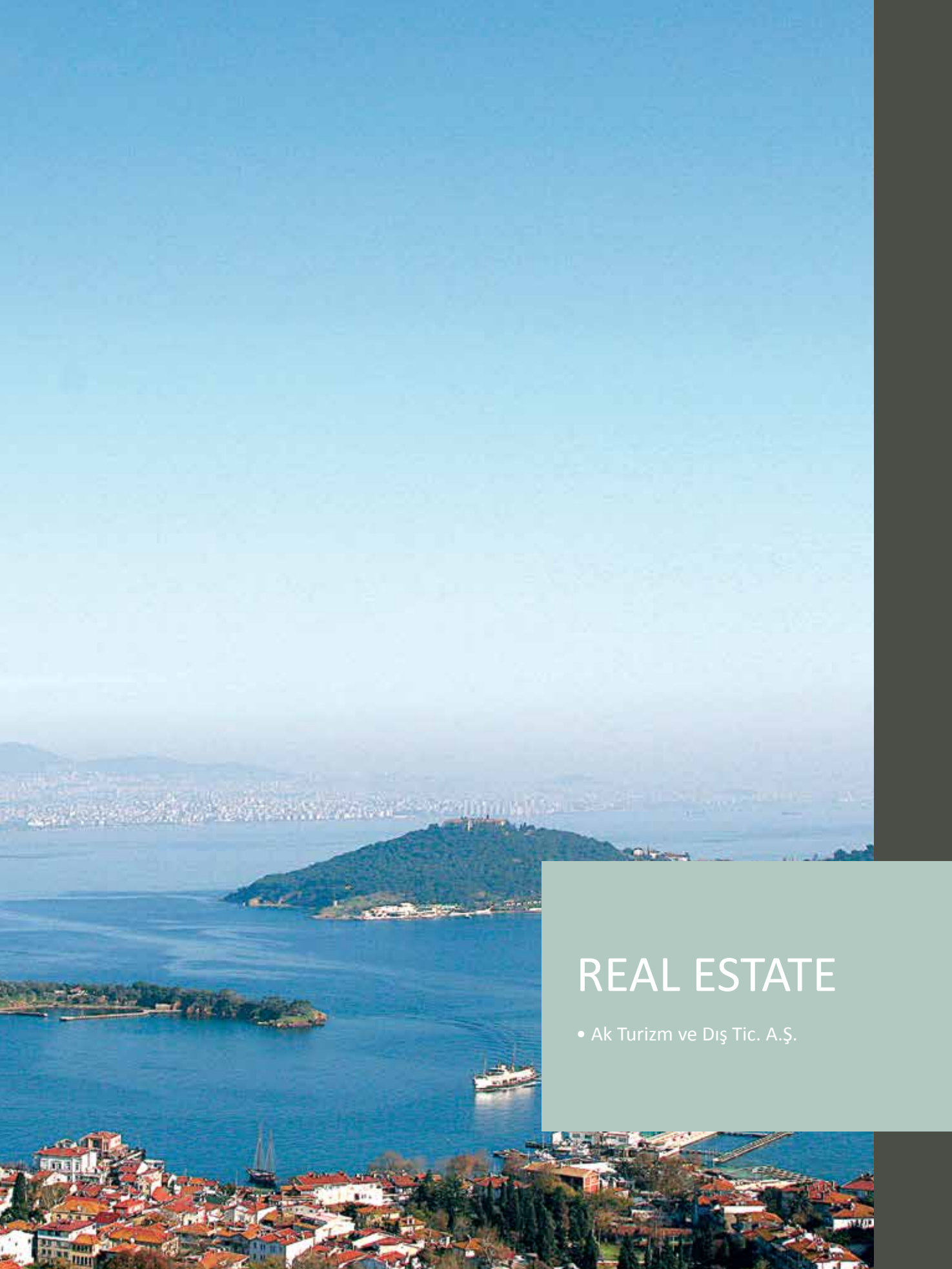
SAF REIT's other projects

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 19.843 m² indoor area
Roza Factory Building with 21.233 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 KAŞIK 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 m² of the total 52 thousand m² site have been allotted for construction.



TEXTILES

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

REACHING A CAPACITY UTILIZATION RATE OF 84% IN 2015, AKSA EGYPT RAN UP TURNOVER OF US\$ 27 MILLION.



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. With the help of the new order and steps for economic reform in Egypt in 2014, and continuing in 2015, Aksa Egypt achieved a capacity utilization rate of 84%, and recorded turnover of US\$ 27 million.

Planning to use its resources in the most optimized way, based on signals that the positive atmosphere in the country will continue in 2016, Aksa Egypt 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 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.



“We feel the effect of living conditions changing with technological advances on new generations more and more each day. The “edutainment” concept, presenting education and entertainment together, which has become popular in recent years in order to mitigate this effect, continues to take hold in the world. A pioneer of this concept, the star of the kids’ entertainment industry, KidZania will continue to host guests with innovations in 2016.”

Lara Sayınsoy
General Manager

Akasya Çocuk Dünyası A.Ş.

Founded on February 16, 2009, Akdünya is the owner of the license rights in Turkey of KidZania, which currently operates in 21 cities in 18 countries, while Akasya Çocuk is the operator of Akasya Acibadem 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), Philippines (Manila) and the Russia (Moscow).

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 4 new countries in Singapore (Singapore), Qatar (Doha), South Korea (Busan) and India (Delhi).

KidZania Republic of Exploration and Fun

Opened in Akasya Acibadem, 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 who come to KidZania can experience more than 90 roles according to their own skills and interests in more than 60 activity zones. Kids are able to experience various professions like doctor, firefighter, secret agent, archeologist and pilot in several activity zones, designed in a real city setting, and in accordance with their ages, 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 m², was opened on March 13, 2014, with an investment of US\$ 20 million.



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.

Ak-Pa adds value to the Turkish textile industry with its hard-earned background in the sector. The Company boosted its brand strength in the market with the fiber and thread group (polyester, polyamide, viscose, cotton) in 2015.

2015: A year of consistency

In 2015, the company reached an export volume of US\$ 364 million and an import volume of US\$ 21 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 2016, 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

Awards received by Ak-Pa are the indicators of a 39-year success story in export. Ak-Pa Tekstil İhracat ve Pazarlama A.Ş. was elected first in the textile and raw materials industry due to its export volume at the 22nd Ordinary Meeting of the Turkish Exporters Assembly (TİM), and 2014 Champions at the Export Awards Ceremony attended by Turkish President Recep Tayyip Erdoğan. The Company was also rewarded by the Prime Minister as the Export Champion of Turkey, with a Success Plate in the 2012 Export Champions Award Ceremony, also organized by the Turkish Exporters Assembly (TİM). In the event held by the Istanbul Textile and Raw Materials Exporters Union (ITHİB) to reward companies who have achieved the largest export volume, Ak-Pa came first in Sectoral Export and won the "Platinum Award" four times.



"Ak-Pa advanced in protecting all its values and achieving its goals in the difficult market conditions of 2015.

We redefined our risks and goals on the assumption that economic deterioration in the world will continue in 2016, and new problems will arise. This year, we will reach our goals cautiously and optimistically, without exceeding the calculated risks."

Suat Aydın
General Manager



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

Value added high standards in the IT industry

Aktek was founded in 2007 in order to be the technology service that presents modern applications in information technologies to all companies in Akkök Holding exclusively, efficiently, and with solutions and services that add value. Today, the Company expands its area of activity and effect by also presenting similar Information Technology services to institutions outside of the Holding with added value.

Closely following developments in Information Technologies, and maintaining its R&D works, Aktek aims for high standards in its services, and produces end-to-end integrated applications and solutions that will keep the technological infrastructure of the Holding Companies up to date. In addition to these activities, the Company expands its customer portfolio by the day through the external activities it concentrated on as of 2010, and continues, with great consistency and determination, on the road to being one of the foremost companies in the IT sector.

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.

2015: Popularizing corporate entrepreneurship and innovation culture

Aktek continued to grow in 2015 by undersigning successful projects in the Teknopark of Yıldız Technical University, and carried out several successful IT projects, of various sizes, with added value.

An entity called “Aktek Garage” was formed within Aktek in 2015. With this unit, Aktek provides opportunities to people with creative ideas, where they can transform their ideas into projects. Aktek has developed projects with about 10 companies like this after moving to Teknopark. It brought the Ak-Mobil application to life and presented it to users with this resource.

The Company meets needs for planning, analysis and financial reporting with the “A Performans” (A Performance) Application, designed for Corporate Performance Management. A Performans is developed on the IBM Cognos TM1 platform. There is also the “Balans” solution for budgeting and reporting in the energy industry. Balans Software provides a shift to a more accurate, sensitive and systematically developed automatic



“Aktek created an entity called Aktek Garage, structurally delineating its internal and external innovation philosophy, in 2015. This unit’s mission is to create a sustainable corporate idea-technology development incubation environment, ensuring that technological entrepreneurs in Turkey are successful, and can carry their opportunities to a more successful position with Aktek.”

Reha Çetin
General Manager

INSTALLATION AND ENGAGEMENT OF ORACLE EBS R12, THE CORPORATE RESOURCE MANAGEMENT SYSTEM OF GIZEM FRIT COMPANY, WHICH JOINED AKKÖK HOLDING IN 2015, WAS SUCCESSFULLY COMPLETED.

structure, from manual solutions modeled in MS Excel etc. environment, which are mostly dependent on individuals. It is a complex software solution that aims to define corporate processes.

Installation and engagement of Oracle EBS R12, the Corporate Resource Management system of Gizem Frit Company, which joined Akkök Holding in 2015, was successfully completed.

The ATLAS Customer and Dealer Management project, successfully completed in Sakarya Elektrik Perakende Satış A.Ş., is a CRM application for advanced energy industry, integrated with the external systems of PMUM (Piyasa Mali Uzlaştırma Merkezi - Market Financial Settlement Center) and Abone.net, where customers and customer-based meters can be added, and reports in various categories can be obtained.

According to EMRA legislation and regulation, Aktek teams achieved the first, on-time and most successful highly complex 'unbundling' IT project for Sedaş and Sepaş.

Real estate management project realized in SAF REIT was developed and engaged with success. The Company implements software improvements according to the procedures of the Shopping Center and Real Estate Management companies, and provides a structure integrated with Oracle E-Business Management. It also ensures end-to-end follow-up of all processes in various areas, such as purchasing, sales, inventory, maintenance, real estate management, finance, accounting and human resources. To this end, this is the first corporate software solution with such a level of integration in this fast-growing industry.

Aktek also completed the ISO/IEC 27001:2013 revision of the ISO/IEC 27001:2005 certificate, obtained in 2014, for international standards in the information safety management system. ISO 9001:2008, also previously obtained by Aktek, passed the review audit carried out in 2015 with flying colors. Aktek added the ISO 22301:2012 Business Continuity Management System Standard certificate to the previously obtained quality and information safety certificates.

Aktek debuted on the Deloitte FAST 50 list among Turkish technology companies.

Customer portfolio expanding day by day

Aktek gained 20% of its turnover in 2015 from projects carried out for companies outside of the Holding. Customers added to its portfolio in 2015 include; Yemek Sepeti, Huawei, Tav Bilişim, Viko Elektrik, Özak Global Holding, Tork Makina, Enka, Tera Menkul Değerler, Polisan Boya, Armada Bilgisayar, Tekfen İnşaat, SVR, Limak Yatırım and Digital Planet.

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.

Authentic software solution from Aktek

Aktek will raise the bar of success in 2016, as in 2015, for both in-house and external activities. The Company's 2016 goals include; contributing value in the information technologies field to all our customers, sharing our experience, working together, providing innovative and competitive products to our customers, and making sustainable technological contributions to the growth of both our Company and the national economy.



“40 years ago we set out to earn your trust... Since that day, we have been by your side on your toughest days when you needed us. As well as providing the policy assurance of 22 insurance and pension companies, we will continue to stand by your side in the future with our favored services, expert team and full corporate strength.”

Ercan Erbek
General Manager

Dinkal Sigorta Acenteliği A.Ş

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.

Dinkal presents classical and individual segment insurance policies in health, vehicle, traffic and home packages for retail customers, and wide ranging transportation, loss of profit, receivables (credit), manager liability, fleet vehicle, construction and general liability policies for corporate customers that can be tailored to their commercial and industrial needs. 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.

Celebrating its 40th anniversary at the end of 2015, DİNKAL adopted sustainability of the customer oriented service approach as a principle. It will remain among the major players of the insurance brokers industry in its 40th year.

A critical step in digital insurance

Enjoying the ability to serve in all insurance branches, Dinkal decided to add a new field to services provided to insurance customers, utilizing the capacity to present comparable prices and coverages of 22 insurance and pension companies it works with in the industry, and to interpret this data.

The Company opened sigortakupü.com for the use of its existing and potential customers, in order to provide customers with fast, solution oriented and comprehensive services on the growing digital platform.

On this new digital platform, existing and potential customers can:

- Reach a Dinkal customer representative to obtain brief preliminary information for all their insurance needs
- View their policies thanks to the policy book
- Make a damages claim
- Send their opinions and answers about all the topics they need

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.

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.

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 2015

Listed among the insurance sector's leading companies, Dinkal reasserted its position with the financial figures it obtained in 2015. The Company attained substantial growth, with total premium generation exceeding TL 62 million as of year-end.

The Company has rearranged its organizational structure and expanded its staff, consisting of competent and skilled employees. Dinkal Sigorta Aracılığı A.Ş. sustains its customer oriented service approach with 32 expert employees.

2015 Insurance Report of Turkey's Insurance Sector

In 2015, the insurance sector grew its premium generation by 19.4% (nominal) compared to the previous year, exceeding TL 31 billion.

Growth continues in 2016

The insurance companies operating in the Turkish insurance sector are expected to display a selective attitude in risk option and pricing in 2016 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, 2016 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 2016 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.



“We were very happy to be a part of the projects carried out in our Group in 2015. We will continue to support new projects by our companies, and their business and production channels, in 2016.”

Çağla Zıngıl
Legal Director



“In 2015, we focused on contributing to our Group’s growth goals and business results, with audits carried out through a risk-based approach. We provided assurance and consultancy support in necessary cases for management of our Group’s major risks.”

Gülsev Kutucu
Audit Director



“We achieved substantial success in 2015 with our new business development activities. Adding Gizem Frit company to Akkök Group is one of the best examples of this. This investment motivation will also be present in all our fields of activity. We will diligently discover the trends and needs of the future towards our strategic goals in 2016, and will continue to invest in this direction.”

Veysi Küçük
**Strategic Planning and
Business Development Director**

EFSANE Mİ
GERÇEK Mİ



HUMAN
RESOURCES



“2015 was a year where we initiated the Best Place to Work application in order to make Akkök a place where employees are committed with trust, take pride in their work and workplace, and work in full harmony and collaboration with their colleagues, and we focused heavily on this application.”

Şerife Füsun Ömür
Human Resources Director

The biggest advantage of being a group is that you have different companies in different industries, various sizes, and diverse employees. This is a strength that empowers us at Akkök, as well as enabling us to see different opportunities in Human Resources (HR), and creating a synergistic effect in our applications. Inspired by this strength, Akkök said You First, and we built and engaged an internal job posting system to first evaluate Akkök Employees for open positions within the group. In the meantime, we initiated the Best Place to Work application, and set up a Trust Index measurement process for the whole Group, and we observed our HR focus areas and priorities.

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

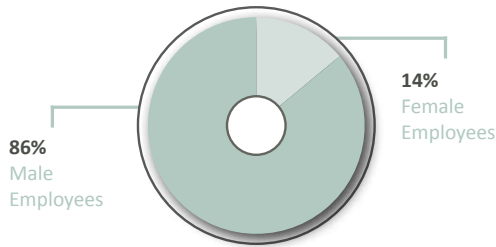
- 2.1** We adopt an innovative perspective and we encourage and authorize thereto
- 2.2** We assume development responsibility, evaluate learning opportunities, and attain success by learning from one another
- 2.3** We consider our differences as our richness and value this
- 2.4** We give feedback 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

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.

Akkök Holding Employee Profile
(All data is prepared as of 31.12.2015.)

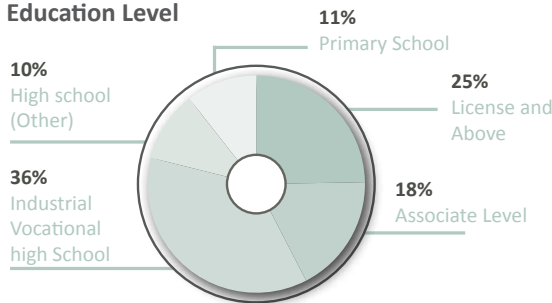
The average age of Akkök Holding employees as of 2014 is 34 and average seniority is 6 years.

Number of Total Employees: 4999
Gender Distribution

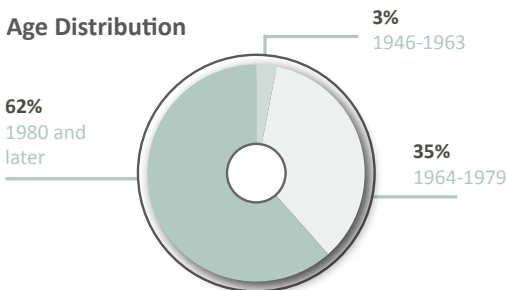


Ratio of Women Executives to Total Number of Executives: 23.7%

Education Level

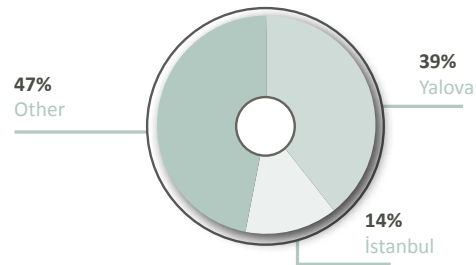


Age Distribution



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:
This shows that 61.5% of Akkök Group consists of employees from the Y Generation.

Location



HUMAN RESOURCES PROCESSES

Best Place to Work

We set out on the road this year with an independent and modern management tool that focuses on aspects like Reliability, Respect, Fairness, Pride, and Team Spirit, and takes a snapshot of our current status in these fields with the “Trust Index”. Our biggest goal is to stay on course towards being the perfect workplace. To this end, with decided to apply a survey every two years that presents opportunities to carry our Company forward on the road to becoming the “Best Place to Work”.

This new approach, where we will work together to advance our environment, and where our employees commit with trust, take pride in their work and workplace, and work in full harmony and collaboration with their colleagues, is implemented as a joint application throughout the group.

2015 was determined as the year to apply the survey and plan actions according to the outcomes.

LEADER AND EXECUTIVE DEVELOPMENT PROGRAMS

The main goal of the Akkök Leader and Manager Development Programs is to provide for the establishment and permanence of a common management and leadership culture in our Group. The Programs also create an environment for learning and developing relationships, where managers from various Group companies can share their knowledge, skills and experience.



Akkök Manager Development Program Group 4 Company Participants and Akkök Top Management

Vizyoner Diyaloglar (Visionary Dialogues)

The Aim of the Visionary Dialogues Program, positioned as the Leader Development Program, is to provide new short and long-term perspectives in vision-extending topics pertaining to the external factors that affect the environment surrounding upper management. In 2015, an interactive sharing environment was created for six selected topics, with esteemed speakers from academic and professional life. Bi-monthly meetings with upper level managers will continue in 2016 with 4 different topics.

One-to-one Coaching Program

The program was initiated throughout the group based on the personal improvement need of upper management on a voluntary basis. It continued with a group of 11 individuals in total, including medium level managers, in 2015. The program supports management development, and creates value by focusing on the personal needs of the manager as a counselee and it will continue in 2016, expanding the scope of the target group and meeting their needs.

Executive Development Program

The Program's goals are to: prepare medium level managers of Akkök Holding for the future, improve their managerial competence, allowing them to understand their personal and corporate needs for improvement with applications that will enable them to mirror themselves and their organization, and to develop common language, knowledge and applications among management level. The Program is carried out under the collaboration of Akkök Holding Human Resources

and Sabancı University EDU Executive Development Unit.

The Manager Development program starts off with Market Orientation training, directed towards the area of Knowledge and Skills, followed by 6 different Modules. Participants take on different roles in the management team of a company that produces new products, has employees, faces unpredictable situations, and acts in a dynamic competitive environment. They manage the company in a virtual environment, and then present their outcomes to the Board of Directors as project teams in the last module of the program.

The Board of Directors consists of the Akkök Holding Executive Board, Company General Managers, and Human Resources Directors. As a result of the project presentations, one of the top managers is appointed Chairman. In consideration of this role, the Chairman gives feedback to all presenting teams on an individual basis according to the views of the Board of Directors. At the end of each program, one of the team projects is chosen as the "Project for Investment". All teams are rewarded with a certificate for their successful work, and the program is closed with a celebratory event.

Akkök Philharmonic Mentoring Program

21 medium level managers are matched with 21 top level manager Mentors to bring them together in the symphony of experience, which will contribute to their improvement within the scope of the Akkök Mentoring Program.

Program’s goals:

- This program aims to contribute to the development of the leaders of today and the future, and is a long term investment.
- This is a development program that promotes the passing on of corporate culture, corporate memory and business conduct manner to new generations.
- It has a positive impact on the commitment of the target group to the company, and their motivation.

The voluntary basis program, implemented within the framework of the principles and criteria defined above, was completed with the 10th closing meeting held in September. The new voluntary group, consisting of 20 Mentees and 20 Mentors, was formed according to the requests collected in October 2015. The philharmonic orchestra will continue the symphony from where it left off with a new orchestra.

2015 Performance of Common Training and Development Programs Applied throughout the Akkök Group

2015 Total Training (Person*Hour) 10,649
 2015 Number of Participants 562



* Market Orientation Training is the prerequisite of the Akkök Manager Development Program.

Talent Management

Our objectives with this process are:

- Detecting the candidate leaders and managers that will move Akkök Group forward at an early stage
- Providing fast and focused improvement for future roles
- Evaluating the Candidate Leaders and Managers according to the needs of all Akkök Group Companies
- Including the candidate managers in promotion and appointment processes, and prioritizing these individuals.

The third term of the process was initiated throughout the Group in 2015, with a schedule determined by Akkök Holding HR, and attendance of the companies was ensured. Akkök Talent Committee Meetings, which hold a major place in the process, were initiated at company level, and continued at Holding level. Beginner, medium and top level candidate managers were evaluated by the Company Talent Committee, and all of the top level talent pool candidates were transferred to Akkök Talent Committee level. This year, the number of meetings of the Talent Committees was reduced to two. In the first meeting, the future position needs of the companies and the group were analyzed with Akkök Holding Needs Projection evaluation of employees by their superiors, within the context of Leadership Potential Inventory (LPI). Their places were determined in 9 Boxes and were discussed, feedback was given through the Evaluation and Improvement Center, Personality and Leadership Inventory reports with expertise support were heard, and talent pool candidates were determined. Also, the risk of employee loss, employee’s career preference, and career suggestions made by the manager for the employee were evaluated for candidates in the talent pool, within the context of Career Development. The second meeting, to be held in 2016, will focus on improvement and back-up plans of Akkök Talent Pool candidates. To this end, the improvement plans of the individuals on mentoring, coaching, job rotation and other activities will be finalized and approved. The process review meeting of Akkök Talent Committee will be separated this year from the other committee meeting in line with our decision, and will be carried out by the Human Resources management team for the first time this year. The opinions and suggestions of the committee members will also be discussed at the meeting. Action plans will be prepared for the fields that may show room for improvement in this context.

Performance Management System

The Akkök Holding Performance Management System is a process aiming for employees to take ownership of corporate goals, and targeting empowerment of the common corporate culture.

The Performance Management System ensures effective goal distribution, and distributes the Company goals and strategies among employees. Goals are reviewed throughout the year and the process is completed by a goal-based evaluation at year end. Measuring, rewarding employee success in goal realization, evaluating their competence 360 degrees, and planning of personal improvement are all managed within the context of performance management. Managing with goals, effective communication with employees, giving and receiving mutual feedback, goal determination, and consensus on evaluation outcomes make up the main principles of this system.

EMPLOYER BRAND

Myth or Reality?

Our Employer Brand activities carried out in order to ensure recognition and awareness of Akkök Group in a breakdown of sectors and companies, to discover young talents who will attain the future strategies of the group, and to incorporate them, continued actively in 2015.

We attended the İTÜ Career Fair as the main sponsor for the Chemical Engineering department in 2015. During March and April, we met the students by organizing university events and Helium Test events in İTÜ, ODTÜ and Bilkent.

We also raised our profile on social media, with videos shot for the Chemistry and Real Estate industries.

ELECTION AND RECRUITMENT

Internal Job Posting System - Akkök Says You First

Group employees are prioritized in filling any vacant positions that arise in our Akkök Group companies. The internal job posting system, "Akkök Says You First", where vacant positions are notified to employees and applications from within the group, provides our employees with the opportunity to play an active role in their own career, and to drive their career development.

New Graduate Recruitment Process

The New Graduate Recruitment Process, continuing since 2010, aims to bring young people who will substantiate the group's future strategies into our Group. To this end, after evaluating the applications from the university events and database job posts in 2015, a screening exam was conducted, and then competence based interviews were held. Technical interviews serving the Group's needs and Evaluation Center applications were carried out among the shortlisted candidates.

REWARDING

Star Akkök Members

The "Star Akkök Members Reward System" was developed as a project in order to recognize and appreciate employee success, and to ensure that the best practices in the Group are revealed and shared. It is slated for roll out in 2016.

A structure has been built that will work by way of Evaluation Committees, where the individuals/teams will be nominated in 4 categories; "Sustainability", "Operational Excellence", "Entrepreneurship & Innovation" and "Developing Collaborations".

AKKÖK HOLDING BUSINESS ETHICS PRINCIPLES

Our priority activities in 2015 are classified under three main areas.

The priority applications adding value to our business life are: publishing a monthly electronic "Ethics Post", pop-up questions directed twice a month to employees, initiation of training programs at manager (Leadership in Trust Pace) and employee (Working in Trust Pace) levels on trust, which is our ethical principle, and celebration of World Ethics Day and Week on May 25th.

On the other hand, in-group meetings bringing the Akkök Ethics Board and Ethics Representatives of Companies together, and TEİD events, were platforms that generate sharing and empower the team.

Furthermore, Akkök Holding's approach to ethical principles was shared with stakeholders, with the preparation and enforcement of Regulations on Gift Acceptance and Giving.

Business Ethics Principles will retain their place on our agenda, with activities to be organized by the Akkök Ethics Board and companies in 2016.



CORPORATE
SOCIAL
RESPONSIBILITY

During its corporate history, spanning more than half a century, Akkök Holding has been a company that contributes to the Turkish economy with all of its subsidiaries through its modern management approach, acts responsibly in all business processes and relations, and adopts honesty as a principle. Akkök Holding has endeavored to be a company that also pursues social benefit, with the firm belief that its corporate culture is the greatest heritage to future generations. Therefore, the Holding designs its social responsibility projects in a way that will contribute to economic, social and cultural development, primarily in its own regions of activity. On the other hand, the Holding takes care to carry out various social investments in other needful regions of Turkey.

Focusing on education, arts and environment in this sense, the Holding helps young generations to grow up into wise, informed and sensible individuals. Akkök carries out social responsibility projects with the awareness of being a corporate citizen, and voluntary participation from its employees in effective communication with its stakeholders, and by promoting their participation.

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.

Mammoth Art Project

Akkök Holding has always acted in consideration of the youth in all projects and social responsibility activities since its establishment. The Holding once again highlighted its support for youngsters by sponsoring the Mammoth Art Project in 2015.

Bringing young artists and collectors, galleries, arts and cultural institutions together with art lovers since 2013, the Mammoth Art Project continued under the sponsorship of Akkök Holding in its 3rd year.

Mammoth Art Project'15 has proven its success with several awards in 2015. The Project won two bronze awards in the "Communication and PR Campaign" and "Sponsorship and Media Relations" categories in the International Business Awards organized by Stevie Awards, one of the most prestigious awards organizations in the USA. Mammoth Art Project'15 also won a Mention Award in "Online Communications" from the PR News Platinum PR Awards. Moreover, the project ranked first in the "Integrated Campaigns in PR Leadership" category at the Felis Awards, organized by MediaCat since 2006.



SUSTAINABILITY

Akkök Holding is confident about the future with its sustainability-focused management approach.

Sustainable growth and social responsibility perspective play a determining role in Akkök Holding's roadmap. With its approach arising out of this perspective, the Holding makes investments that are committed to industry, add value to employment, the economy and society, and target today and the future at the same time. All companies under the umbrella of Akkök Holding adopt a corporate management approach defined by clarity, transparency and accountability, and which becomes more vital day-by-day as an indispensable element of their activities.

In 2007, Akkök Holding signed the United Nations Global Compact, which pioneers the private sector, to spread global principles of sustainable development. Taking the first step thereby to carry the corporate responsibility approach to global norms, Akkök Holding carries out studies on issues like the environment, human resources, workforce and the fight against corruption, in accordance with the 10th principle of the United Nations Global Compact. The Holding shared its studies and their outcomes in the Akkök 2012 Sustainability Report, prepared as a reflection of its approach to transparency and accountability within the framework of the Global Reporting Initiative. Akkök Holding also prepared the second sustainability report covering the works of Aksa Akrilik, Ak-Kim Kimya, Akenerji and Akiş REIT in the 2013-2014 period, within the framework of G4 reporting. Of the Group companies, SAF GYO A.Ş. (SAF REIT) was the first REIT company to join the Borsa İstanbul Sustainability Index.

In addition, the 4th Akkök Children's Festival, hosted by Akkök Holding for the children of Yalova, in order to ensure they have a good time according to their own interests and skills, and to support their personal development, was held in the Raif Dinçök Cultural Center in 2015. The festival included fun activities pertaining to water saving and efficient water usage, and the children were very happy to sign under an art piece called "Renklerin Yağmuru" (Rain of Color).

Furthermore, Akkök Holding also sponsored the "Sustainability Leaders of the Future" gatherings held by Çevreci Etkinlikler (Environmental Events), which is the first and only environment events platform in Turkey. The gatherings aim to ensure that young people meet experts from the business world and non-governmental organizations, and learn about the different areas of sustainability.

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. The joint treatment plant, the foundation of which was laid in 2014, was completed in July 2015, and all the companies started to discharge their waste waters into the Joint Treatment Plant located in YALKİM OSB.

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 June 30, 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 management strategies, Ak-Kim, disposed of a total of 1.435 tons of waste in 2015, 590 tons through recycling, 190 tons through sanitary landfill, and 655 tons through incineration. In addition, 232.000 tons of wastewater was also disposed of in the treatment facilities in 2015.

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 850.000 kWh in 2015.

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.

Sustainability works of Ak-Kim certified

Ak-Kim was granted the "ISO 14064 Greenhouse Gas Inventory" certificate, which is the basis for works on mitigation of carbon emissions, in 2015. These works carried out by the Company in order to reduce

its carbon emissions are substantial for sustainability and the solution of environmental problems. While highlighting the carbon footprint issue, which is one of the critical matters on the world agenda and that of our country, Ak-Kim took a crucial step on the way to achieving its goal of "making sustainability the company culture", positioned among its strategies for 2015-2019, with this certificate.

Ak-Kim initiated works for building the ISO 50001:2011 Energy Management System for energy, sustainability of energy sources and reduction of greenhouse gas emissions in January 2015. Aiming to create maximum benefit by integrating with existing management systems, this management system is also essential for reducing costs, facilitating compliance with legal regulations regarding greenhouse gas emissions, improvement of business performance, and applying for Efficiency Enhancing Projects (VAP). As a result of the meticulous works, Ak-Kim was granted the ISO 50001:2011 Energy Management System certificate in 2015.

Triple Responsibility principle in all processes: Aksa

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

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

AKENERJİ, ONE OF TURKEY’S MOST DEEP-ROOTED ENERGY PRODUCTION COMPANIES, PRIORITIZES SOLUTIONS THAT WILL MITIGATE ENVIRONMENTAL AND SOCIAL RISKS IN ALL ITS ACTIVITIES, AND ATTACHES IMPORTANCE TO ISSUES THAT THREATEN THE WORLD.

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-of-charge 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

▶ As with last year, Aksa Akrilik again showed movies to the children of Yalova on April 23rd, National Sovereignty and Children’s Day, in 2015. Approximately 1200 children watched the film “Kuzular Firarda 2” (Home Sheep Home 2) free of charge.

▶ During the Open Door Visits, non-governmental organizations, local public, schools, employee families, customers, comparison teams, and domestic and international visitors can tour Aksa’s production area, and learn about the issues they want to know more about. The outcomes of the surveys completed after the visits are evaluated within the context of Aksa’s improvement strategies.

▶ Adopting social responsibility as part of its corporate culture, Aksa carries out a “Blood Donation Campaign” in collaboration with the Yalova Branch of Kızılay (The Red Crescent) twice a year. A Blood Donation campaign was organized with the voluntary participation of Aksa employees in 2015.

Akenerji’s sustainability approach

Akenerji, one of Turkey’s most deep-rooted energy production companies, prioritizes solutions that will mitigate environmental and social risks in all its activities, and attaches importance to issues that threaten the world. Aware of its responsibility for taking climate change under control, the Company uses its technological and technical expertise to offset the possible risks of its activities on society. 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.

WE FEEL PROUD AND HAPPY TO BE TURKEY'S FIRST ENERGY COMPANY TO PUBLISH A SUSTAINABILITY REPORT, BY USING G4, THE LAST VERSION OF THE GRI SUSTAINABILITY REPORTING GUIDELINE.

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.

Processes for data and information collection and improvement of Report content were carried out by the Sustainability Committee established in Akenerji with external specialist support. The scope and depth of the issues stated in the report reflect on the outcomes of the priority analysis we carried out during the reporting process. The report content was created in such a way as to include sustainability issues, which have priority and significance for our stakeholders and Akenerji, and the report was prepared in compliance with the G4 "basic" level of the GRI Sustainability Reporting Guide.

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 Nonconformity" was achieved in the External Audit on Quality, Environment and WHS Management Systems carried out in 2015. Erzin Natural Gas Combined Cycle Plant, which commenced operation in 2014, passed the certification audit, and was included in certification. Thus, as of the end of 2015, 11 of our locations (The Headquarters, Ayyıldız, Uluabat, Akocak, Burç, Bulam, Feke I, Feke II, Himmetli, Gökkaya and

Erzin Plants) have Integrated Management Systems certificates.

Locations with certification within Akenerji Elektrik Üretim A.Ş.:

The Headquarters, Ayyıldız WPP, Uluabat HPP, Akocak HPP, Burç Bendi HPP, Feke I HPP, Feke II HPP, Bulam HPP, Himmetli HPP, Gökkaya HPP.

Locations with certification within Egemer Elektrik Üretim A.Ş.:

Erzin Natural Gas Combined Cycled Plant

We started ISO 27001 information safety management

According to the Amendment of Regulation on the Electricity Market License published in the Official Gazette No 29217 on 26/12/2014: all production facilities with an installed capacity of 100MW and above, and temporary acceptance of which is carried out, are responsible for operating a corporate IT system and industrial control systems in accordance with the TS ISO/IEC 27001 Information Safety Management Standard, to certify their systems by proving that they act in accordance with TS ISO/IEC 27001 standards, with a certification institution accredited by the Turkish Accreditation Institute, and for ensuring the validity of the mentioned certificates. Therefore, works for obtaining TS/ISO IEC 27001 certificate for our Uluabat and Erzin Plants, which fall under the mentioned scope, and Headquarters, where the central processes of the said plants are managed, were initiated.

To this end, an "Information Safety Project Team" consisting of our company employees was formed under the leadership of our Directorate of Environment, Quality and WHS. An Information Safety Policy was published and announced to all our employees and 3rd parties. Risk assessments and asset inventories were prepared for each process, and internal audits were carried out. ISMS Awareness Training was provided for 270 man hours, and ISMS Internal Auditor Training was provided for 300 man hours, in order to enhance the team's awareness, and for them to gain internal auditor

competence for the whole team, by external training institutions. In addition, Information Technologies Policies and Principles training of 390 man hours, and Information Safety Management System Training of 75 man hours, were provided to all staff in the Headquarters, Erzin and Uluabat plants.

1st stage and 2nd stage audits have been completed successfully and the certification process has started.

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 applications include; sending all wastes of the plants and Akhan, the Akenerji Headquarters building, to institutions licensed by the T.R. Ministry of Environment and Urban Planning, under the direction of the conditions of Environment Legislation, and control of the Akenerji Environment Management Unit, for recovery or disposal. As a result of waste management works carried out by Akenerji in 2015, over 78 tons of waste were recovered and disposed of.

Akenerji aims to continuously improve the knowledge level and awareness of its employees on the waste management issue that it supports with effective projects. To this end, the Akenerji Environment Management Unit has carried out various trainings on environment legislation and waste management in the field and at the Headquarters. In 2015, an Environment Accident Rehearsal was carried out in all fields within the context of ISO 14001, in order to inform and raise employee awareness as to what must be done in a possible environmental accident. Thereby, the intervention of employees in the event of an environmental accident was observed, and the sufficiency of the intervention methods was reported.

Corporate social responsibility projects continue

Setting the addition of economic, social and cultural value to society in all of its activities as a principle, Akenerji continues its social responsibility projects without pause. Akenerji subsidiaries are included in all projects organized by the Company in training, environment, and culture and arts events.

Celebrating its 25th year in the sector with the sponsored arts project, Akenerji has supported 25 young, master and middle generation artists from different disciplines such as painting, sculpting and photography. The exhibition stayed open to visits in Istanbul, and was called "1,292 MW", representing the installed capacity the Company has reached. All income from sales of the art works was donated to education via Türk Eğitim Vakfı (Turkish Education Foundation - TEV). The project, supported by symbolic works by famous people from cinema, theater, music and media, garnered great attention. The "1,292 MW" project won the "Golden Voltage" award in the Corporate Social responsibility projects contest at the 6th Turkish Energy Summit. Akenerji has consistently supported corporate social responsibility projects in arts and education since its establishment, with the goal of pioneering the development of social and cultural life.

Projects implemented with the awareness of living together with the local community

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, Adiyaman, Bursa and Adana in recent years. Akenerji plans to distribute more of these materials to a larger number of provinces in the coming years.

The HPP Information Presentations, where the operation of hydroelectric power plants and the personal safety measures that must be taken by the students in their daily lives were explained in order to raise awareness among the locals in areas where HPPs are located, were made in schools in Adana and Bursa. The same presentations were done in November 2015 with 859 students and 46 teachers for our plants in Adana, and in December with 220 students and 15 teachers for our Uluabat Hydroelectric Power Plant in Bursa.

AKENERJİ BECAME THE FIRST AND ONLY ENERGY COMPANY TO JOIN THE CDP TURKEY WATER PROGRAM.

Creating environmental and social awareness in all projects is an assignment, an essential responsibility, for Akenerji. Information presentations have been conducted with 2105 students and 122 teachers since 2013, in awareness of this responsibility.

Erzin Natural Gas Combined Cycle Plant rewarded

In the 2015 WSP – Parsons Brinckerhoff Awards, celebrating excellence, world-class giant investment projects competed in fields such as construction, energy, infrastructure, transportation, education, environment and logistics. With an installed capacity of 904 MW, Erzin Natural Gas Combined Cycle Plant was selected as one of 4 special projects, which also include Heathrow Airport Terminal 2B. The plant was granted the “Innovation” award, clinching the fact that it is the only project selected from Turkey in all award categories.

Carbon Disclosure Project (CDP) Climate Change Program

We joined the Carbon Disclosure Project (CDP), carried out by Sabancı University Corporate Governance Forum, in order to share our strategy for climate change and the carbon performance data we measured in this framework, with public opinion. As a global voluntary enterprise, the Carbon Disclosure Project was developed in order to collect and share information that will ensure that companies, investors and governments take measures against the threat of climate change. Companies that join in the Turkish leg of the project voluntarily disclose their carbon emission strategies and amounts, and provide the basis for establishing the country report. Data collected from the annual country reports is used in the establishment of climate change combat strategies around the world. Akenerji has been part of the CDP Climate Change Program voluntarily since 2011, and has been reporting our climate strategy and carbon emissions performance. As one of the two Turkish energy companies ranking within the 35 companies in BIST-100 reporting within the context of CDP Climate Change, we raised our score from 85 last year to 88 in our public access report, presented in 2015.

ISO 14064 (Monitoring of Greenhouse Gas Emissions)

A Greenhouse Gas Monitoring Plan was prepared for our Erzin Natural Gas Combined Cycle Plant, falling within the scope of the Regulation on Monitoring of Greenhouse Gas Emissions, and information on the amount of greenhouse gases created by the plant as a result of production, and by which method they will be monitored and calculated, was presented to the Ministry of Environment and Urban Planning in plan format. The plan was approved on the online system of the Ministry of Environment and Urban Planning. As a result, greenhouse gases are monitored as of 2015. As of 2015, when monitoring, verification and reporting of the greenhouse gas emissions in enterprises gained functionality, Turkey will have measurable, reportable and verifiable emission data.

Akenerji has fulfilled / will fulfill its responsibilities in this direction;

It has monitored its annual emissions as of January 1, 2015, It will report the annual emissions as of Friday, January 1, 2016, It will send the first verified emission values (January 1 - December 31, 2015) to the Ministry of Environment and Urban Planning by April 30, 2016.

Natural gas is burned with the dry low NOx system producing low emission NOx in the Erzin Natural Gas Combined Cycle Plant, which commenced operation in the last quarter of 2014. A continuous emissions measurement system is installed for our stack gas emissions, and services for connecting the system to the online system of the Ministry of Environment and Urban Planning were purchased towards the end of 2014.

Carbon Disclosure Project (CDP) Water Program

The CDP Water Program aims to move and drive companies in consideration of the fact that the private sector must take responsibility for water. Turkey will be among the first countries to carry out the application of the CDP Water Program.

The Program provides a platform for companies to disclose their water use transparently. 51 companies invited to the program from Turkey are chosen from among the companies on the BIST-100 index. These 51 companies are determined by applying a sectoral filtration considering the risks arising out of water use. An invitation was sent to the companies, on behalf of international investors, to answering the CDP Water Program questionnaire, and 8 of the companies invited this year joined the CDP Water Program, as well as 7 voluntary respondent companies. Akenerji became the first and only energy company to join the CDP Turkey Water Program.

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.

Metal Halide lamps located in the Shopping Mall and Residences were converted to LED lighting in 2015.

Energy efficiency projects were continued by installing inverters to air conditioning and ventilation plants in 2015.

Mammoth Art Project awards sponsored by Akkök Holding

Mammoth Art Project'15 has proven its success with several awards in 2015. The Project won two bronze awards in the "Communication and PR Campaign" and "Sponsorship and Media Relations" categories in the International Business Awards organized by Stevie Awards, one of the most prestigious awards organizations in the USA. Mammoth Art Project'15 also won a Mention Award in "Online Communications" from the PR News Platinum PR Awards. Moreover, the project ranked first in the "Integrated Campaigns in PR Leadership" category at the Felis Awards, organized by MediaCat since 2006.

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.

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 Akriklik 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 Akriklik 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. 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.

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.

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 2015 Together With
Independent Auditor's Report

(Originally Issued in Turkish)



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Akkök Holding A.Ş.

1. We have audited the accompanying consolidated financial statements of Akkök Holding A.Ş. ("Akkök") and its subsidiaries (collectively referred as the "Group") which comprise the consolidated statements of financial position as at 31 December 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Akkök Holding A.Ş. and its subsidiaries as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

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

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



Baki Erdal, SMMM
Partner

Istanbul, 13 May 2016

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2015 AND 2014

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

	Notes	2015	2014
ASSETS			
Cash and cash equivalents	6	645,036	571,751
Financial investments	7	-	33,702
Derivative financial instruments	20	7,189	2,775
Trade receivables		696,146	576,846
Due from related parties	9	32,738	26,731
Other trade receivables	10	663,408	550,115
Other receivables		16,823	6,750
Due from related parties	9	12,575	5,654
Other receivables		4,248	1,096
Inventories	11	264,432	301,009
Current income tax assets		2,934	4,648
Prepaid expenses	12	22,751	26,612
Other current assets	18	97,788	84,011
Subtotal		1,753,099	1,608,104
Assets held for sale		-	7,309
Current Assets		1,753,099	1,615,413
Trade receivables		59,804	917
Other trade receivables	10	59,804	917
Other receivables		82,824	70,616
Due from related parties	9	82,794	70,439
Other receivables		30	177
Financial investments	7	38,056	36,176
Investments accounted for using the equity method	8	652,173	610,088
Investment properties	13	507,868	495,505
Property, plant and equipment	14	1,076,026	922,050
Intangible assets		281,978	18,361
Goodwill	5	51,415	-
Other intangible assets	15	230,563	18,361
Inventories	11	317,618	240,723
Prepaid expenses	12	18,133	12,989
Deferred tax assets	28	10,956	5,262
Derivative financial instruments	20	535	4,246
Other non-current assets	18	3,281	28,101
Non-current Assets		3,049,252	2,445,034
TOTAL ASSETS		4,802,351	4,060,447

The consolidated financial statements for period 1 January - 31 December 2015 were approved by the Board Directors on 13 May 2016.

AKKÖK HOLDİNG A.Ş.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AT 31 DECEMBER 2015 AND 2014**

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

	Notes	2015	2014
LIABILITIES			
Short term borrowings	19	1,003,536	575,267
Short term portion of long term borrowings	19	232,312	147,878
Derivative financial instruments	20	2,271	261
Trade payables		421,248	472,706
Due to related parties	9	45,957	36,721
Other trade payables	10	375,291	435,985
Liabilities for employee benefits		1,503	1,747
Other payables		5,148	4,386
Other payables		5,148	4,386
Deferred income	12	21,740	29,847
Current income tax liabilities	28	17,131	12,000
Short term provisions		27,401	22,890
Provisions for employee benefits	17	18,801	18,336
Other short-term provisions	16	8,600	4,554
Other current liabilities	18	16,525	3,272
Current Liabilities		1,748,815	1,270,254
Long term borrowings	19	941,268	694,520
Trade payables		23,257	-
Due to related parties	9	23,257	-
Deferred income		206	-
Long term provisions		55,809	53,986
Provisions for employee benefits	17	37,726	35,903
Other long-term provisions		18,083	18,083
Deferred tax liabilities	28	26,336	9,708
Other non-current liabilities	18	7,544	-
Non-current Liabilities		1,054,420	758,214
TOTAL LIABILITIES		2,803,235	2,028,468

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

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2015 AND 2014

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

	Notes	2015	2014
Equity attributable to equity holders of the parent			
Paid-in share capital	21	863,378	388,098
Adjustments to share capital	21	(10,406)	157,537
Total paid-in capital		852,972	545,635
Other comprehensive income/expense to be reclassified to profit or loss			
Change in value of available-for-sale financial assets		3,294	6,845
Hedging reserve		(10,173)	(6,755)
Currency translation differences		50,084	26,930
Other comprehensive income/expense not to be reclassified to profit or loss			
Remeasurement of post employment benefit obligations		(7,615)	(7,957)
Restricted reserves		6,549	6,449
Retained earnings		26,211	449,504
Net (loss) / profit for the year		(71,352)	2,665
Total equity attributable to owners of the parent		849,970	1,023,316
Non-controlling interests		1,149,146	1,008,663
TOTAL EQUITY		1,999,116	2,031,979
TOTAL EQUITY AND LIABILITIES		4,802,351	4,060,447

AKKÖK HOLDİNG A.Ş.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014**

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

	Notes	2015	2014
Revenue	22	2,689,444	2,562,815
Cost of sales (-)	22	(2,090,400)	(2,115,235)
Gross profit		599,044	447,580
General administrative expenses (-)	23	(129,043)	(109,865)
Marketing expenses (-)	23	(73,643)	(46,395)
Research and development expenses (-)		(11,249)	(8,602)
Other operating income	24	348,860	130,012
Other operating expenses (-)	24	(317,469)	(123,519)
Operating profit		416,500	289,211
Income from investing activities	25	114,878	976
Expenses from investing activities	25	(166)	-
Share of profit of investments accounted for using the equity method	8	(168,428)	(73,877)
Operating profit before financial income and expense		362,784	216,310
Financial expenses (-)	27	(213,081)	(42,813)
Profit before tax		149,703	173,497
- Taxes on income	28	(67,451)	(52,188)
- Deferred tax income / (expense)	28	1,720	(4,740)
Net profit for the year		83,972	116,569
Total income for the period attributable to:			
Non-controlling interest		155,324	113,904
Equity holders of the parent		(71,352)	2,665
Net profit for the year		83,972	116,569

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 2015 AND 2014

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

	2015	2014
Net profit for the year	83,972	116,569
Other comprehensive income:		
Items to be reclassified to statement of income		
- Currency translation differences	58,680	17,377
- Change in fair value of derivatives	(3,618)	(481)
- Change in fair value of financial assets	(3,551)	2,802
Items not to be reclassified to statement of income		
- Remeasurement gain arising from defined benefit plans	1,251	(5,057)
Total comprehensive income for the period	136,734	131,210
Total comprehensive income attributable to:		
Non-controlling interest	191,559	121,647
Equity holders of the parent	(54,825)	9,563
Total comprehensive income	136,734	131,210

AKKÖK HOLDİNG A.Ş.**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014**

(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 financial assets ^(*)	Currency translation differences	Hedging reserve ^(*)	Remeasurement gain/loss arising from defined benefit plans ^(**)	Restricted reserves	Retained earnings	Profit/(loss) for the year	Total	Non controlling interests	Total equity
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 21)	(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
Balance at 1 January 2015	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
Capital remandment (Note 21)	(375,000)	3,430	-	-	-	-	8,676	287,894	-	(75,000)	-	(75,000)
Transfer	850,280	(171,373)	-	-	-	-	(8,576)	(667,666)	(2,665)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(43,565)	-	(43,565)	(104,991)	(148,556)
Total comprehensive income for the period	-	-	(3,551)	23,154	(3,418)	342	-	-	(71,352)	(54,825)	191,559	136,734
Capital increase in subsidiaries ^(***)	-	-	-	-	-	-	-	-	-	-	55,704	55,704
Impact of changes in the ownership rate of subsidiaries	-	-	-	-	-	-	-	44	-	44	(1,789)	(1,745)
Balance at 31 December 2015	863,378	(10,406)	3,294	50,084	(10,173)	(7,615)	6,549	26,211	(71,352)	849,970	1,149,146	1,999,116

(*) Items to be reclassified to profit and loss

(**) Items not to be reclassified to profit and loss

(***) Amounts arising from capital increase, in Group's subsidiaries, namely Ak-Kim, Akport, Zeytinliada and Istasyon.

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 2015 AND 2014

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

		2015	2014
Net profit for the year		83,972	116,569
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization	13,14,15	118,229	96,273
Provision expenses		12,410	16,122
Interest income and expenses		61,097	45,916
Unrealized exchange (gain) / loss		362,124	25,066
Fair value (gain)/loss on financial assets and liabilities		(10,586)	(16,269)
Tax expense	28	65,731	56,928
Gain on sale of property, plant and equipment and intangibles	25	(104,700)	(3,785)
Loss from investments accounted for using equity method	8	168,428	73,877
Impairment of investment properties	13	166	-
Cash flows before changes in assets and liabilities		756,871	410,697
Changes in working capital			
Inventories		81,928	(132,806)
Trade receivables		(121,686)	(101,939)
Due from related parties		(25,283)	(6,855)
Other receivables		(3,005)	6,806
Trade payables		(92,693)	85,379
Due to related parties		32,493	14,078
Other payables		762	(285)
Other changes in working capital		15,263	(95,966)
Income taxes paid		(62,320)	(16,563)
A. CASH FLOWS FROM OPERATING ACTIVITIES		582,330	162,546
Cash outflows from purchases of additional shares in subsidiaries		(1,745)	(6,797)
Sales of financial assets	7	28,271	-
Cash inflows from sales of plant, property of equipment and intangibles		111,019	5,180
Cash outflows from purchase of plant, property of equipment and intangibles	14,15	(297,405)	(164,285)
Cash inflows from sales of investment properties		3,015	111
Cash outflows purchases of investment properties		(21,829)	(1,052)
Investment in inventories (residences)		(76,895)	3,909
Cash outflows from purchases of additional shares in associates		(174,418)	-
Payments for acquisition of subsidiary, net of cash acquired	5	(210,623)	-
Dividends received	8,25	30,427	12,394
B. CASH USED IN INVESTING ACTIVITIES		(610,183)	(150,540)
Repayments from the issues of shares and other equity instruments	21	(75,000)	(150,000)
Proceeds from shareholder loan		-	156,340
Repayments of shareholder loan		-	(166,150)
Participation of non-controlling interest in subsidiaries' capital increase		55,704	53,071
Cash inflow from new borrowings obtained		1,613,346	964,662
Cash outflows from redemption of borrowings		(1,283,259)	(761,441)
Dividends paid to non-controlling interests		(104,991)	(100,471)
Dividends paid		(43,565)	(22,583)
Interest received		33,933	29,731
Interest paid		(95,030)	(65,896)
C. CASH FLOWS FROM FINANCING ACTIVITIES		101,138	(62,737)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		73,285	(50,731)
D. CHANGE IN RESTRICTED DEPOSITS		3,361	(6,166)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		560,620	617,517
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D+E)		637,266	560,620

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 2015

(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, coating 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 21).

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 İstanbul

Subsidiaries

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

Subsidiaries	Country of incorporation	Nature of business
Akiş Gayrimenkul Yatırımı A.Ş. ("Akiş")	Turkey	Real estate investment
Karlıtepe Gayrimenkul Geliştirme ve Yatırım A.Ş. ("Karlıtepe") investment	Turkey	Real estate
Ak-Kim Kimya Sanayi ve Ticaret A.Ş. ("Ak-kim")	Turkey	Chemicals
Gizem Seramik Frit ve Glazür Sanayii ve Ticaret Anonim Şirketi ("Gizem Frit")	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. ("İstasyon")	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")	Holland	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 2015

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

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

Joint ventures

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

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.
Egemer Elektrik Üretim A.Ş. ("Egemer")	Turkey	Energy	CEZ a.s.
Ak-el Kemah Elektrik Üretim A.Ş. ("Kemah")	Turkey	Energy	CEZ a.s.
DowAksa Advanced Composites Holding B.V. ("DowAksa")	Holland	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
Akiş- Mudanya Adi Ortaklığı	Turkey	Real Estate	Mudanya Gayrimenkul Geliştirme ve Yatırım A.Ş.

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

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

Financial investments

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

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 Accounting and Auditing 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.

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.2 Principles of consolidation (Continued)

b) Subsidiaries are companies in which Akkök has the power to control their financial and operating policies. 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.

c) Such control is established through the joint exercise of; (i) the voting rights of Akkök and its subsidiaries, (ii) the voting rights of certain members of Dinçkök family and the related shareholders who declared to exercise their voting rights inline with Akkök's voting preference, and (iii) the voting rights of entities that are controlled by the family members mentioned above and the related shareholders, which declared to exercise their voting rights inline with Akkök's voting preference. Effective interest rate represents the effective shareholding of the Group through the shares held directly by Akkök and indirectly by its subsidiaries in the consolidated financial statements, interests owned by the Dinçkök family members are presented as non-controlling interests.

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

The table below sets out the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at 31 December 2015 and 2014:

Subsidiaries	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 (%) ^(***)	
	2015	2014	2015	2014	2015	2014	2015	2014
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş.	100,00	100,00	-	-	100,00	100,00	100,00	100,00
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
<i>Ak-Tem Uluslararası Mümessillik ve Ticaret A.Ş.</i>	<i>99,80</i>	<i>99,80</i>	<i>0,05</i>	<i>0,05</i>	<i>99,85</i>	<i>99,85</i>	<i>41,92</i>	<i>41,92</i>
<i>Gizem Seramik Frit ve Glazür Sanayii ve Ticaret A.Ş.</i>	<i>100,00</i>	-	-	-	<i>100,00</i>	-	<i>42,00</i>	-
Akmeltem Poliüretan Sanayi ve Ticaret A.Ş.	50,00	50,00	1,67	1,67	51,67	51,67	50,00	50,00
Akmerkez Lokantacılık Gıda Sanayi ve Ticaret A.Ş.	43,75	43,75	-	-	43,75	43,75	43,75	43,75
Ak-Pa Tekstil İhracat Pazarlama A.Ş.	86,69	84,69	7,50	7,50	94,19	92,19	86,69	76,55
Akport Tekirdağ Liman İşletmeleri A.Ş.	96,30	96,30	3,70	3,70	100,00	100,00	96,30	96,30
Aksa Akrilik Kimya Sanayii A.Ş.	39,59	39,59	18,72	18,72	58,31	58,31	39,59	39,59
<i>Fitco BV</i>	<i>100,00</i>	<i>100,00</i>	-	-	<i>100,00</i>	<i>100,00</i>	<i>39,59</i>	<i>39,59</i>
<i>Aksa Egypt Acrylic Fiber Industrie SAE</i>	<i>100,00</i>	<i>100,00</i>	-	-	<i>100,00</i>	<i>100,00</i>	<i>39,59</i>	<i>39,59</i>
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
Zeynlıada Turizm ve Ticaret A.Ş.	89,61	89,61	9,27	9,27	98,88	98,88	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	39,54	71,07	71,07	31,53	31,53
<i>Ak Yön Yönetim ve Bakım Hizmetleri A.Ş.</i>	<i>99,99</i>	<i>99,99</i>	<i>0,01</i>	<i>0,01</i>	<i>100,00</i>	<i>100,00</i>	<i>31,53</i>	<i>31,53</i>
<i>Karlitepe Gayrimenkul Geliştirme ve Yatırım A.Ş.</i>	<i>100,00</i>	-	-	-	<i>100,00</i>	-	<i>31,53</i>	-
<i>Aksu Real Estate E.A.D.</i>	<i>100,00</i>	<i>100,00</i>	-	-	<i>100,00</i>	<i>100,00</i>	<i>31,53</i>	<i>31,53</i>
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.

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.2 Principles of consolidation (Continued)

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 2015 and 2014:

Joint ventures	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 (%) ^(***)	
	2015	2014	2015	2014	2015	2014	2015	2014
Akenerji Elektrik Üretim A.Ş.	20.43	20.43	16.93	16.93	37.36	37.36	20.43	20.43
<i>Ak-El Yalova Elektrik A.Ş.</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>20.43</i>	<i>20.43</i>
<i>Ak Enerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret A.Ş.</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>20.43</i>	<i>20.43</i>
<i>Akkur Enerji Üretim Tic. ve San. A.Ş.</i>	-	<i>100.00</i>	-	-	-	<i>100.00</i>	-	<i>20.43</i>
<i>Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.</i>	-	<i>100.00</i>	-	-	-	<i>100.00</i>	-	<i>20.43</i>
<i>Egemen Elektrik Üretim A.Ş.</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>20.43</i>	<i>20.43</i>
<i>Ak-el Kemah Elektrik Üretim A.Ş.</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>20.43</i>	<i>20.43</i>
<i>Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş.</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>20.43</i>	<i>20.43</i>
Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş.	50.00	50.00	-	-	50.00	50.00	50.00	50.00
<i>Sakarya Elektrik Dağıtım A.Ş.</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>50.00</i>	<i>50.00</i>
<i>Sakarya Elektrik Perakende Satış A.Ş.</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>50.00</i>	<i>50.00</i>
Dowaksa Advanced Kompozit Holding B.V.	50.00	50.00	-	-	50.00	50.00	19.79	19.79
<i>DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>19.79</i>	<i>19.79</i>
<i>DowAksa Switserland GmbH</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>19.79</i>	<i>19.79</i>
<i>DowAksa USA LLC</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>19.79</i>	<i>19.79</i>
Akferal Su Kimyasalları Sanayi ve Ticaret A.Ş.	50.00	50.00	-	-	50.00	50.00	21.00	21.00
Akiş- Mudanya Adi Ortaklığı	50.00	-	-	-	50.00	-	15.77	-

d) Investments in associated undertakings are accounted for using the equity method of accounting (Note 8). These are undertakings, over which the Group generally has between 20% and 50% of the voting rights; through the voting rights of Akkök and its subsidiaries and/or through the voting rights of certain members of Dinçkök family and related shareholders in those companies who declared to exercise their voting rights inline with Akkök's voting preference or through the Group's exercise of significant influence with, no controlling power. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking or significant influence of the Group ceases. The carrying amount of the investment at the date when significant influence ceases is regarded as cost thereafter. The table below sets out the associates accounted for using the equity method of accounting, the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at 31 December 2015 and 2014:

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.2 Principles of consolidation (Continued)

Subsidiaries	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 (%) ^(***)	
	2015	2014	2015	2014	2015	2014	2015	2014
Akmerkez Gayrimenkul Yatırım 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.	19.71	6.56	27.29	14.29	47.00	21.85	6.22	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 7).

Financial Investments	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 (%)	
	2015	2014	2015	2014	2015	2014
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

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.

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

Standards, amendments and interpretations effective for annual periods ending on or after 31 December 2015

- 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. The amendment has no material effect on the Group's financial statements.
- Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycles of the annual improvements project that affect 7 standards. The amendment has no material effect on the Group's financial statements.

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.4 Amendments in International Financial Reporting Standards ("IFRS") (Continued)

- 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"
 - IFRS 9, "Financial instruments", IAS 37, "Provisions, contingent liabilities and contingent assets"
 - IAS 39, Financial instruments – Recognition and measurement"
- Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011-2012-2013 cycle of the annual improvements project that affect 4 standards. The amendment has no material effect on the Group's financial statements.
- IFRS 1, "First time adoption"
 - IFRS 3, "Business combinations"
 - IFRS 13, "Fair value measurement" and
 - IAS 40, "Investment property".

Standards, amendments and interpretations published as of 31 December 2015 but not still effective

- 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. The amendment has not been effective earlier by the Group.
- 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. The amendment has not been effective earlier by the Group.
- 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. The amendment has no material effect on the Company's financial statements. The amendment has not been effective earlier by the Group.
- 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 recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. The amendment has not been effective earlier by the Group.

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.4 Amendments in International Financial Reporting Standards ("IFRS") (Continued)

- 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. The amendment has not been effective earlier by the Group.
- 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. 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. The amendment has not been effective earlier by the Group.
- 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.
- Amendment to IAS 1, "Presentation of financial statements" on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The amendment has not been effective earlier by the Group.
- Amendment 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 clarify the application of the consolidation exception for investment entities and their subsidiaries. The amendment has not been effective earlier by the Group.
- IFRS 15, "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. 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. The amendment has not been effective earlier by the Group.
- 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. The amendment has not been effective earlier by the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

2.4 Amendments in International Financial Reporting Standards ("IFRS") (Continued)

- IFRS 16, 'Leases' effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied. New standard requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. The amendment has not been effective earlier by 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.

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 has joint control over the Group;
- b) the party is a joint venture in which the Group is a venture;
- c) the party is member of the key management personnel of the Group or its parent;
- d) the party is a close member of the family of any individual referred to in (a) or (d);
- e) 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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Related parties (Continued)

f) 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 9).

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 2015 and 2014 the Group does not have any financial assets at fair value through profit or loss.

Loans and receivables

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

Available for sale financial assets

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Derivative financial instruments (Continued)

Available-for-sale financial assets are subsequently measured at fair value. Available-for-sale financial assets that are quoted in active markets are measured based on current bid prices. If the market for a financial asset is not active the fair value is determined by using valuation techniques such as discounted cash flow analysis and option pricing model (Note 7).

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 7).

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 10).

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 10).

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 11).

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (Note 13).

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 14). 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 (Year)
Land improvements	2-50
Buildings	5-50
Machinery and equipment	3-40
Motor vehicles	4-8
Furniture and fixtures	2-50
Leasehold improvements	4-46

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Property, plant and equipment (Continued)

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 25).

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 15).

Payments made for rights of usage of assets within Yalova Composite and Chemical Specialized Organized Industrial Zone ("Yalkim OSB") are classified under intangible assets. The assets comprise buildings and machinery used for waste water treatment and land investments.

Intangible assets recognized as a part of business combination

In business combinations, the acquirer may recognize identifiable assets, intangible assets and/or contingent liabilities which are not included in the acquiree's financial statements and which can be separated from goodwill, at their fair values in the consolidated financial statements. The customer relationships of the acquiree is considered as identifiable intangible asset and recognized at fair value at the acquisition date.

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 IAS 38 Intangible assets (Note 15):

- 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.

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FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Intangible assets (Continued)

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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 19).

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 17).

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 17).

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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Current and deferred income tax (Continued)

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.

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 28).

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

3.15 Events after the balance sheet date

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

3.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate (Note 16).

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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Contingent assets and liabilities (Continued)

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 (Not 16).

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 or associate at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Derivative financial instruments (Continued)

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.

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 6).

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 21).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 16, the Agreement to Transfer the Right to Operate the Tekirdağ Port signed between Akport, TDI and the Privatisation Authority was terminated due to impossibility as indicated in Code of Obligations. 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 2015.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

b) Fair values of investment property

Investment properties are stated at cost less accumulated depreciation and impairment, if any, shown by the impairment loss. Fair values of investment property disclosed in Note 13 have been estimated by management through use of independent property valuation experts. Investment property fair values are taken into consideration performed by alternative procedures such as prices formed in active market by considering the related assets' idiosyncrasy, conditions and situation; or prices calculated discounted cash flow procedure in the absence from an active market.

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 28).

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 14 and 15).

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 16).

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 28).

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

g) Provision for employment termination benefits (Continued)

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 17).

h) Intangibles recognized as part of Gizem-Frit acquisition

On 5 January 2015, the Group acquired 100% shares of Gizem Seramik Frit ve Glazür Sanayi ve Ticaret A.Ş. and Gizem Frit Pazarlama ve Dış Ticaret A.Ş. (together, "Gizem Frit"), a producer of performance coatings and pigments. This acquisition is considered as a business combination, within the scope of IFRS 3 (Note 5).

In business combinations, the acquirer may recognize identifiable assets, intangible assets and/or contingent liabilities which are not included in the acquiree's financial statements and which can be separated from goodwill, at their fair values in the consolidated financial statements.

The customer relationships of the acquiree is considered as identifiable intangible asset and recognized at fair value at the acquisition date. Critical estimations used in fair value measurement are described in the following paragraph.

Customer relationship has been measured by using the MEEM, which is based on a discounted cash flow analysis of the estimated future economic benefits attributable to customer's base, net of the elimination of charges involved in its generation.

During the contributory asset acquisition; analysis of the average length of customer relationships, using the retirement rate method, was performed in order to estimate the remaining useful life of the customer base and resulted as 10 years. Therefore the churn rate of the current customers was considered to approximate 10%.

The following table demonstrates the sensitivity to a possible change in the churn rate, on the Group's balance sheet as of 31 December 2015:

2% increase in Churn rate	Effect
Net income	1,065
Goodwill	13,307
2% decrease in Churn rate	Effect
Net income	(1,276)
Goodwill	(15,955)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 5 - BUSINESS COMBINATIONS

Gizem Frit and Karlitepe Acquisitions

On 5 January 2015, the Group acquired 100% shares of Gizem Frit. Gizem Frit is a producer of performance coatings and pigments. The products are being used for the decorative and protective purpose in coating of the materials such as metal sheet, stainless steel, aluminium, cast iron, ceramic tile, sanitary ware, porcelain, medical porcelain and glass. Additionally, these materials are being colorized by inorganic pigments which are also manufactured by Gizem Frit. On 22 May 2015, the Group acquired 100% shares of Karlitepe. Net assets acquired as a result of these acquisitions are summarized as follows:

	Karlitepe	Gizem Frit	Total
Purchase consideration settled in cash	100	212,458	212,558
Cash and cash equivalents in subsidiary acquired	(111)	(1,824)	(1,935)
Cash outflow on acquisition	(11)	210,634	210,623

The fair values of assets and liabilities arising from the acquisition are as follows:

	Karlitepe	Gizem Frit	Total
Cash and cash equivalents	111	1,824	1,935
Trade receivables	-	53,227	53,227
Inventories	1,757	44,134	45,891
Property, plant and equipment	-	80,107	80,107
Intangible assets	3	107,276	107,279
Other assets	-	3,476	3,476
Borrowings	-	(69,146)	(69,146)
Trade payables	-	(31,999)	(31,999)
Other payables	-	(554)	(554)
Provision for employment termination benefits	-	(1,866)	(1,866)
Other liabilities	(2,654)	(2,686)	(5,340)
Deferred income tax liabilities	176	(12,607)	(12,431)
Total identifiable net assets / (liabilities)	(607)	171,186	170,579

Net assets acquired as a result of acquisitions and the details of the calculation of goodwill are as follows:

	Karlitepe	Gizem Frit	Total
Purchase consideration settled in cash	100	212,458	212,558
Contingent consideration (*)	-	9,436	9,436
Net liabilities/(assets) acquired	607	(171,186)	(170,579)
Goodwill	707	50,708	51,415

(*) Contingent consideration has been remeasured as of balance sheet date of these consolidated financial statements.

AKKÖK HOLDING A.Ş.

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NOTE 5 - BUSINESS COMBINATIONS (Continued)

In the event that certain pre-determined earnings before interest, taxes, depreciation and amortisation ("EBITDA") (as defined in the share purchase agreement signed between Akkim and previous shareholders of Gizem Frit) is achieved by the Gizem Frit for the years ended 2015 and 2016, additional consideration of liabilities may be payable. The fair value of the contingent consideration of TL 13,492 was estimated by calculating the present value of the future expected cash flows. The estimates based on discount rates of 5% and 14% respectively for the years ended 2015 and 2016 and assumed the probability the actual EBITDA is lower than 80% of pre-determined EBITDA.

Acquisition related costs of TL 2,437 that were not directly attributable to the issue of shares are included in other expenses in statement of income and operating cash flow in the statement of cash flows.

NOTE 6 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2015 and 2014 is presented below:

	2015	2014
Cash on hand	235	256
Cash at banks		
Demand deposits	73,430	42,776
Time deposits	565,558	516,769
Other	5,813	11,950
Total	645,036	571,751

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 2015 and 2014 is as follows:

	2015	2014
Cash and cash equivalents	645,036	571,751
Less: restricted deposits	(7,602)	(10,771)
Less: interest accruals	(168)	(360)
Cash and cash equivalents	637,266	560,620

Interest rate of time deposits with maturities less than 3 months at 31 December 2015 and 2014 are as follows:

	2015		2014	
	Time Deposit	Interest Rate %	Time Deposit	Interest Rate %
TL	117,842	7.00-13.50	83,779	9.82-11.30
USD	397,047	2.00-2.95	413,882	0.97-2.95
Euro	50,552	1.40-1.95	17,085	1.85-2.30
Other	117	2.50	2,023	1.20-9.90
Total	565,558		516,769	

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NOTE 7 - FINANCIAL INVESTMENTS

	2015	2014
Bank deposits with maturities over three months (*)	-	33,702
Current financial investments:	-	33,702
Banks deposits with maturities over one year (*)	29,182	23,188
Available-for-sale financial investments	8,648	12,762
Financial investments not included in the scope of consolidation (**)	226	226
Non-current financial investments:	38,056	36,176
Total	38,056	69,878

(*) Bank deposits are blocked by banks for borrowings used by subsidiaries. Interest rates of such are between 2.55% to 2.60%.

(**) Financial investments that are excluded from the scope of consolidation are excluded on the grounds of immateriality. As these shares do not have quoted market price in an active market, they are carried at cost, adjusted for inflation accounting that was applicable until 31 December 2004.

Available-for-sale financial investments:	%	2015	%	2014
Yapı ve Kredi Bankası A.Ş.	<1	7,897	<1	11,501
Akçansa Çimento Sanayi A.Ş.	<1	751	<1	884
Türkiye Sınai Kalkınma Bankası A.Ş.	-	-	<1	375
Türkiye Vakıflar Bankası A.Ş.	-	-	<1	2
Total		8,648		12,762

Movements of available-for-sale financial investments for the years ended 31 December 2015 and 2014 are as follows:

	2015	2014
1 January	12,762	9,813
Changes in fair value	(3,737)	2,949
Reversals due to sale of available-for-sale financial investments	(377)	-
31 December	8,648	12,762

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NOTE 7 - FINANCIAL INVESTMENTS (Continued)

	2015	2014
Financial investments not included in the scope of consolidation:		
Akhan Bakım Yönetim Servis Hizmet Ticaret A.Ş.	119	119
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	107	107
Total	226	226

NOTE 8 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2015	2014
DowAksa	243,337	242,589
Akcez	209,588	277,357
Saf GYO	164,644	2,960
Akmerkez	29,497	27,693
Akferal	5,107	6,670
Akenerji (*)	-	52,819
Total	652,173	610,088

(*) The Group has not recognised the Group's share in loss of Akenerji amounting to 18,657 TL in the financials statements as of 31 December 2015. The Group assumes that unrecognised period losses will not constitute further liabilities.

Movements of investments in associate during the years ended 31 December 2015 and 2014 is as follows:

	2015	2014
1 January	610,088	671,041
Share of profit from associates	(168,428)	(73,877)
Dividend received	(29,506)	(11,711)
Other comprehensive income from associates	54,005	17,838
Capital advances given	-	6,797
Increase in ownership rate (*)	183,543	-
Share premium adjustment	2,471	-
31 December	652,173	610,088

(*) Increase in ownership rate is related to acquisition of Saf GYO shares (Note 2.2).

Increase in Saf GYO ownership rate

Akiş GYO A.Ş. ("Akiş"), has purchased shares corresponding to %13.15 of the share capital of SAF Gayrimenkul Yatırım Ortaklığı A.Ş. ("SAF") in exchange for a consideration of USD 62,865,533 on 31 July 2015.

As a result of the acquisition, the indirect shareholding percentage of Akkök Holding A.Ş. in SAF was increased to %6.22 from %2.07. The Group recognised a gain of TL 9,125 for remeasurement of shares previously owned (Note 25).

AKKÖK HOLDİNG A.Ş.

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NOTE 8 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

As of 31 December 2015 and 2014, summarised financial information for the Group's investments accounted for using the method are presented below:

2015	Assets	Liabilities	Revenue	Net profit/(loss) for the period
Akenerji	3,598,644	3,440,364	1,802,889	(334,535)
Akcez	1,783,849	1,478,001	1,937,559	(135,033)
Saf GYO	905,471	723,661	193,790	(40,666)
DowAksa	946,529	459,855	74,258	(118,188)
Akmerkez	234,424	9,618	105,088	73,325
Akferal	20,254	9,521	8,972	(2,632)

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	939,027	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)

As of 31 December 2015 and 2014, market capitalization of the Group's investments accounted for using the equity method are presented below:

2015	Total market capitalization as of 31 December 2015	Group's share
Akenerji	692,706	141,520
Akmerkez GYO	618,582	81,220
Saf GYO	700,416	138,052
Total	2,011,704	360,792

2014	Total market capitalization as of 31 December 2014	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

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NOTE 9 - RELATED PARTY DISCLOSURES**a) Trade receivables from related parties**

The analysis of trade receivables due from related parties as at 31 December 2015 and 2014 is as follows:

	2015	2014
Akcez	10,935	6,247
Akenerji	9,291	14,042
DowAksa	6,551	5,131
Akferal	3,858	44
Other	2,103	1,267
Total	32,738	26,731

b) Other receivables from related parties

The analysis of other receivables due from related parties as at 31 December 2015 and 2014 is as follows:

	2015	2014
DowAksa	11,089	-
Akferal	1,486	-
Akcez	-	5,361
Other	-	293
Total	12,575	5,654

c) Non-current other receivables from related parties

	2015	2014
DowAksa (*)	79,456	70,439
Akiş Mudanya Adi Ortaklığı	3,338	-
Total	82,794	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.

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NOTE 9 - RELATED PARTY DISCLOSURES (Continued)

d) Short-term other payables due to related parties

	2015	2014
DowAksa	24,136	30,464
Yalkim OSB	10,669	-
Akgirişim	5,660	5,293
Other	5,492	964
Total	45,957	36,721

e) Long-term other payables due to related parties

	2015	2014
Yalkim OSB (*)	23,257	-
Total	23,257	-

(*) The balance comprises the long-term portion of the cost for the Group's right of use of joint treatment plant within Yalkim Organized Industrial Zone as of 31 December 2015

f) Sales to related parties

	2015	2014
DowAksa	35,949	27,404
Akcez	22,910	13,659
Akenerji	9,013	62,538
Akferal	8,693	10,177
Yalkim OSB	6,000	-
Other	3,750	3,386
Total	86,315	117,164

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NOTE 9 - RELATED PARTY DISCLOSURES (Continued)

g) Service and product purchases from related parties

	2015	2014
Yalkim OSB (**)	71,816	-
Akgirişim (***)	41,951	24,418
Akenerji	10,893	8,647
Akhan	4,295	5,777
Other	3,116	2,757
Total	132,071	41,599

(**) The usage rights purchase cost of joint treatment plant within Yalkim Organized Industrial Zone.

(***) The contracting charge of Aksa and Akkim for the constructions in progress.

Purchases from related parties consist of energy, chemical products, services, consultancy and rent expenses.

h) Key management compensation

The Group has determined the key management personnel as the members of the board of directors and executive committee members.

	2015	2014
Key management compensation	12,061	13,598
Other benefits	112	115
Total	12,173	13,713

i) 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 2015, the remaining principal of this loan is USD 241,506,662.

The Group provided a guarantee amounting to TL 38,162 (2014: TL 34,784) on behalf of Akgirişim for the treatment center which is under construction in Yalova.

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NOTE 10 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from third parties

	2015	2014
Trade receivables	734,417	612,044
Less: Provision for doubtful receivables	(63,020)	(58,216)
Less: Rediscount of trade receivables	(7,989)	(3,713)
Subtotal	663,408	550,115
Trade receivables from related parties (Note 9)	32,738	26,731
Total	696,146	576,846

Maturity of trade receivables of the Group is generally less than three months (2014: 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 2015 and 2014 are as follows:

	2015	2014
1 January	58,216	55,577
Increase due to Gizem Frit acquisition	2,071	-
Collections and reversal of provisions	(1,483)	(581)
Charge for the year	4,216	3,220
31 December	63,020	58,216

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NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

As at 31 December 2015, trade receivables amounting to TL 63,826 (2014: TL 35,855) 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. The Group restructures a portion of trade receivables overdue more than one month by applying interest charge.

Aging of past due but not impaired trade receivables at 31 December 2015 and 2014 is as follows:

	2015	2014
Up to 3 months	59,521	27,769
More than 3 months	4,305	8,086
Total	63,826	35,855

b) Long-term trade receivables

	2015	2014
Notes receivables (*)	67,105	1,142
Less: Unearned financial income	(7,301)	(225)
Total	59,804	917

(*) TL 66,840 portion of the long-term notes receivables consist of notes received for the sales of Cerkezkooy buildings and lands to Altınyıldız Tekstil Konfeksiyon A.Ş. with 5 year maturities.

c) Trade payables from third parties

	2015	2014
Trade payables	377,530	438,276
Less: Unearned financial expense	(2,239)	(2,291)
Subtotal	375,291	435,985
Trade payables to related parties (Note 9)	45,957	36,721
Total	421,248	472,706

NOTE 11 - INVENTORIES

	2015	2014
Raw materials	133,077	172,546
Finished goods	63,874	51,675
Other inventories and spare parts	35,745	28,704
Semi-finished goods	27,146	26,532
Trade goods	6,959	16,866
Complete and incomplete residences	399	5,990
Less: Provision for impairment in inventories	(2,768)	(1,304)
Total	264,432	301,009

At 31 December 2015, carrying value of the Group's non-current inventories comprising incomplete residences is TL 317,618 (2014: TL 240,723).

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NOTE 11 - INVENTORIES (Continued)

Provision for impairment in inventories is mainly related to finished goods as of 31 December 2015 and 2014.

	2015	2014
1 January	1,304	1,226
Charge for the year	1,464	78
31 December	2,768	1,304

NOTE 12 - PREPAID EXPENSES AND DEFERRED INCOME

	2015	2014
Current prepayments:		
Advances given for inventories	10,952	16,186
Prepaid expenses	11,799	10,426
Total	22,751	26,612
Non-current prepayments:		
Advances given	13,950	10,772
Prepaid expenses	4,183	2,217
Total	18,133	12,989
Deferred income:		
Advances received	18,647	28,193
Deferred income	3,093	1,654
Total	21,740	29,847

NOTE 13 - INVESTMENT PROPERTY

	1 January 2015	Additions	Disposals	Transfer	Impairment	31 December 2015
Cost	536,108	21,829	(9,837)	3,091	-	551,191
Accumulated depreciation	40,603	7,721	(6,822)	1,655	166	43,323
Net book value	495,505					507,868

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NOTE 13 - INVESTMENT PROPERTY (Continued)

	1 January 2014	Additions	Disposals	Transfer	Impairment	31 December 2014
Cost	449,908	1,052	(111)	85,259	-	536,108
Accumulated depreciation	36,326	7,261	-	(2,984)	-	40,603
Net book value	413,582					495,505

Fair value of the Group's investment properties, as of 31 December 2015 were estimated by an independent valuation company as TL 1,117,755 (2014: TL 1,023,664). It comprises of TL 202,655 Level 2 and TL 914,800 Level 3 fair value hierarchy of investment properties. Level 2 fair value classified investments properties' fair values are based on sales price for square meter in a similar location in an active market. Level 3 fair value classified investments' fair values are based on discounted cash flows using current market estimations.

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2015	Additions	Disposals	Transfers (*)	Currency translation differences	Increase due to acquisitions(***)	31 December 2015
Cost							
Land and land improvements	243,193	5,175	(3,821)	3,580	217	11,419	259,763
Buildings	183,110	1,183	(806)	22,668	447	18,650	225,252
Machinery and equipment	1,188,177	13,792	(5,023)	112,954	867	76,240	1,387,007
Motor vehicles	82,412	1,399	(2,204)	-	54	762	82,423
Furniture and fixtures	72,839	5,096	(1,172)	6,990	36	1,629	85,418
Leasehold improvements	15,030	999	-	-	-	-	16,029
Construction in progress (**)	99,221	155,134	(18)	(156,915)	-	-	97,422
Total	1,883,982	182,778	(13,044)	(10,723)	1,621	108,700	2,153,314
Accumulated Depreciation							
Land and land improvements	68,292	6,479	(319)	-	-	261	74,713
Buildings	53,748	5,552	(806)	(1,710)	210	2,043	59,037
Machinery and equipment	770,868	68,476	(4,333)	-	822	24,908	860,741
Motor vehicles	9,731	5,919	(631)	-	54	294	15,367
Furniture and fixtures	47,741	7,273	(932)	-	34	1,059	55,175
Leasehold improvements	11,552	674	-	-	-	28	12,255
Total	961,932	94,373	(7,021)	(1,710)	1,120	28,593	1,077,288
Net book value	922,050						1,076,026

(*) Amount of TL 3,091 of transfers is the classification of assets to investment properties and amount of TL 7,577 is to intangible assets.

(**) Construction in progress is mainly comprised of modernization of production facilities and construction of reverse osmosis facility of Aksa and modernization of production facilities in Akkim as of 31 December 2015.

(***) Note 5.

Depreciation and amortisation expenses have been charged amounting to TL 107,512 (2014: TL 88,027) to cost of sales, TL 5,122 (2014: TL 3,502) to research and development expenses, TL 5,353 (2014: TL 4,645) to general and administrative expenses and TL 242 (2014: TL 99) to marketing and selling expenses. Depreciation expenses on inventories and construction in progress are amounting to TL 924 and TL 40 respectively (2014: TL 1,126 and TL 434).

The total amount of mortgage on the lands of the Group as of 31 December 2015 is TL 656,102 (2014: TL 644,418).

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2014	Additions	Disposals (*)	Transfers (**)	Currency translation differences	31 December 2014
Cost						
Land and land improvements	238,495	240	-	4,382	77	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)	(76,808)	-	99,221
Total	1,800,973	160,169	(78,638)	882	597	1,883,982
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	(431)	-	-	11,552
Total	879,401	85,588	(3,467)	-	411	961,932
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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NOTE 15 - INTANGIBLE ASSETS

a) Intangible assets subject to amortization

	1 January 2015	Additions (*)	Disposals	Transfers	Currency translation differences	Increase due to acquisitions(**)	31 December 2015
Cost:							
Rights	14,955	114,311	(318)	1,450	208	-	130,606
Development costs	17,219	20	-	4,037	-	-	21,276
Other	5,269	296	(1,732)	2,090	-	126	6,049
Customer list	-	-	-	-	-	107,276	107,276
Total	37,443	114,627	(2,050)	7,577	208	107,402	265,207
Accumulated amortisation:							
Rights	9,019	2,214	(42)	-	114	-	11,305
Development costs	5,517	3,207	-	-	-	-	8,724
Other	4,546	950	(1,712)	-	-	103	3,887
Customer list	-	10,728	-	-	-	-	10,728
Total	19,082	17,099	(1,754)	-	114	103	34,644
Net book value	18,361						230,563

(*) Additions are mainly consisted of the usage cost of joint treatment plant and lands within Yalkim OSB.

(**) Note 5.

	1 January 2014	Additions	Disposals	Transfers (***)	Currency translation differences	31 December 2014
Cost:						
Rights	11,996	3,036	(148)	-	72	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	72	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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	2015	2014
Provisions:		
Provision for tax penalty	4,039	-
Provision for lawsuits	2,308	2,144
Other provisions	2,253	2,410
Total	8,600	4,554

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:

	2015	2014
Insurances on receivables	318,993	296,158
Eximbank limits	186,119	177,273
Received mortgages	148,051	47,395
Received notes, guarantee and cheques	69,901	98,752
Received letters of guarantee	56,780	35,178
Confirmed/nonconfirmed letters of guarantees	50,483	24,110
Limits from direct debit systems	19,563	16,054
Total	849,890	694,920

b) Guarantees given

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

	2015	2014
Mortgages given	656,102	644,418
Letters of guarantee given	246,145	394,154
Letters of credit given	194,572	285,434
Total	1,096,819	1,324,006

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Akport, a subsidiary of the Group, took over the right to operate the Tekirdağ Port for 30 years on 17 June 1997 as a result of the Agreement to Transfer the Right to Operate the Tekirdağ Port ("Agreement") signed with Türkiye Denizcilik İşletmeleri A.Ş. ("TDİ") and the Republic of Turkey's Prime Ministry Privatisation Authority ("Privatisation Authority").

Based on its conclusion in its business plans that the Tekirdağ Port would be operationally effective only if it were transformed into a container port, Akport built a container terminal area of 101,820 square metres by filling in the sea along the coast within the coordinates specified in the Tekirdağ Port Instruction as of the date the operation right was acquired. The container terminal area is recognised with a net book value of TL 39,814 in the Group's consolidated financial statements as of 31 December 2015.

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 2015. 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 TL 78,025 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 TL 88,075 and a claim for compensation against Türkiye Denizcilik İşletmeleri was opened. As at 31 December 2014 the case was still in the process. By the judgement of 15 September 2015 (including accrued interest as of December 2015) it is decided to make payment to Akport with the amount of TL 80,803 by TDİ. The annulment action is proceeded by TDİ against the decision, and still in progress of petitioning.

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.

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FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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.

Ruling is as follows;

- 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,
- Akport should pay a total of USD 3,881,262 for operating right of the part up to aforementioned date,
- All other claims by either party will be dropped,
- Appeal to this ruling is permitted,

Accordingly, no additional provisions were recognized related to this claim as of 31 December 2015. At 21 January 2016, the Court has rejected the case opened by Privatization Authority for cancellation of the decision and the decision has not become final.

d) Lawsuits from shareholders:

In addition to the explanations in Note 21, following Akkök Holding A.Ş.'s ("Akkök") extraordinary general assembly meeting dated 31 October 2013 and ordinary general assembly meeting 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 against Akkök is 13; there are also 4 lawsuits filed against Akkök's board members. Up until 31 December 2015, 5 of the aforementioned lawsuits were rejected by the relevant court in favor of Akkök and the complainant appealed to the higher court.

One lawsuit was cancelled due to lack of non-pursuance of complainant on 4 March 2015 and the complainant did not use its right to appeal to the higher court and the Court of First Instance's decision to accept the file as non-filed became final on 16.09.2015.

The lawsuit filed for the annulment of Akkök's extraordinary general assembly meeting dated 31.10.2013, was accepted by the Court of First Instance on 21 October 2015 and as the parties did not appeal to the higher court, became final on 21 November 2015. Following this final judgement, the lawsuit filed for nullity of Akkök's BOD decision no 27 dated 31 October 2013 on the use of the shareholder's pre-emption rights in order to participate in Akkök's capital increase dated 31 October 2013, was determined as devoid of subject matter by the Court of First Instance's decision dated 23 December 2015. Other nine lawsuits are pending as of 31 December 2015.

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. Besides, TDİ as the final contractor of the value added tax is notified about the settlement. In the case of the payment of the value added tax, it will be revoked to TDİ. The Group considers a provision for aforementioned penalty is not necessary as of the date of approval of the consolidated statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 17 - EMPLOYEE BENEFITS

	2015	2014
Short term:		
Provision for bonuses	15,568	15,118
Unused vacation provision	3,233	3,218
Subtotal	18,801	18,336
Long term:		
Provision for employment termination benefits	34,823	32,781
Provision for seniority incentive plan	2,903	3,122
Total	37,726	35,903

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:

	2015	2014
Discount rate (%)	3.58	2.44
Probability of retirement (%)	84.95 - 100.00	96.82 - 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 4,093 effective from 1 January 2016 (1 January 2015: TL 3,541) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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NOTE 17 - EMPLOYEE BENEFITS (Continued)

Movements in the provisions for employment termination benefits and seniority incentive bonus for the years ended 31 December 2015 and 2014 are as follows:

	2015	2014
1 January	35,903	26,521
Compensation paid	(3,649)	(2,958)
Service cost	3,617	4,653
Interest cost	2,006	1,609
Increase due to acquisitions (Note 5)	1,866	-
Actuarial (gain)/loss	(2,017)	6,078
31 December	37,726	35,903

NOTE 18 - OTHER ASSETS AND LIABILITIES

	2015	2014
Other current assets:		
VAT receivable	96,469	83,095
Income accruals	737	496
Other	582	420
Total	97,788	84,011
Other non-current assets:		
VAT receivable	2,324	28,075
Other	957	26
Total	3,281	28,101
Other current liabilities:		
Taxes and funds payable	6,689	2,813
Liability in relation to contingent consideration for Gizem Frit (Note 5)	4,156	-
Organized Industrial Zone liabilities	3,273	-
Expense accruals	2,407	459
Total	16,525	3,272
Other non-current liabilities:		
Liability in relation to contingent consideration for Gizem Frit (Note 5)	7,544	-
Total	7,544	-

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

NOTE 19 - BORROWINGS

	2015	2014
Short-term bank borrowings	981,686	543,470
Short-term factoring and leasing liabilities	21,850	31,797
Subtotal	1,003,536	575,267
Current portion of long-term bank borrowings	232,312	147,878
Total short-term financial liabilities	1,235,848	723,145
Long-term bank borrowings	936,390	684,733
Long-term factoring and leasing liabilities	4,878	9,787
Total long-term financial liabilities	941,268	694,520

As of 31 December 2015, the Group has short term Eximbank borrowings in USD currency, amounting to TL 689,402 (2014: TL 415,083), short term Eximbank borrowings in EUR currency amounting to TL 108,038 (2014: TL 11,283) and no short term Eximbank borrowings in TL currency (2014: TL 500).

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

	Weighted average interest rate %	2015	Weighted average interest rate %	2014
		TL	TL	
Short term bank borrowings:				
USD Loans	1.55	742,355	1.43	429,013
Euro Loans	1.83	208,844	4.22	88,897
TL Loans	11.29	30,487	10.67	25,560
Total		981,686		543,470
Current portion of long-term bank borrowings:				
USD Loans	4.29	157,394	3.87	124,107
Euro Loans	3.24	74,918	3.68	23,771
Total		232,312		147,878
Long-term bank borrowings:				
USD Loans	5.60	620,873	4.84	491,580
Euro Loans	3.58	315,517	4.51	193,153
Total		936,390		684,733

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

NOTE 19 - BORROWINGS (Continued)

The book value and fair value of the borrowings as of 31 December 2015 and 2014 is as follows:

	2015		2014	
	Fair Value	Book Value	Fair Value	Book Value
USD borrowings	1,551,594	1,533,823	1,049,957	1,061,112
EUR borrowings	611,982	599,277	269,037	305,821
TL borrowings	44,016	44,016	50,033	50,732
Total	2,207,592	2,177,116	1,369,027	1,417,665

The fair values of the borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 2 fair values in the fair value hierarchy.

The redemption schedule of borrowings is as follows:

	2015	2014
Within 1 - 2 year	191,139	153,878
Within 2 - 3 year	233,502	142,787
Within 3 - 4 year	142,840	101,740
Over 4 years	373,787	296,115
Total	941,268	694,520

At 31 December 2015, bank borrowings with floating interest rates amounted to TL 262,559 (2014: TL 101,951). 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+3.10% and Libor+3.25% (London Interbank Offered Rate) (2014: Libor+3.25% and Libor+3.5%).

NOTE 20 - DERIVATIVE FINANCIAL INSTRUMENTS

	2015		2014	
	Asset	Liabilities	Asset	Liabilities
Hedging instruments	413	1,454	-	261
Held for trading	7,311	817	7,021	-
Total	7,724	2,271	7,021	261

Derivatives as hedging instruments:

	2015		2014	
	Contract amount	Fair value Liability	Contract amount	Fair value Liability
Interest rate swap	44,767	(1,041)	41,667	(261)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 20 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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 2015, the fixed interest rates vary from 1.62% to 5.60% (2014: 1.43% to 4.22%), 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 2015 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings.

NOTE 21 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

At 31 December 2015 and 2014, the Group's share capital and shareholding structure exceeding 1% were as follows:

	% Share	2015	% Share	2014
A.R.D. Holding A.Ş.	33	287,793	33	204,366
Atlantik Holding A.Ş.	33	287,793	33	204,366
N.D.Ç. Holding A.Ş.	33	287,791	33	204,365
Other	1	1	1	1
Total	100	863,378	100	613,098
Paid-in capital		-		(225,000)
		863,378		388,098
Adjustment to share capital		(10,406)		157,537
Total Equity		852,972		545,635

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NOTE 21 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

The Group's authorised share capital consists of TL 86,337,823,914 shares of TL 0,01 value (2014: 61,309,752,112). 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.

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 injunction 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 injunction 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.

The lawsuit filed for the annulment of the extraordinary general assembly meeting dated 31 October 2013 was accepted by the Court on 21 November 2015. Following court decision, the Company's accounting records were amended to cancel the capital increase recorded earlier, and the capital was once again recorded at TL 13,098 on 23 November 2015. Capital payments which have been made (TL75,000) was repaid to shareholders with the interest (TL 17,137) on 30 November 2015.

On Extraordinary General Assembly meeting dated 23 December 2015, the Company increased the capital from TL 13,098 to TL 863,378. According to 662th article of Turkish Commercial Code, TL 850,820 portion of the capital increase is decided to be met from the all domestic resources of the Company (freely used portion of legal reserves, capital reserves, profit reserves and fons to be added to capital).

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.

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NOTE 21 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

As of 31 December 2015 and 2014 retained earnings of Akkök in accordance with statutory financial statements are as follows:

	2015	2014
Legal reserves	6,549	6,449
Other capital reserves	-	18,989
Extraordinary reserves	-	181,447
Special funds	-	166,887
Retained earnings	-	10,592
Retained loss	(1,684)	(1,684)
Net profit for the period	21,035	46,182
Total	25,900	428,862

Informations on subsidiaries with significant non-controlling interest

Summarized of financial informations about the Groups' subsidiaries with significant share of non-controlling interest are stated below:

2015	Ownership of non-controlling interest (%)	Assets	Liabilities	Revenue	Net profit for the year
Akiş	68.47	1,121,526	736,623	89,826	72,385
Akkim	58.00	806,220	579,170	564,028	(693)
Aksa	60.41	2,254,075	1,005,479	2,030,006	199,466
Total		4,181,821	2,321,272	2,683,860	271,158

2014	Ownership of non-controlling interest (%)	Assets	Liabilities	Revenue	Net profit for the year
Akiş	68.47	907,502	523,285	91,584	16,048
Akkim	58.00	532,252	350,720	316,886	31,683
Aksa	60.41	1,998,065	884,702	2,104,898	162,856
Total		3,437,819	1,758,707	2,513,368	210,587

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NOTE 22 - REVENUE AND COST OF SALES

a) Revenue

	2015	2014
Revenue	1,901,293	1,874,441
Exports	987,055	782,744
Less: Sales returns (-)	(16,269)	(13,295)
Less: Sales discounts (-)	(182,635)	(81,075)
Revenues, net	2,689,444	2,562,815

b) Cost of sales

	2015	2014
Raw materials	1,700,967	1,778,364
Personnel expenses	112,505	94,150
Depreciation and amortisation	107,512	88,027
Shopping mall costs	23,922	22,843
Other	145,494	131,851
Total	2,090,400	2,115,235

NOTE 23 - GENERAL AND ADMINISTRATIVE EXPENSES

a) General administrative expenses

	2015	2014
Personnel expenses	54,926	59,301
Consultancy expenses	25,939	8,508
Other tax expenses	7,814	7,354
Communication expenses	6,597	5,234
Depreciation and amortisation	5,353	4,645
Office expenses	4,633	3,865
Donations and charities	4,212	2,774
Rent expenses	2,550	3,629
Travelling expenses	1,949	2,162
Other	15,070	12,393
Total	129,043	109,865

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NOTE 23 - GENERAL AND ADMINISTRATIVE EXPENSES (Continued)**a) Marketing expenses**

	2015	2014
Export expenses	29,044	17,003
Personnel expenses	15,714	11,391
Transportation expenses	8,156	2,176
Commission expenses	6,530	7,155
Travel expenses	2,281	1,092
Advertisement expenses	1,565	840
Rent expenses	1,165	841
Insurance expenses	1,115	590
Other	8,073	5,307
Total	73,643	46,395

NOTE 24 - OTHER OPERATING INCOME AND EXPENSE**a) Other operating income**

	2015	2014
Foreign exchange gain on trade receivables and payables	309,620	100,078
Interest income from sales on credit	24,786	18,761
Provisions closed	3,495	2,174
Other	10,959	8,999
Total	348,860	130,012

b) Other operating expense

	2015	2014
Foreign exchange gain on trade receivables and payables	280,343	105,949
Interest expense from purchases on credit	22,109	9,988
Tax penalty	6,695	-
Provision expenses	3,347	4,239
Other	4,975	3,343
Total	317,469	123,519

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 25 - INCOME AND EXPENSE FROM INVESTING ACTIVITIES

a) Income from investing activities

	2015	2014
Gain on sales of fixed assets (*)	104,700	293
Gain on acquisition of additional stake in SAF GYO (Note 8)	9,125	-
Dividend income from subsidiaries	921	683
Gain on sale of financial assets	132	-
Total	114,878	976

(*) Gain on sales of fixed assets consists of gain on sale of land, building and fixed asset of Cerkezkoy and Bozüyük with the amount of TL 70,919 and TL 8,357 respectively, and also gain on sale of aircraft with the amount of TL 10,217.

b) Expenses from investing activities

	2015	2014
Impairment of investment property	(166)	--
Total	(166)	-

NOTE 26 - EXPENSE BY NATURE

Expenses classified by nature for the period of 31 December 2015 and 2014 are as follows:

	2015	2014
Raw materials	1,802,122	1,778,517
Personnel expenses	185,147	166,527
Depreciation and amortisation expenses	118,229	96,273
Shopping mall costs	23,922	22,843
Cost of residences sold	5,590	21,209
Other	169,325	194,728
Total	2,304,335	2,280,097

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NOTE 27 - FINANCIAL INCOME AND EXPENSES**a) Financial income**

	2015	2014
Foreign exchange gain	274,884	252,005
Interest income	33,741	23,002
Gain from derivative financial instruments	45,342	5,419
Total	353,967	280,426

b) Financial expenses

	2015	2014
Foreign exchange loss	(440,250)	(248,902)
Interest expenses	(99,420)	(73,266)
Loss from derivative financial instruments	(27,378)	(1,071)
Total	(567,048)	(323,239)
Net financial expense	(213,081)	(42,813)

NOTE 28 - TAXES ON INCOME

	2015	2014
Corporate and income taxes payable	67,451	52,188
Less: prepaid corporate income tax	(50,320)	(40,188)
Taxes on income, net	17,131	12,000

The details of taxation on income in the statements of comprehensive income for the years ended 31 December 2015 and 2014 are as below:

	2015	2014
Current income tax expense	(67,451)	(52,188)
Deferred tax expense, net	1,720	(4,740)
Total tax expense, net	(65,731)	(56,928)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 28 - TAXES ON INCOME (Continued)

Deferred tax assets and liabilities

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2015 and 2014 using the enacted tax rates is as follows:

	Temporary taxable differences		Deferred tax assets / (liabilities)	
	2015	2014	2015	2014
Employee benefits	35,905	36,830	7,181	7,366
Investment incentives	49,795	-	9,959	-
Provision for doubtful receivables	7,385	7,580	1,477	1,516
Impairment of inventories	10,040	870	2,008	174
Deferred tax assets from carryforward losses	4,075	-	815	-
Other	3,185	3,045	637	430
Deferred income tax assets			22,077	9,486
Property, plant and equipment and intangible assets	(179,235)	(57,595)	(35,847)	(11,519)
Trade payables	(2,190)	(2,745)	(438)	(549)
Derivative financial instruments	(5,600)	-	(1,120)	-
Other	(260)	(9,085)	(52)	(1,817)
Deferred income tax liabilities			(37,457)	(13,937)
Deferred income tax liabilities, net			(15,380)	(4,446)

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.

	2015	2014
Deferred income tax assets	10,956	5,262
Deferred income tax liabilities	(26,336)	(9,708)
Deferred income tax liabilities, net	(15,380)	(4,446)

AKKÖK HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 28 - TAXES ON INCOME (Continued)

Movements of deferred tax liability as at 31 December 2015 and 2014 as below:

	2015	2014
1 January	4,446	1,044
Deferred tax income / (expense) for the year, net	(1,720)	4,740
Amounts recognised under equity	223	(1,338)
Change due to acquisition (Note 5)	12,431	-
Balances at 31 December	15,380	4,446

The reconciliation of tax expenses stated on the consolidated statement of comprehensive income for the years ended 31 December 2015 and 2014 is as follows:

	2015	2014
Profit before tax on consolidated financial statements	149,703	173,497
Expected tax expense of the Group (20%)	(29,941)	(34,699)
Effect of tax losses for which no deferred tax asset recognized	(1,247)	(5,284)
Effect of consolidation adjustments	(34,481)	(15,073)
Non-deductible expenses	(5,589)	(1,437)
Other income exempt from tax	7,437	5,224
Other	(1,910)	(5,659)
Actual tax expense of the Group	(65,731)	(56,928)

As of balance sheet date, the Group did not recognize deferred income tax assets on carry forward tax losses' of certain subsidiaries, for which amounts and expiration dates are as follows:

Dates of expiry	2015	2014
2016	13,563	13,563
2017	19,261	19,261
2018	20,327	20,327
2019	16,704	16,704
2020	9,005	-
Total	78,860	69,855

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

NOTE 29 - 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.

29.1 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 2015, the foreign currency position of the Group is prepared using the following foreign exchange rates USD/TL 2,9076, EUR/TL 3,1776. (2014: USD/TL 2.3189, EUR/TL 2.8207).

Foreign currency position table denominated in Turkish Lira as of 31 December 2015 and 2014 is as follows:

	2015	2014
Assets	1,206,980	1,134,732
Liabilities (-)	(2,498,326)	(1,759,256)
Net balance sheet position	(1,291,346)	(624,524)

AKKÖK HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

NOTE 29 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	2015			Total
	USD	EUR	Other currencies	
Assets:				
Cash and cash equivalents	419,069	54,420	34,371	507,860
Financial investments	45,210	-	-	45,210
Trade receivables	425,127	134,395	93	559,615
Other assets	91,999	2,296	-	94,295
Total assets	981,405	191,111	34,464	1,206,980
Liabilities:				
Short-term borrowings	907,965	283,762	-	1,191,727
Long-term borrowings	625,751	315,517	-	941,268
Trade payables	281,138	71,049	179	352,366
Other liabilities	12,825	140	-	12,965
Total liabilities	1,827,679	670,468	179	2,498,326
Net foreign currency position	(846,274)	(479,357)	34,285	(1,291,346)
	2014			Total
	USD	EUR	Other currencies	
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)

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 29 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The table below shows the sensitivity of the net foreign currency position of the Group to the changes in the consolidated financial statements as of 31 December 2015 and 2014.

2015	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10% USD net assets / liabilities	(84,627)	84,627
USD net effect - income/ (expense)	(84,627)	84,627
Change of EUR against TRY by 10% EUR net assets / liabilities	(47,936)	47,936
Euro net effect - income/ (expense)	(47,936)	47,936
2014	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10% USD net assets / liabilities	(37,180)	37,180
USD net effect - income/ (expense)	(37,180)	37,180
Change of EUR against TRY by 10% EUR net assets / liabilities	(26,246)	26,246
Euro net effect - income/ (expense)	(26,246)	26,246

29.2 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 29 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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 2015 and 2014, the Group's borrowings at floating rates are mainly denominated in USD and Euro.

At 31 December 2015, 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 2,627 (2014: TL 1,010) higher/lower, mainly as a result of high interest expense on floating rate borrowings.

29.3 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 2015 and 2014 are as follows:

2015	Trade and other receivables		
	Related party	Other	Bank deposits
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	128,107	727,490	673,983
Secured portion	-	250,898	-
A. Net book value of financial assets that are neither past due nor impaired	128,107	659,256	673,983
- Secured portion	-	220,432	-
B. Net book value of financial assets that are past due but not impaired	-	63,826	-
- Secured portion	-	26,058	-
C. Net book value of financial assets that are past due and impaired	-	4,408	-
- Overdue (gross book value)	-	67,428	-
- Impairment (-)	-	(63,020)	-
- Secured portion	-	4,408	-
- Not overdue (gross book value)	-	-	-
- Impairment (-)	-	-	-
- Secured portion	-	-	-
D. Off-balance sheet items with credit risk	-	-	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 29 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

2014	Trade and other receivables		
	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	-	445,554	-
A. Net book value of financial assets that are neither past due nor impaired	102,824	518,944	628,385
- Secured portion	-	424,774	-
B. Net book value of financial assets that are past due but not impaired	-	35,855	-
- Secured portion	-	19,588	-
C. Net book value of financial assets that are past due and impaired	-	1,192	-
- Overdue (gross book value)	-	59,408	-
- Impairment (-)	-	(58,216)	-
- Secured portion	-	1,192	-
- Not overdue (gross book value)	-	-	-
- Impairment (-)	-	-	-
- Secured portion	-	-	-
D. Off-balance sheet items with credit risk	-	-	-

29.4 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.

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NOTE 29 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

2015:

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	2,177,116	2,329,238	492,150	761,673	686,020	389,395
Trade payables	375,291	376,871	268,362	108,509	-	-
Due to related parties	69,214	69,214	9,934	36,023	15,706	7,551
Total	2,621,621	2,775,323	770,446	906,205	701,726	396,946

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)
Derivative financial assets, (net)						
Derivative cash outflows	2,271	2,271	463	354	332	1,122

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-derivative financial liabilities						
Borrowings	1,417,665	1,521,605	674,999	263,945	311,771	270,890
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

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)
Derivative financial assets, (net)						
Derivative cash outflows	261	261	-	261	-	-

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FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 29 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

29.5 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 Group controls its capital using the net debt/total capital ratio. This ratio is calculated by dividing net debt by the total capital amount. Net debt is calculated as total liability amount (comprises of financial liabilities, trade payables and payables to related parties as presented in the balance sheet) less cash and cash equivalents Total capital is calculated as equity plus the net debt amount as presented in the balance sheet.

The ratio of net debt/equity at 31 December 2015 and 2014 is as follows:

	2015	2014
Total liabilities	2,598,364	1,890,371
Less: cash and cash equivalents (Note 6)	(645,036)	(571,751)
Less: short term financial investments	-	(56,890)
Net debt	1,953,328	1,261,730
Total shareholders' equity	1,999,116	2,031,979
Total equity	3,952,444	3,316,897
Debt/equity ratio (%)	49	38

29.6 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.

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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NOTE 29 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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 (Note19). The determined fair value of long-term loans to explain on notes, is discounted amount of cash flows according to agreements with current market interest rate.

Fair Value Estimation:

Effective from 1 January 2011, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: Inputs for the asset or liability that is not based on observable market data.

2015	Level 1	Level 3
Available-for-sale financial assets	8,648	226
Total assets	8,648	226
2014	Level 1	Level 3
Available-for-sale financial assets	12,762	226
Total assets	12,762	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 30 - EVENTS AFTER THE BALANCE SHEET DATE

At Extraordinary General Assembly meeting dated on 14 January 2016, Akkök Holding's capital is decided to be increased from TL 863,378 to TL 1,003,450 by capital commitment of the shareholders. 75% of the capital increase amount has been paid in cash in full by the shareholders.

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