

Akkök Holding A.Ş.

Report 2016



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 TL 8.7 BILLION.

AKKÖK HOLDİNG

- ▶ Mr. Raif Dinçök founded the Akkök Holding of Companies in 1952, with the establishment of Aksu Yarn and Weaving Factories
- ▶ Some 64 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 TL 8.7 billion in 2016

GROUP COMPANIES CHEMICALS AKSA AKRİLİK

- ▶ 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
- ▶ 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 4 different locations
- ▶ Export spread across five continents and more than 65 countries
- ▶ 850 employees in total

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 Akriklik 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
- ▶ Akenerji has become the representative of foresight and stability in the energy industry
- ▶ An installed capacity of 1,211 MW, 307 MW of which is renewable
- ▶ 8 TWh sales volume in Energy Trade

EGEMER

- ▶ Akenerji's largest investment
- ▶ Erzin Natural Gas Combined Cycle Plant with a 904 MW installed power and 7.4 Twh annual production capacity
- ▶ 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 766, 1,366 in the neighborhood 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
- ▶ Expedient and modern business solutions

SEPAŞ ENERJİ

- ▶ Retail Electricity Sales Company, the region's final supplier in Bolu, Düzce, Sakarya and Kocaeli
- ▶ 1.6 million customer portfolio in Turkey
- ▶ Investments in technology to maximize customer experience
- ▶ Efforts to maintain market leadership in the designated supply zone
- ▶ 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 ÇOCUK DÜNYASI

- ▶ Akdünya is the franchise licensee in Turkey for KidZania, which currently operates in 19 countries and 24 cities
- ▶ More than 100 role-play opportunities in more than 65 activity areas for children according to their skills and interests
- ▶ Located on 8,000 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 GYO

- ▶ AKİŞ GYO'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 GYO

- ▶ 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 Dinçkök, and with deep know-how spanning 65 years, Akkök 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, Akkök Holding aims to catch up with the global competition, and achieve world-class standards together with all the companies under its roof.

With an annual installed production capacity of 315,000 tons, Aksa is the only domestic acrylic fiber manufacturer in Turkey. The Company holds a 17% global market share in acrylic fiber production, and supplies the textile and industrial textile industries in more than 50 countries across five continents. In 2009, after improving its technology infrastructure, Aksa commenced production of carbon fiber, which is considered one of the most vital raw materials of the 21st century.

DowAksa was established in 2012 as a joint venture of the Dow Chemical Company and Aksa Acrylic San A.Ş., with the aim of providing a wide range of products and technical services to the global composites industry, whose raw material is carbon fiber. Thanks to Dow's knowledge and experience in resins, and Aksa's infrastructure, which allows for growth, today DowAksa is one of the strongest companies vying for leadership in the production of carbon fiber and carbon fiber intermediate materials market. Moreover, DowAksa is the first and only Turkish company in the carbon fiber industry. DowAksa provides carbon fiber composite solutions to industrial sectors, namely the energy, transportation, defense and infrastructure sectors. The Company develops solutions aiming to reduce total costs, and offers a wide range of products to the fast-growing carbon fiber composite sector. With the support of technical service, DowAksa expanded its product range, and the Company also conducts global scale business development activities.

Turkey's pioneer chemicals company Ak-Kim was established in Yalova in 1977, and over time it expanded its production activities in various locations around Turkey. Ak-Kim is a global chemicals company serving customers on 5 continents with its broad product portfolio, including Chlor Alkali and derivatives, Methylamines, Persulfates, Hydrogen Peroxides, Bisulfites, Textile auxiliaries, Paper and Water treatment chemicals, Cement and concrete additives. With a total capacity of 600,000 tons, Ak-Kim produces more than 500 chemical substances and auxiliary materials, and it produces with high environment friendly technology. Since 2002, the Company has sold its know-how and technologies to companies abroad, and offers different types of services from engineering engagements to key-ready commitments. In line with its growth strategy, Ak-Kim established AKFERAL in 2013, on an equal partnership basis with the Feralco Group, the second major producer of water treatment chemicals and coagulants in Europe. In 2015 Ak-Kim, acquired Gizem Frit, one of the world's leading enamel and ceramic frit producers, and thus entered a new market. Expanding its activities in water treatment solutions with the Ultrafiltration Module, which uses perforated fiber made from high quality PVDF materials, and is produced by Ak-Kim with a formula it developed in 2015, Ak-Kim has also been the leader of the Ultrafiltration Module production sector with this investment in Turkey and its near periphery.

Akiş GYO, the real estate investment company operating under Akkök Holding, continues to develop projects that help improve quality of life in the regions where it operates. The Company runs Akbatı Shopping Mall and Life Center, as well as the Akasya projects, and it is also developing street retail projects on Bağdat Street as an alternative to shopping mall investments. The Company aims to provide consistent dividend income to shareholders through regular rental incomes, which will be augmented by these investments. Akiş GYO became one of the key players of the sector upon the merger with Saf GYO, registered on January 18, 2017. Akiş GYO consistently follows changing sector trends and socio-economic developments closely, and aims to sign off on prominent projects in the real estate sector.

Since its opening, Akmerkez has been investing in the future and has been the leader in creating new values. Akmerkez has been a hotspot for intimate experiences, and the most popular meeting point in the city, with distinguished brands and stores, shopping, entertainment facilities and food court, since 1993.

Another company belonging to Akkök Holding, whose success in the real estate industry has been inscribed with the Akmerkez Shopping Mall investment, is SAF GYO, which has reinforced the holding's reputation in the real estate industry with activities that add value to society as a whole. Akasya, opened in the first quarter of 2014, bringing a breath of fresh air to the Anatolian Side, and the KidZania Istanbul is a vital social platform to teach children, while also entertaining them. Akiş GYO and Saf GYO have become the key players of the sector, merging under Akiş GYO.

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. The Company, a 50:50 strategic joint venture of Akkök Holding and CEZ Group, Europe's leading energy company, has the sole capacity to meet 3.2% of Turkey's energy need, with total installed capacity of 1,211 MW. Having made notable strides in sustainable energy, Akenerji, with a total installed capacity of 307 MW, has raised the share of sustainable energy sources to 25%, with 7 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.

Sepaş Enerji was separated from the distribution companies as per the Energy Market Regulatory Authority's decision, "Practices and Principles on Legal Separation of Distribution and Retail Sales Activities", and was established on January 1, 2013. Sepaş Enerji extends its services across Turkey, mainly in Bolu, Düzce, Sakarya and Kocaeli, the supply region, to a total portfolio of 1.6 million, with combined domestic and international strength. In 2016, Sepaş Enerji supplied energy to an average portfolio of 1,026 MW, and its total sales volume reached 8.989 GWh.

Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) has been running power distribution services 24 hours a day 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, 1.6 million consumers and a population of 3.4 million, with 1,700 employees. Within the scope of power distribution activities, SEDAŞ aims to provide high-quality, uninterrupted power distribution services to the subscribers in its region, and immediately intervenes in the

event of breakdowns. SEDAŞ conducts power distribution services through 33 distribution centers and 21 Customer Service Centers.

For a sustainable future 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 Akiş GYO, was prepared and published within the framework of G4 reporting. Akkök Holding continues to share its sustainability engagements with the public through the Global Compact Progress Report.

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

Akkök Business Ethics Principles

"Akkök Holding Business Ethics Principles" are determined in line with the corporatization process, both in personal attitude and business ethics rules, with its long-established practices.

Akkök Holding Business Ethics Principles and supporting policies are instructive in relations with employees, shareholders, suppliers, customers, vendors, other stakeholders and the public. Acting in accordance with Akkök Holding Business Ethics Principles means a working environment with cooperation involving mutual respect, as well as reputation and compliance with the law.

Employer Brand

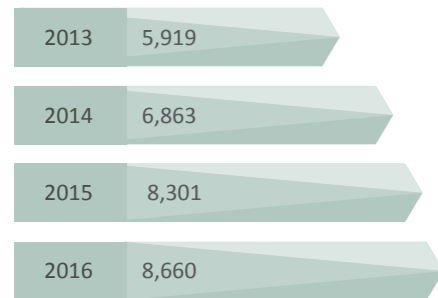
Today, Akkök Holding has a total of 5,000 employees. As part of Employer Brand engagements, values are internally reinforced, while the brand is expanded with external activities.

Key Financial Indicators*

MAINTAINING ITS CONSISTENT PERFORMANCE IN 2016,
AKKÖK GROUP ANNOUNCED COMBINED
EBITDA OF TL 1,124 MILLION.

Net Sales

Combined (TL Million)

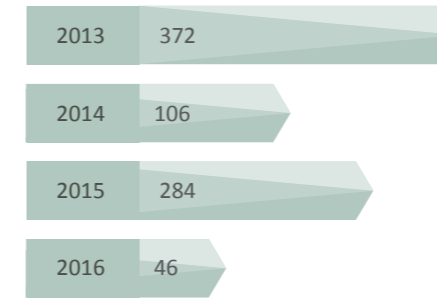


Akkök Group earned combined net sales of TL 8,660 million ⁽¹⁾.

⁽¹⁾ The consolidated net sales in 2016 are TL 2,617 million.

Net Profit

Combined (TL Million)

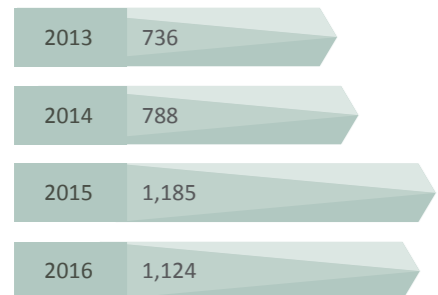


Akkök Group earned TL 46 million ⁽³⁾ combined net sales profit in 2016.

⁽³⁾ Consolidated net profit for 2016 is TL 73 million.

Ebitda

Combined (TL Million)



Akkök Group announced consolidated EBITDA of TL 1,124 million in 2016.

⁽²⁾ Consolidated EBITDA for 2016 is TL 530 million.

⁽¹⁾ 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.

1960 - 1970

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, Aksa switched to biological treatment with the Deep Tank system, the most advanced technology in water treatment, breaking new ground in Turkey. In 2002, Akenerji commissioned another unit at the Gürsu Power Plant with an installed capacity of 5.2 MW, boosting its total installed capacity to 15.6 MW. Ak-Kim started exporting its know-how and technology abroad during the same year.

2003-2004

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

2005-2006

In 2005, Dinarsu was sold to Merinos Halı Sanayi Group and Akmerkez was listed on the BIST as of April of the same year. Aksa Egypt commenced manufacturing operations that year while Akenerji commissioned the İzmir Kemalpaşa Power Plant with a total installed capacity of 127.2 MW. Also in 2005, Ak-Kim began producing paper chemicals and Akiş was founded to develop and manage the real estate investments of Akkök Holding. In 2006, Akenerji acquired Akkur Enerji Üretim Ticaret ve Sanayi A.Ş. and in September, Paper Moon opened a branch in Ankara. The same year, Ak-Kim launched the first sodiumpercarbonate facility in Turkey.

2007

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

Aktek is was established, and Akiş commences commenced Akkoza construction in partnership with Garanti Koza and Corio. Akenerji acquires acquired MEM Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş., and signed a protocol for the construction of Yalova Raif Dinçkök Cultural Center. In

2007, Aksa is was recognized as "Turkey's Most Responsible Company" by Capital magazine. The book, Yadigâr-ı İstanbul (Relics of İstanbul), composed of photo albums of Yıldız Palace, was published with Akkök Holding's contribution. SAF GYO, 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 Aksa was awarded the Quality Association's (KalDer) National Quality Grand Prize, a groundbreaking ceremony was also held for Yalova Raif Dinçkök Cultural Center for which a construction agreement was signed the previous year.

2009

The AkCez Consortium, started in 2008, took over Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) from the Privatization Administration. Akiş became the sole owner of Akbatı Shopping Mall and Akbatı Residences by acquiring the partnership interests of Garanti Koza and Corio in the Akkoza Project. Aksa commissioned the carbon fiber production facility, with a capacity of 1.500 tons/year. Akenerji commissioned the Ayyıldız Wind Power Plant with an installed capacity of 15 MW, in Bandırma, Balıkesir. Aksu and Ak-Al merged under the Ak-Al roof and Ak-Kim was awarded the OHSAS 18001:2007 Occupational Health and Safety Management System Certification and also the Company received the "Best Supplier" award from Cargill. Akkök Firefly Mobile Learning Unit Project was initiated in Yalova.

2010

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

As of 2010, Aksa, the carbon fiber production facility with a capacity of 1.500 tons/year, made the investment decision

for the second facility, which will have a capacity of 1.700 tons/year. Akenerji commissioned the hydroelectric power plants Akocak, Bulam, Burç, Uluabat and Feke II. The total electricity capacity of Polat Enerji's wind power plants yielding a production of 100 MW were procured. For the Head Office and Çerkezköy, Bozüyük, Kemalpaşa Power Plants, certifications of ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety documents certifications were granted.

Akenerji's first and most comprehensive Environmental, Health and Safety Annual Report was published and disclosed to all stakeholders.

The Tekirdağ- Muratlı railroad line connecting to the Akport Tekirdağ Port started to operate.

2011

In 2011, Aksa signed a definitive agreement to form a joint venture to manufacture and commercialize carbon fiber and derivatives with Dow Chemicals, one of the top players in the world chemistry sector. Investing in the establishment of a second carbon fiber production line with an additional capacity of 300 tons/year, Aksa reached an annual carbon fiber production capacity of 1.800 tons/year.

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

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

Akenerji obtained US\$ 651 million in funding for the 904 MW installed capacity Erzin Combined Cycle Natural Gas Power Plant, to be constructed in Hatay's Erzin district.

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

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

A wholly-owned Akış project, Akbatı Shopping Mall&Akbatı Residences opened its doors to visitors in İstanbul Esenyurt.

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.

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 GYO 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 Acibadem 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 Acibadem 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 Dinçök Cultural Center in Yalova.

2013

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 and Feralco, the second largest water treatment chemicals and coagulant producer in Europe, joined to establish AKFERAL. Ak-Kim was granted the "R&D Center" title by the Ministry of Science, Industry and Technology in 2013. With this title, the competence of Ak-Kim R&D has been officially recognized.

Aksa Akrilik, 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 Akrilik takes over Ak-Tops Tekstil Sanayi A.Ş., its 100% affiliate since August 2013, with all its assets and liabilities.

DowAksa purchases CarbonWrap business unit, which offers carbon fiber composite solutions in the infrastructure and building reinforcement area.

SEDAŞ implements its demerger process with the foundation of Sepaş Enerji. All through 2013, SEDAŞ focused only on distribution activities and launched its master project "Automatic Meter Reading System" (AMR). 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 was established on November 12, 2012 to perform retail activities. Sepaş Enerji, demerging from SEDAŞ, starts its commercial life in 2013.

After distribution and retail sales activities are separated at the beginning of 2013, AKCEZ is restructured with common service units, which will provide services to SEDAŞ and Sepaş Enerji.

Necessary investment was made for Feke II Hydroelectric Power Plant (70 MW) to serve within the framework of "Secondary Frequency Control." Consequently, the power plant was activated in the same year. In addition to its existing electricity production, Akenerji created added value by realizing sales of 900 million kWh electricity, supplied by third parties.

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

Akenerji, 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.

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 Akış GYO shares involved with Akfil Holding and Garanti Koza Akış Ordinary Partnership were sold.

Akasya Project, with its Woodland and Lake plots, becomes the "Best Residential Development" finalist at the MIPIM Awards 2013, and comes first among 32 projects at the "People's Choice Awards", voted by 50,000 members of the public.

Akasya and Akasya Residence Project becomes the first project to win a BREEAM certificate in Turkey with such a large-scaled project, thanks to its energy efficiency and proper use of resources, choices made regarding local issues, prominence given to internal air quality and health, and systems that mitigate the long-term effects of the building on the environment.

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

2014

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

As a result of evaluation of the main titles namely shareholders, public disclosure and transparency, stakeholders and board of directors within the scope of the CMB Corporate Governance Principles, Aksa's Corporate Governance Rating was calculated as 9.22 out of 10. Aksa Akrilik becomes the 50th company to join voluntary rating among 400 companies registered at the Capital Markets Board and listed on the stock exchange. By this means, Aksa Akrilik becomes the first corporation in its sector, and just the second in Turkey, to obtain the "Risk Management System Verification Certificate". Aksa Akrilik published its 2013 Sustainability Report for the first time at GRI-B level.

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

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

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

The Reverse Osmosis Project was initiated.

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.

DowAksa Advanced Composites Holdings B.V. signs a three-party joint investment decision with Rusnano and Composite Holding (HCC) for the Composite Nanotechnology Center (NCC). The investments to be made in the NCC, which is a joint venture of HCC and Rusnano and their affiliate Infrastructure and Education Programs Fund (FIEP), are shaped according to the agreement.

DowAksa USA is founded. 50% of c-m-p, the German prepreg producer is purchased.

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.

Akenerji, new products and services are developed with the "Smart Electricity" approach for the economical and appropriate consumption of power. In order to enhance profitability and market penetration, an agency network infrastructure has been established, and agency selection

and development works have started. Akenerji's 2013 Sustainability Report's level is raised from C to B, and receives approval.

SEDAŞ, 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.

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.

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

Aktek, which moved its headquarters to Yıldız Technical University's Davutpaşa Teknopark campus, implements cooperation with universities and industry with its own projects, and aims to co-exist in the same ecosystem and develop projects with technology companies.

2015

Akkök Holding, 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 Mamut Art Project wins a slew of awards in 2015, demonstrating its success. The project wins two bronze medals in the "Sponsorship and Media Relations" branches of the "Best Communication and PR Campaign of the Year" category at the Stevie International Business Awards. The PR News Platinum receives an Honorable Mention Award in the "Online Communications" category at the PR Awards, as well as first place in "Integrated Campaigns under PR Leadership" at the MediaCat Felis Awards.

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

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. At the 9th Corporate Governance Summit award ceremony, organized by the Corporate Governance Association of Turkey (TKYD), the Company holds the "3rd Highest Rank" in 2015 among 50 companies included in the Corporate Management Index.

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 wins the Proof Not Promises Award with its GE Power & Water, Water and Process Technologies Project. Thanks to Aksa Akrilik, the Proof Not Promises Award was once again granted to a company from Turkey, for the first time since 2013.

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.

DowAksa and Ford sign a Joint Development Agreement (JDA) for production of carbon fibers that are suitable for affordable, high volume automotive applications. The Agreement combines DowAksa's raw material capacity, efficiency in production of carbon fiber and intermediate products and Ford's experience in design, engineering and high-volume production. This Agreement aims to develop affordable carbon fiber materials that are lighter than steel, and can also be used in automotive applications.

Ak-Kim acquired 100% shares in Gizem Frit. The Ultrafiltration Project, one of Ak-Kim's key investments, was completed. A capacity increase project was signed for Adwan Chlorine Alkali facility, which was previously established by Ak-Kim.

Gizem Frit, 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, 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.

Akenerji, 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.

Akenerji shows a proactive approach to sustaining operations within a healthy financial structure, and signs a \$1.1 billion loan agreement with Yapı Kredi for refinancing of its own loans.

SEDAŞ completes the SCADA project as of the end of 2015.

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

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.

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

Akiş GYO A.Ş. completes the Life Academy Project. Life Academy is the first project organized by a real estate investment trust (REIT) to offer a strong platform to enhance personal awareness, and contribute to the welfare and happiness of society.

Along with developing many value added projects approved by YTÜ Teknopark management in 2015, Aktek also creates a structure called Aktek Garage that structurally describes internal and external innovation philosophy.

2016

Akkök

While focusing on projects with high added value and advanced technologies, Akkök Holding also carries out projects that will support the future of the country and young people. With "Invest in the Future", the Holding continues to support young people in the second year of its main sponsorship at the 2015 Mamut Art Project.

Aksa Acrylic

At the Corporate Governance Award Ceremony organized by TKYD, Aksa Akrilik wins the top award as the "Company with the Highest Corporate Governance Rating".

Aksa Akrilik, which is one of the world's leading acrylic fiber manufacturers, with 50 years of expertise and a customer-oriented approach, introduces four new brands touching every facet of life. Aksa Akrilik chooses to add a brand-new vision to acrylic fiber with its new brands; Acryluna, Acrysole, Acryterna and Acrylusion.

DowAksa

The Global Composite Center in Yalova, financed under the joint project of TUSAŞ and DowAksa, which is also supported by the Undersecretariat for Defense Industries, is opened for service.

DowAksa initiates a joint project with Istanbul Technical University to create an earthquake simulation on full-scaled buildings in Yalova by using carbon fiber reinforced polymer (CFRP) technology. The project stands out as an example for private sector-university partnerships in Turkey. The expert team carries out a test that shows how a carbon fiber composite reinforced building will not collapse in the event of an earthquake.

Ak-Kim

Ak-Kim opens a new 10.200 tons/year capacity persulfates plant in Yalova. The Company starts manufacturing ESBO product for the PVC sector and Perasetic Acid product for the cleaning industry. Ak-Kim earns the NSF certificate, which approves the use of drinking water for the Akualys

brand ultrafiltration module. The Company gets accepted to Turquality, one of the most prestigious and comprehensive incentive programs in Turkey as of June 2, 2016. In order to create a more pleasing and peaceful work environment for its employees, Ak-Kim initiates the "Great Place to Work" project. By focusing on creating a culture of innovation and sustainability, Ak-Kim implements the "Innovation Culture" project. The Company puts its ROTA-Occupational Health and Safety Project into practice. The ROTA project aims to support the development of an occupational health and safety culture, minimize accident risks arising out of behavior, and to enhance safe behavior.

Akenerji

The Company becomes the first to implement a virtual plant tender in Turkey. With the 2015 revision of ISO 9001 quality management system and ISO 14001 environment management system standards, ISO 9001: 2015 Quality, ISO 14001:2015 Environment Management System, certificates are obtained by Akenerji-Egemen General Directorate for Ayyıldız, Uluabat, Burç, Bulam, Feke I, Feke II, Himmetli, Gökkaya Hydroelectric Plant and Erzin Natural Gas Cycle Plant. The validity of OHSAS 18001:2007 Occupational health and safety and ISO 27001 Information Security Management Systems are ensured.

Akenerji 2015 Sustainability Report wins Bronze at the League of American Communication Professionals (LACP).

Akenerji becomes the only electricity production company to join the Carbon Disclosure Project (CDP) Turkey 2016 Water Program, and boosts its performance from C to B.

The sale transaction of Akocak Hydroelectric Plant and the related equipment is completed as of February 04, 2016.

Investment activities towards enhancing the wind installed power of Ayyıldız to 28.2 MW and the additional investment are finalized in the last days of 2016.

SEDAŞ

SEDAŞ renews the company's common values together with its mission and vision, and initiates the Corporate Performance Management Project. The Company initiates the Customer Relations Management (CRM) System Project, and kicks off and develops the Digital Workforce Management (WFM) project. SEDAŞ wins the WFM Project Quality award for productively planning the workforce at the SAP Forum Istanbul 2016 award ceremony, and the "Quality Award" at the "SAP Transformation of the Year Awards". SEDAŞ

strengthens its logistics ability by expanding its vehicle fleet. The Company carries out new data analysis and developments in reporting in the SCADA project. The number of vehicles used for the OSO project rises to 24,000. SEDAŞ enhances the capacity of its Call Center. The new call center is opened by the Minister of Energy and Natural Resources, Berat Albayrak, in Konya. SAP IS-U and CRM project is commenced in 2016. Integrated Management System is initiated.

Sepaş Energy

Sepaş Enerji begins the SAP IS-U-CRM project, which will restructure all of its systems to offer the best customer experience, and enable management thereof with a technological infrastructure. Renewing its company strategy, Sepaş Enerji continues to be the market leader in its designated supply zone, and, along with the vision of being a local electricity sales company and providing electrical energy service at competitive prices by using Turkey's energy resources efficiently, the Company adopts the mission of carrying customer satisfaction to the highest possible level with quality service.

Akiş GYO

The notification text on the merger between Akiş GYO and SAF GYO is approved by the Capital Markets Board. With this news, the first official step of the merger is taken.

Akiş GYO starts the sales of Akapartman Suadiye, the Company's first project bearing the Akapartman brand, which creates new living spaces with innovative and unique designs and exquisite architectural characteristics, in the most prestigious and exciting locations around the city.

Land purchases and flat for land agreements for the Beykoz project investment continue.

Akbatı Shopping Mall wins a total of 30 awards in national and international competitions in 2016.

Life Academy chats in Akbatı, wins 10 awards in international competitions. Chats start at Akmerkez and Akasya.

Aktek

The Company opens the first phase of the most comprehensive and largest hybrid cloud Human Resources (HCM) application in Turkey and the region.

Message from the Chairman

2016 was a year of momentous events in Turkey and around the world. While political developments made the global agenda, many events in the economy also came to the forefront. 2016 was an important test year for the Turkish economy. The July 15 coup attempt, international credit rating agencies degrading our country's rating, and negative events such as terrorist attacks, the US election and the FED's interest rate hike, all led to the Turkish Lira becoming one of the hardest hit currencies against the Dollar in 2016.

When we look at the major events in 2016, it is evident that the biggest global event was the US presidential elections that ended with Trump's election in November. If President Trump can uphold his promises, the American economy will cause the cards to be re-dealt in the global economy. If the US puts the world economy's globalization approach to one side and focuses on raising internal growth from 1.9% by cutting taxes and enhancing investments in the building sector, this will lead to higher interest rates in the US, thus accelerating US Dollar appreciation. This will cause investments in developing countries to repatriate to the US.

On the other hand, the FED, which started interest rate hikes in December 2015 by 25 basis points, also raised the rates in its last meeting in 2016, again by 25 basis points, and, declaring its hand, amended two hikes targeted for 2017 to three. For countries that are financing growth through foreign resources, and which were already suffering in 2016, such a course means more hardship to come.

AT AKKÖK HOLDING, WE ARE PROUD TO HAVE CONTRIBUTED TO OUR COUNTRY'S EXPORTS, ESPECIALLY IN THE CHEMICAL SECTOR, AND HELPED REDUCE IMPORTS IN THE CHEMICAL INDUSTRY BY PRODUCING CERTAIN PRODUCTS LOCALLY AND DISTRIBUTING THEM ON THE DOMESTIC MARKET.

Furthermore, the Chinese economy, which experienced its lowest growth for the last 25 years at 6.9% in 2015, has made amendments to its monetary and financial policies, and aimed at reducing local stocks and financial risks in 2016. Although 2016 growth at 6.7% was even lower than the previous year, China did manage to exceed the set growth target for 2016.

The European Region has seen moderate growth since 2011, but still faces certain economic problems due to varied tax and spending approaches. The Union received a serious shock with the UK Brexit referendum on June 23, 2016. In addition, general elections in some European countries make 2017 a significant year for the Eurozone.

Along with these developments around the world, the price per barrel of Brent oil, which hit an 11-year low after a harsh drop in 2015, is on the rise again with production cuts in OPEC countries and countries outside of OPEC. At 50% price hikes, crude oil became one of the highest climbing commodities. Oil exporting countries, which grew more than expected due to the drop in oil prices in 2015, couldn't reach their growth targets in 2016 with the rising trend in oil prices.

Having managed to bring its current account deficit to the lowest level for the past five years thanks to declining oil prices, unfortunately Turkey couldn't reach its current account deficit target in 2016 due to rebounding crude oil prices and collapsing tourism, which was adversely affected by all the uncertainties. At \$32.6 billion, Turkey's current account deficit for 2016 was higher than that of 2015. The hardest hit



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Ali Raif Dinçkök
Chairman

stocks in the Istanbul Stock Exchange Market were in the transportation and service sectors, reflecting the decline in tourism, one of the life-bloods of the Turkish economy, and its effect on the current account deficit.

Despite such domestic and international instability, the Turkish economy grew by 2.9% in 2016, and net export figures played a key role in this growth rate. Turkey, again sending most of its exports to the EU, improved its commercial relations with Iran in 2016, and boosted trade volume by 40%. The automotive, ready-to-wear and chemical industries lead the way in rising net export figures.

At Akkök Holding, we are proud to have contributed to our country's exports, especially in the chemical sector, and helped reduce imports in the chemical industry by producing certain products locally and distributing them on the domestic market. With TL 704 million investment, and TL 1.1 billion exports in 2016, we have once again contributed to our country's economy and employment without compromising our principles of transparency, honesty, social responsibility, sustainability and environmental-friendliness. We will continue our investments at full speed, remaining loyal to these values in 2017 as well.

I'd like to sincerely thank all of our valuable employees, our executives and all our esteemed stakeholders who have maintained faith in us, and therefore contributed to our growth in line with our target of creating added value for our country and stakeholders in our main business branches; chemical, energy and real estate, and who have played a key part in carrying the Akkök name proudly towards the future.

Ali Raif Dinçkök
Chairman

Message from the CEO

We witnessed critical economic, social and political developments all around the world in 2016. If we were to summarize the year, we experienced many adverse developments, such as instability in the countries we export to, the devaluation in Egypt and Russia, the uprising against our democracy on July 15, and then credit rating agencies degraded our rating to non-investment level. On the other hand, rising crude oil prices resulting from production cuts in OPEC member countries, the questioning of economic and political unions after Brexit, and the fluctuations in markets with the expectation that the US will follow expansionary fiscal policies after the elections, are other key events that left their mark on 2016.

As a group engaged in the chemical, energy and real estate sectors, we run our long-term strategies by closely following our country's economy, and by considering the position our companies hold in their respective foreign markets. We base our strategies not only on profitability, but also on achieving value added production through sustainability, providing long-term contributions to our economy, and offering higher employment levels to our fellow countrymen. We continue to evaluate horizontal and vertical organic and inorganic possibilities that may support the growth of our company in the sectors we focus on.

In 2016, we seized upon all growth opportunities, and developed our strategies based on sustainable growth and profitability for our group companies, Aksa Akrilik, Ak-Kim and DowAksa. In order to compensate for the adverse effect of economic and political instabilities and uncertainties in the domestic market, Aksa Akrilik concentrated on export activities, and also focused on new business areas, entering new markets and striving to deepen its penetration in current markets. Already serving more than 300 customers on five continents, it maintained a more efficient policy in export markets and raised the share of exports within total sales to 40%, in order to minimize regional risks. On the other hand, we have started commercial production of continuous filament and nonflammable fiber products (modacrylic), which are the direct results of our R&D works in recent years. Continuous filament offers a great cost advantage as it bypasses thread production from acrylic fiber, and is a value-added product with excellent technological properties. Aksa is the only producer in the world in this product segment. Again, it is one of the few producers in the world of modacrylic, which has very high ignitability temperatures and is fireproof. Offering an extensive product range in acrylic fibers, from carpets to upholstery fabric, and outdoor awnings to automobile and ship awnings, Aksa has focused on branding activities in 2016 to raise awareness about the comfort and quality of its products, and launched public promotion campaigns designed according to the areas of use of acrylic fiber.

Producing its own electricity and steam energy, Aksa's works on enhancing the efficiency of its plants and ensuring energy safety in production continue in order to complete the new turbine project in 2017.

We have also completed an important year for DowAksa, another of our companies engaged in the chemical sector. We have taken a major step towards a grand cooperation in becoming the supplier of one of the largest wind turbine producers in the world, after passing stringent quality tests. In this respect, we will soon start to produce carbon fiber parts for turbine blades. In addition, we are aiming to support the nationalization of strategic raw materials, and reduce foreign dependency and foreign trade deficit in the national defense industry, with the carbon fibers we have developed along with civil aviation and national security institutions. Works within the scope of the agreement between DowAksa and the automobile giant Ford in 2015 on developing carbon fibers for high-volume automobile sector applications continue.

At Ak-Kim Kimya, we have reviewed our capacity usage rates and implemented renewal works to enhance the capacity of production lines to maximize the productivity of our facilities, and we have passed investment decisions to produce new products downstream. By analyzing global trends, we started production and sales of an ultrafiltration module formed from perforated fibers, which we developed as a long-term technological solution to the lack of clean water resources. In this respect, we are planning on great growth through cooperation with Municipalities, Organized Industrial Zones and private companies. By benefiting from our group's integrated facilities, we are also initiating new projects to ensure that Ak-Kim covers the chemical raw material needs of our group companies, thus generating synergy. In order to grow in the European market, where our country holds an advantage in terms of production costs and logistics, and to better serve customers already in the region, we are continuing inorganic investments in the first quarter of 2017. R&D activities continue on 80 current projects for greater value added and higher know-how production.

We have successfully completed the integration of Gizem Frit, the company that produces enamel, ceramic frit and other coating areas, which we subsumed into the structure of Ak-Kim at the beginning of 2015. With this investment, we have entered a market with high growth potential for Ak-Kim. We are evaluating inorganic ink-jet investments, as ceramic frit is a complementary product, and plan to offer packaging services to our customers. We hope to complete our efforts to accomplish this in 2017 through purchasing companies in Europe, which we started in 2016. In addition, we are targeting growing our special application area activities with organic investments.



“At Akkök Holding, we have completed a challenging year, both for our country and the regions we operate in. With TL 704 million investment in 2016, we aimed to create a more value added economy and grow employment in our country. We believe that such accomplishments will continue to expand in the coming years.”

Ahmet C. Dördüncü
Chief Executive Officer

For a sustainable world in energy production, in parallel with our renewable energy strategy, we have completed the capacity expansion investments at our Ayyıldız Wind Plant, belonging to Akenerji, which we started last year, and boosted our installed capacity from 15 MW to 28 MW. We are continuing our efforts on improving energy efficiency, which is becoming an ever more important issue in the energy market due to the world's growing needs, and we serve many shopping malls, residences, hospitals and industrial plants with teams we have established in this area.

Our technology and infrastructure works at Akcez, which owns Sakarya Elektrik Dağıtım A.Ş. and Sakarya Elektrik Perakende Satış A.Ş., and engages in its activities with the partnership of CEZ, continues to ensure uninterrupted energy and customer satisfaction.

In the real estate area, Akış GYO has merged with SAF GYO, one of the leading REITs in Turkey, and of which the Company is a shareholder, thus raising its equity to TL 2.5 billion, and total assets to TL 4 billion. With this merger, Akış GYO has become one of the largest real estate investment trusts in Turkey. With shopping center investments reaching a certain level of saturation, our investments in high street retail, a new business model, will bear fruit in 2017. Housing development projects are also proceeding.

In IT, our technology company Aktek has carried out a joint project with an international technology consultancy company for Industry 4.0, a crucial new concept today, and for adaptation to digital transformation. Within the scope of this work, the current status of our group companies according to digitalization index, and the production and operational processes that need to be developed, have been closely investigated, and the required actions have been prioritized. It is aimed to complete the digital transformation of our companies by evaluating the production, operation, supply and transportation processes, and to enhance the production efficiency of the industry through products our group will offer in this area.

At Akkök Holding, we have completed a challenging year, both for our country and the regions we operate in. With TL 704 million investment in 2016, we aimed to create a more value added economy and grow employment in our country. We believe that such accomplishments will continue to expand in the coming years, and I'd like to sincerely congratulate all our employees, business partners, shareholders and stakeholders, who have made 2016 a successful year with their sterling efforts.

Saygılarımla,

Ahmet C. DÖRDÜNCÜ
Chief Executive Officer



“Attaining TL 8.7 billion combined turnover in 2016, our Group grew by 5% compared to the previous year, gaining consolidated EBITDA of TL 530 million. Our group will carry its consistent and profitable structure towards the future, with the duty of contributing to the future and to society.”

Raif A. Dinçök
Executive Board Member

“One of our main targets has been maintaining a sound and healthy structure to support our strategic targets. We will proceed in creating added value and ensuring that success is maintained by our country, and by all our stakeholders, in the sectors we focus on.”

Özlem Ataünal
Executive Board Member

2016 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.

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 Akiş GYO, he is also on the Board of

Directors of Akkök Holding and various Akkök Group Companies. Holding key roles in TÜSiAD (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.

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 GYO 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.

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 GYO, Ak-Pa and Dinkal. He continues to serve on the Board of Directors of Akkök Holding.

Alize Dinçkök Eyüboğlu

Member of the Board of Directors

Born in 1983 in İstanbul, Alize Dinçkök Eyüboğlu graduated from Suffolk University, Sawyer School of Management, Department of Business Administration in 2004. She started her business career in 2005 as Strategic Planning Expert at Ak-Al Tekstil Sanayi A.Ş. Upon the establishment of Akiş Gayrimenkul Yatırımı A.Ş., she transferred to this company in 2005 and served as Project Coordinator, Sales and Marketing Manager, and Assistant General Manager responsible for Sales and Marketing. Alize Dinçkök Eyüboğlu presently serves on the Boards of Directors of Akkök Group Companies. Alize Dinçkök Eyüboğlu also manages the Akkök Group Marketing Platform established in December 2015.

Mehmet Emin Çiftçi

Akkök Holding Yönetim Kurulu Üyesi

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

Member of the Board of Directors

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.



Aksa Akrilik Kimya Sanayii A.Ş.

Traditionally organized by the Corporate Governance Association of Turkey (TKYD), this was the 7th year of the Corporate Governance Awards. In a ceremony on January 19, 2017, Aksa Akrilik won the grand prize for the company with “the Highest Corporate Governance Rating”. According to the rating conducted by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., Aksa Akrilik raised its rating to 9.60 from 9.50, thanks to the works completed in the last year. The biggest acrylic fiber producer in the world, Aksa became the company with the highest rating in the Corporate Governance Index.

The corporate governance rating obtained by Aksa Akrilik clearly stated that the Company complied with the “CMB Corporate Governance Principles”, practiced all the policies and measures, determined and actively managed the corporate governance risks, correctly oversaw the rights of shareholders and stakeholders, managed public disclosure and transparency activities at the highest level, and ran the structure and functioning of the Board of Directors in the best practice category.

The world’s leading acrylic fiber producer with 50 years experience and a customer focused approach, Aksa Akrilik introduced its customers to four new brands touching every aspect of life.

Aksa Akrilik aims to offer a new vision for acrylic fiber, and to raise acrylic fiber to its rightful level as the world’s leading acrylic fiber producer, by means of its new brands: Acryluna, Acrysole, Acryterna and Acrylusion. With a new brand understanding, Aksa Akrilik completely turns its focus towards quality and customer expectations.



“Global trade was heavily impeded by the decline in commodity prices. In spite of all the negative conditions in the world and Turkey, the Aksa Akrilik Family provided added value to our exports with our rich product portfolio, and managed to achieve a successful and profitable year.”

Cengiz Taş
General Manager

CHEMICALS

- Aksa Akrilik Kimya Sanayii A.Ş.



THE WORLD'S LEADING ACRYLIC FIBER PRODUCER WITH 50 YEARS EXPERIENCE AND A CUSTOMER FOCUSED APPROACH, AKSA AKRILIK INTRODUCED ITS CUSTOMERS TO FOUR NEW BRANDS TOUCHING EVERY ASPECT OF LIFE.

Acrylic fiber market in 2016

2016 was a year of uncertainties owing to the jet crisis between Turkey and Russia, as well as collection difficulties in the market. Two key facts emerged; the market was convinced that commodity prices were at the lowest level possible, and the entire supply chain had low stock levels. This led to much greater demand than expected in the Domestic Market in the first half of the year. As a result of the abominable coup attempt in July, and subsequent concerns about the heightened terror threat, demand regressed through to the end of the year owing to the ongoing collection difficulties, rampant foreign exchange rates, and financing supply difficulties created by the banking sector.

When it comes to global markets, having grown in 2015, Acrylic Fiber consumption continued its boom, particularly in the Far Eastern markets, in the first half of 2016. A contraction of Chinese demand, and the Chinese Antidumping applications, caused Korean and Japanese producers, and even Chinese producers, to apply very aggressive pricing in the Turkish and Iranian markets, Aksa's normal target markets, resulting in an attempt to seize a share. The minor recovery observed in the European and US markets in the first half of the year failed to generate the expected demand, especially after August, which is considered as the high season. Based on the decline in the embargo effects, and the excitement of opening into foreign markets, the Iranian market particularly triggered high demand in the carpet sector throughout the year, and consumed a high volume of acrylic fiber, especially considering recent years in the market. The fact that Iranian local producers failed to maintain continuity, and that certain Far Eastern players extended beyond their markets, created significant share growth for Aksa. The demand growth in the Iranian carpet sector was also reflected in demand for carpet thread in the Turkish market, and Turkish carpet yarn producers were compensated for their domestic market loss.

During a year of frequent changes in demand in all the critical acrylic markets, Aksa managed to work at full capacity with its market, product diversity and sales policies, and to close out the year standing firm.

Developing efficiency with productive business processes

Aksa maintained its operational excellence strategy in 2016, 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 2016. 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.

Acrylic Fiber

By using the entire nominal capacity in 2016, Aksa manufactured 315,000 tons of products. The company maintained its leading position in the market thanks to its record production tonnage and production efficiency.

Energy

Aksa generates electricity energy and process steam, meeting its own energy need, and also sells the surplus. While gross power generation was 786 GWh in 2015, this figure grew by 3%, reaching 811 GWh in 2016. Owing to the projects and operational excellence works developed in the coal power plant, the plants have been operated in the most economical and efficient manner, securing a major reduction in energy generation costs.

New Product Development

Based on the unique technology knowledge obtained from the R&D works conducted in Aksa, new areas of business are targeted.

R&D works were completed for modacrylic fiber, which is flame-retardant, or non-flammable, and can only be produced by a limited number of companies in the world. Meanwhile, several studies have been conducted to enhance it in tune with environment and ecological life. Industrial-scale production supply will commence

in 2017. Modacrylic, a high added value product, can be primarily used in protective work uniforms, the plastic sector, and artificial hair production.

Apart from establishing new areas of utilization for Acrylic, works towards diversifying acrylic continue successfully. Laboratory studies are ongoing to highlight acrylic's warmth and comfort in underwear and performance sportswear. Tests have been performed with the world's foremost firms, and the results have been positive.

Thanks to filament yarn's silky softness and feel, Acrylusion has been a sought-after product, especially in the hand-woven carpet sector. Regarding high demand in the carpet sector, the required investments have been planned for capacity growth.

Investments

In 2016, Aksa continued creating new products and utilization areas, as well as operational excellence, for acrylic fiber, and conducting R&D works towards process development and enhancement.

In 2016, work continued on the "New Turbine" project, which will provide more and safer electricity

supply with the same operating conditions for boilers, improved cycle cost and capacity growth. The new turbine is slated to go into operation in 2017.

In 2016, Aksa also invested in process security projects as per the alignment with the "Regulation on Prevention of Major Industrial Accidents and Mitigation of their Impacts", enacted in 2011; and presented the Turkish Ministry of Labor and Social Security with a "Safety Report" prepared for the adaptation process on June 29, 2016.

In line with the objective of creating new products and utilization areas for acrylic fiber, in 2016:

- ▶ a project was initiated to Construct a Modacrylic Fiber Production Plant with 1,000 ton/year capacity. The project aims to offer modacrylic fiber to the flame-retardant fiber sector and the artificial hair sector.
- ▶ a project to Construct New Filament Machinery was initiated. The project aims at capacity growth for filament yarn, a first in the sector.





DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.

Since carbon fiber is a high value added and strategic product that provides innovative solutions to critical issues facing the world, such as boosting energy production with wind turbines and reducing fuel consumption by cars, our work is crucial for both Turkey and the world. While the areas of use of carbon fiber are constantly growing, the concept of carbon fiber is becoming more and more attractive in many areas that will shape the future and the economy. The planned space travel to Mars seems possible only with giant oil tanks made out of carbon fiber. Tomorrow's designs are being printed by 3D printers, which hold a significant place in the 4th Industrial Revolution, with innovative pioneering carbon fiber production technologies. DowAksa has joined an interdisciplinary research team at Oak Ridge National Laboratory to build a life-sized house through 3D prints made of carbon fiber. The "3D printed house" was first presented at the opening of the US Energy Ministry's Energy Efficiency and Renewable Energy Unit's (EERE) Industry Day. It is estimated that demand, especially in the wind energy, automotive and aviation industries, will double within the next five years. Today, Turkish companies are developing, producing and exporting state-of-the-art advanced technological products more than ever before. With locally produced carbon fiber, DowAksa contributes to the government's national security, energy and export targets towards establishing economic growth.



CHEMICALS

- DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.

"For DowAksa, 2016 was a year of pertinent R&D works to accelerate business in the sectors it engages in. The Company has entered into effective cooperation with leading institutions and corporations, and added key milestones on its path to growth."

Betül Sadıkoğlu
General Manager

AT DOWAKSA, WE OPENED THE GLOBAL COMPOSITE CENTER IN YALOVA, FINANCED WITHIN THE SCOPE OF THE IPEK PROJECT, A JOINT PROJECT IMPLEMENTED WITH TUSAŞ AND SUPPORTED BY THE UNDERSECRETARIAT OF NATIONAL DEFENSE, IN MAY 2016.

At DowAksa, we opened the Global Composite Center in Yalova, financed within the scope of the IPEK project, a joint project implemented with TUSAŞ and supported by the Undersecretariat of National Defense, in May 2016. Prepreg materials will be developed and locally produced for both military and civil aviation applications within the scope of the project. Local production of such critical materials will curtail foreign dependency and the related risks for our country.

These joint works combining DowAksa's raw material capacity, efficiency in carbon fiber production and intermediate products, and Ford's experience in design, engineering and high-volume production, signed last year, continued successfully in 2016. The target of this collaboration is to use the developed product to make automobiles lighter, thus ensuring fuel efficiency and higher performance.

DowAksa is proud to initiate these works in such a critical area for Turkey in 2016. Carbon fiber-based products are used to reinforce concrete buildings. Carbon fiber reinforced epoxy-based composite materials have been developed as an alternative to classic reinforcement systems.

The biggest advantage of these types of composite materials, with higher tensile strength than steel, is their lightweight, non-corrosive nature, storage in rolls, and easy application. Another key feature is that structures (bridges, hospitals, etc.) can continue their normal functions during reinforcement works. This is crucial for a country like Turkey, which is located in an earthquake-prone zone. With DowAksa's focus on this issue, the CarbonWrap business unit, offering carbon fiber composite solutions in infrastructure and

building reinforcement, was purchased from Simpson Manufacturing Co in 2013. A joint project was initiated in 2016 with Istanbul Technical University to take these operations one step further. A great example of the sector-university collaboration required for the advancement of our country, a Full-Scale Building Earthquake Test, was carried out in Yalova to test the buildings' earthquake resistance. For this test, two identical buildings, with the same characteristics as buildings built before the earthquake in 1999, were constructed on an area assigned by the Governorship of Yalova. One of these buildings was reinforced with carbon fiber polymer composites produced by DowAksa. According to the results of the test, the non-reinforced building collapsed with a 3.8 cm critical floor shift under the lateral forces of an earthquake at 6.5 magnitude. In the other earthquake modeling, while the critical floor shift expected from the lateral forces of an earthquake of 7.6 magnitude (expected in the Marmara region within the next 250 years) is 8 cm, the building that was reinforced with DowAksa's carbon fiber composite materials reached a critical relative floor shift of 40 cm without any problems. As a result of this test study, which has attracted media and local government attention, there are many important meetings and discussions taking place regarding the project that may benefit from this product.

Finally, in 2016, a long-term agreement has been reached with a wind industry market leader business partner. As a result of this agreement, DowAksa has guaranteed sales of a major part of its production capacity over the next few years. An announcement regarding the final version of the agreement is slated for the first quarter of 2017.



ACCORDING TO THE FULL-SCALE BUILDING EARTHQUAKE TEST RESULTS CARRIED OUT WITH ITU, CARBON FIBER REINFORCED CONSTRUCTION HAS RECEIVED THE THUMBS UP FROM BUILDING REINFORCEMENT SOLUTION EXPERTS.



Ak-Kim Kimya Sanayi ve Ticaret A.Ş.

Despite the challenging and fluctuating market conditions, Ak-Kim focused on maintaining its profitability and market share in 2016. While continuing to invest in our current sectors, the company also maintained its inorganic growth efforts.

Ak-Kim entered 2016 with the launch of the \$35 million Ultrafiltration Module, on which R&D activities have been ongoing for the past 5 years. It is one of the few companies in the world that can manufacture this product, with the special Ultrafiltration (UF) Module Plant situated on 2,800 square meters in Yalova.

Gizem Frit, manufacturing enamel and ceramic frit within the structure of Ak-Kim, is the largest supplier in Turkey and the second largest in the world in its area. The company pursued its investments with digital-ink, investing TL 10 million in this product. Gizem Frit's 5-year plan is to enhance its annual production amount from 10 to 20 tons, and meet 20% of the monthly ink consumption of existing machinery in Turkey.

Protecting its competitive edge with customer-focused products in international markets, the Company competes with global giants. Ak-Kim's main exports, distributed to 65 countries, are chiefly to Europe, followed by China and the US. Ak-Kim has succeeded in boosting exports by 10% with the contribution of Gizem Frit, and the share in turnover of international sales has risen to 35%.

The product development of ESBO product, geared towards the PVC sector, and Perasetic Acid product, for the cleaning sector, has been completed at Ak-Kim's R&D center. The Company strives to diversify its products by focusing R&D efforts in the right directions. Both products are now in production.



"As a company, we will maintain our sustainable growth strategy locally and globally in 2017, as well as our innovative and entrepreneurial spirit. Ak-Kim completed 2016 with success, and we will advance with investments in our sector, society and our country, buoyed by the excitement and happiness of achieving this success together. The growth in sales of the Ultrafiltration module, for which we commissioned the production plant at the beginning of 2016, and new project sales opportunities, are indicators of this success."

Onur Kipri
General Manager

CHEMICALS

- Ak-Kim Kimya Sanayi ve Ticaret A.Ş.

IN 2016, AFTER 9 MONTHS ON THE TURQUALITY BRAND SUPPORT PROGRAM, AK-KİM WAS ACCEPTED INTO THE ONE AND ONLY BRANDING PROGRAM IN THE WORLD, SUPPORTED BY THE REPUBLIC OF TURKEY'S MINISTRY OF ECONOMY: TURQUALITY.

Will continue investments

Ak-Kim has built a new Amoniumpersulfate & Potassiumpersulfate plant with state-of-the-art technologies at Güney Ak-Kim (Yalova) with annual capacity of 10.200 tons, alongside the one operating in Çerkezköy. An investment project in chlorine alkali products is ongoing in Yalova. Ak-Kim has a competent engineering team capable of building turnkey chemical factories all around the world. The Company aims to sell a brand-new engineering project internationally in 2017.

Joined Turquality

In 2016, after 9 months on the Turquality brand support program, Ak-Kim was accepted into the one and only branding program in the world, supported by the Republic of Turkey's Ministry of Economy, Turquality.

Within the scope of the Turquality Program, aiming to make each of 113 member companies into global players on international markets, and created with the vision of "10 World Brands in 10 Years", Ak-Kim will be eligible for special opportunities such as exhibitions, advertising, brand promotion and introduction, software licenses, press and public relations, management consultancy, foreign rental expenses, certification and patent expenses, and market research works.

Initiated the occupational safety project

Ak-Kim has initiated the "R.O.T.A." (Don't take Risks, Take Precautions) project to support the development of an occupational health and safety culture, and minimize accident risks arising out of behavior. The

Project has five main headings; determination of behaviors that directly affect occupational safety; clear and explicit definition of behaviors for safe measurement; determining observation processes regarding the defined behaviors and determining realistic targets; providing feedback, and rewarding good behavior.

Ak-Kim won the International LACP Award for its Sustainability Report

Ak-Kim's 2014-2015 Sustainability Report, issued under the theme "Future is in our Hands", was awarded by the League of American Communications Professionals (LACP), one of the most prestigious PR platforms in the world. Ak-Kim's Sustainability Report won Gold, as the first runner up among other sustainability reports at the 2015-2016 Vision Awards/Annual Report Competition.

Ak-Kim Kimya's Sustainability Report was evaluated according to first impressions, report cover, letter to shareholders, port narratives, report financials, creativity, message clarity, and information accessibility, and scored 98 points out of 100.

Completing various works in sustainability with the slogan, "Future is in our Hands", Ak-Kim maintains its stance and efforts towards enhancing its performance by embracing an individual and corporate sustainable development approach. Ak-Kim had also previously won the LACP Silver with its 2013 sustainability report.

Exhibited new products at trade fairs

Ak-Kim attended, and was the session sponsor, of the International Water Summit in Abu Dhabi in January, where it introduced ultrafiltration technology to the

participants. The IFAT Fair, held in Germany between May 30 and June 3, was one of the major showcases for Ak-Kim's UF modules in the international arena. The Company has also attended many events in Turkey and surrounding countries and, since March 2016, has been giving regional seminars to the sector, state institutions and organized industrial zones. Ak-Kim joined the Istanbul Water Expo (IWE), the first and only sector exhibition that focuses on water and waste water technologies in Turkey, at the Istanbul Exhibition Center between September 1 and 3, 2016. Environment - friendly and innovative water solutions, and the high-performance perforated fiber-based membrane module, designed especially for water treatment chemicals and ultrafiltration systems, were exhibited at the expo.

Gizem Frit, which joined Ak-Kim in 2015, displayed new non-stick products at the 27th International Zuchex trade show at Istanbul Tüyap.

Tissue World, hosting the leading companies in the sanitary paper sector, took place for the second time in Istanbul in 2016. Ak-Kim attended the Tissue World Fair between September 27 and 29, 2016, with its paper chemicals and new investment Ultrafiltration Module. Finally, Ak-Kim showcased its extensive product range at the "Turkchem-Chem Show Eurasia" bringing the whole chemical sector together under one roof, at the Istanbul Exhibition Center between November 10 and 12.



Ak-Kim Ultrafiltration Facility



Akenerji Elektrik Üretim A.Ş.

With more than 27 years of experience in the sector, our company is still among the leading companies directing Turkey's energy sector, with an installed capacity of 1,211 MW as of 2016 year-end.

Akenerji's fundamental strategy in 2016 was to operate our existing power plants optimally according to market prices, and to develop new projects which will add value to our company.

For Akenerji, earnings before interest, amortization and tax as of 2016 rose to TL 234 million. Erzin Natural Gas Combined Cycle Plant operates with a low-cost advantage, despite low market prices, thanks to its high efficiency. In addition, positive production and hydrology results have been obtained at our hydroelectric plants.

In the previous year, we focused on evaluating capacity enhancement opportunities in the power plants that generate with renewable resources. Accordingly, the investment activity to boost the installed power in Ayyıldız to 28.2 MW from 15 MW, growing by 13.2 MW, was almost completed, and the additional investment was finalized in the last days of 2016.

We plan to continue our virtual plant tenders as the leader in the sector. We advance with our value-added projects for energy efficiency.

Energy trade is one of the key activity areas adding value to Akenerji without incurring asset based capital expenditure. In 2016, Akenerji power plants generated a total of 3.7 TWh, 24% of which is from renewable resources. Akenerji's total trade volume grew by 56% over the previous year, to 16.5 TWh. In 2016 we participated in RERSM (Renewable Energy Resources Support Mechanism), which we had only partially applied in previous years, with all of our renewable electricity generation resources, and gained 74% supplementary income compared to spot income. In addition to our generation portfolio, Akenerji included the additional resource of 4.0 TWh that we obtained from other market participants into our portfolio, and hence boosted our trade significantly and gained added value.



“The year panned out in line with our expectations for operational profitability, thanks to the precautions we took, the proper trade strategy we adopted, and our product diversification and risk management, in spite of all the turbulence.”

Ahmet Ümit Danışman
General Manager

ENERGY

- Akenerji Elektrik Üretim A.Ş.

AKENERJI, WHOSE REGULATIONS, PRODUCT RANGE, TRADE PLATFORMS, AND DYNAMICS ARE UNDERGOING AN ALTERATION PROCESS, AND WHICH FULFILLS THE NEEDS AND REQUIREMENTS OF THE ENERGY SECTOR WHERE COMPETITIVENESS INTENSIFIES BY THE DAY, TAKES IT AS ITS MISSION TO MEET ITS PARTNERS AND SHAREHOLDERS' DEMANDS, WITH SPECIALLY DESIGNED LIQUID AND DERIVATE PRODUCTS.

As an indicator of the value we place on “product diversity”, in 2016 we initiated the “market access services”, the foundations of which were laid in 2015. We provided 1.8 TWh of the market’s energy supply for our customers.

Akenerji’s target is to operate its plants optimally to the market conditions. Steps are taken by determining strategies to adapt to changing market conditions and to strengthen our competitive edge. In 2017, Akenerji aims to enhance value added services with more than 25 years of corporate expertise, high-quality human resources and an innovative approach.

Closely following the performance of current plants, projects on capacity enhancement and performance improvement are evaluated in detail. The investment activities to expand the 15 MW installed power of Ayyıldız Wind Plant by 13.2 MW to 28.2 MW are nearing the end, and the additional investment was completed in the final days of 2016.

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 2017. 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 2016, 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.

In 2016, Akenerji’s total trade volume rose by 56% compared to the previous year, reaching 16.5 TWh. The volume of commercial transactions, executed to attain maximum benefit from its own power generation capacity in consequence of the hedging strategy, reached 7.1 TWh, growing by 58%.

Another function of Akenerji Trade Unit, apart from the hedging of power generation assets, is to make speculative energy trade and add value to Akenerji. In parallel with this purpose, the volume it formed by means of buy-sell transactions based on the framework agreement that it signed with more than 100 market participants in Over the Counter-OTC, Derivatives Exchange within Borsa İstanbul (BİST) expanded by 73% in 2016 over the previous year, reaching almost

9.4 TWh. Hence, a key sales, arbitrage and risk management channel has been established.

In order to manage growing risks along with escalating trade volume, the Company focused on Risk Management works in 2016. 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 2016. In line with the needs determined as a result of risk management efforts in 2016, the first steps were taken for the “Energy Trade and Risk Management

Project” (ETRM) and, with the implementation of the project at the beginning of 2017, all risks will be actively followed and the infrastructure required for intervention will be built.

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 2016.



WITH ANNUAL ELECTRICITY GENERATION OF 3.7 BILLION TWH IN 2016, AKENERJI OPERATED ITS POWER PLANTS AT A HIGH LEVEL OF EFFICIENCY AND CAPACITY, REACHING THE MOST PROFITABLE AND OPTIMUM PRODUCTION LEVEL.

In 2016, we participated in RERSM (Renewable Energy Resources Support Mechanism), which we had partially attended in previous years, with all of our renewable electricity generation resources, and achieved 74% supplementary income compared to spot market income. Along with the RERSM regulation becoming effective as of May 1, 2016, the power generation units with the balancing unit feature earned the right to trade on the Balancing Power Market, even if they are in the RERSM portfolio. Akenerji, where the majority of the renewable resources is balancing unit, has benefited to the maximum from this change, and secured additional income of approximately TL 15 million.

New Products, New Services

Akenerji, whose regulations, product range, trade platforms, and dynamics are undergoing an alteration process, and which fulfills the needs and requirements of the energy sector where competitiveness intensifies by the day, takes it as its mission to meet its partners and shareholders' demands, with specially designed liquid and derivate products. Turkey's first "Virtual Power Plant" tender, which was designed with the needs of participants in mind, brought a new dimension and depth to the trade market. Virtual Power Plant Tenders, productized under the guidance of Akenerji, are also adopted by other companies, and began to be offered to the market under similar conditions.

In 2016, Akenerji initiated the market access services, the foundations of which were laid in 2015, and provided its customers with energy supply services of 1.8 TWh from the market. Moreover, agreements were signed and executed with 2 customers in 2016 within the scope of power plant management services, the design of which began in 2015.

The transaction volume of the Intra-Day Market, which became operational in July 2015, mounted up significantly, especially after RERSM power plants became responsible for the imbalance in costs. Akenerji also took a commercial position, mainly to manage the imbalances, and actively participated in the market 24 hours a day in 2016, attaining a trade volume of 58 GWh. This volume corresponds to 7% of the total market trade volume in the same period.

Reducing the costs arising from the energy imbalances is crucial in terms of profitability. Being conscious of this, Akenerji included different power generation and wholesale companies into its group, which is responsible for the balance, to further enhance the benefit of the group that Akenerji established since the first day the regulation allowed it. The number of companies to be included in the group in charge of balance has multiplied, especially after the amendment in RERSM regulation, and Akenerji conducted the necessary works to include these companies into its group.

Akenerji Retailing Continues Innovative Projects

In accordance with positive reactions to the "Reactive Energy Monitoring and Management", "Energy Efficiency Consultancy" and "Carbon Neutral Electricity" services, composing the content of the "Smart Power" approach it launched in 2015, Akenerji founded Akenerji Energy Services as of 2015 year-end. Akenerji identified the opportunities and challenges in "Energy Efficiency" by means of evaluating customer feedback, the results of market research conducted in 2015, and the experience of the Akkök and ČEZ Groups. Akenerji created its sales and marketing strategies accordingly. Akenerji Energy Services carried out a series of

AS ONE OF THE LARGEST PRIVATE ENERGY COMPANIES IN TURKEY, AKENERJİ ADDED NEW ENERGY SERVICES TO ITS PRODUCT RANGE, IN LINE WITH ITS INNOVATIVE AND LEADING POSITION IN THE SECTOR.

concurrent engagements in 2016 to raise awareness among private sector users, and to assess the potential in the "Energy Efficiency" field, which plays a key role in our country's energy policies. Within the same period, Akenerji worked on projects to enhance the energy efficiency of industrial and commercial customers via energy systems optimization and management services, in line with its sustainable profitability.

Akenerji Energy Services brought a new perspective to the sector with the A to Z service package it offers to customers, considering the challenges in achieving the efficiency level pre-targeted at the beginning of the project, due to failure to manage the existing energy efficiency engagements in a centralized manner. Continuing its activities in many diversified areas of the energy sector for more than 27 years, Akenerji's Energy Services Department offers customers Investigation and Reporting, Analysis and Consultancy, Project Development, Financing, Maintenance, Operation and Verification services under a single umbrella, with an integrated performance guarantee.

To this end, Akenerji works with business partners with the technical competence offering related services. In 2016, Akenerji maintained its activities with 4 local and foreign business partners in industry and business segments.

With the goal of enhancing businesses' efficiencies and adding maximum value to their investments, while at the same time reducing their energy costs and energy related risks, Akenerji Energy Services maintain their activities in 2 main fields, in industry and commercial buildings.

Works have been conducted in 4 different sectors (automotive, cement, ceramic and food) on development of efficiency boosting potential projects, re-evaluation of the current projects, and research of the incentives to be provided for related projects. During these works, it is possible to offer best-fit projects for customer needs, and create synergy by gathering the sector's various stakeholders together as a result of the collaboration with local and foreign expert engineering companies.

Following on from the Company's works on air conditioning systems in commercial buildings, Akenerji aims to raise customer awareness and provide optimum maintenance and management of the current system and devices without an investment, and ensure energy saving. Accordingly, it is noted that almost 40% power energy saving was gained, without any investment, in a shopping center energy efficiency project initiated in 2016.

Activities adding value to the energy sector

We strive to use environment-friendly technologies while producing energy for Turkey, and try to make the related infrastructure compatible. Akenerji continued to win awards with its new, pioneering projects and environment-sensitivity last year.

WE PROTECT THE ENVIRONMENT IN ALL OUR ACTIVITIES AND MITIGATE SOCIAL RISKS. OUR EFFORTS ARE APPRECIATED AND REWARDED.



“Altın Voltaj” (Golden Voltage) Award for Akenerji

Akenerji once again came out a winner in the 7th Turkey Energy Summit, which has been held in Ankara since 2010. In the “Electricity, Fuel and LPG Sector Performance Awards”, Akenerji won the “Altın Voltaj” (Golden Voltage) award for the “Virtual Power Plant Tender”, the first of which was in April 2016 and the second in November 2016, where it opened the capacity of Erzin Natural Gas Combined Cycle Power Plant to its stakeholders. In contrast with the first tender, the Company transferred bid collection transactions to the electronic environment. With the Virtual Power Plant Tender, Akenerji offers its stakeholders the opportunity to utilize from power generation capacity, by which means they will not be affected by facility costs or crises.

We protect our water

“We said water is important for us, and we strive to preserve water and pass it on to future generations.” This effort has been appreciated by the foremost non-governmental organization, CDP, which focuses on the protection of natural resources.





SEDAŞ Sakarya Elektirik 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-ÇEZ 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.

In the re-structuring stage that started with SEDAŞ being taken over by AKCEZ, the Company has entered a transformation process towards becoming one of the leading electricity distribution companies in Turkey. With 3,050 MVA total installed power and 1,825 MW peak power, the Company provides uninterrupted electricity distribution service 24/7 to 45 districts, 47 municipalities, 766 villages, 1,366 neighborhoods, and a total population of 3.4 million and 1.6 million consumers in its 20,000-square kilometer field of activity, covering the provinces of Kocaeli, Sakarya, Bolu and Düzce. 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.

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



"SEDAŞ initiated the Corporate Performance Management Project, an integrated management system project in line with its renewed vision, mission and company values in 2016. With a powerful workforce in the Eastern Marmara region, the Company provides continuous and high-quality electricity distribution service to a population of 3.4 million, and 1.6 million customers. The Company conducts renewal, capacity enhancement, maintenance and repair works with due diligence, and continues implementing the required improvements.

Bekir Sami Güven
General Manager

ENERGY

- SEDAŞ
Sakarya Elektirik Dağıtım A.Ş.

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.

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 2016.

SEDAŞ implemented automatic meter reading systems for remote reading of 24,000 meters. With this capacity, 65% of the energy consumed in the region can be remotely read and invoiced. SEDAŞ initiated R&D projects approved by the Energy Market Regulatory Authority (EMRA) in 2016, and the "Determination of Failures and Planned Maintenance/Repair works at Power Transmission Lines through Remote Multicopter and Cleaning of Ice Accumulation on these Lines" project, presented to EMRA in July 2016, was approved on September 28, 2016. Works on the EMRA approved R&D project, "Remote Reading of Electronic Meters", have also progressed.

SEDAŞ embarked on a new era with the Customer Relations Management project initiated in 2015 to better serve customers. The program enables end-to-end management of customer complaints and demands, via single channel and on the field, by establishing one-on-one contact between SEDAŞ's employees and customers, and was highly successful in 2016. Investing in IT technologies in the electricity distribution sector, and turning heads with leading projects, including SCADA, OSOS, and GIS, the Company implemented its innovative mobile application, SAP WFM, which enables coordination through rapid alerts delivered to the mobile devices of operation and

maintenance teams working on site during electricity distribution activities. The application also ensures intervention by the nearest repair team, and reporting of workforce activity. The Company established a coordination center in 2016, and SEDAŞ was presented with the WFM (Workforce Management) Project Quality Award at the SAP Forum 2016 award ceremony, certifying that the Company efficiently plans and assigns tasks for its workforce. SEDAŞ won the "Quality Award" in the "SAP Transformation Award 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 investments amounted to TL 102 million in 2016. A total investment of TL 362,673,747 was made between 2011 and 2015, and TL 516.5 million is slated for investment between 2016 and 2020. Thus, with the investments of SEDAŞ, the total amount of investments made in the same period by public institutions has risen fivefold.

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 2016. With the awareness that competent human resources is the most critical factor in a business, the Company has implemented projects to develop the workforce, and the 2015 project, "Success Factors Performance Management", was run at Executive and Specialist staff levels in 2016.

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.



Sepaş Enerji Sakarya Elektrik Perakende Satış A.Ş.

From Long-Established Corporate Expertise to the Future of Turkey's Energy

Sepaş Energy operates in a strategic partnership with Akkök Holding, one of the leading industrial groups in Turkey, and CEZ Group, regarded as one of the top 10 energy companies in Europe. In line with the "Methods and Principles regarding Legal Separation of Distribution and Retail Sales Activities" decision of the Energy Market Regulatory Authority, Sepaş Enerji demerged from the main distribution company, and was founded on January 1, 2014. By expanding its services through this national and international union, the Company continues to include more customers in its portfolio throughout the country, while mainly focusing on its Designated Supply Zone; Bolu, Düzce, Sakarya and Kocaeli.

Sepaş Enerji has the identity and the experience to meet the requirements of the sector, and aims to become one of the best service and sales companies in electricity. The Company also targets maintaining its current profitability rates throughout Turkey, to reach sales volume equaling the electricity consumption of the whole region. Sepaş Enerji has adopted the mission of using the country's resources as efficiently as possible, while simultaneously understanding and satisfying customers.

Service Approach Shining a Light on Each Moment of Life

Sepaş Enerji is acutely aware of the different aspects of daily life touched by the vital service it provides. On such a grand scale, Sepaş Enerji strives to establish an extensive communication network, consisting of its 1.6-million customer portfolio and all stakeholders, to reach out to all parts of society.

Focusing on continuous employee development, a must for the sector and modern times, Sepaş Enerji aims to convert its expertise and dynamism in service and sales to superior customer satisfaction and innovative



"We are aware of the need for a strong information infrastructure in order to meet the demands of our customers, and we strive to achieve this. The main objective of our investments is to offer the best customer experience. Our customer-oriented efforts form the focal point of our main values. Companies that aren't open to transformation and change, and that do not develop new business strategies, don't stand a chance of survival. Our sector is currently undergoing a major shift in Turkey. We are proud to be one of the companies leading this transformation."

Ondrej Safar
General Manager



ENERGY

- Sepaş Enerji Sakarya Elektrik Perakende Satış A.Ş.

solutions. Sepaş Enerji continues to benefit from the international experience of its shareholders to cover local and regional requirements, and to use its expertise to ensure progress in customer satisfaction all around the country.

Service Quality and Research & Development Efforts

In 2016, Sepaş implemented an Energy Information Technologies Strategy. During the Information Technologies Strategy studies, it was decided to transfer the platforms on which the Company's most critical processes are done to a central and corporate format, and to perform "subscription" and "customer relations management" processes over SAP IS-U and CRM.

In order to comply with amendments in directives and adapt to their effects, software developments were completed on the Atlas-Free Consumer Platform, and Abone.Net/Abone Portal, Request Suggestion Complaint platforms during these efforts. An up-to-date sales structure was set up on the free consumer side so that retailers can now receive special quotes through the pricing module.

Reports required by business units have been designed and opened for use on IBM Cognos, activated in 2015, hence improving operational efficiency and setting up control points.

Data Mining Project enabling analysis, understanding, singularization, and segmentation of customer data, and data architecture works for campaign infrastructures, were completed. Reports were produced and an infrastructure that can generate regular segmentation data was established.

The project for automatic creation of Abone.net records of meters over the Atlas system, upon free consumer approval of the Market Financial Settlement Centre (PMUM), was completed. With the approval of PMUM, subscriptions are carried out synchronously by Abone.net.

The Corporate Performance Management Project initiated in 2016 aimed at designing processes for all Company operations, and determining their respective areas of responsibility. The project's main objective is to design a process-based management and obtain quality

management certificates. Customers can now obtain online services from the Online Transaction Centre on Sepaş Enerji's website without the need to travel to service points for transactions such as subscription transfer, debt enquiry and discharges.

Sepaş Enerji maintained its service-focused efforts throughout the whole year. The physical separation from the distribution company was completed, and services started to be offered at separate locations. With q-matic devices installed at 21 Customer Service Centers, details of all transactions have been measured on an employee basis. The average transaction time in 2015 was 5.68 minutes, dropping to 4.83 in 2016. While the estimated waiting period for customers was 8.95 minutes in 2015, this fell to 6.55 minutes in 2016. 465,283 customers were served, and 564,591 transactions were carried out in 2016.

Thanks to Sepaş Enerji's Call Centre, debt enquiries, information applications, demands, requests and suggestions were promptly received, responded to, followed-up and closed in 2016. With the Interactive Voice Response (IVR) system, 204,506 out of 353,588 calls were resolved through the system, while 149,210 callers were directed to Customer Representatives.

The switch to e-platform was successful. With the transition to e-invoice and e-archive, customer e-invoices can now be delivered immediately, reducing invoice printing costs. An estimated annual saving of TL 260,000 was achieved with this project.

Renewable Energy Resources Support Mechanism (YEKDEM) is now shown as a separate item on invoices.

Works towards creating assessments for end-users in the systems and informing them by SMS have commenced.

Addresses were updated for invoices that have been sent by mail or courier but couldn't be delivered. In total, 13,053 customers had their information updated.

Sales and marketing, energy demand and balancing activities

Sepaş Enerji has sustained its efforts to take customer service one step further, and to create campaigns tailored to customer requirements.

The Segment Tariff Campaign, which enables customers to select a tariff according to their respective electricity bills, was initiated in the second half and lasted till the end of the year.

Sepaş Enerji customers have benefitted from the advantage of having a 5% fuel oil discount with the fuel oil campaign. The online transactions menu on Sepaş Enerji's website has been enhanced, and customers have a chance to win gift cheese after completing transactions through this channel.

In cities outside Sepaş Enerji's Designated Supply Zone, air conditioning and central heating boiler campaigns were run to offer savings on electricity and introduce customers to new technologies. The device sports a reporting feature, enabling customers to track their consumption levels, usage habits and savings rates. The upshot is 30% saving on natural gas consumption by central heating boilers, and 40% saving on electricity consumption by air conditioners.

Customers who sign a free consumer agreement with Sepaş Enerji, and undertake to fulfill the campaign conditions, have won real estate and workplace insurance packages worth TL 5,000. The insurance product, valid for one year, provides coverage for "fire, lightning, explosion, willful misconduct, terror, collision of air and land vehicles, floods, theft, storms, debris removal costs and liability towards neighbors", for both residential buildings and official workplaces.

The Customer Satisfaction Survey completed in the last quarter of the year provides input data gathered from Sepaş Enerji customers about their opinions and satisfaction levels regarding products and campaigns, Call Centre, Customer Service Centre, Payment Centers and general image. The survey aims to measure their satisfaction, determine areas with low satisfaction levels, generate improvement suggestions, and create action plans.

The objective of the Competition Analysis, completed in the last month of the year, is to measure the recall rates of customers of Sepaş Enerji and its competitors, as well as their brand awareness and brand loyalty levels, and awareness about the free consumer concept; to evaluate their thoughts on brand development; and to determine their satisfaction criteria for and loyalty levels to their current suppliers. As a result, Sepaş Enerji is now capable of defining customers' brand perception

regarding potential competitors. Corporate Reputation Research was also initiated at the end of 2016.

Sepaş Enerji's sales structure has been renewed as of May 1. The Regional Sales Directorate was included under the Corporate Sales Directorate; thus 22 sales managers are now connected to this Directorate. The portfolio consists entirely of corporate customers. The 160,000 kWh/year limit in the zone according to the former sales structure has been amended throughout Turkey to 800,000 kWh/year with this new structure.

Throughout 2016, the Corporate Sales Directorate signed 3,075 customer agreements and added 6,761 meters to the portfolio. 4,487 GWh energy was sold.

With a 21-member sales team, the Channel Sales Directorate provided services with 68 main and many other sub-retailers in 53 cities. With the contribution of the retailer structure, reinforced in 2016, the Channel Sales Directorate has added 20,981 meters within the zone and 6,171 outside to its portfolio, for a total of 27,152 new meters.

Sepaş Enerji supplied 1013.9 MW of energy on average in 2016; 371 MW to free customers within and 182 MW outside of the zone, and in total supplied 553 MW of energy to a portfolio of 1,571,062 customers. The number of free household consumers reached 23,458, workplace consumers 37,240, industrial consumers 1,220, agricultural irrigation customers 57, and lighting customers 197, for a grand total of 62,352.

Development works for Sepaş Enerji's installed demand estimate software program, Aview, were completed in 2016. The demand estimate failure rate in 2016 was 3%, and thus the success of the previous year continued into this year as well.

In order to offer fast and competitive prices to the retail electricity energy sales market, the Atlas Pricing Module was added to the zone, and it was also offered for use by the out-of-zone sales team and pilot retailers.

As a result of the search for different methods of lowering energy costs, the Virtual Plant Capacity Option has been procured, and a limited YEKDEM risk sharing agreement has been signed to curtail the unexpected effects of the YEKDEM cost item, which is one of the risks in the energy market.



Akiş Gayrimenkul Yatırım Ortaklığı

Continuing to implement value added projects, Akiş GYO maintains work in line with its target for “growth by developing sustainable and profitable projects”. Along with the economical and operational efficiency deriving from the SAF GYO merger completed at the beginning of 2017, Akiş GYO has become one of the major players in the real estate sector, with boosted brand awareness and competitive strength as a direct result of the merger.

Akiş GYO has focused on its strategic position in the real estate sector in recent last years, and continued following sectoral trends closely. In this respect, we have expanded our investments in the retail sector with the SAF GYO merger, and are now targeting improving our regular rental income potential. This measure, which will enhance our competitive strength in the real estate sector and support our sustainable growth target, has strengthened Akiş GYO’s position among major REITs in terms of size of equity. The potential rental income from the ongoing Bağdat Street project will facilitate the Company in accomplishing this vision. Furthermore, all current real estates at Bozüyük and Çerkezköy have been sold within the scope of portfolio restructuring, and we are pursuing new project development efforts. Land purchases and flat for land agreements for the Beykoz project investment have continued.

Our Company values the success and corporate culture of Akkök Holding. Maintaining this tradition, we raised our Corporate Governance Rating from 9.28 in 2015 to 9.44 in 2016. Our Company managed to retain its position as the company with the highest Corporate Governance Rating among real estate investment trusts and construction companies with this score. Thanks to this achievement, Akiş GYO stands out once again in terms of corporate structure and transparency.

Akiş GYO provides regular dividends to investors with its robust portfolio, and rental potential from its investments, and aims to add value to its shareholders’ savings. Accordingly, the Company distributed dividends to its investors in 2016 as well.



“Akiş GYO has gained significant rental income potential after completing the merger with SAF GYO, and became one of the major players of the real estate sector.”

İ. Gökşin Durusoy
General Manager

REAL ESTATE

- Akiş Gayrimenkul Yatırım Ortaklığı

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

Akbatı

Our Company has made a \$250-million investment in a project which is a source of pride for the real estate sector. Akbatı Shopping Centre opened its doors to visitors in September 2011, and life started in Akbatı Residence as of 2012. The 21-floor Blue Tower and 11-floor Green Tower, which offer flat options designed according to varying needs, rise over the four-floor Shopping Center, and boast 350 residential units.

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 and Residences had a very successful year. Total turnover of shops grew more than 15%, and this rise is well above the index of the Shopping Mall Investors' Association, which reflects the sectoral average. In addition, yearly growth in turnover per visitor reflects the positive picture portrayed by Akbatı Shopping Centre. The boom in flat sales in the region also indicates that Akbatı Shopping Centre footfall will continue rising, and so the upward trend in annual turnover is also likely to continue.

Akbatı Shopping Mall & Akbatı Residences contributed to the real estate sector with the national and international awards. Akbatı Shopping Centre sustained its outstanding success in 2016, and added new awards to those won in previous years, now sporting 71 awards in total. Prioritizing the environment and sustainability, Akbatı Centre became the largest building to hold an "Excellent" level certificate from BREEAM In Use - International.

Bağdat Street Projects

Developing four different projects on Bağdat Street, Akış GYO aims to complete the major parts of these projects within 2017. Our street projects, which mainly involve retail units, will be modern in design in line with sector needs, and will enhance Bağdat Street's prestige. In addition, limited numbers of houses and home-offices will be offered for sale.

For the first project, the commercial real estate located on city block 3206, lot 14 on Bağdat Street, a rental contract has been signed with Beymen Mağazacılık A.Ş. The project will bear a store design shaped according to the requirements of modern retailing. The project's construction is ongoing, and is slated for completion within 2017.

Akış GYO aims to create new living spaces, with innovative and unique designs and exquisite architectural characteristics, in the most prestigious and exciting locations around the city with its new brand; Akapartman. The first project bearing the Akapartman brand is "Akapartman Suadiye", situated in Suadiye, one of the most upmarket locations on the Asian side of Istanbul.

Other projects in the region are also under construction.

Akasya

Akasya, located in Acibadem, Istanbul, and built on a 121,000-square meter site, has 1,371 residential units. The Woodland and Lake Stages, two out of the three stages of the project, were opened for settlement in 2012, and the City stage's turnkeys have been completed. Located in the City block, Akasya Shopping Centre and Residence consists of 258 stores, and opened its doors to visitors on March 6, 2014.

Gaining a special place in the real estate sector with awards from distinguished institutions, Akasya turns heads on the Asian side with its design and quality. In 2016, Akasya won 6 Platinums, 5 Golds and 4 Honorable Mentions at the Hermes Awards, the "2016 Best Landscape" Award from the Plan Architecture Magazine for Akasya Park, 3 Bronzes and 1 Silver at the International Business Awards Stevie Prizes, and 4 Platinums, 3 Golds and 5 Honorable Mentions at the Marcom Awards, winning a total of 75 international prizes since opening in March 2014. In 2015, Akasya was judged the Best Shopping Centre in the "New Developments: Large" category of the annual International Council of Shopping Centers (ICSC) European Shopping Centre Awards, one of the most prestigious award ceremonies in the field, selecting the most successful shopping centers. Akasya "New Generation Living Complex" and "Akasya Residence Project" earned a BREEAM (Building Research Establishment Evaluation Method) "Good" certificate, thanks to their energy efficiency, atmosphere and

appropriate use of resources and choices regarding local problems, the importance it places on internal air quality and health, and systems that mitigate the long-term effects of the buildings on the environment.

Akasya won the Best Shopping Centre Award in 2015 "ICSC New Developments: Large", registering its success on the international stage.

Akış GYO quickly became one of the leading players of the sector with projects that create trends at the right time and location. The Company follows constantly changing sectoral trends and socio-economic developments, and aims to implement projects that will create a difference in the real estate sector. Akış GYO will expand its real estate range with highly-profitable and correct investment decisions, and will continue offering inviting opportunities to investors.





Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.

Akmerkez's New Façade in 2016

Throughout 2016, when we suffered a plethora of difficulties as a country, investors continued their investments in Akmerkez, without losing faith or interest. In return, Akmerkez continued following the latest trends, and made breakthroughs that strengthened its position as a leader in investing in the future.

Wepublic, opening its first store in Turkey at Akmerkez, was this year's major development. Wepublic became one of the most visited spots in Akmerkez, with a 4-floor store extending over 8,000 square meters and housing 520 brands, thus creating an extraordinary shopping experience.

Another key development this year was Take a Seat, designed with seven different concepts and opened at the Akmerkez food court. Presenting a brand-new restaurant experience, Take a Seat was one of the most outstanding investments in the food and beverage sector in 2016.

Akmerkez, one of the symbols of Istanbul, has never relinquished its prestigious status, and will continue to innovate and add value to the sector, while focusing on comfort and diversity for its guests.

Wepublic, Offering a New Generation Shopping Experience, Opens at Akmerkez

Boyner Group's new brand Wepublic opened its flagship store in Akmerkez. The brand, which has been preparing for this opening since 2013, is a magnet for press and media. The store is a meeting point for more than 100 brand-new fashion labels, and 500 in total, over 4 floors and 8,000 square meters. In addition, with different sections such as Petra Coffee, Chado Tea, Giano Chocolate, Addresser Book, charging area, iPad zone, Water Bar and constantly renewed Pop-up points, as well as a 14-meter slide, it presents visitors with a dynamic and extraordinary world.



"Akmerkez GYO 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 2016."

Murat Kayman
General Manager

REAL ESTATE

- Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.

ANOTHER NEW DEVELOPMENT THIS YEAR: TAKE A SEAT OPENED AT THE AKMERKEZ FOOD COURT AND WAS DESIGNED AROUND SEVEN DIFFERENT CONCEPTS. OFFERING A BRAND-NEW RESTAURANT EXPERIENCE, TAKE A SEAT WAS ONE OF THE BEST INVESTMENTS IN THE FOOD AND BEVERAGE SECTOR IN 2016.

Creating a free, creative, sincere, dynamic and inspiring environment, Wepublic opens the doors to another world at Akmerkez, with special brands sold for the first time in Turkey, and a unique visitor experience. Akmerkez aims to offer different experiences and firsts as a principle, and is delighted to host Wepublic, offering the first new generation shopping experience in Turkey.

Take a Seat at Akmerkez and marvel at its Unique Concepts

With 1,800 square meters of indoor and terrace areas, and 7 different restaurants, Take a Seat has opened its doors at Akmerkez's food court with a game-changing concept.

Standing out not just with its design but also with comfortable spaces, Take a Seat has opened its doors as a spanking-new location that can keep up with the fast pace of life, with 7 different food and beverage sections.

Sporting different concepts; Chet, Philosophy, Meal Tray, Village, Papa Forni, Fine Kids and Take me Home, Take a Seat is set to become the most popular new meeting point in Akmerkez.

Akmerkez wins 18 Awards from the Most Prestigious Institutions of the Sector

Akmerkez has won recognition from the most world-renowned institutions since its opening. The Shopping Centre continues to win prizes with projects that are deemed worthy by prestigious institutions including IPRA, Marcom Awards, Hermes Creative Awards and the Stevie Awards. Akmerkez won 18 international outstanding awards in 2016.

It won a Golden Globe in the "New Service Launch" category at the Golden World Awards, one of the most reputable PR awards, by the International Public Relations Association (IPRA), for its Young Lions Zone (YLZ) project. YLZ is a meeting area specially designed for young people and professionals between the ages of 18 and 39. It returned home with Gold from the Hermes Creative Awards in the "Marketing Plan" and "PR Communication" Categories, won Bronze in the "Brand Re-Positioning and Year's Best Brand Renovation" at the Stevie Awards, and Gold in the "Best Marketing Campaign" and "PR/Communication" categories at the Marcom Awards.

The Triangular Terrace Project on the new façade offers more elegant outdoor leisure time, garnering Akmerkez 2 Golds at the Hermes Awards, Platinum at the Marcom Awards, 2 Golds in the "Communication/Marketing Plan" and "Public Relations" categories at the Hermes Creative Awards, and Gold in the "Year's Best Marketing Campaign" category at the Stevie Awards.

The Turkey leg of GQ magazine's annual GQ Men of the Year, running for the past 20 years, took place in December 2015, with sponsorship by Akmerkez. As the main sponsor of the event, which awarded head turners for their success and style in 2015, Akmerkez took home 3 Platinums at the Hermes Awards, Gold in the "Special Event", "Year's Best PR Program" and "Media Reflection" categories at the Marcom Awards, and Gold in the "Best Communication & PR Campaign of the Year" and Silver in the "Best Brand Experience of the Year" categories at the Stevie Awards.

A Refined Venue for Refined Tastes: Akmerkez Kings Club

Developing unique spaces for guests such as YLZ and the Triangular Terrace, Akmerkez opened the Kings Club, designed solely for the comfort of male visitors. Kings Club offers a pleasant atmosphere, a break from shopping, and a unique experience area for social and business meetings. There are many facilities, from office space to hairdressers and style workshops, under the same roof. Open for use from 11:00-21:00 every day of the week, Kings Club offers members unlimited and free use of its facilities. Special services for members include the library, with Apple TV, Atari, billiards, PlayStation, magazines and comic books.

On social media and its blog, Kings Club gives men tips about trends, health, music, etc., and provides step by step tutorials with visuals imparting practical and useful information and clues.

Experts Meet at Akmerkez Life Academy and Talking Experiences Chats

Talking Experiences events, where experts and professionals in their respective fields share their life stories and experiences, answer questions and try to pass on their expertise, brought distinguished individuals to Akmerkez in 2016.

The Life Academy series, where the "best names" of subjects related to life are selected, and experts share their experiences in a delightful setting, have kicked off at Akmerkez. The series, in which guests have the chance to meet, listen to and learn from distinguished people, continued throughout the year at Akmerkez.

Popular and renowned celebrities including Gülse Birsell, Ayşe Arman, Metin Hara, Emre Kongar, Ayşegül Aldinç, Metin Uca, Serra Yılmaz, Hande Kazanova, Atilla Dorsay, Ufuk Çakmakçı, Alegra Benardete, Eralp Caner, etc., who all come from different backgrounds and areas of specialty, were hosted at Akmerkez. 7 Life Academy chats and 5 Talking Experiences events were held in 2016.

Metropolitan Opera Screenings Kicked off in the 2016-2017 Season at Akmerkez Cinemas

In October, Akmerkez recommenced opera screenings under "The Met: Live in HD" from the Metropolitan Opera, one of the best classical music and art institutions in the world. World-renowned unique performances including Tristane and Isolde, Don Giovanni, Romeo & Juliet and La Traviata, selected from the program of the Metropolitan Opera, which stages about 250 performances each year, are presented for opera fans' delectation at Akmerkez CinemaPink, simultaneously with the live performance.

The screenings will end in May, and have shown five operas since October, to approximately 600 audiences. The opera event received extensive press and media coverage.

Akmerkez Continues to Support Creative Young People

The 5th Cannes Lions Young Lions Contest's Turkey Eliminations were sponsored and hosted by Akmerkez. The teams that came first in press, film, cyber, media, marketing and, for the first time this year, PR at the contest supported by Doğan Burda, the Advertising Association and Getty Images Turkey, and with Tempo Magazine as the press sponsor, represented Turkey at Cannes.

Akmerkez provided pre-Cannes mentorship to the winning teams who will travel to Cannes Lions, together with the jury members of the new Young Lions Zone and other esteemed names from the sector.

172 teams and 400 young professionals have competed in the Young Marketing Staff, Press, Film, Media and Cyber categories at the Young Lions Turkey Eliminations in Akmerkez.

AKMERKEZ HAS ADOPTED THE PRINCIPLE OF OFFERING GUESTS UNIQUE EXPERIENCES AND FIRSTS, AND IS PLEASED TO HOST THE WEPUBLIC BRAND, THE FIRST NEW GENERATION SHOPPING EXPERIENCE IN TURKEY.

The Vodafone team that won Silver in the Young Lions Contest passed the challenging Turkey eliminations in April 2016. After the elimination at the Akmerkez Young Lions Zone, sponsored by Akmerkez, they prepared for the contest with the support of leading figures from the sector.

Akmerkez Triangular Terrace Summer Events

After the Food Court Terrace, Akmerkez added the Triangular Terrace to its outdoor areas. For people who want to be in the city but escape from the hustle, the Triangular Terrace, designed as a modern and secluded outdoor area, hosted many events this year, and also won awards from renowned institutions.

The terrace hosted a personal journey experience with Metin Hara, and analogue photography workshops with the Lomography Turkey team. A LomoWall exhibition, like the ones in prestigious museums and squares in major cities including London, New York and Hong Kong, was set-up outdoors for the first time in Turkey at Akmerkez Triangular Terrace.

During the summer period, Triangular Terrace Outdoor Film Screenings gave Istanbul residents many joyful evenings. The Open Air Cinema showed 7 films and hosted 2,700 viewers. The summer season on Triangular Terrace closed with a performance by Swing dance group Istanbul Lindy Hoppers and a concert by Uninvited Jazz Band.

Creative Young People Meet Creative Names at Akmerkez's Young Lions Zone

The Young Lions Zone, which opened its doors to creative young people in 2015, offers a fully-functioning general office environment for young people and professionals. The Zone was designed as a gathering point that meets all the requirements of young people and professionals in a working space at Akmerkez. It is

the first special working space opened in a shopping center, and has won various international prizes since opening, including awards from esteemed institutions such as IPRA, Hermes Creative Awards, Stevie Awards and the Marcom Awards.

The working space, welcoming creativity and inspiring ideas, hosted more than 100 meetings and events throughout the year. The founders of Sofar Istanbul sounds, one of the most popular event series in the world among young people, told their success story at the Talking Experiences event, while new generation musician Ezgi Aktan gave a live performance. Many master names such as the directors of Kötü Kedi Şerafettin, Emre Kongar and Atilla Dorsay, spoke at the Young Lions Zone and inspired young people.

Summer Camp for the Kiddies at Akmerkez

The special summer events at Akmerkez for little guests left their mark on the season. Events full of fun content and workshops by Pace Children's Art Centre and Lola - Lots of Lovely Art were held throughout the summer at KidZania Go, a unique space for little children to enjoy and learn with their families and friends.

Special Occasions

As always, Akmerkez celebrated special occasions with special events. The traditional October 29, Republic Day celebrations were held with Republic Brass Band, while TRT's popular singer, Meral Azizoğlu took the stage for November 10, Atatürk Remembrance Day. For Mother's Day and Father's Day, we collaborated with our tenants, Bee Goddess and Edwards, and shoppers on these special days had a chance to win special gifts from Akmerkez.

Valentine's Day "Express Your Love in Another Language"

Akmerkez organized a special event, not for just significant others but for all guests who want to express their love. The event took place on February 12 and 13, and Akmerkez's guests made videos in which they expressed their love using sign language. "Express Your Love in Another Language" was held jointly with Dem Association, and helped raise awareness about the hearing-impaired and Turkish Sign Language as a social responsibility project. The event went down extremely well with all.

New Year Rave at Akmerkez

With special décor and events for the New Year, Akmerkez shared the excitement of entering a new year. The countdown to 2017 began with the ice rink, Frozen Land, at the main entrance, a New Year Fair in the activity area, a gift-wrapping stand, Ice Age event, special photo corners, live music performances and New Year surprises.

"Frozen Land" Ice Rink at Akmerkez

The "Frozen Land" ice rink at the main entrance of Akmerkez is open every day from 11:00 - 21:00 throughout the winter season. In addition, each weekend Akmerkez will arrange special shows by Sid and Scrat, the beloved characters from the "Ice Age" films, for little guests.

Looking for a New Year's gift? "Akmerkez New Year Fair"

Akmerkez hosted shoppers who are rushing around for New Year's presents at the "Akmerkez New Year Fair" between December 24 and 28.

In cooperation with Zubizu, the fair welcomed a multitude of guests with stands in different categories, from food to decoration, art and jewelry. There were 15 special brands on the stands, and gifts were presented with special surprises for the guests. Thousands of shoppers visiting the fair also earned concessions and surprises from Zubizu.





SAF Gayrimenkul Yatırım Ortaklığı A.Ş.

SAF GYO 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 GYO, established upon the merger of two companies, is TL 753.611.419 as of December 31, 2016. SAF GYO 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 GYO 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.



REAL ESTATE

- SAF Gayrimenkul Yatırım Ortaklığı A.Ş.

"SAF GYO A.Ş. intensified its competitive edge with its sustainable rental income-focused strategy in 2016. The total portfolio of the Company, consisting of quality commercial assets and standing out for its strong income generation capacity, has reached approximately TL 2.3 billion. Akasya Shopping Centre, the Company's largest asset, enjoyed a successful trend in 2016, and achieved success above the Turkish average in terms of footfall and turnover. In 2016, the number of visitors surpassed our expectations, reaching 15.8 million. Our Company aims to develop projects that will exceed the expectations of our stakeholders, determine the sector standards, and that will create living spaces combining nature-human-future elements."

M. Serhan KOLAÇ
General Manager

HAVING BECOME ISTANBUL'S NEW CENTER OF ATTRACTION WITHIN THE LAST NEARLY 3 YEARS SINCE ITS OPENING, AKASYA INTRODUCES VISITORS TO LEADING GLOBAL AND DOMESTIC BRANDS.

Prestigious project on the Anatolian side of Istanbul: Akasya

SAF GYO's "Akasya" 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; Koru (Woods), Göl (Lake) and Kent (City). The first two parcels of the project, in which the original architectural approaches are presented as a whole with nature, were completed and delivered in 2012. Almost all of the residences located in the Lake and Woods parcels have been sold, while 98.6% of the residences in the City parcel, which was opened for settlement in 2014, have been sold. The Akasya 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 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 3 years since its opening, Akasya introduces visitors to leading global and domestic brands. Akasya Acıbadem, serving with 258 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, and is presented for use to all visitors.

First in Akasya

The American home decorating giant Crate & Barrel entered the Turkish retail sector for the first time at Akasya. World-renowned toy store Hamleys, Victoria's Secret's first full line store, including the Pink collection, and the famous Italian garment brand Hogan are here. Under Armour, one of the leading sportswear brands, opened its first Turkish store at Akasya. The largest Michael Kors store and Apple, Tod's, Tory Burch, Club Monaco, Brooks Brothers, Iro, Maje, Longchamp, Sandro, Pinko, Weekend by Max Mara, Bee Goddess, Orlebar Brown, Brooks Brothers' only Asian side stores, and the largest Burberry store on the Asian side, are a breath of fresh air for luxury fashion and entertainment.

Akasya Acıbadem 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 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 personalities from literature to music throughout the year with culture and arts activities, Akasya hosted celebrities, including concerts by Sertab Erener, Candan Erçetin, Kürşat Başar-Jale-İlhan Şeşen, and Los Vivancos. Throughout Ramadan, there were performances by İncesaz, İtri & Bach, İsmail Hakkı Demircioğlu and Göksel Baktagir at Akasya Park in 2016, and Akasya Park Cinema Nights welcomed movie fans to the open-air cinema.

Akasya Becomes the Show Sponsor to the İKSV Jazz Festival

Supporting the Istanbul Foundation for Culture and Arts (İKSV) Jazz Festival, Akasya was the Performance Sponsor of the well-known "Hugh Laurie with The Copper Bottom Band" concert at Cemil Topuzlu Open Air Stage in 2014, the Marcus Miller concert in 2015, and "Damon Albarn and the Orchestra of Syrian Musicians" in 2016.

Akasya is the Fenerbahçe Women's Basketball Team's Sportswear Sponsor

A sportswear sponsorship was agreed between Akasya, Istanbul's most prestigious shopping and residential center, which has won more than 70 international awards, and the most successful women's basketball team in Turkey, Fenerbahçe, which won the Turkish Women's Basketball League last season, reached the final of the 2013 and 2014 Women's Euroleague, and has been champion for 12 of the last 18 seasons.

Akasya celebrated its 2nd birthday in March!

Celebrating its 2nd birthday in March 2016, Akasya welcomed celebrities and bands, hosting a variety of events from concerts to balls, literature chats and exhibitions.

The "Akasya Discussions", which became a classic with guests from different areas of culture and arts, and also surprise appearances, brought a glimmer of warmth to the cold winter days. Everything from literature to sports, health and daily life, was discussed by celebrity hosts at Akasya.

The first Akasya Discussions took place in January 2015, and many celebrities have appeared to date, including best-selling authors, and popular journalist and columnists. Akasya Discussions, which take place twice a month and have become a classic, have welcomed esteemed personalities, including Ferzan Özpetek, Coşkun Aral, Ayşe Arman, Taylan Kümeli, Arda Türkmen, Güven İslamoğlu, Nebil Özgentürk, and Sunay Akın, Seda Sakacı, Ali Poyrazoğlu, Alev Özderici and Ayhan Sicimoğlu.

For March 8, Women's Day, "Aeternum", an epic Flamenco show by Los Vivancos, aka the Princes of Flamenco, was put on for all guests, but mainly women shoppers, accompanied by magical symphonic strains.

In addition to the IMAX theater, equipped with state of the art technology and one of the biggest screens in Europe, Akasya invites movie fans to 2 VIP theaters and 15 movie theaters.

AKASYA WON 21 AWARDS AT NATIONAL AND INTERNATIONAL EVENTS IN 2016, BRINGING ITS AWARD TOTAL TO 75 SINCE ITS INAUGURATION

Akasya simply couldn't get enough of awards in 2016, having won 75 international awards since its inauguration!

In 2016, Akasya won 6 Platinums and 4 Honorable Mentions at the Hermes Awards, the "2016 Best Landscape" Award from Plan Architecture Magazine for Akasya Park, 3 Bronzes and 1 Silver at the International Business Awards Stevie Prizes, and 4 Platinums, 3 Golds and 5 Honorable Mentions at the Marcom Awards. The shopping and residential center has won a total of 75 international prizes since opening in March 2014.

Akasya Culture and Arts - AKS - opened its doors to art-lovers in June 2016

Akasya Culture and Arts - AKS - which opened its doors in June 2016, soon gained a name and place for itself on the culture and arts map of Istanbul, as one of the newest and most attractive spots on Istanbul's Asian side, with a program that includes different fields of art, from sold-out plays to acoustic concerts and exhibitions.

Located on the Culture and Cinema Floor, the 3rd floor in Akasya, AKS is a split-level area spreading over 2,000 square meters, and sports an infrastructure that is ideal for culture and arts events, with two multi-purpose floors.

Along with a program replete with concerts and acoustic sets, in October 2016 the "12 Artists 12 Chats" exhibition brought in 12 scions of contemporary Turkish

painting and sculpture, including Balkan Naci İslimyeli, Bubi, Seyhun Topuz, Adnan Çoker, Bedri Baykam, Güngör Taner, Mustafa Ata, Nur Koçak, Meriç Hızal, Ergin İnan and Halil Akdeniz. Akasya also hosted the Bubi Periods Exhibition in November 2016.

Ideal for families with children

For families who want to be among nature and enjoy different activities, Akasya offers a perfect environment at KidZania, an 8,000-square meter world of fun and experience for children. Here, parents can spend time with their children, or alternatively experienced volunteers can accompany the young ones, setting parents' minds at ease while they enjoy shopping and entertainment.

Akasya wins a major award

Akasya was judged the Best Shopping Centre in the "New Developments: Large" category of the ICSC European Shopping Center Awards. This is one of the most prestigious award ceremonies in the real estate sector, selecting the most successful shopping centers, and is run each year by the International Council of Shopping Centers.

Easy transportation links to Akasya

Akasya is easy to get to, with a 3,500-capacity car park, good access roads, and links to Metro, Metrobüs and Marmaray connections.

Other REIT Projects

Apart from Akasya, the main real estate projects included in SAF GYO's portfolio are:

The Rozi Factory building with an indoor area of 21,233 m²

Mecidiyeköy Business Center (with six offices) with an indoor area of 418 m²

4 indoor independent units in the district of Üsküdar with an indoor area of 382 m²



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 Ticaret 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.

REAL ESTATE

- Ak Turizm ve Dış Ticaret A.Ş.

AKSA EGYPT, WHICH REACHED 82% CAPACITY USAGE IN 2016, HAS NOW CONSOLIDATED ITS POSITION AS THE ONLY ACTIVE ACRYLIC FIBER PRODUCER IN EGYPT.



Aksa Egypt Acrylic Fiber Industry S.A.E.

Aksa Egypt is a key subsidiary for Aksa as it expands the Company's North African operations, primarily in Egypt. With the help of the new order and steps for economic reform in Egypt in 2014, and continuing in 2016, Aksa Egypt achieved a capacity utilization rate of 83%, and recorded turnover of US\$ 22 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.

TEXTILES

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



PAPER MOON HAS BECOME
AN ISTANBUL CLASSIC IN
A VERY SHORT TIME.

paper moon

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

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

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

Thanks to the diligent management and service quality of Akmerkez Lokantacılık, Paper Moon is today one of Istanbul's most select and prestigious names for fine dining. A staff of 88 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

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



Akasya Çocuk Dünyası A.Ş.

Founded on February 16, 2009, Akdunya is the owner of the license rights in Turkey of KidZania, which currently operates in 24 cities in 19 countries, while Akasya Çocuk is the operator of Akasya 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), Russia (Moscow) South Korea (Busan) and the Singapore (Singapore).

KidZania was established in 1999 by Mexican entrepreneur Xavier Lopez Ancona in the Santa Fe district of Mexico City. It soon gained fame and drew great interest from parents, and is now opening new branches all around the world. The fast-growing KidZania brand will welcome 7 new members to its family by 2018. KidZania will have 31 branches in total after opening in Paris, Chicago, Dallas, Toronto, Doha, Johannesburg and Guadalajara.

KidZania:

Opened in 2014 at Akasya, KidZania covers 8,000 square meters. Children who come to KidZania can experience more than 100 roles, according to their own skills and interests, in more than 65 activity zones at the Land of Kool Kids, which is an urban layout designed to children's dimensions. Children participate in a simulation of the real world at KidZania, and get to taste the joy of learning while having fun. Offering a reflection of the real world, children at KidZania learn how to earn money by working for something, as well as the importance of saving and financial literacy.

"Supervisors" at KidZania teach about the professions children select, and support them in their activities at the park.

By cooperating with the best brands in Turkey, KidZania gives children the opportunity to enact adult roles. There is a hospital, a fire station, a theatre, an archaeology museum, production plants, an aviation academy, a dental health center, a bank and a stadium, as well as many other activities.

KidZania welcomes children between 4 and 14 years of age. Children over 7 can participate without their parents. Along with events and activities, KidZania also organizes birthdays and camps during the summer. There's another special fun section for very young children, of up to 4 years old.



"KidZania, known as the Land of Kool Kids, covers 8,000 square meters, and helps children experience the professions they aspire to, and learn while having loads of fun. Children get to know the world with 32 brand business partners at KidZania. At the same time, they also develop greater self-confidence, and prepare for the future. As the Land of Kool Kids, KidZania is proud to be a part of the excitement of hundreds of thousands of children and schools."

Ebru Timur
General Manager

SERVICES

- Akasya Çocuk Dünyası A.Ş.





Ak-Pa Tekstil İhracat Pazarlama A.Ş.

Akkök Holding's foreign trade window

Ak-Pa was founded in 1976 to handle international marketing activities and export operations of Akkök Holding of Companies. Today, the Company exports to more than 70 countries on five continents. Having started with natural and synthetic fiber and fiber-made textile products, the Company has expanded its product range to include chemical products as well, and can now perform all of the Group companies' foreign trade.

2016: A year of consistency

In 2016, Ak-Pa, maintained its place among the leading textile companies in Turkey, with \$347 million worth of exports. After a successful year, the Company completed the Holding companies' export transactions, and reached the planned targets.

Just like in the previous year, Akpa was listed on "Fortune 500 Turkey". The Company climbed 10 places up the Fortune 500 list, which details Turkey's highest performing companies, to 146th.

Ak-Pa implements a Quality Management System in accordance with ISO 9001:2008 standards. The Company started to apply its Information Security Management System with the ISO 27001:2013 certificate, thus adopting international standards.

The Company has held Approved Operator Status with its management approach and systematic infrastructure for many years, and is now working to gain Authorized Economic Operator status in 2017.

Ak-Pa, will continue contributing to foreign trade with accelerating performance in 2017 as well.



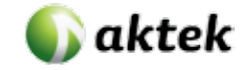
"Ak-Pa decided to expand its foreign trade companies' activities to the country in general. In this respect, as an authorized economic operator, it has initiated infrastructure works in order to play a part in developing the country's exports in line with international standards."

Mithat Okay
General Manager



"2016 was a year of firsts for Aktek. In brief, the Aktek Garage application provides technological solutions and products, and the end-to-end ERP and Business Mind applications became available for our esteemed business partners outside of the group. In addition, the opening phase of the first large scale hybrid cloud application in Turkey and the region was commissioned."

Reha Çetin
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.

Aktek moved its headquarters to Yıldız Technical University's Davutpaşa Teknopark campus in 2014 for greater university and industry cooperation, and the Company aims to operate in the same ecosystem with other technology firms and develop projects together.

"Aktek Garage" was formed in 2015. With this program, Aktek offers individuals with creative ideas the opportunity to turn their dreams into projects.

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.

Aktek Garage has helped enhance internal entrepreneurship, and in 2016 Aktek developed special products for the Information Technologies market.

MeetZone: With this application developed for corporate entities, companies can view their own use of meeting rooms, and get reports according to their own criteria.

IN 2016, THE EMBA POWER ORACLE ERP PROJECT WAS IMPLEMENTED WITH THE EXPERTISE OF AKTEK CONSULTANCY

OTPass: This application, designed for use by corporate firms, generates a “One-Time Password” when company employees connect to the internal network. The application will be available on the Information Technologies market as a local and trustworthy solution for use by companies.

Digital Signage: This corporate application enables companies to easily and quickly post notifications / videos / visuals they want their employees to view.

Aktek completed its “Cloud-based Dynamic Consumption Estimate and Decision Support Platform for Risk Management in Electricity Markets” project application within the scope of TÜBİTAK 1511.

2016 Projects

Aktek started works on using the HCM Cloud solution throughout Akkök Holding. With the Oracle HCM Project, Aktek will set an example in terms of scale and content for both Turkey and the region.

Aksa Acrylic’s Oracle EBS R12 Upgrade Project was successfully completed.

The Oracle EBS application by Emba Power, which plans to generate 23 billion kWh of energy with 2 thermal power plants in Turkey, went live for use in Accounting and Finance processes thanks to Aktek.

The Budget and Planning Project with Yemek Sepeti in 2016 went live.

The Accounting and Finance module were prioritized as part of Akış’ Oracle EBS R12 project.

Improved Service Quality

Aktek installed ForcePoint solutions in 2016 to strengthen its Cybersecurity Infrastructure, and updated the required hardware and software.

In order to improve its software development processes’ infrastructure, and to operate its information security processes by isolating its software development

platforms in test and real environments, Aktek commissioned the IBM Rational Team Concert and IBM UrbanCode Deploy products in 2016.

Aktek earned the ISO/IEC 27001:2005 certificate, governing international standards for the Information Security Management System, in 2014, and successfully completed the ISO/IEC 27001:2013 revision in 2015. In 2015, Aktek added the ISO 22301:2012 Business Continuity management system standard certificate to its previously obtained quality and information security certificates.

At the same time, the ISO 27001:2013 and ISO 9001:2008 certificates passed renewal audits in 2016.

Customer portfolio expanding day by day

Aktek earned 20% of its turnover in 2016 from projects carried out with companies outside the Holding. The Company established an infrastructure with the new customers added to the customer pool in 2016; Yemek Sepeti, Emba Power, Huawei, Tav Bilişim, Viko Elektrik, Özak Global Holding, Tork Makina, Enka, Tera Menkul Değerler, Polisan Boya, Armada Bilgisayar, Tekfen İnşaat, SVR, Limak Yatırım Aselsan, İGDAŞ, SVR A.Ş., Koleksiyon Mobilya, Limak İnşaat, Limak İskenderun Liman İşletmesi, P. I. Works, Teletek, Global Yatırım Holding, Çelebi Holding and Bandırma Limanı. Aktek also collaborated with Arvato Telekomünikasyon, Fiba Hayat Sigorta, Intron, UEDAŞ, HEAŞ, Limak Group companies, TSPAKB, SPL, İzmir Katip Çelebi University, N.E.Ü. Meram Faculty of Medicine, Kocaeli University, Özyeğin University, Uşak State Hospital, BEDAŞ, UNSPED, Akçansa Port Authority, Integral Menkul Kıymetler, FIBABANKA, Fiba Emeklilik, Fiba Güven Varlık Yönetimi, İga, Asimetrik; Tagnet, Büyük Artı İnşaat, TT Endüstriyel Ambalaj Makine San.Tic. Ltd. Sti., Digital Planet, Hayat Kimya, Kamer İnşaat, Kayalar Kimya, Netaş, T-Systems, Tofaş, Türk Traktör, Provid, Lms Enerji, Cengiz İnşaat, Kastamonu Entegre, Intesa Sanpaolo SpA, İRADETS, Anadolu İplik, LC Waikiki, Halkbank, Tab Gıda, Bilgi Üniversitesi, Spencer Stuart, Sanal Mağazacılık, Provid Sistem, Kanyon AVM, Competence Call Center, İş Factoring, Eyüboğlu Eğitim Kurumları, LMS Enerji, Tera Menkul Değerleri, Vestel, İnter Yapı Bigbronto and Turkcell.



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 28 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 41th anniversary at the end of 2016, DINKAL 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 41th year.

A critical step in digital insurance

Following the decision to add a new service area for Dinkal insured individuals, the Company opened the sigortakupi.com address for use by current and prospective customers in 2016, in order to offer a faster, more customer-focused, and large-scaled service to the developing digital world. More than 2,500 members had used the website by the end of 2016.

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



“41 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 28 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 ENHANCES THE RANGE OF PRODUCTS THAT IT OFFERS TO CUSTOMERS BY MEANS OF 28 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 28 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 2016

Listed among the insurance sector's leading companies, Dinkal reasserted its position with the financial figures it obtained in 2016. The Company attained substantial growth, with total premium generation exceeding TL 67 million as of year-end.

The Company rearranged its organization structure, and is currently expanding its exemplary staff. Dinkal Sigorta Aracılığı A.Ş. maintains its high-quality and customer-focused service approach, with more than 30 competent personnel.

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.



Çağla Zingil
Legal Director



Gülsev Kutucu
Audit Director

"In 2016, we continued supporting all of our implemented projects, and all business and production channels. Our corporate management approach has been a vital factor for the Company in all of our activities. In 2017, we are delighted to be involved in new projects, and to support our Group in reaching its targets."

"In 2016, we focused on contributing to our Group's growth goals and business results, with audits carried out through a risk-based approach. While sustaining efficiency and productivity in our activities, we also ensured that all our actions are in conformity with legal regulations, and we provided consultancy support whenever necessary."

AKKÖK'ÜN YILDIZLARI PARLIYOR!

Akkök şirketlerindeki en iyi uygulamaları ortaya çıkaracak
Yıldız Akköklüler Ödül Süreci başlıyor!



SÜRDÜRÜLEBİLİRLİK



**OPERASYONEL
MÜKEMMELLİK**



**YILDIZ
AKKÖKLÜLER**



**GİRİŞİMCİLİK &
İNOVASYON**

**HUMAN
RESOURCES**

İster belirlenen kategoriler için bireysel ya da ekip olarak katıl,
ister dilediğin kişiyi veya ekibi aday göster!



“At Human Resources, our main principle and aim this year was to establish a system that will support rising productivity, and taking proactive business decisions in all human resources applications. With this target, we initiated a project to carry our entire database to an integral and interactive hybrid cloud platform.”

Şerife Füsün 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

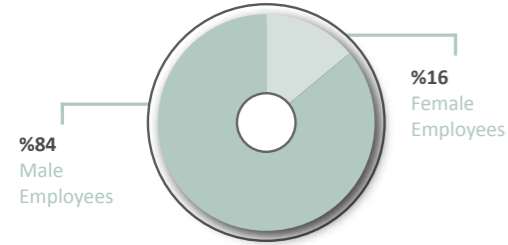
- 2.1** We adopt an innovative perspective and we encourage and authorize thereto
- 2.2** We assume development responsibility, evaluate learning opportunities, and attain success by learning from one another
- 2.3** We consider our differences as our richness and value this
- 2.4** We give feedback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

THE MAIN TARGET OF THE ORACLE HCM PROJECT IS TO ENHANCE PRODUCTIVITY IN ALL AKKÖK HUMAN RESOURCES APPLICATIONS, AND FORM A TRANSPARENT, FAIR AND STABLE INTERACTIVE PLATFORM THAT WILL SUPPORT PROACTIVE BUSINESS DECISIONS.

Akkök Holding Employee Profile (All data is prepared as of 31.12.2016.)

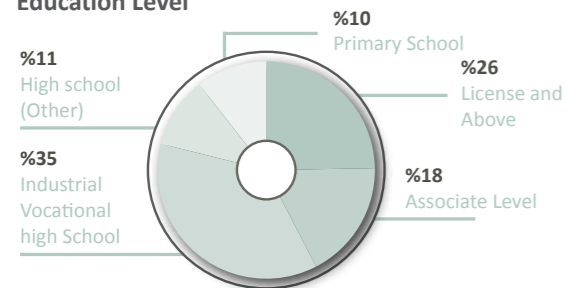
The average age of Akkök Holding employees as of 2016 is 34 and average seniority is 6,9 years.

Number of Total Employees: 5225 Gender Distribution

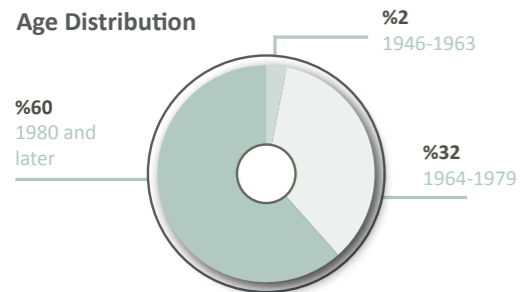


Ratio of Women Executives to Total Number of Executives: 23.7%

Education Level

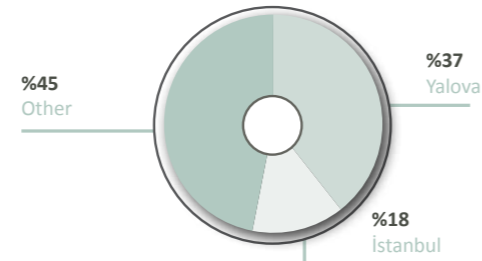


Age Distribution



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 66% of Akkök Group consists of employees from the Y Generation.

Location



HUMAN RESOURCES PROCESSES

Human Resources Database

The main target of the Oracle HCM project is to enhance productivity in all Akkök Human Resources applications, and form a transparent, fair and stable interactive platform that will support proactive business decisions. There are integrated human resources and business power management systems for 18 companies within the project. There are Business Power Management, Personnel and Leave Management, Performance Management, Training and Development, Talent Management, Career and Back up, Recruitment and Orientation, and Salary Management modules at Oracle HCM.

The benefits of the project are presented below in their various aspects:

Corporation

- Centralizing Akkök Group's HR processes, integration of HR process and systems, online process management
- Benefit and competitive advantage to the employer's brand
- Establishing a corporate memory, technology-supported communication and collaboration, and a common language
- Modern and mobile information management, flexibility, correct and on time (real time, day-to-day data) analysis and reporting
- Single, integrated and integral Human Resources System that provides strategic solutions for response and prediction

Executive

- Access and management of information from one screen
- Fast, direct, online access to employee information and reporting
- Online follow-up and management of team performance and development requirements and progress
- Advancing the decision-making process thanks to HR metric information

Employees

- Access to employee information and online management of their requests
- Easy access for employees as to what's going on in the company
- Tracking and managing of their own development plan and performance

The project affects large scale changes to the Human Resources Processes. In this respect, change management has been commissioned, and with an integral approach, all processes have been harmonized in parallel. Within the scope of these works;

- Human Resources processes at all Akkök Group companies have been merged. Some processes have been simplified and in some systems set-up, learning or process steps have been developed.
- In order to achieve compliance with the Oracle HCM system and to centralize systems for all companies, Akkök Group Human Resources process and systems have undergone a revision in terms of process flow and business.
- In order to sustain changed systems, all related procedures and forms have been revised.
- Workshops have been held for Training and Development, and Recruitment and Orientation modules. All design workshops, tests, data transfers, human resources user trainings for Oracle staff management, personnel and leave management, and performance modules have been completed. The structure is fully set up, and launch and trainings have been planned.

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, we 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.

Planned actions were implemented by volunteering teams in 2016.

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 Visionary Dialogues Program

The Visionary Dialogues Program is a Leader Exchange Program that aims to provide short and long-term perspectives on external factors that have an impact on the senior management environment. Programs planned in an interactive environment were run with esteemed guests from professional and academic life in six areas in 2016. In addition, this year middle executives responsible for complete management of a function at companies, and who are included in the Akkök Talent Pool, were also invited. Birthdays of all executives born in the same month are celebrated at the same time. The areas and speakers in the program, which offered networking opportunities along with vision expanding talks in 2016, were as below:

1. *You Can Do Anything if You Put Your Mind to it / Jan Nahum*
2. *The World and Turkish Economy / Prof. Dr. Kerem ALKİN*
3. *New Trends and Opportunities / Selen Kocabaş*
4. *Keeping Pace with the Fast-Changing World / Meral Tamer*
5. *Mind Codes of Leadership / Ethem Kocabaş*
6. *The Art of Leadership with Big Data / Sait Ölmez*

The Akkök Visionary Dialogues Program will continue these enjoyable meetings by once more welcoming six different subjects and speakers in 2017

Akkök One-On-One Coaching Program

This program, which is based on volunteering, is geared towards upper management and middle executives in critical roles, and gained traction in 2016. New coaches suggested by the Companies were included in the Akkök Coach Pool. The program is offered as an effective and powerful development tool for executives within the group structure in 2017, and will be revised according to requirements.

At the end of each year, feedback is collected from executives who received coaching, and all necessary improvements are implemented.

Akkök Executive Development Program

The program was carried out with the collaboration of Akkök Holding Human Resources and Sabancı University’s Executive Development Unit. It aims to develop the managerial abilities of all middle managers, and to create a common culture of leadership.

The Executive Development Program starts with Market-Focus training for Information and Competencies, and continues with six different modules. In the last modules of the program, participants assume different roles in the managerial team of a company, and manage the company in a virtual environment. They then present their results to the Board of Directors. The Board of Directors, consisting of Akkök Holding’s Executive Board, Company General Managers and Human Resources Directors, chooses one of the projects as an “Investment Project”, and at the same time provides feedback to all the project presenting teams.

Certificates are handed out to all participants for their successful work, and the program closes with a celebration event.

PHILHARMONIC - Akkök Mentoring Program

The targets of the program are:

- To transfer the corporate culture, memory and business making concepts to new generations,
- To contribute to the development of today’s and tomorrow’s leaders
- To have a positive impact on the loyalty and motivation of executives preparing for the future.

The Philharmonic continues in line with the above principles and criteria, determined on a volunteering basis, and continued its symphony with 20 Mentees (middle managers) and 20 Mentors (executive managers) in 2016. Two new introductions were made to the program this year. The first is “Mentor like a Coach”, designed as a second program for Mentors alongside the process training. The second is the “Program Evaluation Form”, which ensures

that feedback is received from Mentors, Mentees and Mentee Managers to measure success. All feedback was evaluated by the HR committee of the Philharmonic, and the program will be reviewed in 2017.

Middle managers continue to show great interest in the Philharmonic, where the number of Mentors determines the number Mentees, by matching with executive management’s members, and who are willing to develop themselves.

BOOMERANG DEVELOPMENT PROGRAM

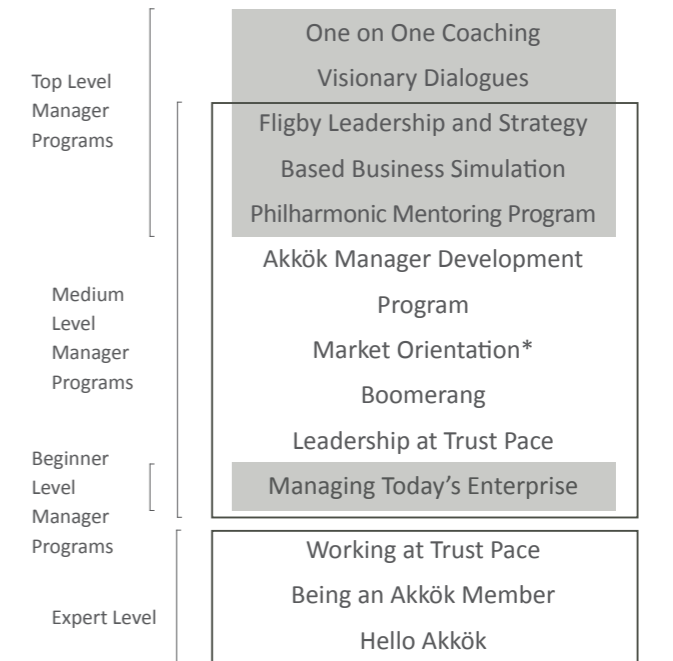
The target of the Boomerang training program is for middle managers to encourage their employees to take on responsibilities by improving HR’s technical information and behavioral skills, and to build a sustainable and human-oriented management model. The program has a modular structure, and consists of Recruitment and Interview Techniques, Communication and Feedback, Human Resources Applications, and Business Law and Akkök Human Resources Processes. The last module was created by HR Directors, and aims to explain Akkök Group’s HR processes, policies and projects.

The targeted benefits of the development program, which covers 3 groups of 49 employees 2 days every month, and 6 days in total, are:

- Seeing the Bigger Picture: For middle managers to see the bigger picture by boosting their awareness about their critical roles, and their responsibilities in HR processes
- Being a Strategic Partner: For each manager to be a HR process partner and deepening trust in HR processes
- Organizational Development: Improving corporate and personal competencies

2016 Performance of Common Training and Development Programs Applied throughout the Akkök Group

2016 Total Training (Person*Hour)	10.223
2016 Number of Participants	521



* 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.

Talent Committee Meetings included in Talent Management, which kicked off with the whole group schedule determined by Akkök Holding’s HR in 2015, were run in 2016. These meetings focused on the development and back-up plans of nominees in the Akkök Talent Pool. In this respect, nominees who can be trained to replace other personnel were interviewed, and at the same time development plans such as training, mentoring, coaching and business rotation were discussed, and decisions were finalized and approved. In addition, in 2016, we organized Back-up Plan Meetings with companies deemed as critical in terms of back-up, and requested that they plan actions for sustainability.

Performance Management System

The Performance Management System administrated throughout the whole group enables effective target dissemination, and the targets and strategies of the company were spread among the employees. The targets are reviewed during the year and the process is completed by evaluation based on targets at the end of the year. The measuring and rewarding of employees' success in achieving targets, 360-degree evaluation of their competencies, and planning of their personal development, are all managed within the scope of the performance management system.

Planning with targets, effective communication with employees, mutual feedback, and target determination and agreement as a result of evaluation are the basic principles of this system. The Akkök Performance Management System aims for employees to embrace corporate targets, and strengthen the common corporate culture.

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 2016.

In 2016, we held one-on-one meetings with more than 2,000 students at Istanbul Technical University's Human Resources Summit, Middle East Technical University's Career Fair, Yeditepe University's Career Days, Kadir Has University's Career Development Days, and TÜMKAF (Turkey's Engineering and Career Fair). At career days, we organized "Discover Yourself" workshops in order to contribute to young people's personal awareness.

At TÜMKAF's Tea Talks, the following areas:

"Our Compass is Ethical",
"Who Will Survive?", and
"Engineering Map from Chemistry to Textile"
were discussed within the scope of "Strategy for a Sustainable Future".



In 2016, with the Guest Lecturer project, we aimed for students to add field experience to their theoretical knowledge. Our expert Akkök Group managers attended classes, and at 10 events we interacted with 550 students, introducing our company, our culture and our processes to them.



ELECTION AND RECRUITMENT

Akkök Says You First - Internal Job Posting System

The Akkök "You Say First - Internal Notice System", which announced open positions to employees, and evaluated priority applications from group companies, enabled our employees to take an active role in their careers, and direct their career developments as they desire.



2016 YILDIZ AKKÖKLÜLER



**KARBON ELYAF HATLARINDA
UTFM BANYO MONTAJI PROJESİ**
OPERASYONEL MÜKEMMELLİK
OPERASYONEL
DOWAKSA



**SANAL SANTRAL KAPASİTE
İHALESİ PROJESİ**
GİRİŞİMCİLİK & İNOVASYON
PROFESYONEL
AKENERJİ



YAŞAM AKADEMİSİ PROJESİ
SÜRDÜRÜLEBİLİRLİK
PROFESYONEL
AKİŞ GYO



FİLAMENT PROJESİ
GİRİŞİMCİLİK & İNOVASYON
OPERASYONEL
AKSA



**POLİMERİZASYON ÜNİTESİNDE
KAPASİTE ARTIŞI PROJESİ**
OPERASYONEL MÜKEMMELLİK
PROFESYONEL
AKSA



**ORTAK SATINALMA PLATFORMU
PROJESİ**
İŞBİRLİĞİ GELİŞTİRME
PROFESYONEL
AKKÖK HOLDİNG



**İKLİMLENDİRME SİSTEMİ ENERJİ
VERİMLİLİĞİ ARTIRMA PROJESİ**
SÜRDÜRÜLEBİLİRLİK
OPERASYONEL
AKMERKEZ



In 2016, a total of 105 job ads were posted by the Internal Notice System. 106 applications were received, and 13 employees were hired for these positions through inter-company transfers.

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. After applications from university activities and database notices in 2016 were evaluated, the pre-evaluation process commenced in the academic fall semester.

REWARDING

Star Akkök Members

The "Star Akkök Members Award System" was initiated to determine and get to know successful projects and the employees who implement them, and also to appreciate them and contribute to the organizational culture that reveals the best applications in the group, to motivate successful work, and to enable their continuity in 2016.

51 project applications were received in the "Sustainability", "Operational Perfection", "Entrepreneurship & Innovation" and "Cooperation Development" categories. Due to the high number of applications, the committee members had to first pre-

assess the application papers, and 17 projects passed this stage for presentation to the members on July 14.

After the Committee Evaluation through pre-evaluation and presentations, 7 projects were awarded. Their creators were announced at a magnificent ceremony on September 7, 2016 at Bahçe Kort facilities, and the participants chose their prizes from among gift cheques, holidays and personal development trainings.

Ödül Alan Projeler			
ŞİRKET ADI	PROJE ADI	Kategori	ÇALIŞAN KATEGORİSİ
Aksa Akirlik	Filament	Girişimcilik ve İnovasyon	Operasyonel
AKENERJİ	VPP İhale Projesi	Girişimcilik ve İnovasyon	Profesyonel
AKKÖK HOLDİNG	Ortak Satınalma Platformu	İşbirliği Geliştirme	Profesyonel
DOWAKSA	Karbon Elyaf Hatlarında UTFM Banyo Montajı	Operasyonel Mükemmellik	Operasyonel
Aksa Akirlik	Polimerizasyon Ünitesinde Kapasite Artışı	Operasyonel Mükemmellik	Profesyonel
AKİŞ GYO	Yaşam Akademisi	Sürdürülebilirlik	Profesyonel
AKMERKEZ	İklimlendirme Sistemi Enerji Verimliliği Artırma Projesi	Sürdürülebilirlik	Operasyonel

AKKÖK HOLDİNG BUSINESS ETHICS PRINCIPLES

Awareness, training and process development efforts continued in 2016, in order for Akkök Holding's Business Ethics Principles to be adopted and deemed as a core and vital corporate value, and to be applied.

Our e-newspaper, "Ethical Post", discussed our main ethical values. An awareness and training activity was carried out, with pop-up questions sent to all

our employees twice a month. Along with classroom trainings on Akkök Holding's Business Ethics Principals, the ethical values were also included in middle management training programs. Many activities took place as part of May 25, World Ethics Day and Week, and the awareness and visibility of business ethics principals were enhanced.

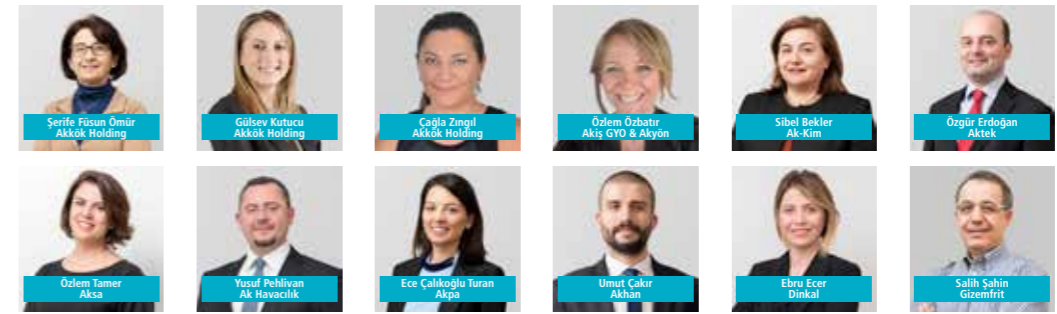
Akkök Holding's Business Ethics Principals will continue to remain crucial throughout 2017 as well.

EYLÜL 2016 - SAYI: 17

ETİK POSTASI



ETİK KURULU ÜYELERİMİZ



ETİK DİLEMA

Yolsuzluk

Büyük bir inşaat firmasının Satın Alma Departmanı'nda çalışıyorsunuz. Uzun yıllardır da hem iş yapma şeklini beğendiğiniz, hem kalitesine güvendiğiniz firmalardan almı yapıyorsunuz. Her şey yolunda giderken, çalışmakta olduğunuz bu tedarikçi firmanın üst düzey yöneticisi, sizi toplantıya çağırıyor ve daha fazla para kazanabileceğinizi söylüyor. Bunun için size sattığı ürünlerin maliyetini yükseltmek ve karşılığında almı gerçekleştirmeye devam etmenizi aynı zamanda bu ürünlerden size kâr payı verebileceğini belirtiyor. Böylelikle hem kalitesinden memnun olduğunuz firmadan satın almalar devam edecek hem de siz masanız dışında ekstra gelir elde edeceksiniz. Bu durumda böyle bir yolsuzluğu kabul edip aynı firmadan ürün almaya devam mı edersiniz yoksa derhal iş birliğini kesip başka bir firma ile çalışmaya mı başlarsınız?

"Çalışmadan, öğrenmeden, yorulmadan rahat yaşamamanın yollarını alışkanlık haline getirmiş milletler; evvela haysiyetlerini, sonra hürriyetlerini ve daha sonra da istikballerini kaybetmeye mahkumdurlar."
Mustafa Kemal Atatürk

"Her insan herkes karşısında her şeyden sorumludur."
Fyodor Dostoyevski-Rus roman yazarı

"Dürüst olmak cesaretini gösteren kimsede, hiçbir zaman yalan söylemek ihtiyacı duymaz."
George Herbert-İngiliz şair

AKKÖK HOLDİNG ÇALIŞANLARI "İŞ AHLAKI" İLKESİNİ SAHIPLERİNİR.



Yolsuzluk, genel anlamıyla "yetki alanlarını kötüye kullanıp, kişisel menfaat yaratma" demektir. Yolsuzluk iç ve dış yatırımları caydırarak, ekonomik büyümeyi engeller, altyapı tesislerinin kalitesini düşürür, vergi gelirlerini azaltır ve harcamaların yapısını bozar. Uluslararası Şeffaflık Örgütü, yolsuzluğu sadece "kamu gücüyle" sınırlı olmayan herhangi bir görevin özel çıkarlar için kötüye kullanılması olarak tanımlar.

İş hayatında "karşılıklı güven" ilkesini tesis etmede en kritik aşama olan dürüstlük ilkesi, bireysel karakter özelliklerinin yanı sıra, kurum kültürüyle sistematik bir şekilde desteklediği takdirde, çalışanlar arasında gerçek anlamda kalıcı ve huzurlu bir etki yaratmış olur. Paydaşların ve ortakların uzun vadeli işbirliğini güçlendiren, finansal yatırımların en büyük sigortası olan bireyler ve kurumlar arası dürüstlük, bu özellikleriyle iş hayatında sahip olunması gereken en önemli değerlerdendir.

Akkök Holding çalışanları, bir arada huzurlu ve onurlu bir şekilde yaşamının vazgeçilmez ilkesi olan dürüstlüğü, iş hayatının her alanında benimsemeye gayret gösterir. Kurumsal politikaları, iş yapış şekilleri ve iş hayatının her alanında dürüstlük ilkesinin ışığında hareket eder. Dürüstlük ilkesinin takipçileri olarak, geleceğe yapılan yatırımların yalnızca finansal rakamlarla değil, etik iş yapma anlayışıyla da ölçüldüğünün bilincinde hareket eder. Akkök Holding uzun yıllara dayanan başarısını, yasalara uyuma ve çalışanlarda yarattığı sadakate ve güvene borçludur.

TÜRKİYE'DEN GÜNCEL ÖRNEKLER



Tarım Kredi Gıda'da Büyük Yolsuzluk Yargıya Taşındı

Çiftçinin katkılarıyla kurulan Tarım Kredi Kooperatifleri'nin, özellikle gıda alanında faaliyet gösteren TK Gıda AŞ'de vuku bulan birçok usulsüzlük tespit edildi. 2014 yılı öncesinde hiç denetim yapılmayan TK Gıda'da, şirket genel müdürü ve muhasebe müdürü tarafından müşteriye yapılan hileli ve yolsuz işlemler gün yüzüne çıktı. Yargıya taşınan usulsüzlük davasında 50 Milyon TL'den fazla zarar olduğu ortaya çıktı. Müfettişlerce yapılan incelemede Tarım Kredi Gıda San ve Tic. A.Ş. unvan ile faaliyetine devam etmekte olan şirketin eski Genel Müdürü ve eski Muhasebe Müdürünün şirkette yolsuzluk yapmış oldukları, müdürlerin bu yolsuzlukları saklamakta iyice güçlük çekmeye başlamaları nedeni ile hileli işlemlerini artarak devam ettirdikleri, yapılan yolsuz işlemlerin yönetim kurulu tarafından fark edilmesinin için muhasebe hileleri yaparak sahte, gerçeğe aykırı bilançolar düzenledikleri tespit edilmişti.

2011-2012 ve 2013 yılları kayıtları incelenerek hazırlanan bağımsız denetim raporunda yalnızca 2011, 2012 ve 2013 yıllarında meydana gelen zararın 50.023.444,96 TL olduğu belirtilirken, yolsuz işlemlerin belli bir süre devam ettiği düşünüldüğünde zararın toplamda bu rakamın üzerinde olduğu ve halen devam etmekte olan soruşturma çalışmalarında toplam zararın 415 milyon TL'ye ulaştığı tespit edildiği kaydedildi. Şirketteki usulsüz işlemler sonucunda uğradığı zararla ilgili yapılan çalışmalar sonucunda, Şubat 2015 tarihi itibarıyla yaklaşık 50 milyon TL zararı karşılanmış ve tahsilat çalışmaları devam edildiği belirtilmiştir.



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.

Mamut 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 Mamut Art Project in 2015.

The Mamut Art Project, which brings together young artists, collectors, galleries, culture & arts institutions and art lovers, continued on its successful path in 2016, with the sponsorship of Akkök Holding.



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 GYO in the 2013-2014 period, within the framework of G4 reporting. Akkök Holding shared its 2015 Global Compact Progress Report with the public.

In addition, Akkök Holding was the 2016 sponsor of "Tomorrow's Sustainable Leaders" meetings, organized by the first and only environment events platform, Environmentalist Events. The meetings aimed for young people to meet with experts from the business world and civil society, and for them to 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 strategies efficiently. As a result of Ak-Kim's solid waste applications, in 2016, 572 tons of waste was eliminated through recycling, 575 tons through burning, and 628 tons through correct storage procedures. In total 1,785 tons of waste was eliminated. 269,735 tons of wastewater was eliminated at Ak-Kim treatment facilities in 2016.

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. Thanks to the various implemented projects, in 2016, 630,000 kWh of electricity and 4,500 tons/year of steam were saved.

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.

ROTA "Don't Take Risks, Take Precautions" Project: Ak-Kim initiated the "R.O.T.A.", "Don't Take Risks, Take Precautions" project, a Behavior-Based Occupational Health and Safety Culture Development Project, in January 2016. The main aim of this long-term project is to support the development of occupational health and safety, to minimize the risk of human error accidents, and raise the rate of safe behaviors. The project was carried out with consultancy from the "Transforming Man" company, and consists of 5 stages: Determining behaviors that directly affect work safety; clear definition of behaviors so they can be reliably measured; determining the observation process of the defined behavior and realistic targets; and feedback and rewards regarding behaviors.

AKENERJİ, ONE OF THE MOST ESTEEMED ENERGY PRODUCTION COMPANIES IN TURKEY, PRIORITIZES SOLUTIONS THAT MINIMIZE ALL ENVIRONMENTAL AND SOCIAL RISKS IN ALL OF ITS ACTIVITIES, AND DOES NOT NEGLECT THE PROBLEMS THREATENING THE WORLD.

Aksa Acrylic published the 2015 Sustainability Report at GRI G4 standard

Aksa Acrylic, reinforcing its commitment to sustainability with its business processes, reported its sustainability performance between January 1 and December 31, 2015. The report, issued in line with the main option of Global Reporting Initiative GRI G4, is also a report of the "United Nation's Global Principles Agreement", signed in 2006.

Aksa's 2015 Sustainability Report was issued in consideration of the Sustainability Index prepared by the Istanbul Stock Exchange (BİST), where companies listed on the stock exchange, and whose sustainability performances are at high levels, are registered. Aksa's 2015 Sustainability Report, which shares more performance data and offers a more transparent platform, is the eleventh sustainability report issued by the Aksa Sustainability Committee.

Continuing investments with an environment-conscious and employee-based approach, Aksa Acrylic passed all Green Port/Eco-Port Project standards. Following audits by the Sea Trade General Directorate and Turkish Standards Institute, the Company obtained the green-eco port certificate.

Aksa Acrylic adopted a comprehensive water management approach that includes sustainable water, water resource diversity, efficient use of water and waste water character discharged to the recipient environment. In this respect, Reverse Osmosis and Common Treatment Plants, commissioned in 2015 to sustain water resources and production, continued their improvement works in 2016.

"ISO 14064-1 Certificate" renewed

Aksa Acrylic obtained the "ISO 14064-1 Greenhouse Gas Emission and Removal Set-up Level Calculation and

Reporting Certificate". As the first certified company in this area in Turkey, Aksa Acrylic was audited by the British Standards Institute (BSI) between July 25 and 27, 2016 with regard to risks and benefits caused by climate change on operation. As a result of the audit, Aksa was documented as "comprehensive assurance", and has uploaded its greenhouse gas monitoring plan, which is an environmental obligation, to the database of the Ministry of Environment and Urbanization.

OHS management system and projects

Aksa Acrylic perceives the creation of a healthy and safe work environment for its employees as its main responsibility. Risks regarding operations are periodically analyzed, and preventive measures are taken. There is an efficient Occupational Health and Safety management with action plans for emergencies. Aksa Acrylic constantly improves its performance in OHS, which it deems as one of its main priorities, and implements pioneer applications that cover all stages of its value chain.

Corporate Social Responsibility Works in 2016

Aksa Acrylic's "Tomorrow's Orchestra with Aksa", implemented to benefit society in the Company's regions of operation, has been completed. The trainings held at Mevlana Primary School, Taşköprü Secondary School and Aksa Occupational and Technical State High School, were eagerly greeted by 200 students.

Within the scope of the project, which aims to deepen primary and secondary school students' appreciation of music, students learned about different musical instruments and music from all around the world. Tomorrow's Orchestra with Aksa Acrylic helped students receive the best training from the best teachers, and after the children's superlative efforts, the program concluded with a concert at Taşköprü Culture Centre. Yalova City

WE VALUE THE FUTURE, AND WE DEFINE OUR STRATEGY ACCORDING TO THE DATA ON OUR SUSTAINABILITY REPORT.

Education Director Şerafettin Turan, Taşköprü Mayor Nedret Gülen, Aksa Acrylic authorities, students, their parents, school principals and project partners all attended the concert.

The Tomorrow's Orchestra trainings, run as a social responsibility project, aim to introduce school children and young people to music, and to reveal their potentials in this area together with the Independent Musicians and Producers Association. Children who attended the training received lessons in percussion and wind instruments, and juggling. After the trainings, musical instruments such as bongo and tom-tom drums were donated to schools, and melodicas, tambourines and juggling balls were given as presents to the children so they could continue to make more music.

As in the previous year, Aksa Acrylic again screened films for children on April 23 National Sovereignty and Children's Day. More than 2,000 children watched "Huevos: Little Rooster's Egg-cellent Adventure" at the Özdilek Cinetime theatre.

Akenerji's Sustainability approach

Akenerji, one of the most esteemed energy production companies in Turkey, prioritizes solutions that minimize all environmental and social risks in all of its activities, and does not neglect the problems threatening the world. The Company is aware of the importance of controlling climate change, and uses its technological capacity and technical expertise to minimize the risks its activities bear against the environment and society. The Company takes care to protect natural life and prevent environmental pollution in all processes at its plants, and has conducted works to provide solutions by making efficiency a principle. Akenerji's advanced technology applications enable the highest amount of energy production with the lowest usage of resources.

Sustainability Report

Since 2010, Akenerji has been publishing an Environment and OHS Activity Report, and the Company expanded the scope of this report and implemented the first Sustainability Reporting in line with the Global Reporting Enterprise in 2012. The Company uses the Global Reporting Initiative, the most popular guide for the preparation of sustainability reports. Processes for data and information collection and development of Report contents are carried out by the Sustainability Committee with external expert support. The scope and depth of the issues included in the report reflect the results of the prioritization analysis we carried out during the reporting process. The contents of the report include important and priority sustainability matters for our stakeholders and Akenerji, and in accordance with the "basic" level of the GRI's Sustainability Reporting Guide G4. Our sustainability reports are shared in the "Sustainability" section of our website www.akenerji.com.tr

Integrated Management Systems

We carry out most of our work within the scope of sustainability, with the management systems stated below:

ISO 9001: 2015 Quality management system
 ISO 14001: 2015 Environment Management System
 OHSAS 18001: 2007 Occupational Health and Safety Management System
 ISO 27001:2013 Information Security Management System

The ISO 9001 quality management system and ISO 14001 environment management system were revised in 2015, and Akenerji-Egemer General Directorate, Ayyıldız RES, Uluabat, Burç, Bulam, Feke I, Feke II, Himmetli, Gökkaya hydroelectric power plants and Erzin Natural Gas Combined Cycle Plant

received ISO 9001:2015 Quality and ISO 14001:2015 Environment Management System Certificates. The OHSAS 18001:2007 Occupational Health and Safety certificate has been continued for all plants, and the ISO 27001 Information Security Management System has been continued for the General Directorate, Uluabat Hydroelectric Power Plant and Erzin Natural Gas Combined Cycle Plant.

Akenerji Elektrik Üretim A.Ş. Locations with certification:

General Directorate, Ayyıldız Wind Plant, Uluabat Hydroelectric Plant, Burç Bendi Hydroelectric Plant, Feke I Hydroelectric Plant, Feke II Hydroelectric Plant, Bulam Hydroelectric Plant, Himmetli Hydroelectric Plant, Gökkaya Hydroelectric Plant.

Egemer Elektrik Üretim A.Ş. Locations with certification: Erzin Natural Gas Combined Cycle Plant

Akenerji values operational perfection and profitability in its investment decisions, and acts with sensitivity towards social responsibility and the environment.

Environment-friendly production with correct waste management

Akenerji strives to prevent environmental pollution in all of its business processes, and displays this sensitivity especially in its waste management applications. The Company's waste management applications include delivery of all wastes from plants and Akenerji headquarters building, Akhan, to institutions certified by the Ministry of Environment and Urbanization, for recycling or removal in accordance with the requirements of the Environment Law, and under the control of the Akenerji Environment Management Unit. As a result of Akenerji's waste management efforts, in 2016, 109 tons of waste was recycled and eliminated.

Depleted batteries at Akhan were collected and separated from other wastes with the support of Akenerji and other group company employees in 2016. 92 kilograms of batteries were collected at Akhan in 2016, and delivered to the Moveable Battery Producers and Exporters Union (TAP).

Akenerji's environment-friendly approach is adopted by all employees who are a part of the corporate culture. In this respect, all Akenerji employees contributed to the collection of recyclable wastes in 2016. 11 tons of waste paper and waste packaging were collected from Akenerji plants and Akhan, and delivered to recycling firms. The Electronic Waste Recycling Project initiated in August 2012 at Headquarters Akhan and Akenerji continued in 2015. Accordingly, wastes collected in electronic waste collection boxes in office floors and plants were delivered to companies with the Environment Authority and License from the Ministry of Environment and Urbanization. The firm that collects the wastes plants trees through TEMA on behalf of the Company. Within the scope of the Electronic Waste Recycling Project, 173 kilograms of electronic waste was recycled from the Akenerji headquarters by the end of the year.

Akenerji aims to continuously improve the level of knowledge and awareness of its employees in waste management, supported by effective projects. In this respect, the Akenerji Environment Management Unit carried out various trainings at Headquarters on environmental regulations and environmental accidents, and environmental legislation and waste management, where the effects of the sites on the environment were discussed. An Environmental Accident Exercise was run under ISO 14001, in order to inform and raise awareness about what to do in a possible environmental accident in 2016. Thus, the intervention of employees in a possible environmental accident was observed, and their intervention capacity was reported.

Projects to help living with the locals

With its careful, sensitive and trust-based management approach, Akenerji implemented practices to inform local people and protect them from possible dangers at locations where the hydroelectric plants operate. In this respect, the Company prepared brochures and posters regarding possible dangers and protection methods regarding hydroelectric plants, and these were distributed at public areas such as schools, municipality buildings and cafes around hydroelectric plants in Adiyaman, Bursa and Adana in 2016.

AKENERJİ BECAME THE ONLY TURKISH ELECTRICITY PRODUCTION COMPANY TO JOIN THE CDP TURKEY 2016 WATER PROGRAM.

Akenerji plans to expand its materials and the number of cities where locals will be informed about its works in the coming years.

Since 2013, information presentations have been made to 3,914 students and 229 teachers. In order to inform locals in regions with hydroelectric plants, the Hydroelectric Plant Information Presentation, which explains the operation of hydroelectric plants and personal measures students should take in their daily lives, was delivered to 1,450 students and 76 teachers in Adana in September, to 253 students and 25 teachers in Adiyaman in November, and to 110 students and 6 teachers in Bursa in December.

Participation in the CDP Water Program

The CDP Water Program includes companies listed on the Global 500, S&P 500 and FTSE 100 lists, as well as the largest companies in Australia, Japan and South Africa, and aims to mobilize the private sector regarding water resources. Turkey is listed as one of the first countries where the application will be implemented, and the CDP Water Program offers a platform for companies to report their water usage transparently. Akenerji was the first and only Turkish electricity production company to join the 2016 CDP (Carbon Disclosure Project), and enhanced its performance from C to B.

Tracking Greenhouse Gas Emissions

The Greenhouse Gas Monitoring Plan for the Erzin Natural Gas Combined Cycle Power Plant has been prepared within the scope of the legislation (regulation on tracking greenhouse gas emissions, and notification on monitoring and reporting of greenhouse gas emissions), and the amount of greenhouse gases resulting from the plant's production activities was presented to the Ministry of Environment and Urbanization in line with the format required for the tracking and calculation of such gases. The Plan was approved by the Ministry of Environment

and Urbanization's online system. In this respect, greenhouse gas emissions have been tracked since 2015. As of 2016, when tracking, verification and reporting of greenhouse gases becomes effective, Turkey will have measurable, reportable and verifiable emission data.

Akenerji has fulfilled/will fulfill its obligations in this respect.

Emissions between January 1, 2015 and December 31, 2015, and January 1, 2016 and December 31, 2016, were tracked.

As of January 01, 2017, the 2015 and 2016 emissions will be reported.

Verified emission amounts (January 1, 2015 to December 31, 2015 and January 1, 2016 to December 31, 2016) will be submitted to the Ministry of Environment and Urbanization by April 30, 2017.

Erzin Natural Gas Combined Cycle Plant, which was commissioned in the last quarter of 2014, is operated by low emission NOx producing dry low NOx. For our flue gas emissions, a measurement system has been installed, and emissions are tracked online by the Ministry of Environment and Urbanization's system.

AWARDS

Environment-friendly projects from Akiş GYO

Akiş GYO develops all of its projects with the responsibility incumbent upon real estate companies pertaining to global climate change, one of the major issues facing the earth. In line with this awareness, the Company makes environment-friendly building designs that prioritize energy efficiency and optimization.

Akiş GYO's Akbatı Shopping Centre & Akbatı Residences achieved "Excellent" level at BREEAM In Use, the leading international green building evaluation system in 2016, with applications that prioritize energy efficiency. As a result of the evaluation process,

assessing criteria such as appropriate use of resources, internal environment and importance placed on health, Akbatı's sustainable application has once more been accorded its due recognition.

The BREEAM Certificate issued for buildings built after 1990 aims to determine through certain standards how environment-sensitive a building is. The certificate can be renewed annually, and evaluates projects that use environment-friendly technologies.

Akiş GYO values each stage of energy efficient projects, and has earned the "Energy Identity Certificate" B class, which is issued for efficient and productive use of energy and energy resources, prevention of waste of energy and protection of the environment, in accordance with "Energy Performance in Buildings Regulation", with the Akbatı Shopping Centre & Akbatı Residences project.

Akkök Holding, the umbrella group of Akiş GYO, issued the 2012 and 2013-2014 Akkök Sustainability Report. These reports included detailed information and performance data on the environment, human resources and social responsibility applications of the Company. Akkök Holding shared its 2015 Global Compact Progress Report with the public.

Low-yield fluorescent lamps have been swapped out for high-yield LED lights in the Akbatı Shopping and Life Center & Akbatı Residences parking lot, owned 100% by Akiş GYO, in order to lower energy consumption. Rainwater accumulating on the roofs is collected and used for irrigation to save water. Negative ion generators are used to enhance the air quality in our shopping center.

All metal halide lighting used in the shopping center was swapped out for LED lighting in 2015.

In 2015, energy efficiency projects marched forward, installing inverters in the air conditioning and ventilation units. The result of the energy efficiency efforts carried out between 2015-2016 began to bear fruit this year and, when 2015 and 2016 are compared, an average saving of 25% was achieved in electricity consumption.

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

AKSA ACRYLIC REMAINS ONE OF THE LARGEST COMPANIES IN TURKEY, WHILE BECOMING THE FIRST IN THE TEXTILE AND APPAREL AREAS ON THE CAPITAL 500 LIST, WHICH LISTS THE TOP 500 PRIVATE COMPANIES IN TURKEY EACH YEAR.

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 2016 Together With
 Independent Auditor's Report

(Originally Issued in Turkish)



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

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

Report on the audit of the consolidated financial statements

Our Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of Akkök Holding A.Ş. and its subsidiary (collectively will be referred as the "Group") as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statements of financial position as at 31 December 2016;
- the consolidated statements of comprehensive income for the year then ended;
- the consolidated statements of changes in equity for the year then ended;
- the consolidated statements of cash flows for the year then ended and;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with these requirements IESBA Code.



Responsibilities of management and those charged with governance for the consolidated financial statements

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 necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**Auditor's responsibilities for the audit of the consolidated financial statements (Continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Baki Erdal, SMMM
Partner

Istanbul, 14 July 2017

AKKÖK HOLDİNG A.Ş.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AT 31 DECEMBER 2016 AND 2015**

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

	Notes	2016	2015
ASSETS			
Cash and cash equivalents	6	713,092	645,036
Financial investments	7	43,800	-
Derivative financial instruments	20	809	7,189
Trade receivables		925,885	696,146
Due from related parties	9	28,506	32,738
Other trade receivables	10	897,379	663,408
Other receivables		5,859	16,823
Due from related parties	9	12,575	5,654
Other receivables		4,248	1,096
Inventories	11	417,653	264,432
Current income tax assets		7,674	2,934
Prepaid expenses	12	27,806	22,751
Other current assets	18	113,614	97,788
Current Assets		2,256,192	1,753,099
Trade receivables		58,306	59,804
Other trade receivables	10	58,306	59,804
Other receivables		109,564	82,824
Due from related parties	9	109,534	82,794
Other receivables		30	30
Financial investments	7	9,141	38,056
Investments accounted for using the equity method	8	556,973	652,173
Investment properties	13	485,761	507,868
Property, plant and equipment	14	1,154,454	1,076,026
Intangible assets		264,488	281,978
Goodwill	5	51,415	51,415
Other intangible assets	15	213,073	230,563
Inventories	11	291,205	317,618
Prepaid expenses	12	55,364	18,133
Deferred tax assets	28	12,405	10,956
Derivative financial instruments	20	1,881	535
Other non-current assets	18	4,710	3,281
Non-current Assets		3,004,252	3,049,252
TOTAL ASSETS		5,260,444	4,802,351

The consolidated financial statements for period 1 January - 31 December 2016 were approved by the Board Directors on 14 July 2017.

AKKÖK HOLDİNG A.Ş.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AT 31 DECEMBER 2016 AND 2015**

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

	Notes	2016	2015
LIABILITIES			
Short term borrowings	19	980,331	1,003,536
Short term portion of long term borrowings	19	317,783	232,312
Derivative financial instruments	20	1,653	2,271
Trade payables		638,751	421,248
Due to related parties	9	26,948	45,957
Other trade payables	10	611,803	375,291
Liabilities for employee benefits		4,188	1,503
Other payables		6,209	5,148
Other payables to third parties		6,209	5,148
Deferred income	12	64,848	21,740
Current income tax liabilities	28	9,647	17,131
Short term provisions		28,171	27,401
Provisions for employee benefits	17	21,767	18,801
Other short-term provisions	16	6,404	8,600
Other current liabilities	18	10,330	16,525
Current Liabilities		2,061,911	1,748,815
Long term borrowings	19	1,039,109	941,268
Derivative financial instruments	20	1,137	-
Trade payables		-	23,257
Due to related parties	9	-	23,257
Other payables		833	-
Other payables to third parties		833	-
Deferred income		-	206
Long term provisions		54,527	55,809
Provisions for employee benefits	17	36,444	37,726
Other long-term provisions		18,083	18,083
Deferred tax liabilities	28	32,327	26,336
Other non-current liabilities	18	-	7,544
Non-current Liabilities		1,127,933	1,054,420
TOTAL LIABILITIES		3,189,844	2,803,235

AKKÖK HOLDİNG A.Ş.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2016 AND 2015**

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

	Notes	2016	2015
Equity attributable to equity holders of the parent			
Paid-in share capital	21	968,432	863,378
Adjustments to share capital	21	(10,406)	(10,406)
Total paid-in capital		958,026	852,972
Other comprehensive income/expense to be reclassified to profit or loss			
Change in value of available-for-sale financial assets		3,353	3,294
Hedging reserve		(9,486)	(10,173)
Currency translation differences		63,871	50,084
Other comprehensive income/expense not to be reclassified to profit or loss			
Remeasurement of post employment benefit obligations		(6,402)	(7,615)
Restricted reserves		7,516	6,549
Accumulated (loss) / profit		(66,976)	26,211
Net loss for the year		(13,712)	(71,352)
Total equity attributable to owners of the parent		936,190	849,970
Non-controlling interests		1,134,410	1,149,146
TOTAL EQUITY		2,070,600	1,999,116
TOTAL EQUITY AND LIABILITIES		5,260,444	4,802,351

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 2016 AND 2015**

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

	Notes	2016	2015
Revenue	22	2,617,488	2,689,444
Cost of sales (-)	22	(1,975,138)	(2,090,400)
Gross profit		642,350	599,044
General administrative expenses (-)			
Marketing expenses (-)	23	(151,656)	(129,043)
Research and development expenses (-)	23	(75,469)	(73,643)
Other operating income	24	(14,084)	(11,249)
Other operating expenses (-)	24	268,962	194,313
Operating profit		490,792	432,140
Income from investing activities			
Expenses from investing activities	25	79,617	114,878
Share of profit of investments accounted for using the equity method	25	-	(166)
Operating profit before financial income and expense		439,074	378,424
Financial expenses (-)			
Profit before tax		138,816	149,703
- Taxes on income			
- Deferred tax (expense)/income	28	(63,594)	(67,451)
Net profit for the year		71,750	83,972
Total income for the period attributable to:			
Non-controlling interest		85,462	155,324
Equity holders of the parent		(13,712)	(71,352)
Net profit for the year		71,750	83,972

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 2016 AND 2015

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

	2016	2015
Net profit for the year	71,750	83,972
Other comprehensive income / (expense):		
Items to be reclassified to statement of income		
- Currency translation differences	34,859	58,680
- Change in fair value of derivatives	1,159	(3,618)
- Change in fair value of financial assets	(367)	(3,551)
Items not to be reclassified to statement of income		
- Remeasurement gain arising from defined benefit plans	3,239	1,251
Total comprehensive income for the period	110,640	136,734
Total comprehensive income attributable to:		
Non-controlling interest	108,606	191,559
Equity holders of the parent	2,034	(54,825)
Total comprehensive income	110,640	136,734

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

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

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

	Attributable to owners of the parent							Total equity				
	Change in value of available for sale financial assets ^(*)	Adjustment to share capital	Paid-in capital	Currency translation differences	Hedging reserve ^(*)	Remeasurement gain/loss arising from defined benefit plans ^(**)	Profit/ (loss) for the year					
Balance at 1 January 2015	388,098	157,537	6,845	26,930	(6,755)	(7,957)	2,665	1,023,316	2,031,979			
Capital remandment	(375,000)	3,430	-	-	-	-	8,676	287,894	- (75,000)			
Transfer	850,280	(171,373)	-	-	-	-	(8,576)	(667,666)	(2,665)			
Dividends paid	-	-	-	-	-	-	-	(43,565)	(104,991)			
Total comprehensive income for the period	-	-	(3,551)	23,154	(3,418)	342	(71,352)	(54,825)	191,559			
Capital increase in subsidiaries ^(***)	-	-	-	-	-	-	-	-	55,704			
Impact of changes in the ownership rate of subsidiaries	-	-	-	-	-	-	44	-	(1,789)			
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
Balance at 1 January 2016	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
Capital increase (Note 21)	105,054	-	-	-	-	-	-	-	-	105,054	-	105,054
Transfer	-	-	-	-	-	-	967	(72,319)	71,352	-	-	-
Dividends paid	-	-	-	-	-	-	-	(19,897)	-	(19,897)	(127,378)	(147,275)
Total comprehensive income for the period	-	-	59	13,787	687	1,213	-	-	(13,712)	2,034	108,606	110,640
Capital increase in subsidiaries ^(***)	-	-	-	-	-	-	-	-	-	-	3,065	3,065
Impact of changes in the ownership rate of subsidiaries	-	-	-	-	-	-	-	(971)	-	(971)	971	-
Balance at 31 December 2016	968,432	(10,406)	3,353	63,871	(9,486)	(6,402)	7,516	(66,976)	(13,712)	936,190	1,134,410	2,070,600

^(*) 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 Arış, İstasyon, and Zeytinliada.

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 2016 AND 2015**

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

	2016	2015
Net profit for the year	71,750	83,972
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	13,14,15 129,047	118,229
Provision expenses	10,789	12,410
Interest income and expenses	27 31,741	61,097
Unrealized exchange (gain) / loss	317,437	362,124
Fair value (gain)/loss on financial assets and liabilities	38,097	(10,586)
Tax expense	28 67,066	65,731
Gain on sale of property, plant and equipment and intangibles	25 (78,960)	(104,700)
Loss from investments accounted for using equity method	8 131,335	168,428
Impairment of investment properties	13 -	166
Cash flows before changes in assets and liabilities	718,302	756,871
Changes in working capital		
Inventories	(73,972)	81,928
Trade receivables	(224,716)	(121,686)
Due from related parties	(10,977)	(25,283)
Other receivables	(567)	(3,005)
Trade payables	237,345	(92,693)
Due to related parties	(42,266)	32,493
Other payables	1,061	762
Other changes in working capital	(68,413)	15,263
Income taxes paid	28 (71,078)	(62,320)
A. CASH FLOWS FROM OPERATING ACTIVITIES	464,719	582,330
Cash outflows from purchases of additional shares in subsidiaries	-	(1,745)
Cash outflows from purchases of financial assets	(15,480)	28,271
Cash inflows from sales of plant, property of equipment and intangibles	4,460	111,019
Cash outflows from purchase of plant, property of equipment and intangibles	14,15 (188,932)	(297,405)
Cash inflows from sales of investment properties	110,043	3,015
Cash outflows purchases of investment properties	(29,260)	(21,829)
Investment in inventories (residences)	(52,836)	(76,895)
Cash outflows from purchases of additional shares in associates and capital increases	8 (17,625)	(174,418)
Payments for acquisition of subsidiary, net of cash acquired	5 -	(210,623)
Dividends received	8,25 14,674	30,427
B. CASH USED IN INVESTING ACTIVITIES	(174,956)	(610,183)
Repayments from the issues of shares and other equity instruments	-	(75,000)
Participation of non-controlling interest in subsidiaries' capital increase	3,065	55,704
Cash inflow from new borrowings obtained	2,105,508	1,613,346
Cash outflows from redemption of borrowings	(2,256,318)	(1,283,259)
Dividends paid to non-controlling interests	(127,378)	(104,991)
Dividends paid	(19,897)	(43,565)
Capital increase	105,054	-
Interest received	32,873	33,933
Interest paid	(64,614)	(95,030)
C. CASH FLOWS FROM FINANCING ACTIVITIES	(221,707)	101,138
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)	68,056	73,285
D. CHANGE IN RESTRICTED DEPOSITS AND ACCRUED INTERESTS FROM TIME DEPOSITS	5,754	3,361
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	637,266	560,620
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D+E)	711,076	637,266

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 2016**

(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 general assembly for 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 Yatırım Ortaklığı A.Ş. ("Akiş")	Turkey	Real estate investment
Karlıtepe Gayrimenkul Geliştirme ve Yatırım A.Ş. ("Karlıtepe")	Turkey	Real estate investment
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
Akmeitem Poliüretan Sanayi ve Ticaret A.Ş. ("Akmeitem")	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	Textile
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. ("Akpa")	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 2016

(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.
DowAksa Tianjin Trading Company	China	Chemistry	Dow Europe Holdings B.V.
DowAksa Deutschland GmbH	Germany	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 2016

(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 Yönetim Servis Hizmet Ticaret 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 2016

(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 2016 and 2015:

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 (%) ^(***)	
	2016	2015	2016	2015	2016	2015	2016	2015
Ak Havaçılık 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>Gizem Seramik Frit ve Glazür Sanayii ve Ticaret A.Ş.</i>	<i>100.00</i>	<i>100.00</i>	-	-	<i>100.00</i>	<i>100.00</i>	<i>42.00</i>	<i>42.00</i>
<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>
Akmetem 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	86.69	7.50	7.50	94.19	94.19	86.69	86.69
Akport Tekirdağ Liman İşletmeleri A.Ş.	96.30	96.30	1.85	1.85	98.15	98.15	96.30	96.30
Aksa Akrilik Kimya Sanayii A.Ş.	39.59	39.59	19.06	19.06	58.65	58.65	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 Industries 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	94.66	2.23	2.23	98.89	96.89	96.66	94.66
Zeytinliada Turizm ve Ticaret A.Ş.	89.61	89.61	4.64	4.64	94.25	94.25	89.61	89.61
İstasyon Tekstil ve Sanayi Ticaret A.Ş.	43.37	43.37	28.31	28.31	71.68	71.68	43.37	43.37
Akiş Gayrimenkul Yatırım Ortaklığı 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>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>
<i>Karlıtepe Gayrimenkul Geliştirme ve Yatırım A.Ş.</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 2016

(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 2016 and 2015:

Joint ventures	Proportion of voting power held by Akkök's subsidiaries (%) ^(*)		Proportion of voting power held by certain Dinçkök family members and related shareholders (%) ^(**)		Total voting power held		Proportion of effective interest (%) ^(***)	
	2016	2015	2016	2015	2016	2015	2016	2015
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>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 Switzerland 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>
<i>DowAksa Tianjin Trading Company</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 Deutschland 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>
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	-	-	50.00	50.00	15.77	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 2016 and 2015:

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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's subsidiaries (%) ⁽¹⁾		Proportion of voting power held by certain Dinçkök family members and related shareholders (%) ^(**)		Total voting power held		Proportion of effective interest (%) ^(****)	
	2016	2015	2016	2015	2016	2015	2016	2015
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	19.71	27.29	27.29	47.00	47.00	6.22	6.22

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's subsidiaries (%) ⁽¹⁾		Proportion of voting power held by certain Dinçkök family members and related shareholders (%) ^(**)		Proportion of effective interest (%)	
	2016	2015	2016	2015	2016	2015
Akhan Bakım Yönetim Servis Hizmet Ticaret 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 2016

- IFRS 14, "Regulatory Deferral Accounts", effective from annual periods beginning on or after 1 January 2016, permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account for 'regulatory deferral account balances' in accordance with its previous GAAP. However, in order to provide comparability with other companies that have previously applied IFRS and will not account for the related amount, it is desirable that the effect of the tariff regulation be presented separately from other items.

- The 2014 annual improvements are effective for annual reporting periods beginning on or after 1 January 2016. Improvements made changes in 4 standards:

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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 5, "Non-current assets held for sale and discontinued operations", change in method of sale
- IFRS 7, "Financial instruments: disclosures", amendments to service contracts made under IFRS1.
- Amendment to IAS 19, "Benefits provided to employees", changes related to discount rates
- Amendment to IAS 34, "Interim financial reporting", regarding the disclosure of information.

- 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.

- Amendment to IAS 16 and IAS 38: "Property, plant and equipment" and "Intangible assets"; Effective on 1 January 2016 or the annual reporting periods beginning after that date. The amendment clarifies that the use of a revenue-based depreciation and amortization method is not appropriate as the proceeds from an activity involving the use of an asset generally reflect factors outside the consumption of the economic benefits of the asset.

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

- Amendments to IFRS 10, "Consolidated financial statements" and IAS 28, "Investments in associates and joint ventures", effective from annual periods beginning on or after 1 January 2016. These changes clarify the application of consolidation exemption for investment businesses and their subsidiaries.

- Amendment to IAS 1, "Presentation of financial statements"; Effective on 1 January 2016 or the annual reporting periods beginning after that date. These amendments aim to improve the presentation and disclosure of financial reports.

Standards and amendments that are effective as of 31 December 2016, but not yet effective:

- IAS 7, "Changes in cash flow tables"; Effective on 1 January 2017 or the annual reporting periods beginning after that date. These amendments provide additional disclosures that enable financial statement readers to evaluate changes in liabilities arising from financing activities. The amendments clarify how the financial statement disclosures can be developed as part of the IASB's "disclosure initiative" project.

- IAS 12, "Changes in income taxes"; Effective on 1 January 2017 or the annual reporting periods beginning after that date. If the change is measured at the fair value of an asset and the fair value of the asset is less than the tax base, offsetting the deferred tax asset is made. In addition, some other aspects of accounting for deferred tax assets are also clarified.

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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, "Changes in share-based payments"; Effective for annual reporting periods beginning on or after 1 January 2018. The amendment clarifies the measurement basis of share-based payments and how to account for changes in rewarding from cash-based to equity-based. This amendment also requires that, in case an employee of an employer is obliged to pay an amount related to the share-based payment and to pay this amount in tax, this reward should be considered as if it is completely equity-based, with an exception to the principles of IFRS 2.
- IFRS 9, "Financial instruments"; Effective for annual reporting periods beginning on or after 1 January 2018. This standard takes place of IAS 39. It also includes the requirements for the classification and measurement of financial assets and liabilities and the expected credit risk model that will be used to replace the realized impairment loss model that is currently being used.
- 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.
- Amendments to IFRS 15, "Revenue from contracts with customers"; these amendments include guidance on implementation guidance that sets performance obligations, accounting for intellectual property licenses, and disclosures about whether the entity is a noble or an intermediary (gross revenue presentation vs. net revenue presentation). New and modified explanatory examples have been added for each of these areas in the implementation guidance. The IASB also included additional practical measures related to the transition to the new revenue standard.
- IFRS 16, "Leasing transactions"; Effective for annual reporting periods beginning on or after 1 January 2019. This new standard replaces the existing guidance in IAS 17 and makes extensive changes in accounting for qualified leaseholders. According to the current IAS 17 rules, leaseholders are required to distinguish between lease (on-balance sheet) and operating lease (off-balance sheet) for a lease when they are parties to a lease. However, according to IFRS 16, leaseholders will now have to write down their future leasing obligations for almost all leasing contracts and, in turn, the right to use an asset. The IASB has provided an exception for short-term lease transactions and low value assets, but this exemption applies only to leaseholders. The accounting for lessor remains almost the same. However, since the IASB changes the definition of leases, leaseholders will also be affected by this new standard (as the guidance on the consolidation or decomposition of contractual content changes). At the very least, the new accounting model is expected to lead to negotiations between lessors and leaseholders. According to IFRS 16, if the contract includes the right to use an asset and the right to control that asset for a specified period of time, the contract is a lease or includes a lease.
- IFRS 4, "Changes in Insurance Contracts"; Effective for annual reporting periods beginning on or after 1 January 2018. The amendment to IFRS 4 provides two different approaches for insurance companies, namely the 'overlay approach' and the 'deferral approach'. According to this:
 - It will provide all companies that file insurance contracts the option to account for the fluctuation that may arise when IFRS 9 is applied, in the other comprehensive income statement rather than accounting for profit or loss before the new insurance contract standard is issued, and
 - Companies whose activities are predominantly linked to insurance will be optionally subject to temporary exemption from application of IFRS 9 until 2021. Entities that postpone IFRS 9 application will continue to apply the existing IAS 39 "Financial Instruments" standard.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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 40, "Investment property"; Effective for annual reporting periods beginning on or after 1 January 2018. These amendments to the classification of investment property are offsetting the classification of investment property or immovable properties when there is a change in the purpose of use. If the use of an immovable is changed, it must be assessed whether it conforms to the definition of 'investment property'. This change should be supported by evidence.
- Annual improvements from 2014 to 2016; Effective for annual reporting periods beginning on or after 1 January 2018. These changes affect 3 standards:
 - IFRS 1, "First application of the Turkish financial reporting standards" is temporarily abolished as of 1 January 2018, at the period of first application of IFRS 7, IAS 19 and IFRS 10,
 - IFRS 12, "Disclosures about interests in other entities", clarifies the scope of the standard. It will be applied retroactively from the annual reporting periods beginning on or after 1 January 2017.
 - IAS 28, "Investments in associates and joint ventures", effective as of 1 January 2018, an adjustment to the fair value of an associate or joint venture.
- IFRS Interpretation 22, "Foreign currency transactions and advances payments", is effective for annual reporting periods beginning on or after 1 January 2018. This interpretation deals with transactions made in foreign currency or the making or pricing of payments made as part of such transactions in foreign currency. This interpretation guides the cases where a single payment is made/received and multiple payments are made/received. This guideline aims to reduce the variability in the purposeful application.

The changes will be effective from the date of entry into force, if they have effects on the financial statements of the Group.

2.5 Comparatives and adjustment to previous periods' financial statements

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

The Company has made necessary adjustments and classifications in the financial statements of the previous periods in accordance with the changes in presentation of current period. In the past, in this frame:

- Foreign exchange loss amounting to TRY154,547, which was accounted under other expenses, has been reclassified to other operating income for the period between 1 January 2015 - 31 December 2015.
- Foreign exchange loss amounting to TRY15,640 which was accounted under other expenses, has been reclassified to financial expenses for the period between 1 January 2015 - 31 December 2015.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

Related party transactions are transfer of resources, services 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.

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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)

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 2016 and 2015 the Group does not have any financial assets at fair value through profit or loss.

Loans and receivables

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

Available for sale financial assets

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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)

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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Intangible assets (Continued)

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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Revenue recognition (Continued)

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

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

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

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

3.11 Borrowings

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Provisions for employee termination benefits (Continued)

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.

Akmerkez, one of the affiliates of the Group and Akış, 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).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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.

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.

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Foreign currency transactions (Continued)

Foreign currency transactions and balances

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

3.20 Derivative financial instruments

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

Since interest rate swap transactions ensure effective protection against risks for the Group and meet the conditions necessary for IAS 39, "Financial instruments: Recognition and Measurement" requirements in terms of hedge accounting, they are accounted for using hedge accounting in the consolidated financial statements.

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

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

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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 2016.

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).

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

g) Provision for employment termination benefits

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

At the end of each year, the Group determines the discount rate to be used in the calculating the present value of the estimated future cash flows. In estimating the discount rate, the Group considers the yields on long-term high quality corporate and sovereign bonds and inflation estimates of Central Bank of Turkey (Note 17).

h) Impairment of intangible asset

As discussed in Note 2 accounting policies, the carrying values of assets are reviewed for impairment on a yearly basis or more frequently if the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The Group performs impairment test for intangible assets which are acquired in a business combination by comparing the intangible asset carrying amount to the discounted cash flow projections of the assets which are calculated on the basis of Group's five year business plans. The Group has performed an impairment test on intangible assets at 31 December 2016 and has not identified any impairment as a result of this test.

i) Impairment of goodwill

According to the determined accounting policies, the Group performs impairment test for goodwill annually or when circumstances indicate that the carrying value may be impaired. Impairment test for goodwill is generated by comparing its carrying amount with the recoverable amount. The recoverable amount is determined by discounted cash flow projections of Groups five year business plan.

As a result of the impairment test performed based on the assumptions explained above, the Group did not identify any impairment as of 31 December 2016.

Discount rate 1% higher (lower) which is used in discounted cash flow calculations causes decrease at fair value amounting to TRY19,869 (increase amounting to TRY25,050) and no impairment has been identified in sensitivity analysis performed with these rates as of 31 December 2016.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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 colored 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
Cash payment portion of purchase	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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 5 - BUSINESS COMBINATIONS (Continued)

In the event that certain pre-determined earnings before interest, taxes, depreciation and amortisation ("EBITDA") is achieved by the Gizem Frit for the years ended 2015 and 2016, additional consideration of liabilities may be payable. The estimate is based on discount rate of 14% for the year ended 2016 and on assumption that the probability of the actual EBITDA is lower than 80% of pre-determined EBITDA. Fair value of the remaining contingent consideration is calculated amounting to TRY4,223 as of 31 December 2016.

The movement of contingent consideration is below:

Contingent consideration at the date of acquisition	9,436
Change in fair value	(774)
Payments	(4,423)
Contingent consideration at balance sheet date	4,239

NOTE 6 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2016 and 2015 is presented below:

	2016	2015
Cash on hand	298	235
Cash at banks		
Demand deposits	32,548	73,430
Time deposits	677,775	565,558
Other	2,471	5,813
Total	713,092	645,036

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 2016 and 2015 is as follows:

	2016	2015
Cash and cash equivalents	713,092	645,036
Less: restricted deposits	(1,174)	(7,602)
Less: interest accruals	(842)	(168)
Cash and cash equivalents	711,076	637,266

Interest rate of time deposits with maturities less than 3 months at 31 December 2016 and 2015 are as follows:

	2016		2015	
	Time Deposit	Interest Rate %	Time Deposit	Interest Rate %
TRY	199,725	8.73-12.00	117,842	7.00-13.50
USD	446,344	2.07-3.90	397,047	2.00-2.95
Euro	31,540	0.98-1.65	50,552	1.40-1.95
Other	166	2.50	117	2.50
Total	677,775		565,558	

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

NOTE 7 - FINANCIAL INVESTMENTS

	2016	2015
Bank deposits with maturities over three months ^(*)	43,800	-
Current financial investments:	43,800	-
Available-for-sale financial investments	8,915	8,648
Financial investments not included in the scope of consolidation ^(**)	226	226
Banks deposits with maturities over one year ^(*)	-	29,182
Non-current financial investments:	9,141	38,056
Total	52,941	38,056

^(*) 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:	%	2016	%	2015
Yapı ve Kredi Bankası A.Ş.	<1	8,136	<1	7,897
Akçansa Çimento Sanayi A.Ş.	<1	779	<1	751
Total		8,915		8,648

Movements of available-for-sale financial investments for the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
1 January	8,648	12,762
Changes in fair value	267	(3,737)
Disposed financial assets available-for-sale	-	(377)
31 December	8,915	8,648

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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NOTE 7 - FINANCIAL INVESTMENTS (Continued)

	2016	2015
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

	2016	2015
DowAksa	214,252	243,337
Akcez	158,928	209,588
Saf GYO	149,422	164,644
Akmerkez	29,628	29,497
Akferal	4,743	5,107
Akenerji ^(*)	-	-
Total	556,973	652,173

^(*) The Group has not recognised the Group's share in loss of Akenerji amounting to TRY114,244 in the financials statements as of 31 December 2016. The Group assumes that unrecognised period losses will not constitute further liabilities.

Movements of investments in associate during the years ended 31 December 2016 and 2015 is as follows:

	2016	2015
1 January	652,173	610,088
Share of loss from associates	(131,335)	(168,428)
Dividend received	(14,017)	(29,506)
Other comprehensive income from associates	32,527	54,005
Capital increase	17,625	-
Increase in ownership rate ^(*)	-	183,543
Share premium adjustment	-	2,471
31 December	556,973	652,173

^(*) 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 USD62,865,533 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 TRY9,125 for reameasurement 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 2016 and 2015, summarised financial information for the Group's investments accounted for using the method are presented below:

2016	Assets	Liabilities	Revenue	Net profit/(loss) for the period
Akenerji (*)	3,263,084	3,572,614	1,420,842	(482,824)
Akcez	2,042,204	1,837,677	2,430,861	(101,664)
DowAksa	1,012,818	584,314	72,392	(158,303)
Saf GYO	838,202	733,619	200,591	(54,108)
Akmerkez	233,113	7,385	114,923	77,822
Akferal	19,248	9,861	19,042	(2,808)

(*) Total assets and liabilities in the consolidated financial statements where the Company's tangible assets are accounted for at fair value are TRY5,044,551 and TRY3,994,373, respectively.

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)
DowAksa	946,529	459,855	74,258	(118,188)
Saf GYO	905,471	723,661	193,790	(40,666)
Akmerkez	234,424	9,618	105,088	73,325
Akferal	20,254	9,521	8,972	(2,632)

As of 31 December 2016 and 2015, market capitalization of the Group's investments accounted for using the equity method are presented below:

2016	Total market capitalization as of 31 December 2016	Group's share
Akenerji	619,790	126,623
Akmerkez GYO	767,638	100,791
Saf GYO	753,612	148,537
Total	2,141,040	375,951

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 9 - RELATED PARTY DISCLOSURES

a) Trade receivables from related parties

The analysis of trade receivables due from related parties as at 31 December 2016 and 2015 is as follows:

	2016	2015
Akenerji	13,253	9,291
DowAksa	8,467	6,551
Akferal	3,172	3,858
Akcez	1,420	10,935
Other	2,194	2,103
Total	28,506	32,738

b) Other receivables from related parties

The analysis of other receivables due from related parties as at 31 December 2016 and 2015 is as follows:

	2016	2015
DowAksa	769	11,089
Akcez	192	-
Akferal	83	1,486
Total	1,044	12,575

c) Non-current other receivables from related parties

	2016	2015
DowAksa (*)	105,374	79,456
Akiş Mudanya Adi Ortaklığı	4,160	3,338
Total	109,534	82,794

(*) 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. In 2016, the short-term receivables were classified as long-term due to the structuring on the principal payment plan with respect to the reconciliation with DowAksa.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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NOTE 9 - RELATED PARTY DISCLOSURES (Continued)

d) Short-term other payables due to related parties

	2016	2015
DowAksa	14,171	24,136
Akgirişim	9,179	5,660
Yalkim OSB	1,757	10,666
Other	1,841	5,501
Total	26,948	45,957

e) Long-term other payables due to related parties

	2016	2015
Yalkim OSB (*)	-	23,257
Total	-	23,257

(*) The balance, comprising of the cost for the Group's right of use of joint treatment plant within Yalkim Organized Industrial Zone as of 31 December 2015, is paid as of 31 December 2016.

f) Sales to related parties

	2016	2015
DowAksa	29,680	35,949
Akferal	10,180	8,693
Akenerji	10,105	9,013
Akcez	9,491	22,910
Yalkim OSB	-	6,000
Other	7,269	3,750
Total	66,725	86,315

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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NOTE 9 - RELATED PARTY DISCLOSURES (Continued)

g) Service and product purchases from related parties

	2016	2015
Akgirişim (**)	40,605	41,951
Yalkim OSB (***)	17,237	71,816
Akhan	5,268	4,295
Akenerji	4,492	10,893
Other	5,008	3,116
Total	72,610	132,071

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

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

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.

	2016	2015
Key management compensation	9,375	12,061
Other benefits	129	112
Total	9,504	12,173

i) Commitments given to related parties

The long term loan amounting to USD325,000,000 granted to Akcez and its subsidiaries, Sedaş and Sepaş as borrowers, by the International Finance Corporation ("IFC"), European Bank for Reconstruction and Development ("EBRD") and Unicredit Bank AG ("UCB") was refinanced on the basis of the negotiations with the same Bank Group as of 20 May 2016. As of the date of the refinancing of the loan, the balance is USD220,675,000 and Akcez's shareholders Akkök Holding A.Ş. And Cez A.Ş. have become guarantors of the loans (each responsible individually and with a maximum balance equal to half of the loan). Loan repayments are made by Akcez and the balance of the loan is USD216,661,804 as of 31 December 2016.

Akcez's shareholders Akkök Holding A.Ş. and Cez A.Ş. have become guarantors solely (each responsible individually and with a maximum amount equal to half of the loan) with respect to long term loans amounting to USD18,660,003 and TRY53,526,218 obtained by Akcez's subsidiary, Sedaş as borrower, from the International Finance Corporation ("IFC"), European Bank for Reconstruction and Development ("EBRD") and Unicredit Bank AG ("UCB") as part of the refinancing agreement dated 20 May 2016. Loan repayments are made by Sedaş. As of 31 December 2016, the remaining balance of the loan is USD18,660,003 and TRY53,526,218.

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NOTE 10 - TRADE RECEIVABLES AND PAYABLES**a) Trade receivables from third parties**

	2016	2015
Trade receivables	974,177	734,417
Less: Provision for doubtful receivables	(64,626)	(60,113)
Less: Rediscount of trade receivables	(12,172)	(10,896)
Subtotal	897,379	663,408
Trade receivables from related parties (Note 9)	28,506	32,738
Total	925,885	696,146

Maturity of trade receivables of the Group is generally less than three months (2015: 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 2016 and 2015 are as follows:

	2016	2015
1 January	60,113	58,216
Collections and reversal of provisions	(1,932)	(1,483)
Charge for the year	6,445	1,309
Increase due to Gizem Frit acquisition	-	2,071
31 December	64,626	60,113

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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 2016 and 2015 is as follows:

	2016	2015
Up to 3 months	88,877	59,521
More than 3 months	7,216	4,305
Total	96,093	63,826

b) Long-term trade receivables

	2016	2015
Notes receivables (*)	63,325	67,105
Less: Unearned financial income	(5,019)	(7,301)
Total	58,306	59,804

(*) TRY61,170 (2015:TRY66,840) portion of the long-term notes receivables consist of notes received for the sales of Cerkezkoy buildings and lands to Altinyıldız Tekstil Konfeksiyon A.Ş. with 5 year maturities.

c) Trade payables from third parties

	2016	2015
Trade payables	615,594	377,530
Less: Unearned financial expense	(3,791)	(2,239)
Subtotal	611,803	375,291
Trade payables to related parties (Note 9)	26,948	45,957
Total	638,751	421,248

NOTE 11 - INVENTORIES

	2016	2015
Raw materials	146,442	133,077
Finished goods	105,380	63,874
Complete and incomplete residences	97,203	399
Other inventories and spare parts	43,019	35,745
Semi-finished goods	23,171	27,146
Trade goods	4,353	6,959
Less: Provision for impairment in inventories	(1,915)	(2,768)
Total	417,653	264,432

At 31 December 2016, carrying value of the Group's non-current inventories comprising incomplete residences is TRY291,205 (2015: TRY317,618).

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NOTE 11 - INVENTORIES (Continued)

Provision for impairment in inventories is mainly related to finished goods as of 31 December 2016 and 2015:

	2016	2015
1 January	2,768	1,304
Charge for the year	-	1,464
Cancelled provision	(853)	-
31 December	1,915	2,768

NOTE 12 - PREPAID EXPENSES AND DEFERRED INCOME

	2016	2015
Current prepayments:		
Advances given for inventories	15,714	10,952
Prepaid expenses	12,092	11,799
Total	27,806	22,751
Non-current prepayments:		
Advances given	50,844	13,950
Prepaid expenses	4,520	4,183
Total	55,364	18,133
Deferred income:		
Advances received	61,460	18,647
Deferred income	3,388	3,093
Total	64,848	21,740

NOTE 13 - INVESTMENT PROPERTY

	1 January 2016	Additions	Disposals ^(*)	Transfer	Impairment	31 December 2016
Cost	551,191	29,260	(43,556)	-	-	536,895
Accumulated depreciation	43,323	7,811	-	-	-	51,134
Net book value	507,868					485,761

	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

(*) Consist of sales of lands located in Üsküdar Kısıklı, and Çerkezköy by Akış in 2016.

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NOTE 13 - INVESTMENT PROPERTY (Continued)

Fair value of the Group's investment properties, as of 31 December 2016 were estimated by an independent valuation company as TRY1,218,932 (2015: TRY1,117,755). Total fair value determined is classified as Level 2. 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 2016	Additions	Disposals ^(*)	Transfers ^(**)	Currency translation differences	31 December 2016
Cost						
Land and land improvements	259,763	3,164	(29)	14,374	(809)	276,463
Buildings	225,252	1,009	-	37,273	(1,683)	261,851
Machinery and equipment	1,387,007	7,835	(1,209)	67,096	(3,580)	1,457,149
Motor vehicles	82,423	438	(91)	-	(203)	82,567
Furniture and fixtures	85,418	4,859	(365)	4,528	(145)	94,295
Leasehold improvements	16,029	205	-	-	-	16,234
Construction in progress ^(**)	97,422	169,494	-	(127,942)	-	138,974
Total	2,153,314	187,004	(1,694)	(4,671)	(6,420)	2,327,533
Accumulated Depreciation						
Land and land improvements	74,713	6,410	(7)	-	-	81,116
Buildings	59,037	6,292	-	-	(869)	64,460
Machinery and equipments	860,741	74,523	(1,186)	-	(3,059)	931,019
Motor vehicles	15,367	5,756	(40)	-	(203)	20,880
Furniture and fixtures	55,175	7,910	(205)	-	(130)	62,750
Leasehold improvements	12,255	599	-	-	-	12,854
Total	1,077,288	101,490	(1,438)	-	(4,261)	1,173,079
Net book value	1,076,026					1,154,454

(*) Amount of TRY4,671 of transfers are due to classification of intangible assets.

(**) Construction in progress is mainly comprised of modernization of production facilities and construction of reverse osmosis facility of Aksa, and investments with respect to ultra filtration and Yalova persulfates facilities of Akkim.

The total amount of mortgage on the lands of the Group as of 31 December 2016 is TRY733,860 (2015: TRY656,102).

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

NOT 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	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	-	-	-	29	12,255
Total	961,932	94,373	(7,021)	(1,710)	1,120	28,594	1,077,288
Net book value	922,050						1,076,026

(^(*)) Amount of TRY3,091 of transfers is the classification of assets to investment properties and amount of TRY7,577 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 of Akkim.

(^(***)) Note 5.

AKKÖK HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

NOTE 15 - INTANGIBLE ASSETS

	1 January 2016	Additions	Disposals	Transfers	Currency translation differences	31 December 2016
Cost:						
Rights	130,606	1,544	(6,144)	-	(771)	125,235
Development costs	21,276	90	-	4,671	-	26,037
Other	6,049	294	-	-	-	6,343
Customer list	107,276	-	-	-	-	107,276
Total	265,207	1,928	(6,144)	4,671	(771)	264,891
Accumulated amortisation:						
Rights	11,305	4,197	(2,142)	-	(430)	12,930
Development costs	8,724	3,658	-	-	-	12,382
Other	3,887	1,163	-	-	-	5,050
Customer list	10,728	10,728	-	-	-	21,456
Total	34,644	19,746	(2,142)	-	(430)	51,818
Net book value	230,563					213,073

	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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	2016	2015
Provisions:		
Provisions for debts and expenses	3,718	2,253
Provision for lawsuits	2,686	2,308
Provision for tax penalty	-	4,039
Total	6,404	8,600

Other non-current provisions mostly consist of provisions 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:

	2016	2015
Eximbank limits	456,777	391,518
Insurances on receivables	430,371	318,993
Confirmed/nonconfirmed letters of guarantees	247,025	293,140
Received notes, guarantee and cheques	106,014	69,901
Received mortgages	92,860	50,483
Received letters of guarantee	75,845	54,675
Limits from direct debit systems	15,956	19,563
Total	1,424,848	1,198,273

b) Guarantees given

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

	2016	2015
Mortgages given	733,860	656,102
Letters of credit given	368,440	194,572
Letters of guarantee given	199,216	246,145
Total	1,301,516	1,096,819

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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 TRY35,895 in the Group's consolidated financial statements as of 31 December 2016.

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 TRY4,434 on the grounds that the port was used without permission until the date 31 December 2016. 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 TRY78,025 and railway and land improvements as TRY10,050. 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 TRY88,075 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 for TDİ to make payment in amount of TRY80,803 to Akport. The annulment action was proceeded by TDİ against the decision, and the Court made decision of nonjurisdiction on 3 March 2016. TDİ appealed against the decision of nonjurisdiction and the final decision hasn't been made yet.

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 USD74,673,983 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 9 November 2012, opened a lawsuit for the collection of the said amount in the presence of arbitrators.

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

Arbitration committee has unanimously taken the following decisions on 28 February 2014.

1. Relationship between the parties were ended as of 1 November 2010 due to impossibility of perfect fulfillment of the requirements
2. Akport should pay a total of USD3,881,262 for operating rights and compensation costs as of the date of decision.
3. The parties have the right to terminate the counterclaim.

Accordingly, Akport made payment in amount of USD3,934,296, including accrued interest to maturity date, to ÖİB at 22 April 2014, and no additional provisions were made in the financial statements for the year ended 31 December 2016.

The case filed by the Privatization Administration for cancellation of the decision was rejected by the Court on 21 January 2016, and the office of the Privatization Administration appealed against the decision. The decision has not yet been finalized.

d) *Lawsuits from shareholders:*

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 lawsuit filed for the annulment of Akkök's extraordinary general assembly meeting dated 31 October 2013, was accepted by the Court of First Instance on 21 October 2015 and as the parties did not appeal to the higher court, the decision became final on 21 November 2015.

Regarding the case for the annulment of the extraordinary general meetings dated 23 December 2015 and 14 January 2016 and the order of the board of directors' decision of Akkök dated 24 February 2016 and numbered 4, calling for shareholders to pay 50% of the capital commitments, the plaintiffs rejected the preliminary injunction. Accordingly, no provision has been made for this demand in the financial statements for the year ended 31 December 2016.

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 17 - EMPLOYEE BENEFITS

	2016	2015
Short term:		
Provision for bonuses	18,038	15,568
Unused vacation provision	3,729	3,233
Subtotal	21,767	18,801
Long term:		
Provision for employment termination benefits	34,201	34,823
Provision for seniority incentive plan	2,243	2,903
Total	36,444	37,726

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:

	2016	2015
Discount rate (%)	3.52	3.58
Probability of retirement (%)	84.95 - 100.00	84.95 - 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 TRY4,426 effective from 1 January 2017 (1 January 2016: TRY4,093) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 17 - EMPLOYEE BENEFITS (Continued)

Movements in the provisions for employment termination benefits and seniority incentive bonus for the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
1 January	37,726	35,903
Compensation paid	(6,692)	(3,649)
Service cost	6,898	3,617
Interest cost	2,573	2,006
Gizemfrit acquisition effect (Note 5)	-	1,866
Actuarial gain	(4,061)	(2,017)
31 December	36,444	37,726

NOTE 18 - OTHER ASSETS AND LIABILITIES

	2016	2015
Other current assets:		
VAT receivable	111,481	96,469
Income accruals	1,297	737
Other	836	582
Total	113,614	97,788
Other non-current assets:		
VAT receivable	3,071	2,324
Other	1,639	957
Total	3,281	28,101
Other current liabilities:		
Taxes and funds payable	5,386	6,689
Liability in relation to contingent consideration for Gizem Frit (Note 5)	4,239	4,156
Expense accruals	705	2,407
Organized Industrial Zone liabilities	-	3,273
Total	10,330	16,525
Other non-current liabilities:		
Liability in relation to contingent consideration for Gizem Frit (Note 5)	-	7,544
Total	-	7,544

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 19 - BORROWINGS

	2016	2015
Short-term bank borrowings	944,129	981,686
Short-term factoring and leasing liabilities	36,202	21,850
Subtotal	980,331	1,003,536
Current portion of long-term bank borrowings	317,783	232,312
Total short-term financial liabilities	1,298,114	1,235,848
Long-term bank borrowings	1,039,019	936,390
Long-term factoring and leasing liabilities	90	4,878
Total long-term financial liabilities	1,039,109	941,268

As of 31 December 2016, the Group has short term Eximbank borrowings in USD currency, amounting to TRY523,087 (2015: TRY689,402), and short term Eximbank borrowings in EUR currency amounting to TRY200,335 (2015: TRY108,038).

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

	2016		2015	
	Weighted average interest rate %	TRY	Weighted average interest rate %	TRY
Short term bank borrowings:				
USD Loans	1.80	585,947	1.55	742,355
Euro Loans	1.24	261,019	1.83	208,844
TRY Loans	16.05	97,163	11.29	30,487
Total		944,129		981,686
Short term factoring payables:				
USD factoring payables		30,042		21,850
TRY factoring payables		6,160		-
Total		36,202		21,850
Current portion of long-term bank borrowings:				
USD Loans	4.85	219,030	4.29	157,394
Euro Loans	3.38	96,977	3.24	74,918
TRY Loans	13.15	1,776	-	-
Total		317,783		232,312
Long-term bank borrowings:				
USD Loans	5.62	670,583	5.60	620,873
Euro Loans	3.55	312,602	3.58	315,517
TRY Loans	10.17	55,834	-	-
Total		1,039,019		936,390
Long-term factoring payables:				
TRY factoring payables		90		4,878
Total		90		4,878

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(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 2016 and 2015 is as follows:

	2016		2015	
	Fair Value	Book Value	Fair Value	Book Value
USD borrowings	1,513,449	1,477,500	1,551,594	1,533,823
EUR borrowings	742,503	705,085	611,982	599,277
TRY borrowings	161,643	154,638	44,016	44,016
Total	2,417,595	2,337,223	2,207,592	2,177,116

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 repayment schedule of long term financial borrowings is as follows:

	2016	2015
Within 1 - 2 year	303,940	191,139
Within 2 - 3 year	219,495	233,502
Within 3 - 4 year	139,584	142,840
Over 4 years	376,090	373,787
Total	1,039,109	941,268

At 31 December 2016, bank borrowings with floating interest rates amounted to TRY247,125 (2015: TRY262,559). 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+3.50% (London Interbank Offered Rate) (2015: Libor+3.10% and Libor+3.25%).

NOTE 20 - DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2015	
	Asset	Liabilities	Asset	Liabilities
Hedging instruments	2,554	-	413	1,454
Held for trading	136	2,790	7,311	817
Total	2,690	2,790	7,724	2,271

Derivatives as hedging instruments:

	2016		2015	
	Contract amount	Fair value Liability	Contract amount	Fair value Liability
Interest rate swap	56,429	(2,554)	44,767	(1,041)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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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 2016, the fixed interest rates vary from 0.90% to 16.05% (2015: 1.62% to 5.60%), 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 2016 and 2015, the Group's share capital and shareholding structure exceeding 1% were as follows:

	% Share	2016	% Share	2015
A.R.D. Holding A.Ş.	33	334,483	33	287,793
Atlantik Holding A.Ş.	33	334,483	33	287,793
N.D.Ç. Holding A.Ş.	33	334,482	33	287,791
Other	1	2	1	1
Total	100	1,003,450	100	863,378
Paid-in capital		(35,018)		-
		968,432		863,378
Adjustment to share capital		(10,406)		(10,406)
Total Equity		958,026		852,972

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

The Group's authorised share capital consists of 100,345,000,000 shares each with TRY0.01 value (2015: 86,337,823,914). There are no privileges given to shares of different groups and shareholders. As of balance sheet date, the paid-in capital is TRY968,432.

The capital, which was increased from TRY13,098 to TRY863,378 with the decision taken at the extraordinary general meeting dated 23 December 2015, through the addition of the Company's whole internal resources to the capital (only from internal resources) pursuant to Article 462 of the Turkish Commercial Code (TCC) was increased to TRY1,003,450 taken at the extraordinary general assembly meeting held on 23 December 2015, increased to TRY1,003,450 with the decision of capital increase taken at the extraordinary general meeting held on 14 January 2016. All of the guaranteed amount of TRY105,054 was paid in cash. Capital increase was registered on 22 February 2016.

Retained Earnings and Legal Reserves

Legal reserves consist of first and second legal reserves, calculated in accordance with the Turkish Commercial Code. The first legal reserve is calculated as 5% of the financial statutory profits per annum until the total reserve reaches 20% of the historical paid-in share capital. In accordance with Turkish Commercial Code, restricted reserves not exceeding 50% of share capital can be offset against accumulated losses, but cannot be distributed.

As of 31 December 2016 and 2015 retained earnings of Akkök in accordance with statutory financial statements are as follows:

	2016	2015
Legal reserves	7,516	6,549
Retained loss	-	(1,684)
Net profit for the period	75,827	21,035
Total	83,343	25,900

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:

2016	Ownership of non-controlling interest (%)	Assets	Liabilities	Revenue	Net profit/ (loss) for the year
Akiş	68.47	1,166,896	812,066	78,563	(2,152)
Akkim	58.00	953,147	720,008	641,102	13,282
Aksa	60.41	2,632,970	1,383,268	1,954,385	125,747
Total		4,753,013	2,915,342	2,674,050	136,877

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

2015	Ownership of non-controlling interest (%)	Assets	Liabilities	Revenue	Net profit / (loss) 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

NOTE 22 - REVENUE AND COST OF SALES

a) Revenue

	2016	2015
Revenue	1,768,148	1,901,293
Exports	973,579	987,055
Less: Sales returns (-)	(12,143)	(16,269)
Less: Sales discounts (-)	(112,096)	(182,635)
Revenues, net	2,617,488	2,689,444

b) Cost of sales

	2016	2015
Raw materials	1,603,134	1,700,967
Personnel expenses	133,011	112,505
Depreciation and amortisation	118,053	107,512
Shopping mall costs	25,900	23,922
Other	95,040	145,494
Total	1,975,138	2,090,400

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NOTE 23 - GENERAL AND ADMINISTRATIVE EXPENSES**a) General administrative expenses**

	2016	2015
Personnel expenses	63,713	54,926
Consultancy expenses	24,723	25,939
Other tax expenses	11,475	7,814
Donations and charities	9,045	4,212
Communication expenses	6,880	6,597
Depreciation and amortization	5,996	5,353
Rent expenses	3,470	2,550
Office expenses	2,851	2,623
Travelling expenses	1,491	1,949
Other	22,012	17,080
Total	151,656	129,043

a) Marketing expenses

	2016	2015
Export expenses	21,337	29,044
Commission expenses	18,440	6,530
Personnel expenses	17,845	15,714
Transportation expenses	4,146	8,156
Travel expenses	2,626	2,281
Rent expenses	1,623	1,165
Advertisement expenses	965	1,565
Insurance expenses	849	1,115
Other	7,638	8,073
Total	75,469	73,643

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

	2016	2015
Foreign exchange gain on trade receivables and payables	223,301	155,052
Interest income from sales on credit	28,251	24,786
Provisions closed	2,736	3,495
Other	14,674	10,980
Total	268,962	194,313

b) Other operating expenses

	2016	2015
Foreign exchange gain on trade receivables and payables	153,540	110,149
Interest expense from purchases on credit	18,605	22,109
Provision expenses	2,167	3,347
Tax penalty	350	6,695
Other	4,649	4,982
Total	179,311	147,282

NOTE 25 - INCOME AND EXPENSE FROM INVESTING ACTIVITIES**a) Income from investing activities**

	2016	2015
Gain on sales of fixed assets (*)	78,960	104,700
Dividend income from subsidiaries	657	921
Gain on acquisition of additional stake in SAF GYO (Note 8)	-	9,125
Gain on sale of financial assets	-	132
Total	79,617	114,878

(*)The amount of TRY77,978 of the gain on sales of fixed assets, consists of sale of land, building and fixed asset of Çerkezkoy, Üsküdar and Bozüyük.

b) Expenses from investing activities

	2016	2015
Impairment of investment property	-	(166)
Total	-	(166)

AKKÖK HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

NOTE 26 - EXPENSE BY NATURE

Expenses classified by nature for the period of 31 December 2016 and 2015 are as follows:

	2016	2015
Raw materials	1,689,209	1,802,122
Personnel expenses	216,835	185,147
Depreciation and amortisation expenses	128,399	118,229
Shopping mall costs	25,900	23,922
Cost of residences sold	206	5,590
Other	157,019	169,325
Total	2,217,568	2,304,335

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

	2016	2015
Foreign exchange gain	410,575	293,844
Interest income	32,873	33,741
Gain from derivative financial instruments	-	45,342
Total	443,448	372,927

b) Financial expenses

	2016	2015
Foreign exchange loss	(668,872)	(492,765)
Interest expenses	(64,614)	(99,420)
Loss from derivative financial instruments	(10,220)	(9,463)
Total	(743,706)	(601,648)
Net financial expense	(300,258)	(228,721)

AKKÖK HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 28 - TAXES ON INCOME

	2016	2015
Corporate and income taxes payable	63,594	67,451
Less: prepaid corporate income tax	(53,947)	(50,320)
Taxes on income, net	9,647	17,131

The details of taxation on income in the statements of comprehensive income for the years ended 31 December 2016 and 2015 are as below:

	2016	2015
Current income tax expense	(63,594)	(67,451)
Deferred tax expense, net	(3,472)	1,720
Total tax expense, net	(67,066)	(65,731)

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 2016 and 2015 using the enacted tax rates is as follows:

	Temporary taxable differences		Deferred tax assets / (liabilities)	
	2016	2015	2016	2015
Investment incentives	51,730	49,795	10,346	9,959
Employee benefits	39,230	35,905	7,846	7,181
Deferred tax assets from carryforward losses	610	4,075	122	815
Provision for doubtful receivables	540	7,385	108	1,477
Derivative financial instruments	235	-	47	-
Impairment of inventories	-	10,040	-	2,008
Other	5,810	3,185	1,162	637
Deferred income tax assets			19,631	22,077
Property, plant and equipment and intangible assets	(193,705)	(179,235)	(38,741)	(35,847)
Derivative financial instruments	-	(5,600)	-	(1,120)
Trade payables	(2,905)	(2,190)	(581)	(438)
Impairment of inventories	(1,155)	-	(231)	-
Other	-	(260)	-	(52)
Deferred income tax liabilities			(39,553)	(37,457)
Deferred income tax liabilities, net			(19,922)	(15,380)

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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.

	2016	2015
Deferred income tax assets	12,405	10,956
Deferred income tax liabilities	(32,327)	(26,336)
Deferred income tax liabilities, net	(19,922)	(15,380)

Movements of deferred tax liability as at 31 December 2016 and 2015 as below:

	2016	2015
1 January	15,380	4,446
Deferred tax income / (expense) for the year, net	3,472	(1,720)
Amounts recognised under equity	1,070	223
Change due to acquisition (Note 5)	-	12,431
Balances at 31 December	19,922	15,380

The reconciliation of tax expenses stated on the consolidated statement of comprehensive income for the years ended 31 December 2016 and 2015 is as follows:

	2016	2015
Profit before tax on consolidated financial statements	138,816	149,703
Expected tax expense of the Group (20%)	(27,763)	(29,941)
Effect of tax losses for which no deferred tax asset recognized	(20,308)	(1,247)
Effect of consolidation adjustments	(31,220)	(34,481)
Non-deductible expenses	(2,407)	(5,589)
Other income exempt from tax	15,741	7,437
Other	(1,109)	(1,910)
Actual tax expense of the Group	(67,066)	(65,731)

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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	2016	2015
2017	19,261	19,261
2018	20,327	20,327
2019	16,704	16,704
2010	9,005	9,005
2021	4,815	-
Total	70,112	65,297

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 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 2016, the foreign currency position of the Group is prepared using the following foreign exchange rates USD/TRY 3.5192, EUR/TRY 3.7099 (2015: USD/TRY 2.9076, EUR/TRY 3.1776).

AKKÖK HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 29 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency position table denominated in Turkish Lira as of 31 December 2016 and 2015 is as follows:

	2016	2015
Assets	1,505,571	1,206,980
Liabilities (-)	(2,780,344)	(2,498,326)
Net balance sheet position	(1,274,773)	(1,291,346)

	2016			Total
	USD	EUR	Other currencies	
Assets:				
Cash and cash equivalents	456,243	34,510	6,305	497,058
Financial investments	35,317	-	-	35,317
Trade receivables	768,681	97,709	641	867,031
Other assets	106,075	90	-	106,165
Total assets	1,366,316	132,309	6,946	1,505,571
Liabilities:				
Short-term borrowings	811,137	357,996	-	1,169,133
Long-term borrowings	670,673	312,602	-	983,275
Trade payables	489,443	56,979	576	546,998
Other liabilities	73,364	7,575	-	80,939
Total liabilities	2,044,617	735,152	576	2,780,345
Net foreign currency position	(678,301)	(602,843)	6,370	(1,274,773)

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

	2015			Total
	USD	EUR	Other currencies	
Assets:				
Cash and cash equivalents	435,203	54,420	34,371	523,994
Financial investments	29,076	-	-	29,076
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)

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 2016 and 2015.

2016	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%		
USD net assets / liabilities	(67,830)	67,830
USD net effect - income/ (expense)	(67,830)	67,830
Change of EUR against TRY by 10%		
EUR net assets / liabilities	(60,284)	60,284
Euro net effect - income/ (expense)	(60,284)	60,284

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

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

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.

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 2016 and 2015, the Group's borrowings at floating rates are mainly denominated in USD and Euro.

At 31 December 2016, 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 TRY2,472 (2015: TRY2,627) lower/higher, 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

The Fitch rating scores of the banks in which the company has short term time and demand deposits, are within the range of F3-B.

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

Credit risk of financial instruments at 31 December 2016 and 2015 are as follows:

2016	Trade and other receivables		
	Related party	Other	Bank deposits
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	139,084	960,530	756,594
Secured portion	-	409,872	-
A. Net book value of financial assets that are neither past due nor impaired	139,084	860,832	756,594
- Secured portion	-	348,331	-
B. Net book value of financial assets that are past due but not impaired	-	96,093	-
- Secured portion	-	57,936	-
C. Net book value of financial assets that are past due and impaired	-	3,605	-
- Overdue (gross book value)	-	68,231	-
- Impairment (-)	-	(64,626)	-
- Secured portion	-	3,605	-
- Not overdue (gross book value)	-	-	-
- Impairment (-)	-	-	-
- Secured portion	-	-	-
D. Off-balance sheet items with credit risk	-	-	-

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	656,349	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	-	7,315	-
- Overdue (gross book value)	-	67,428	-
- Impairment (-)	-	(60,113)	-
- Secured portion	-	7,315	-
- 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 2016

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

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.

2016:

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	2,337,223	2,552,991	579,099	806,715	901,056	266,121
Trade payables	611,803	614,722	366,345	248,377	-	-
Due to related parties	26,948	26,948	19,236	7,712	-	-
Total	2,975,974	3,194,661	964,680	1,062,804	901,056	266,121

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	2,790	2,790	1,653	-	1,137	-

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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-derivative 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	1,808	-	-

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

29.5 Capital risk management (Continued)

The ratio of net debt/equity at 31 December 2016 and 2015 is as follows:

	2016	2015
Total liabilities	2,975,974	2,598,364
Less: cash and cash equivalents (Note 6)	(713,092)	(645,036)
Less: short term financial investments	(43,800)	-
Net debt	2,219,082	1,953,328
Total shareholders' equity	2,070,600	1,999,116
Total equity	4,289,682	3,952,444
Debt/equity ratio (%)	52	49

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.

The carrying values of trade receivables are assumed to approximate to their fair value with their provisions for doubtful receivables.

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

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. 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 (Note19).

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.

2016	Level 1	Level 2	Level 3
Available-for-sale financial assets	8,915	-	226
Derivative financial assets	-	2,690	-
Total assets	8,915	2,690	226
2015	Level 1	Level 2	Level 3
Available-for-sale financial assets	8,648	-	226
Derivative financial assets	-	7,724	-
Total assets	8,648	7,724	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

Pursuant to the decisions taken at the Extraordinary General Assembly Meetings of SAF GYO on 27 December 2016 and Akiş on 28 December 2016, It has been decided that SAF GYO and Akiş GYO will merge within Akiş GYO through the acquisition of SAF GYO by Akiş GYO as a whole together with all its assets and liabilities. The acquisition was registered on 18 January 2017 and SAF GYO A.Ş. dissolved without liquidation.

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