**AKKÖK HOLDİNG A.Ş.**

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

**(ORIGINALLY ISSUED IN TURKISH)**

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

**INDEPENDENT AUDITOR'S REPORT**

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

1. We have audited the accompanying consolidated financial statements of Akkök Holding A.Ş. ("Akkök") and its subsidiaries (collectively referred as the "Group") which comprise the consolidated statements of financial position as at 31 December 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's responsibility for the consolidated financial statements*

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

*Auditor's responsibility*

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

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

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

*Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers*
*BJK Plaza, Süleyman Seba Cad. No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul - Turkey*
www.pwc.com/tr *Telephone: +90 (212) 326 6060, Facsimile: +90 (212) 326 6050*

*Opinion*

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Akkök Holding A.Ş. and its subsidiaries as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Emphasis of matter*

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

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

Ediz Günsel, SMMM
Partner

Istanbul, 13 May 2015

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

## AKKÖK HOLDİNG A.Ş.

**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

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## AKKÖK HOLDİNG A.Ş.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2014 AND 2013

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

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

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

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

## AKKÖK HOLDİNG A.Ş.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2014 AND 2013

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

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

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

## AKKÖK HOLDİNG A.Ş.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2014 AND 2013

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

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

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

## AKKÖK HOLDİNG A.Ş.

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

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

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

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

## AKKÖK HOLDİNG A.Ş.

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

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

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

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 2014 AND 2013

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

| | Attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Paid-in capital** | **Adjustment to share capital** | **Change in value of available for sale financial assets(*)** | **Currency translation differences** | **Hedging reserve(*)** | **Remeasurement gain/loss arising from defined benefit plans(**)** | **Restricted reserves** | **Retained earnings** | **Profit for the year** | **Total** | **Non controlling interests** | **Total equity** |
| **Balance at 1 January 2013** | **13,098** | **160,967** | **7,401** | **(424)** | **(9,376)** | **(1,671)** | **13,670** | **641,963** | **139,954** | **965,582** | **857,407** | **1,822,989** |
| Transfers to reserves | - | - | - | - | - | - | - | 139,954 | (139,954) | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | (655) | - | (655) | (93,692) | (94,347) |
| Capital increases – in cash (Note 20) | 225,000 | - | - | - | - | - | - | - | - | 225,000 | - | 225,000 |
| Capital increases (Not 20) | 300,000 | (3,430) | - | - | - | - | (8,676) | (287,894) | - | - | - | - |
| Total comprehensive income for the period | - | - | (3,358) | 20,895 | 2,775 | (4,077) | - | - | 6,907 | 23,142 | 163,767 | 186,909 |
| Impact of changes in the ownership rate of subsidiaries | - | - | - | - | - | - | - | (21,832) | - | (21,832) | 2,033 | (19,799) |
| **Balance at 31 December 2013** | **538,098** | **157,537** | **4,043** | **20,471** | **(6,601)** | **(5,748)** | **4,994** | **471,536** | **6,907** | **1,191,237** | **929,515** | **2,120,752** |
| **Balance at 1 January 2014** | **538,098** | **157,537** | **4,043** | **20,471** | **(6,601)** | **(5,748)** | **4,994** | **471,536** | **6,907** | **1,191,237** | **929,515** | **2,120,752** |
| Capital remandment (Note 20) | (150,000) | - | - | - | - | - | - | - | - | (150,000) | - | (150,000) |
| Transfer | - | - | - | - | - | - | 1,455 | 5,452 | (6,907) | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | (22,583) | - | (22,583) | (100,471) | (123,054) |
| Total comprehensive income for the period | - | - | 2,802 | 6,459 | (154) | (2,209) | - | - | 2,665 | 9,563 | 121,647 | 131,210 |
| Capital increase in subsidiaries (***) | - | - | - | - | - | - | - | - | - | - | 53,071 | 53,071 |
| Impact of changes in the ownership rate of subsidiaries | - | - | - | - | - | - | - | (4,901) | - | (4,901) | 4,901 | - |
| **Balance at 31 December 2014** | **388,098** | **157,537** | **6,845** | **26,930** | **(6,755)** | **(7,957)** | **6,449** | **449,504** | **2,665** | **1,023,316** | **1,008,663** | **2,031,979** |

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

## AKKÖK HOLDİNG A.Ş.

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

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

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

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

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

## NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Akkök Holding A.Ş ("Akkök") was established in 1979.

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

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

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

Akkök Holding A.Ş. is registered in Turkey and the address of the registered office is as follows:

Miralay Şefik Bey Sokak
No: 15 Akhan
Gümüşsuyu 34437 İstanbul

***Subsidiaries***

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

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

## 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.* |
| *Akkur Enerji Üretim Tic. ve San. A.Ş.* | Turkey | Energy | *CEZ a.s.* |
| *Egemer Elektrik Üretim A.Ş.("Egemer")* | Turkey | Energy | *CEZ a.s.* |
| *Ak-el Kemah Elektrik Üretim A.Ş. ("Kemah")* | Turkey | Energy | *CEZ a.s.* |
| *Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Mem")* | Turkey | Energy | *CEZ a.s.* |
| DowAksa Advanced Composites Holding B.V. ("DowAksa") | Netherlands | Chemistry | Dow Europe Holdings B.V. |
| *DowAksa İleri Kompozit Malzemeler San. Ltd. Şti.* | Turkey | Chemistry | *Dow Europe Holdings B.V.* |
| *DowAksa Switzerland GmbH* | *Switzerland* | Chemistry | *Dow Europe Holdings B.V.* |
| *DowAksa USA LLC* | *USA* | Chemistry | *Dow Europe Holdings B.V.* |
| Akferal Su Kimyasalları Sanayi ve Ticaret A.Ş. ("Akferal") | Turkey | Chemistry | Feralco Group |

### *Associates*

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

| **Associates** | **Country of incorporation** | **Nature of business** |
|---|---|---|
| Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. ("Akmerkez") | Turkey | Real Estate Development |
| Saf Gayrimenkul Yatırım Ortaklığı A.Ş. ("Saf GYO") | Turkey | Real Estate Development |

### *Financial investments*

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

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

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

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.1 Basis of Presentation

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

The Company maintains its accounting records and prepares its statutory financial statements in accordance with Public Oversight Authority of Turkey's decision dated 30 December 2014 and General Communiqués on Accounting Systems Practices ("ASGC"), in Turkish Liras, in accordance with the requirements of Turkish Commercial Code (the "TCC"). These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with IFRS.

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

### 2.2 Principles of consolidation

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

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

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

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

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

(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)

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

| | Proportion of voting power held by Akkök and its subsdiaries (%) (*) | | Proportion of voting power held by certain Dinçkök family members and related shareholders (%) (**) | | Total voting power held | | Proportion of effective interest (%) (***) | |
|---|---|---|---|---|---|---|---|---|
| **Subsidiaries** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| Ak Havacılık ve Ulaştırma Hizmetleri A.Ş. | 100.00 | 100.00 | - | - | 100.00 | 100.00 | 100.00 | 100.00 |
| Ak-Kim Kimya Sanayi ve Ticaret A.Ş. | 42.00 | 42.00 | 36.63 | 36.63 | 78.63 | 78.63 | 42.00 | 42.00 |
| *Ak-Tem Uluslararası Mümessillik ve Ticaret A.Ş.* | *99.80* | *99.80* | *0.05* | *0.05* | *99.85* | *99.85* | *41.92* | *41.92* |
| Akmeltem Poliüretan Sanayi ve Ticaret A.Ş. | 50.00 | 50.00 | 1.67 | 1.67 | 51.67 | 51.67 | 50.00 | 50.00 |
| Akmerkez Lokantacılık Gıda Sanayi ve Ticaret A.Ş. | 43.75 | 43.75 | 43.75 | - | 43.75 | 43.75 | 43.75 | 43.75 |
| Ak-Pa Tekstil İhracat Pazarlama A.Ş. | 84.69 | 84.69 | 7.50 | 7.50 | 92.19 | 92.19 | 76.55 | 76.55 |
| Akport Tekirdağ Liman İşletmeleri A.Ş. | 96.30 | 91.11 | 3.70 | 4.45 | 100.00 | 95.56 | 96.30 | 91.11 |
| Aksa Akrilik Kimya Sanayii A.Ş. | 39.59 | 39.59 | 18.72 | 18.72 | 58.31 | 58.31 | 39.59 | 39.59 |
| *Fitco BV* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *39.59* | *39.59* |
| *Aksa Egypt Acyrlic Fiber Industrie SAE* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *39.77* | *39.77* |
| Ariş Sanayi ve Ticaret A.Ş. | 43.34 | 43.34 | 28.33 | 28.33 | 71.67 | 71.67 | 43.34 | 43.34 |
| Dinkal Sigorta Acenteliği A.Ş. | 96.66 | 96.66 | 2.23 | 2.23 | 98.89 | 98.89 | 95.53 | 95.53 |
| Zeytnliada Turizm ve Ticaret A.Ş. | 89.61 | 89.61 | 9.27 | 4.64 | 98.88 | 94.25 | 89.61 | 89.61 |
| İstasyon Tekstil ve Sanayi Ticaret A.Ş. | 43.37 | 43.37 | 28.31 | 28.31 | 71.68 | 71.68 | 43.37 | 43.37 |
| Akiş Gayrimenkul Yatırımı A.Ş. | 31.53 | 31.53 | 39.54 | 43.93 | 71.07 | 75.46 | 31.53 | 31.53 |
| *Ak Yön Yönetim ve Bakım Hizmetleri A.Ş.* | *99.99* | *99.99* | *0.01* | *0.01* | *100.00* | *100.00* | *31.46* | *31.46* |
| *Aksu Real Estate E.A.D* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *31.46* | *31.46* |
| Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş. | 20.00 | 20.00 | 40.00 | 40.00 | 60.00 | 60.00 | 20.00 | 20,00 |

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

(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 2014 and 31 December 2013:

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

(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)

d) Investments in associated undertakings are accounted for using the equity method of accounting (Note 7). These are undertakings, over which the Group generally has between 20% and 50% of the voting rights; through the voting rights of Akkök and its subsidiaries and/or through the voting rights of certain members of Dinçkök family and the related shareholders in those companies who declared to exercise their voting rights inline with Akkök's voting preference or through the Group's exercise of significant influence with, no controlling power. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking or significant influence of the Group ceases. The carrying amount of the investment at the date when significant influence ceases is regarded as cost thereafter. The table below sets out the associates accounted for using the equity method of accounting, the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at 31 December 2014 and 2013:

| | Proportion of voting power held by Akkök and its subsidiaries (%) (*) | | Proportion of voting power held by certain Dinçkök family members and related shareholders (%) (**) | | Total voting power held | | Proportion of effective interest (%) (***) | |
|---|---|---|---|---|---|---|---|---|
| **Subsidiaries** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| Akmerkez GayrimenkulYatırım Ortaklığı A.Ş. | 13.12 | 13.12 | 5.57 | 5.57 | 18.69 | 18.69 | 13.12 | 13.12 |
| Saf Gayrimenkul Yatırım Ortaklığı A.Ş. | 6.56 | 6.56 | 14.29 | 14.29 | 21.85 | 21.85 | 2.07 | 2.07 |

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

| | Proportion of voting power held by Akkök and its subsidiaries (%) (*) | | Proportion of voting power held by certain Dinçkök family members and related shareholders (%) (**) | | Proportion of effective interest (%) (***) | |
|---|---|---|---|---|---|---|
| **Financial Investments** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| Akhan Bakım Yön. Ser. Hiz. Tic. A.Ş. | 99.00 | 99.00 | 0.15 | 0.15 | 99.00 | 99.00 |
| Üçgen Bakım ve Yönetim Hizmetleri A.Ş. | 39.37 | 39.37 | - | - | 39.37 | 39.37 |
| Aken B.V. | - | 100.00 | - | - | - | 20.43 |

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

**2.2 Principles of consolidation (Continued)**

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

**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")**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Amendments to IAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
.
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

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

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

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

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

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

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:

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

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

### 2.5 Comparatives and adjustment to previous periods’ financial statements

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

### 2.6 Going Concern

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

## NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Changes in accounting policies, accounting estimates and errors

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

### 3.2 Related parties

Parties are considered related to the Group if;

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

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

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.2 Related parties (Continued)**

b) the party is an associate of the Group;

c) the party is a joint venture in which the Group is a venture;

d) the party is member of the key management personnel of the Group or its parent;

e) the party is a close member of the family of any individual referred to in (a) or (d);

f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to In (d) or (e); or

g) the party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

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

**3.3 Offsetting**

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

**3.4 Derivative financial instruments**

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

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

As of 31 December 2014 and 2013 the Group does not have any financial assets at fair value through profit or loss.

*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.

## NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.4 Derivative financial instruments (Continued)

*Available for sale financial assets*

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

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

*Subsidiaries excluded from the scope of consolidation*

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

### 3.5 Trade receivables and payables

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

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

### 3.6 Inventories

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

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

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

## NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7 Investment property

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

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

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

### 3.8 Property, plant and equipment

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

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

Depreciation is provided for property, plant and equipment on a straight-line basis (Note 13). Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

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

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

## NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.8 Property, plant and equipment (Continued)

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

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

### 3.9 Intangible assets

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

Intangible assets useful lives vary between 3 and 15 years.

*Research and development expenses*

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

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

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

## NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.10 Revenue recognition

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

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

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

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

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

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

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

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

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

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### 3.11 Borrowings

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

### 3.12 Borrowing costs

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

### 3.13 Provisions for employee termination benefits

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

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

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

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

### 3.14 Current and deferred income tax

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

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

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### 3.14 Current and deferred income tax (Continued)

Except for the dividends paid to non-resident corporations which have a representative office in Turkey or resident corporations, dividends are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

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

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

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

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

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

### 3.15 Events after the balance sheet date

The Group adjusts the amounts recognised in its financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements (Note 29).

### 3.16 Provisions

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

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### 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.

### 3.18 Business combinations

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

*Changes in Ownership Interests*

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

### 3.19 Foreign currency transactions

*Functional currency*

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

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

**3.20 Derivative financial instruments**

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

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

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

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

**3.21 Reporting of cash flows**

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

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

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

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### 3.22 Government grants

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

### 3.23 Paid in share capital

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

### 3.24 Leases

***a) The Group as the lessor***

*Operating leases*

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease (Note 25).

***b) The Group as the lessee***

*Finance leases*

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

*Operating leases*

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

## NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### *a) Akport investments*

As explained in detail in Note 15, the Agreement to Transfer the Right to Operate the Tekirdağ Port signed between Akport, TDI and the Privatisation Authority was terminated on 6 March 2012. Group management anticipates receiving compensation for the investments in Tekirdağ Port and that the compensation will not be less than their book value as recorded in the Group's consolidated financial statements dated 31 December 2014.

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

### *b) Fair values of investment property*

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

### *c) Deferred income tax assets*

Deferred income tax liabilities are recognised for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised (Note 27).

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

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

### *e) Provisions*

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

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

## NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### *f) Income taxes*

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

### *g) Provision for employment termination benefits*

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

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

## NOTE 5 - CASH AND CASH EQUIVALENTS

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

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

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

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

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

## NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

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

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

## NOTE 6 - FINANCIAL INVESTMENTS

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

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

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

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

## NOTE 6 - FINANCIAL INVESTMENTS (Continued)

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

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

| | **2013** | **2012** |
|---|---|---|
| 1 January | 9,813 | 13,211 |
| Changes in fair value | 2,949 | (3,398) |
| **31 December** | **12,762** | **9,813** |

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

## NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## NOTE 8 - RELATED PARTY DISCLOSURES

### a) Trade receivables from related parties

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

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

### b) Other receivables from related parties

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

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

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

## NOTE 8 - RELATED PARTY DISCLOSURES (Continued)

### c) Non-current other receivables from related parties

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

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

### d) Short-term other payables due to related parties

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

### e) Sales to related parties

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

### f) Service and product purchases from related parties

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

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

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

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

### NOTE 8 - RELATED PARTY DISCLOSURES (Continued)

#### g) Key management compensation

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

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

#### h) Commitments given to related parties

Akkök Holding and CEZ A.Ş., individually (each one separately and to be responsible for a maximum of half of the outstanding debt) are guarantors to the USD 325,000,000 loan obtained by Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş.("Akcez") and its subsidiaries Sakarya Elektrik Dağıtım A.Ş. ve Sakarya Elektrik Perakende Satış A.Ş. and Sakarya Elektrik Perakende Satış A.Ş., from the International Finance Corporation ("IFC"), the European Bank for Reconstruction and Development ("EBRD") and Unicredit Bank AG ("UCB") on 6 December 2010. Redemption of the loan is done by Akcez. As of 31 December 2014, the remaining principal of this loan is USD 269,126,083.

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

### NOTE 9 – TRADE RECEIVABLES AND PAYABLES

#### a) Trade receivables from third parties

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

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

The past experience of the Group in collecting receivables has been taken into consideration when determining the provision amount for doubtful receivables. Therefore, the Group believes that, there is no additional collection risk for trade receivables other than the provision provided.

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

**NOTE 9 – TRADE RECEIVABLES AND PAYABLES (Continued)**

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

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

As at 31 December 2014, trade receivables amounting to TL 35,855 (2013: TL 19,669 ) were past due but not impaired. The Group does not foresee any collection risk for receivables overdue up to one month due to sector dynamics and circumstances.

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

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

**b) Trade payables from third parties**

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

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

## NOTE 10 - INVENTORIES

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

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

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

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

## NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

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

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

## NOTE 12 - INVESTMENT PROPERTY

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

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

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

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

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

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

## NOT 13 - PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

**NOT 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

| | 1 January 2013 | Additions | Disposals | Transfers | Currency translation differences | 31 December 2013 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Land and land improvements | 215,803 | 5,046 | (2,791) | 20,208 | 229 | 238,495 |
| Buildings | 148,956 | 1,172 | (2,203) | 13,428 | 474 | 161,827 |
| Machinery and equipment | 1,131,439 | 2,054 | (142,970) | 149,290 | 925 | 1,140,738 |
| Motor vehicles | 75,777 | 77,529 | (72,643) | - | 57 | 80,720 |
| Furniture and fixtures | 57,387 | 5,106 | (1,842) | 4,107 | 36 | 64,794 |
| Leasehold improvements | 14,869 | 70 | - | - | - | 14,939 |
| Construction in progress | 146,045 | 158,431 | (5,903) | (199,113) | - | 99,460 |
| **Total** | **1,790,276** | **249,408** | **(228,352)** | **(12,080)** | **1,721** | **1,800,973** |
| **Accumulated Depreciation** | | | | | | |
| Land and land improvement | 56,337 | 5,547 | (248) | - | - | 61,636 |
| Buildings | 45,274 | 3,795 | - | - | 93 | 49,162 |
| Machinery and equipment | 790,277 | 55,488 | (134,107) | - | 493 | 712,151 |
| Motor vehicles | 64,734 | 3,034 | (63,784) | - | 27 | 4,011 |
| Furniture and fixtures | 37,417 | 4,957 | (987) | - | 18 | 41,405 |
| Construction in progress | 10,343 | 693 | - | - | - | 11,036 |
| **Total** | **1,004,382** | **73,514** | **(199,126)** | **-** | **631** | **879,401** |
| **Net book value** | **785,894** | | | | | **921,572** |

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

## NOTE 14 - INTANGIBLE ASSETS

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

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

| | 1 January 2013 | Additions | Disposals | Transfers (*) | Currency translation differences | 31 December 2013 |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| Rights | 9,241 | 2,627 | (60) | 73 | 115 | 11,996 |
| Development costs | 4,347 | 1,224 | (2,272) | 11,054 | - | 14,353 |
| Other intangible assets | 4,099 | 31 | (67) | 953 | - | 5,016 |
| **Total** | **17,687** | **3,882** | **(2,399)** | **12,080** | **115** | **31,365** |
| **Accumulated amortisation:** | | | | | | |
| Rights | 7,115 | 753 | (35) | - | 6 | 7,839 |
| Development costs | 896 | 1,925 | (94) | - | - | 2,727 |
| Other intangible assets | 3,622 | 358 | (48) | - | - | 3,932 |
| **Total** | **11,633** | **3,036** | **(177)** | **-** | **6** | **14,498** |
| **Net book value** | **6,054** | | | | | **16,867** |

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

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

## NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

**Provisions:**

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

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

**Contingent assets and liabilities:**

a) *Guarantees received*

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

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

b) Guarantees given

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

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

c) The details of Akport port's investment are as follows:

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

## NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Based on its conclusion in its business plans that the Tekirdağ Port would be operationally effective only if it were transformed into a container port, Akport built a container terminal area of 101,820 square metres by filling in the sea along the coast within the coordinates specified in the Tekirdağ Port Instruction as of the date the operation right was acquired. The container terminal area is recognised with a net book value of TL 43,888 in the Group's consolidated financial statements as of 31 December 2013.

Following construction of the container port, the Ministry of Finance's General Directorate of National Estate claimed title to the area on which the container platform was located and charged various eviction penalties to Akport. Subsequently, Akport's permission to operate the Tekirdağ Port expired on 1 November 2010. The Undersecretariat for Maritime Affairs did not extend the permission, and Akport was charged an administrative fine of TL 4,434 on the grounds that the port was used without permission until the date 31 December 2013. The fine payments are recorded as expense in 2012.

As efforts to obtain the required permission remained fruitless, the situation created legal and penal liabilities for Akport and its officials and events occurring outside of Akport's discretion reached an uncontrollable level. It became impossible to manage the port administratively and legally, which in turn made it impossible to uphold the Agreement between TDİ, the Privatisation Authority and Akport.

In the face of these developments, Akport advised the Privatisation Authority on 6 February 2012 that the operational activities were halted and the facility should be taken back over. The response letter sent to Akport by the Privatisation Authority on 6 March 2012 stated that the Privatisation Authority and TDİ were authorised to take actions in line with the decision of the Privatisation Authority relating to the request of Akport, and the Tekirdağ Port began to be operated by TDİ during the course of March 2012. In order to ensure that public services at the port were not interrupted following this transfer, certain services requested by TDİ continued to be offered by Akport until October 2012.

Because the Agreement was terminated due to the impossibility of fulfilling the requirements as specified in the Code of Obligations, the area built for the purpose of transforming the port into a container port should be returned to Akport. Therefore, the valuation study performed in the presence of the Tekirdağ 2nd Civil Court of Peace which indicates the value of container terminal area as 78,025 TL and railway and land improvements as 10,050 TL. However, as the area constructed by means of filling the sea cannot be returned by means of an ordinary demounting process, Akport claims that Akport should be compensated for the cost of construction of the container port aggregated to 88,075 TL and a claim for compensation against Türkiye Denizcilik İşletmeleri was opened. As at 31 December 2014 the case was still in the process. Group management estimates that the compensation amount will not be less than the book value of the relevant constructed area included in the consolidated financial statements as of 31 December 2014.

In the meantime, with its letter dated 19 September 2012 with No. 6199, the Privatisation Authority of the Turkish Prime Minister's Office requested that USD 74,673,983 should be paid within one month as the unpaid rent that should be paid by Akport until the end of the Agreement term due to expiry of the Agreement". Following the notification of Akport that it would not be possible to fulfil this request, the Privatisation Authority with its letter dated 09 November 2012 with No. 7524 opened a lawsuit for the collection of the said amount in the presence of arbitrators.

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

### NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

Ruling is as follows;

1. Relationship between the parties were ended due to impossibility of fulfillment the requirements as specified in the code of obligations as of 1 November 2010,
2. Akport should pay a total of USD 3,881,262 for operating right of the part up to aforementioned date,
3. All other claims by either party will be dropped,
4. Appeal to this ruling is permitted,

Accordingly, no additional provisions were recognized related to this claim as of 31 December 2014.

d) *Lawsuits from shareholders*:

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

e) *VAT penalty issued to Akport*:

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

### NOTE 16 - EMPLOYEE BENEFITS

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

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

**NOTE 16 - EMPLOYEE BENEFITS (Continued)**

The conditions of provision for employment termination benefits are explained below.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and who reaches the retirement age (58 for women and 60 for men), whose employment is terminated without due cause, is called up for military service or passed away. Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement.

The liability is not funded as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

IAS 19 "Employee Benefits" require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions have been used in the calculation of the total liability:

| | **2014** | **2013** |
|---|---|---|
| Discount rate (%) | 2.44 | 3.71 |
| Probability of retirement (%) | 96.82 - 100.00 | 95.56 - 100.00 |

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of TL 3,541 effective from 1 January 2014 (1 January 2013: TL 3,129) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Movements in the provisions for employment termination benefits and seniority incentive bonus for the years ended 31 December 2014 and 2013 are as follows:

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

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

## NOTE 17 - OTHER ASSETS AND LIABILITIES

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

## NOTE 18 – BORROWINGS

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

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

**NOTE 18 – BORROWINGS (Continued)**

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

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

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

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

The redemption schedule of borrowings is as follows:

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

At 31 December 2014, bank borrowings with floating interest rates amounted to TL 101,951 (2013: TL 279,538). The floating interest rate bank borrowings denominated in USD, which represents a significant portion of total bank borrowings of the Group, have interest rates fluctuating between Libor+3.25% and Libor+3.5% (London Interbank Offered Rate) (2013: Libor +1.45%-Libor +3.5%).

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

## NOTE 19 - DERIVATIVE FINANCIAL INSTRUMENTS

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

**Derivatives as hedging instruments:**

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

Derivative financial instruments are initially recognised in the consolidated balance sheet at cost and subsequently are re-measured at their fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and interest rate swap instruments.

On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognised asset or liability ("fair value hedge"), or a hedge of a forecasted transaction or a firm commitment ("cash flow hedge"). These derivative transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for hedging. Changes in the fair value of derivatives that are designated as being and qualify as cash flow hedges and are highly effective, are recognised in equity as "hedging reserve".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, or when a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement. The realisation of promised or probable future transactions are recorded in the income statement, if not realised, accumulated gains or losses are recognised as income or loss in the consolidated financial statements.

At 31 December 2014, the fixed interest rates vary from 1.43% to 4.22% (2013: 0.91% to 4.2%), and the main floating rates are EURIBOR and LIBOR. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2014 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings (Note 18).

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

### NOTE 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

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

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

The Group's authorised share capital consists of 61,309,752,112 shares of TL 0,01 value (2013: 1,309,752,112). There are no privileges given to shares of different groups and shareholders.

The Board of Directors', with its decision dated 30 September 2013, decided to start procedures to increase the share capital of the Company by TL 600,000 to TL 613,098; of which TL 300,000 will be paid in cash by the shareholders and the remaining TL 300,000 will be transferred from retained earnings and other reserves (ie. inflation adjustments). Subsequent to this decision, an extraordinary general assembly was held on 31 October 2013 and share capital increase was accepted by a majority of shareholders. This general assembly was approved by the Trade Registry on 4 December 2013.

Certain shareholders filed the two lawsuits against the Company following the extraordinary general assembly dated 31 October 2013 (Annulment for extraordinary general assembly and Annulment of subsequent Board of Director's decision). In addition, there are two lawsuits by the same of shareholders, declaratory judgment lawsuit and request for appointment of a specialist auditor. Afore mentioned lawsuits continue as of date of these consolidated financial statements (Note 15).

On 21-22 November 2013, 25% of the committed share capital increase in cash, TL 75,000 was paid by all shareholders by exercise of their pre-emptive rights. For the remaining 75%, TL 150,000 was paid by A.R.D Holding A.Ş. and N.D.Ç Holding A.Ş. on 18 December 2013; however, with the temporary injuction decision dated 16 December 2013, Atlantik Holding A.Ş. did not yet paid its portion as of the date of these consolidated financial statements. In January 2014, the Company, in order to comply with the temporary injuction decision (of Board of Director's resolution No 27 dated 31 October 2013) by the Istanbul 34th Commercial Court file No 2013/317E in relation to exercise of pre-emptive rights and to consider and preserve the shareholding rights, the Company paid back the amounts received from A.R.D Holding A.Ş., N.D.Ç Holding A.Ş., Ali Raif Dinçkök, Nilüfer Dinçkök Çiftçi, Melis Gürsoy and Mehmet Emin Çiftçi.

Inflation adjustment to share capital and carrying value of extraordinary reserves can be used for free capital increase, cash dividend distribution or loss deduction. However, the use of inflation adjustment to the capital for dividend distribution will be subject to corporation tax.

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

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

## NOT 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

### Legal reserves

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

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

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

***Informations an subsidiaries with significant non-controlling interest***

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

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

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

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

## NOTE 21 – REVENUE AND COST OF SALES

### a) Revenue

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

### b) Cost of sales

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

## NOTE 22 - GENERAL AND ADMINISTRATIVE EXPENSES

### a) General administrative expenses

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

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

## NOTE 22 - GENERAL AND ADMINISTRATIVE EXPENSES (Continued)

### a) Marketing expenses

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

## NOTE 23 – OTHER OPERATING INCOME AND EXPENSE

### a) Other operating income

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

### b) Other operating expense

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

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

### NOTE 24 – INCOME AND EXPENSE FROM INVESTING ACTIVITIES

**a) Income from investing activities**

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

**b) Expenses from investing activities**

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

### NOTE 25 – EXPENSE BY NATURE

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

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

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

## NOTE 26 - FINANCIAL INCOME AND EXPENSES

### a) Financial income

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

### b) Financial expenses

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

## NOTE 27 - TAXES ON INCOME

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

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

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

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

## NOTE 27 - TAXES ON INCOME (Continued)

### Deferred tax assets and liabilities

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2014 and 2013 using the enacted tax rates is as follows:

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

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

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

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

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

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

### NOTE 27 - TAXES ON INCOME (Continued)

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

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

According to the consideration made by the Group as of balance sheet date, the Group did not recognize deferred income tax assets and carry forward tax losses' expiration dates are as follows:

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

### NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

**Financial risk factors**

The Groups principal financial instruments are cash and cash equivalents, trade receivables and financial liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The Group management reviews and agrees policies for managing each of the risks as summarised below.

**28.1 Foreign currency risk**

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

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

### NOTE 28 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

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

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

## NOTE 28 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

| | 2013 | | | |
|---|---|---|---|---|
| | **USD** | **EUR** | **Other foreign currencies** | **Total** |
| **Assets:** | | | | |
| Cash and cash equivalents | 166,818 | 66,450 | 7,590 | 240,858 |
| Financial investments | 24,838 | - | - | 24,838 |
| Trade receivables | 290,695 | 61,602 | 556 | 352,853 |
| Other assets | 8,226 | 279 | 1,161 | 9,666 |
| **Total assets** | **490,577** | **128,331** | **9,307** | **628,215** |
| **Liabilities:** | | | | |
| Short-term borrowings | 599,227 | 102,259 | - | 701,486 |
| Long-term borrowings | 221,278 | 85,077 | - | 306,355 |
| Trade payables | 301,354 | 23,319 | - | 324,673 |
| Other liabilities | 331 | - | 1,013 | 1,344 |
| **Total liabilities** | **1,122,190** | **210,655** | **1,013** | **1,333,858** |
| **Net foreign currency position** | **(631,613)** | **(82,324)** | **8,294** | **(705,643)** |

The table below shows the sensitivity of the net foreign currency position of the Group to the changes in the consolidated financial statements as of 31 December 2014 and 2013.

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

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

## NOTE 28 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

### 28.2 Interest rate risk

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

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. As of 31 December 2014 and 2013, the Group's borrowings at floating rates are mainly denominated in USD and Euro.

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

### 28.3 Credit risk

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

Trade receivables are evaluated by the management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables

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

## NOTE 28 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk of financial instruments at 31 December 2014 and 2013 are as follows:

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

| | Trade and other receivables | | |
|---|---|---|---|
| **2013** | **Related party** | **Other** | **Bank deposits** |
| **Maximum credit risk exposure as of the reporting date (A+B+C+D+E)** | **22,045** | **457,196** | **648,401** |
| Secured portion of the maximum credit risk by guarantees | - | 352,823 | - |
| A. Net book value of financial assets that are neither past due nor impaired | 22,045 | 429,414 | 648,401 |
| - Security, etc.. have been secured with some ( - ) | - | 334,062 | - |
| B. Net book value of financial assets with renegotiated conditions otherwise will be | | 26,590 | - |
| accepted as overdue or impaired | - | 17,569 | - |
| C. Net book value of financial assets that are past due but not impaired | - | - | - |
| - Overdue (gross book value) | - | 56,769 | - |
| - Impairment (-) | - | (55,577) | - |
| - Security, etc.,, have been secured with some | - | 1,192 | - |
| - Not overdue (gross book value) | - | - | - |
| - Impairment (-) | - | - | - |
| - Security, etc.,, have been secured with some ( - ) | - | - | - |
| D. Off-balance sheet items with credit risk | - | - | - |

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

## NOTE 28 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

### 28.4 Liquidity risk

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed. The liquidity is minimised by balancing the cash inflows and outflows and also securing funds from reliable financial institutions.

The breakdown of financial assets and liabilities according to their maturities is disclosed considering the due date periods. Financial assets and liabilities that have no certain due dates are classified in over one year column.

**2014:**

| Contractual maturities | Carrying value | Contractual cash flows (=I+II+III+ IV) | Up to 3 months (I) | 3 to 12 months (II) | 1 to 5 years (III) | More than 5 years (IV) |
|---|---|---|---|---|---|---|
| **Non-derivate financial liabilities** | | | | | | |
| Borrowings | 1,417,665 | 1,521,605 | 674,999 | 263,945 | 311,771 | 270,890 |
| Trade payables | 435,985 | 463,587 | 332,188 | 131,399 | - | - |
| Due to related parties | 36,721 | 36,721 | 36,721 | - | - | - |
| **Total** | **1,890,371** | **2,021,913** | **1,043,908** | **395,344** | **311,771** | **270,890** |

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

**2013:**

| Contractual maturities | Carrying value | Contractual cash flows (=I+II+III+ IV) | Up to 3 months (I) | 3 to 12 months (II) | 1 to 5 years (III) | More than 5 years (IV) |
|---|---|---|---|---|---|---|
| **Non-derivate financial liabilities** | | | | | | |
| Borrowings | 1,190,747 | 1,227,175 | 329,205 | 537,155 | 341,137 | 19,678 |
| Trade payables | 350,606 | 353,521 | 263,752 | 89,769 | - | - |
| Due to related parties | 22,643 | 22,643 | 22,643 | - | - | - |
| **Total** | **1,563,996** | **1,603,339** | **615,600** | **626,924** | **341,137** | **19,678** |

| Expected (or contractual) maturities | Carrying value | Contractual cash flows (=I+II+III+ IV) | Up to 3 months (I) | 3 to 12 months (II) | 1 to 5 years (III) | More than 5 years (IV) |
|---|---|---|---|---|---|---|
| **Derivate financial assets, (net)** | | | | | | |
| Derivative cash outflows | 10,033 | 10,033 | 6,759 | 3,274 | - | - |

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

## NOTE 28 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

### 28.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

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

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

### 28.6 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following methods and assumptions are used to estimate the fair value of the financial instruments:

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

## NOTE 28 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

***Monetary assets***

Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. These balances are anticipated to approximate their book value.

The carrying values of significant portion of cash and cash equivalents are assumed to approximate to their fair value due to their short-term nature.

The carrying values of trade receivables are assumed to approximate to their fair value with their provisions for doubtful receivables.

***Monetary liabilities***

Bank loans and other liabilities are anticipated to approximate their book value due to their short-term nature.

The long-term loans are assumed to approximate to their carrying value due to their variable interest rates (Note18). The determined fair value of long-term loans to explain on notes, is discounted amount of cash flows according to agreements with current market interest rate.

*Fair Value Estimation:*

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

Level 1: Quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3: Inputs for the asset or liability that is not based on observable market data.

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

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

## NOTE 29 - EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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