



# Corporate Profile 2015

*The art of transforming nature's force  
into energy...*

**aksa** ENERGY



## Esteemed Stakeholders,

*While we continue pursuing sustainable growth through investments in the energy business – a key sector for Turkey’s future development – and via the projects that we deliver with consistent success, we also support the Turkish economy by generating vast employment opportunities. Additionally, our productivity and innovation based approach has now also enabled us to enter international markets.*

*At Kazancı Group, we aim to conduct our operations with due respect to stakeholders, society and the environment. We shape our strategies with the knowledge that the energy business cannot be conducted with a solely commercial perspective. We understand that companies which ignore public and environmental concerns are not sustainable over the long term.*

*Since 1960, ambition, innovation, a passion to invest, in addition to a customer-centered production and service approach have remained the core principles of Kazancı Group, one of the very first companies that comes to mind when the Turkish energy industry is mentioned. The translation of our efforts into a success story has been possible with our unwavering dedication to the country and to you, our stakeholders, who have powered us with your intelligence, diligent work and unwavering trust during a journey spanning more than 50 years.*

*I wholeheartedly believe that we will continue to add to our long list of achievements and to create value for the country with our steadfast values and the support of our stakeholders.*

*Best regards,*

**Ali Metin Kazancı**  
*Founder*



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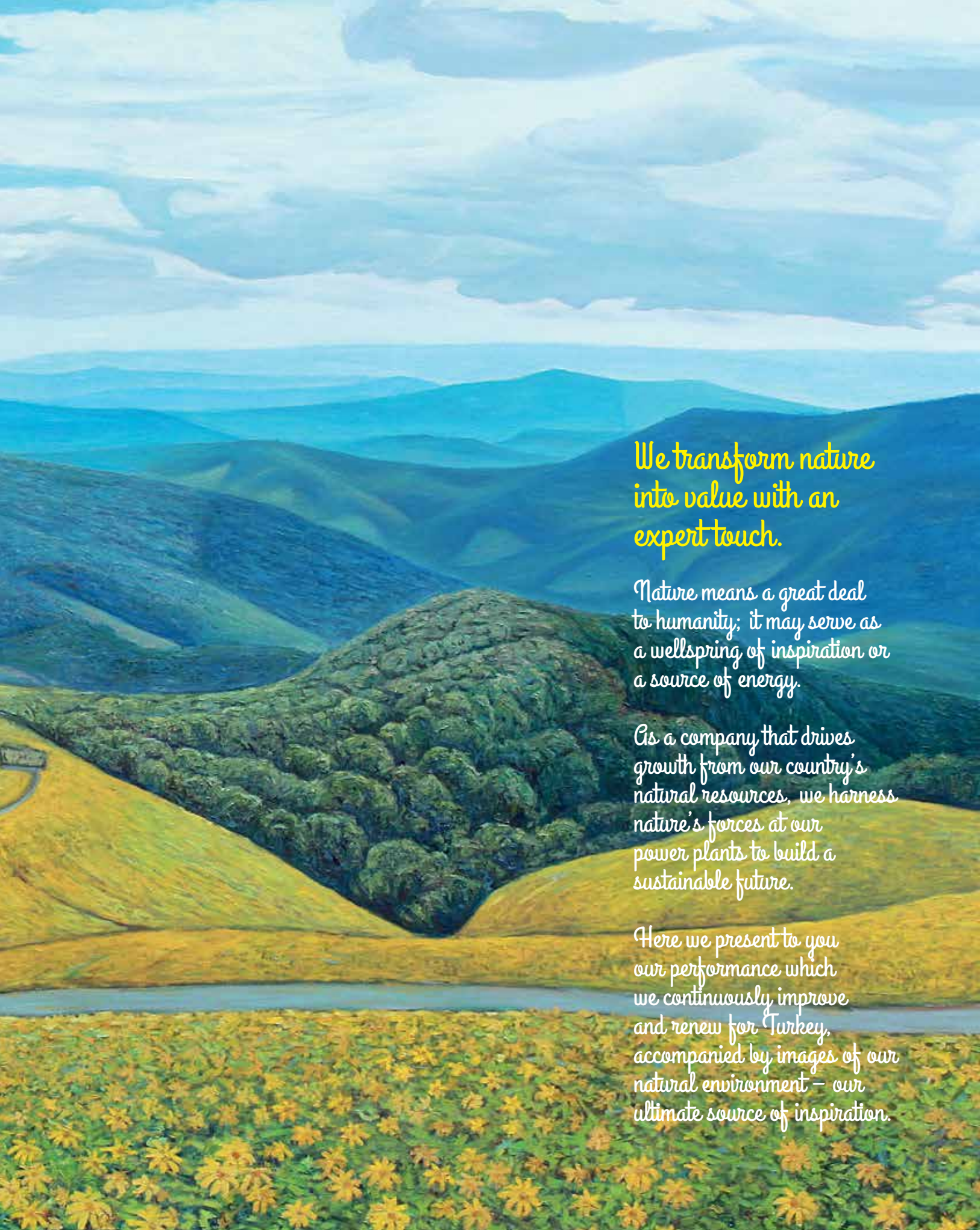
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## Glossary



*We transform nature  
into value with an  
expert touch.*

*Nature means a great deal  
to humanity; it may serve as  
a wellspring of inspiration or  
a source of energy.*

*As a company that drives  
growth from our country's  
natural resources, we harness  
nature's forces at our  
power plants to build a  
sustainable future.*

*Here we present to you  
our performance which  
we continuously improve  
and renew for Turkey,  
accompanied by images of our  
natural environment – our  
ultimate source of inspiration.*

# A Group focused on the energy industry: Kazancı Holding

Active in all the main segments of the sector, Kazancı Holding has been one of the largest players in Turkey's energy industry for over 50 years.



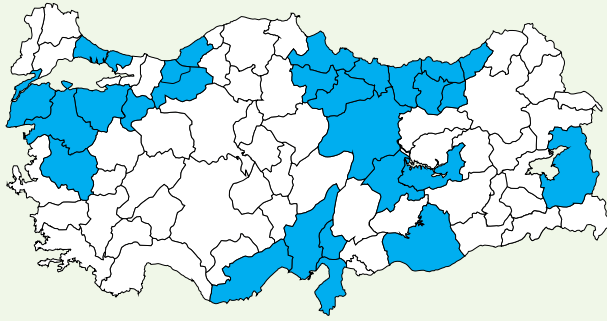
## Aksa Natural Gas

**Operating Field**  
Natural Gas Distribution and Sale

**Participation Rate**  
100%

With operations spread across 24 cities, Aksa Natural Gas boasts a vast distribution area that is home to 10 million residents. The Company has 20 distribution licenses, 1.9 million subscribers, 6.74 bcm (billion cubic meters) of gas distribution, a 17,495 km network and 17.3% market share. Aksa Natural Gas is the biggest privately owned natural gas distribution company in Turkey.

[www.aksadogalgaz.com.tr](http://www.aksadogalgaz.com.tr)



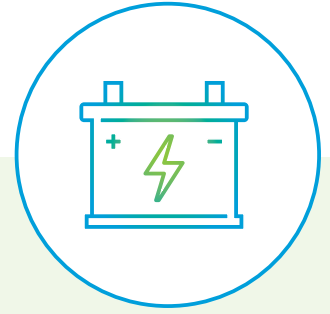
### Aksa Natural Gas's Distribution Areas

Istanbul (Hadımköy - Çatalca)	Zonguldak	Bayburt
Çanakkale	Samsun	Sivas
Balıkesir	Amasya	Malatya
Bursa	Tokat	Elazığ
Bolu	Ordu	Mersin
Bilecik	Giresun	Adana
Afyon	Trabzon	Osmaniye
Düzce	Rize	Hatay
	Gümüşhane	Van



**17,495 KM**

Aksa Natural Gas operates a 17,495 km network.



## Aksa Power Generation

**Operating Field**  
Generator Production and Sale

**Participation Rate**  
100%

Exporting 60% of its total production, Aksa Power Generation is the sector leader, with two production plants in Turkey and China, 13 marketing subsidiaries, and a joint venture in the US.

[www.aksa.com.tr](http://www.aksa.com.tr)

Kazancı Holding entered the energy sector as a generator manufacturer in the 1960s.

Since its founding, Kazancı Holding has focused solely on the energy business.

Over time, the Group has expanded its operations across the main segments of the electricity and natural gas business.

Kazancı Holding set up its energy business lines and successfully established vertical integration within the Group.



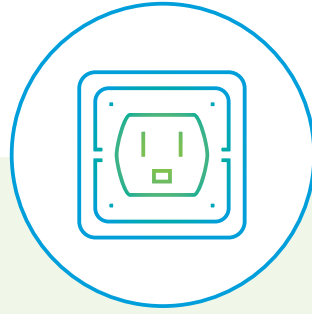
## Aksa Energy

**Operating Field**  
Electricity Production

**Participation Rate**  
62%

Aksa Energy is the largest independent power producer in Turkey among publicly traded companies. Goldman Sachs holds a 16.6% stake in Aksa Energy, while 21.4% of the Company's shares are publicly traded. Aksa Energy, which is one of the 14 companies included in the BIST Sustainability Index in 2015, is also in the BIST 50 and BIST 100 indices.

[www.aksaenerji.com.tr](http://www.aksaenerji.com.tr)



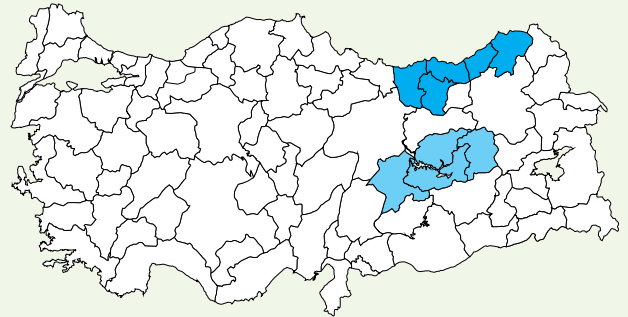
## Aksa Electricity

**Operating Field**  
Electricity Distribution and Sale

**Participation Rate**  
100%

Operating in two electricity distribution regions, Aksa Electricity distributes and sells 6.1 TWh of power to over 2 million subscribers per year. The Company is also a standout with an electricity loss/theft ratio well below the sector average in Turkey.

[www.aksaelektrik.com.tr](http://www.aksaelektrik.com.tr)



### Çoruh Electricity Distribution Company

Giresun, Gümüşhane, Trabzon, Rize, Artvin

### Fırat Electricity Distribution Company

Malatya, Elazığ, Tunceli, Bingöl



## 2 million subscribers

Aksa Electricity distributes and sells 6.1 TWh of power to over 2 million subscribers per year.



# Aksa Energy

*Aksa Energy's Vision: Creating sustainable and growing value for our country and all our stakeholders by continuing our leading role as the largest private sector energy producer in the Turkish electricity market.*

*Aksa Energy's Mission: To capitalize on our deep experience and know-how in the energy industry in order to continue implementing high performance projects, with a focus on cutting edge technologies and a well-educated, highly skilled workforce.*





## Shareholding Structure of Akxa Energy

21.39% of Akxa Energy shares are traded on Borsa Istanbul.

Akxa Energy's shares are classified in two groups: A and B. The Company's issued capital as of 31 December 2015 comprised a total of 613,169,118 shares – 293,896,220 Group A registered shares and 319,272,898 Group B bearer shares. Each share has a nominal value of TL 1.

Share Group A (Registered)	Share Group B (Bearer)
Nominal Value (TL)	Nominal Value (TL)
293,896,220	319,272,898
<b>TOTAL</b>	<b>613,169,118</b>

### Akxa Energy's Partnership Structure and Voting Rights

	Number of Shares	Share Group	Share (%)	Vote (%)
Kazancı Holding A.Ş.	293,861,845	A	47.92	47.92
Kazancı Holding A.Ş.	86,203,133	B	14.05	14.05
<b>Total Kazancı Holding A.Ş.</b>	<b>380,064,978</b>		<b>61.98</b>	<b>61.98</b>
Goldman Sachs International	101,911,765	B	16.62	16.62
Ali Metin Kazancı	4,814	A	0.00	0.00
Mehmet Kazancı	4,812	A	0.00	0.00
Ş. Cemil Kazancı	4,812	A	0.00	0.00
Necati Baykal	4,811	A	0.00	0.00
Tülay Kazancı	1	A	0.00	0.00
Akxa Makine San. A.Ş.	15,125	A	0.00	0.00
Other (Free Float)	131,158,000	B	21.39	21.39
<b>TOTAL <sup>(1)</sup></b>	<b>613,169,118</b>		<b>100.00</b>	<b>100.00</b>

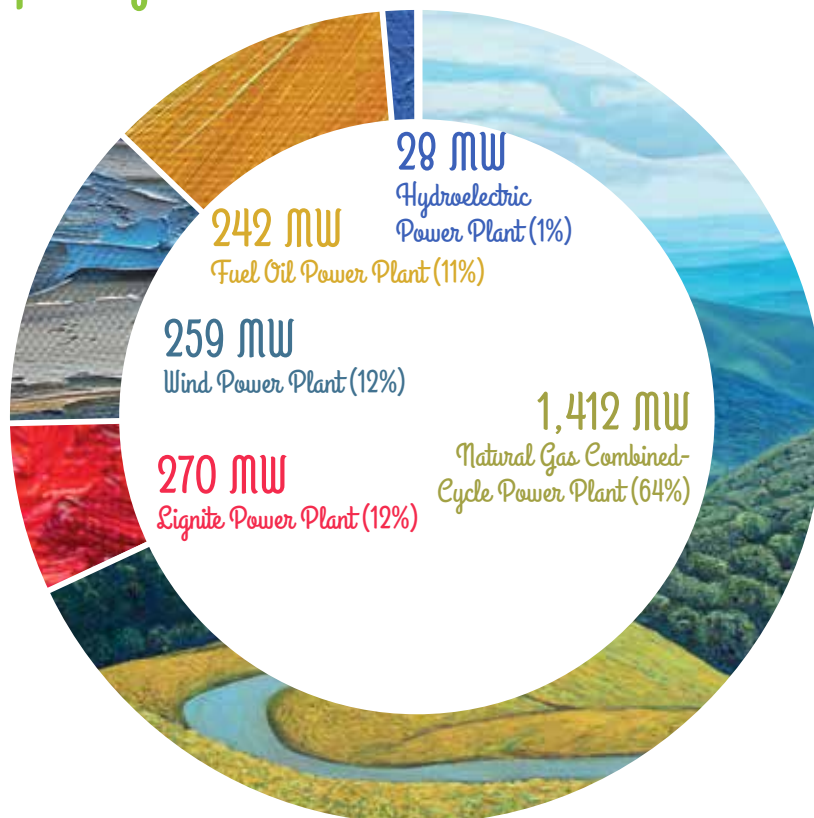
<sup>(1)</sup> Kazancı Holding A.Ş. purchased 4,458,962 shares from the free float in the equity market in 2012 and 2013, which are shown in the table above in Other (Free Float) shares.



Gksa Energy in Numbers



Total Installed Capacity **2,211 MW\***



Number of operational plants

**17**

Amount of investment (TL million)

**500**

New capacity in 2015

**155 MW**

Capacity planned to become operational in 2016

**97 MW\*\***

\*Installed capacity as at the annual report publication date (March 2016).  
\*\*Excluding Ghana Project.

Turnover (TL million)  
**2,320**

EBITDA (TL million)  
**436**

First step into the African market:  
**Guaranteed electricity sales with  
an installed capacity of 370 MW**

Corporate Governance target:  
**First Sustainability Report in  
2016**

Customer base:  
**Expanded from 85,000 to  
125,000**

# Aksa Energy's turnover totaled TL 2.3 billion at year-end 2015.

## Key Financial Indicators

Consolidated (TL million)	2011	2012	2013	2014	2015
Sales Revenues (Net)	1,307	1,841	1,786	1,957	2,320
Net Profit for the Period	(126)	231	(133)	39.4	(228.4)
EBITDA	292	323	312	343.9	436.2
Total Assets	2,669	2,936	2,876	3,460	4,061
Shareholders' Equity	699	1,116	984	1,022	789.4
EBITDA Margin (%)	22	18	18	18	19
Total Investments	330	136	640	753	500

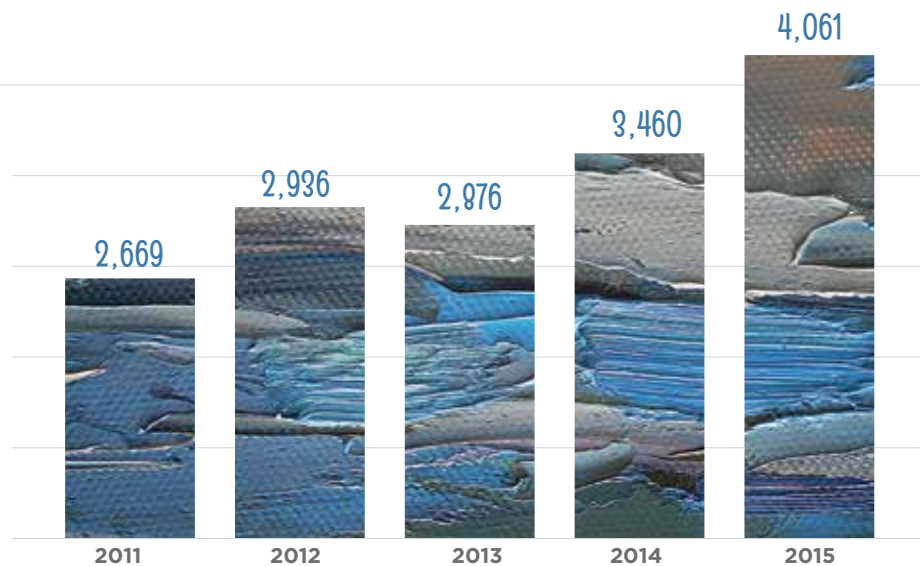
Thanks to its wide-ranging investments, Aksa Energy has steadily ramped up its installed capacity from 1,342 MW at end-2009 to 2,076 MW at end-2015, and to 2,211 MW in January 2016. In parallel to the growth in its installed capacity, Aksa Energy has also increased its electricity sales consistently over the years. The Company reported electricity sales of 14,018 GWh in 2015.

## Total Assets

(TL million)

**+21.6%**

Aksa Energy's total assets soared 21.6% year-on-year to reach TL 4.1 billion.

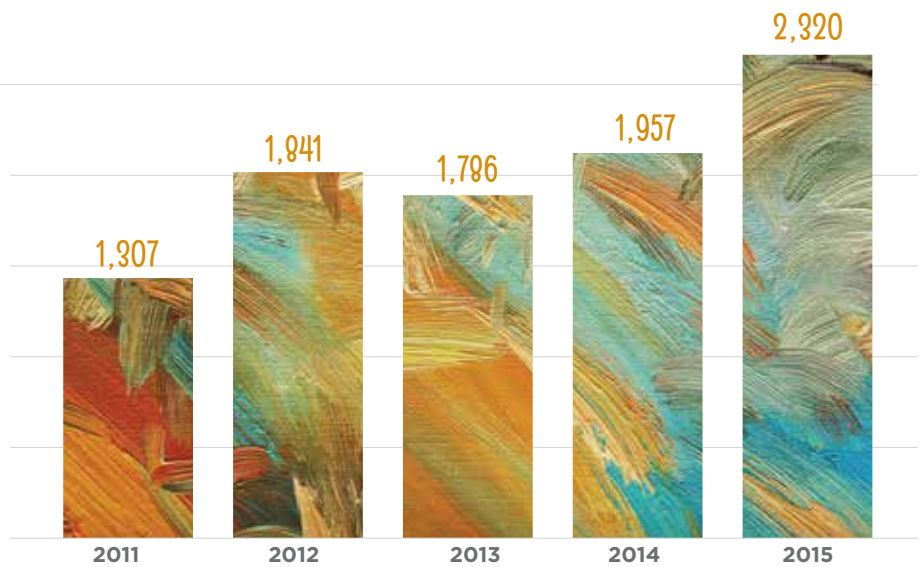


# Sales Revenue

(TL million)

**+19%**

Aksa Energy's sales revenues increased 19% over the prior year to TL 2.3 billion.

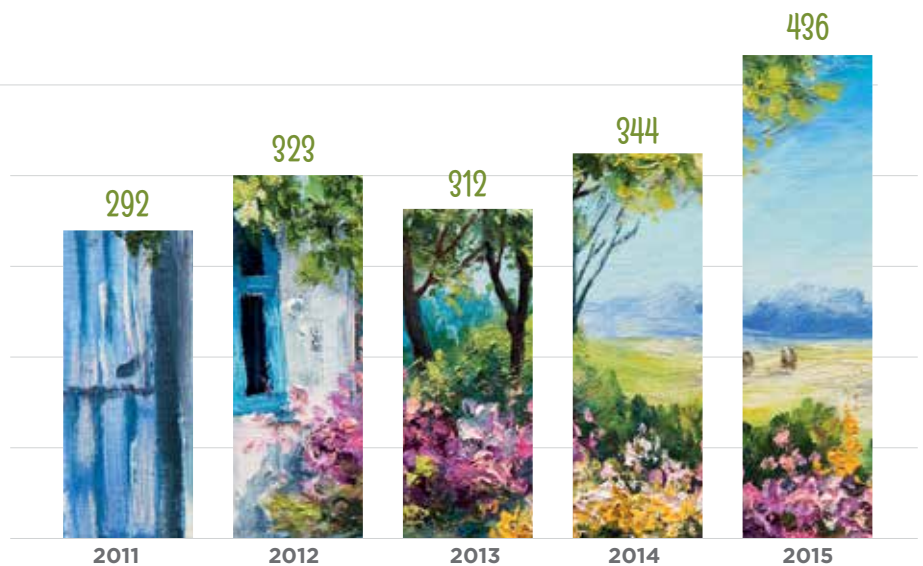


# EBITDA

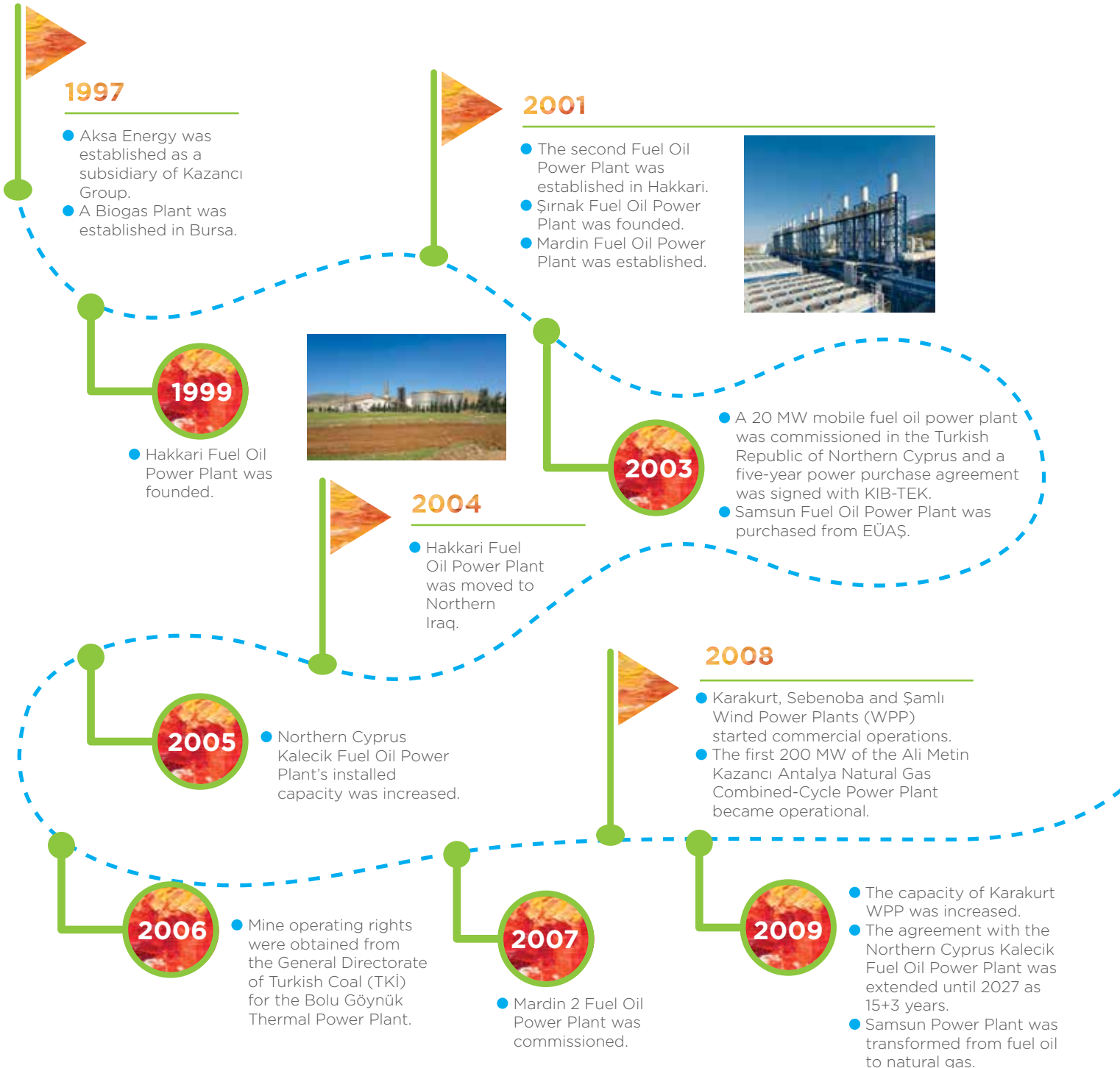
(TL million)

**+27%**

Aksa Energy's EBITDA climbed 27% over the previous year to hit TL 436 million.



# A story of sustainable success...



## 2011

- Bursa Biogas Plant's license was cancelled.
- Çorum İncesu HEPP became operational.
- Northern Cyprus Kalecik Fuel Oil Power Plant's capacity was increased.
- Şanlıurfa Natural Gas Combined-Cycle Power Plant became operational.
- Şanlı WPP's capacity was increased.
- Samsun Power Plant was transformed into a natural gas combined-cycle power plant.
- Kiyıköy WPP was acquired by Aksa Energy.
- An 11.7 MW steam engine and combined-cycle capital investment within Şanlıurfa Natural Gas Power Plant was completed and commissioned.
- A 13 MW steam engine was



commissioned at Northern Cyprus Kalecik Fuel Oil Power Plant.

- Ali Metin Kazancı Antalya Natural Gas Combined-Cycle Power Plant was completed, becoming operational with a capacity of 1,150 MW.
- Ayvacık WPP started up operations.
- Şanlı WPP's capacity was increased an additional 24 MW.
- The power plant in Northern Iraq was moved to Mardin, and Mardin 2 Power Plant was established.

## 2010

- Akxa Energy held its IPO.
- The capacity of Karakurt WPP was increased.
- Van Natural Gas Combined-Cycle Power Plant's combined-cycle investment was completed and the capacity was increased.

## 2012

- Construction of Bolu Göynük Thermal Power Plant began.

## 2013

- The Company acquired a 93% stake in Kapıdağ WPP.
- The Hakkari Plant's production license was cancelled.

## 2014



- A 14 MW section of Belen/Atik became operational.
- Kapıdağ WPP's capacity was increased.
- A 24 MW section of the Kiyıköy WPP project was completed and started commercial operations.
- Akxa Energy took over Siirt Akköy Fuel Oil Power Plant.
- Sebenoba WPP's capacity was increased.

## 2015

- Kiyıköy WPP's capacity was increased.
- Sebenoba WPP's capacity was increased.
- A contract was signed with the government of Republic of Ghana regarding establishment of a 370 MW fuel oil power plant and the sale of electricity generated.
- Bolu Göynük Thermal Power Plant's first phase, with 135 MW capacity, started commercial operations.
- Samsun Natural Gas Combined-Cycle Power Plant's production license was cancelled.
- Siirt Akköy Fuel Oil Power Plant's production license was cancelled.
- Turkrating assigned Akxa Energy ratings of 'TR A+' and 'TR A2', indicating a high credit quality and strong debt repayment capacity.
- Kozbükü WPP's licence capacity was increased.
- Akxa Energy joined the BIST Sustainability Index.
- Akxa Aksen Enerji Ticareti A.S. became a market maker in Base-Load Electricity Futures Contracts on Borsa İstanbul's Derivatives Market.
- Akxa Energy issued its first corporate bonds.
- Şanlıurfa Natural Gas Combined-Cycle Power Plant's capacity was increased.
- Van Natural Gas Combined-Cycle Power Plant's production license was cancelled.
- Northern Cyprus Kalecik Fuel Oil Power Plant's capacity was increased.



# Sustainable growth strategy...

## PILLARS

### Source diversity via domestic and renewable energy projects

Electricity generation based on domestic and renewable resources stands at the heart of Aksa Energy's growth strategies.

Active across Turkey's energy landscape, the Company has further diversified its resources with seven new projects in project and construction stage. These efforts brought the share of domestic and renewable resources in the Company's portfolio up from 12% in 2014 to 20% in 2015. With the wind power plants and hydroelectric power plants in the portfolio, Aksa Energy has one of the largest renewable energy generation capacities in the country. Meanwhile, Bolu Göynük Thermal Power Plant with a 270 MW installed capacity is an investment, based entirely on domestic resources. The first phase of this facility became operational in the first half of 2015, followed by the second phase going on stream in January 2016. With the completion of Bolu Göynük Thermal Power Plant's second phase in early 2016, domestic and renewable resources account for 25% of the Company's aggregate installed capacity.

The proportion of domestic and renewable resources in the overall portfolio will increase further with the completion of Kozbükü Hydroelectric Power Plant with 81 MW installed capacity and the addition of another 45 MW to the wind power portfolio.

### Our production portfolio bolsters Turkey's energy supply security

Aksa Energy's power plant portfolio comprises 17 plants, which generate electricity through diversified resources, including natural gas, fuel oil, lignite, wind and hydroelectric.

Thanks to extensive investments, Aksa Energy boosted its installed capacity from 1,342 MW at year-end 2009 to 2,076 MW at year-end 2015, making a significant contribution to Turkey's energy supply security.

### The industry's most qualified workforce, committed to achieving corporate goals

Leveraging on its highest caliber technical teams in the industry, Aksa Energy stands out from the competition with a robust team spirit and values shared across the Company. Aksa Energy's senior management has a strong professional track record and 18 years of sector experience on average.

### Focus on productivity and profitability

Committed to achieving operational excellence, Aksa Energy's highly competent and well-experienced project development and management teams play a leading role in ensuring that the Company has one of the lowest power plant installation costs in the sector. This lays the crucial groundwork for the Company's profitability and productivity. Aksa Energy is wholly focused on growth and productivity, with seven domestic power plants included in the current investment plan and various overseas projects. The increasing share of domestic and renewable resources in the Company portfolio leads to lower production costs and higher profit margins.

### Strong synergy with Kazancı Group

Kazancı Group, the leading energy conglomerate, owns a 62% stake in Aksa Energy, a publicly traded company. Kazancı Group companies conduct their business operations in synergy with each and every link of the energy value chain, from production to distribution.

Kazancı Group's integrated structure is one of Aksa Energy's most significant competitive advantages. Aksa Energy provides a comprehensive range of services and solutions - from power plant construction to operation - in a fast, efficient and productive manner under the umbrella of the Group.

Active in different segments of the energy industry, Group companies generate cross-sales opportunities, provide brand recognition and deliver integral services.

Aksa Energy successfully meets its corporate targets thanks to the competitive edge generated by its vertical and horizontal integration with other Kazancı Group companies.

# MACROECONOMIC AND SECTOR-SPECIFIC FUNDAMENTALS

## Turkey's strong growth potential

Turkey continues its steep ascent as an attractive market with high growth potential owing to the country's demographic, industrial and infrastructural characteristics. In addition, Turkey has an unmatched geographic location, positioned on the "energy highway" that spans from the Caspian Sea, Central Asia and Middle East to the Balkans and Central Europe. The Turkish economy closed the year 2015 with a hope-inspiring dynamism, left behind election uncertainties and offered a much more positive investment outlook. Despite the turbulence in global financial markets, increased geopolitical tensions in neighboring countries, economic woes of our largest trading partner the EU and the slowdown in China, Turkey is expected to post growth of 3.5% in 2015.

## Rich domestic and renewable resources

Turkey's strong growth potential and rich renewable energy resources make the domestic energy market an attractive destination for foreign investment. In parallel to its rising population, expanding industrialization, increasing social welfare and technological developments, Turkey will see its energy demand continue heading upwards in tandem with GDP growth. In 2015, Turkey's total installed capacity rose 3,628 MW year-on-year to 73,148 MW.

## Efficient demand management supported by a vast production and distribution network

Founded in 1997, Aksa Energy managed a 2,076 MW installed capacity as of year-end 2015 and has become synonymous with power generation in Turkey. Aksa Energy is the largest publicly traded independent power producer in the country. The Company's 125,000 contracted customers accounted for around 64% of total sales in 2015.

Boasting 5% of the total installed capacity of independent producers in Turkey, Aksa Energy alone generates 10.4% of all electricity generated by independent producers in the country.

A production capacity spread across Turkey and TRNC, the vast client portfolio of Kazancı Group coupled with high-volume bilateral contracts provide Aksa Energy significant opportunities in efficient demand management.

## A pioneering approach that leads the industry

Aksa Energy's wholly-owned subsidiary Aksa Aksen Enerji Ticareti A.Ş., wholesale trade company, became a market maker on Borsa Istanbul Derivatives Market in Base-Load Electricity Futures Contracts, which were included in the Market Making Program. Aksa Energy performs its market making role with the intermediation of Is Investment (İş Yatırım), with an aim to boost the liquidity of the electricity products market, as well as market participant numbers.

## New strategies to boost profitability

Aksa Energy aims to increase the share of foreign currency revenue in the Company's total sales revenues and to operate the power plants that have a relatively lower productivity level in its portfolio via overseas contracts with high profit margins. Under this strategy, Aksa Energy signed the first such agreement with government of Republic of Ghana in 2015.

## Sustainability commitment to stakeholders

Aksa Energy's shares are traded on Borsa Istanbul's National Market under the ticker AKSEN. The Company was among the only 14 corporations to join Borsa Istanbul's 2015 Sustainability Index that started to be traded in November 2015, made up of 29 companies in total. Aksa Energy is also included in the BIST 50 and BIST 100 indices.

Aksa Energy continues work on seven power plant projects - some of which are capacity increases - that will bring total installed capacity up to 2,707 MW in two years.

#### Investment Strategy

As part of its strategic investment plan, Aksa Energy is focused on increasing the share of domestic and renewable resources in its portfolio. The Company continues work on seven power plant projects - some of which are capacity increases - that will bring total installed capacity up to 2,707 MW in two years. All six projects, comprising 5 WPP and one HEPP, are based on domestic and renewable energy resources.

Overseas, the Company plans to utilize those power plants in its portfolio that have less chance to compete effectively in the Turkish market in countries that have an urgent demand for energy, in high margin projects that will yield revenue in US dollars. To this end, Aksa Energy has signed an agreement with Republic of Ghana for the establishment of a power plant with an installed

capacity of 370 MW and the sales of electricity generated under a five-year contract with purchase guarantee denominated in US dollars. The entire electricity production generated at the plant will be sold to Ghana via a long-term power purchase agreement at a USD base price and with purchase guarantee. The duration of the contract can be extended before the five-year period expires if the parties reach a mutual agreement. Potential losses due to exchange rate fluctuations are prevented given that the signed contract is denominated in US dollars.

Aksa Energy, one of Turkey's leading energy corporations with its domestic energy investments, plans to seize further investment opportunities in the African market, following its first investment in Ghana.

#### Sales Strategy

In order to prevent potential losses due to exchange rate fluctuations, the Company is keen to increase the share of US dollar denominated sales in its total turnover. To this end, the Company will sell its entire renewable energy generation to the Renewable Energy Resources Support Scheme (YEKDEM) in 2016. The unit price for sales to YEKDEM is 7.3 US cent/KWh and this strategy will create a natural hedge mechanism to counter potential losses due to exchange rate changes.

Sales to the Turkish Republic of Northern Cyprus (TRNC) and YEKDEM is expected to boost USD denominated turnover year-on-year in 2016. The completion of the Ghana project and other potential African projects will further bolster this hedge mechanism, which is an area of focus for Aksa Energy.



*Aksa Energy has signed an agreement  
with Republic of Ghana  
for the establishment of a power  
plant with an installed capacity of*  
**370 MW.**



# Activities

In 2015, Akso Energy continued to invest in domestic and renewable resources.



# Aksa Energy's wholly-owned subsidiary Aksa Aksen Enerji Ticareti A.Ş. became a market maker on the Borsa Istanbul Derivatives Market in Base-Load Electricity Futures Contracts.



## **Bolu Göynük Thermal Power Plant**

Having started construction in 2012, Aksa Energy's Bolu Göynük Thermal Power Plant was completed and inaugurated in August with a ceremony honored by the presence of the Minister of Energy and Natural Resources Taner Yıldız, and the Minister of Environment and Urbanization İdris Güllüce. The plant uses domestic coal to generate power. One of the two privately owned thermal power plants that run on domestic coal in the country, Bolu Göynük Thermal Power Plant has an installed capacity of 270 MW and will generate 2 billion KWh of energy per year.

## **Sales Agreement with Republic of Ghana**

A major development that made 2015 a special year for Aksa Energy was the signing of an agreement with the government of Ghana for the establishment of a heavy fuel oil power plant with an installed capacity of 370 MW and the guaranteed sales of this electricity under a five-year contract denominated in US dollars.

The entire electricity production generated at the plant will be sold to Ghana via a long-term power purchase agreement at a base price

denominated in US dollars and with a purchase guarantee.

Since the revenues will be in US dollars, the contract will serve as a natural hedge mechanism against potential losses arising from exchange rate changes.

Following the approval of the agreement by the Ghanaian Parliament, the production license and sales tariff was endorsed by the authorized regulatory bodies. The Samsun Natural Gas Combined-Cycle Power Plant was transformed into a heavy fuel oil power plant, and some of its engines have been shipped to Ghana. The remaining engines will be transported by April 2016. The investment project continues at full speed and the first group of engines is expected to start generating electricity by fourth quarter.

## **Credit Rating**

In 2015, Turkrating deemed Aksa Energy to be investment grade in domestic currency terms on the national level, assigning the Company a Long-term Credit Rating of 'TR A+' and a Short-term Credit Rating of 'TR A2' with a stable outlook due to rising challenges and uncertainties caused by the repetition of the general elections in Turkey.



**Aksa Energy set up a Sustainability Committee to guide its efforts to provide more value to shareholders, society and the environment, and to manage its operations in a responsible manner.**

The long-term credit rating of 'TR A+' corresponds to a high credit quality assigned by Turkrating and stands a notch above the rating of 'TR A' (above average credit quality). The rating of 'TR A+' indicates that the Company has a strong capacity to meet its financial liabilities over the long term and bears a low credit risk.

The short-term credit rating of 'TR A2', on the other hand, is one notch below the highest rating of 'TR A1' (highest debt repayment capacity), and suggests that the Company has a strong debt repayment capacity over the long term.

### **Market Making**

Aksa Energy's wholly-owned subsidiary Aksa Aksen Enerji Ticareti A.Ş. became a market maker on the Borsa Istanbul Derivatives Market in Base-Load Electricity Futures Contracts, which were included in the Market Making Program. Aksa Energy performs its market making role with the intermediation of Is Investment (İş Yatırım), boosting the liquidity of the electricity products market, as well as market participant numbers.

In particular, power producers, wholesale and retail power trading companies, industrial enterprises and customers who want to control their electricity cost risk are expected to tap into the advantages of Base-Load Electricity Futures Contracts.

The risk protection instruments offered via the Derivatives Market provide a significant alternative to Aksa Energy, a publicly listed company, in fulfilling its commitments to investors and shareholders.

### **Sustainability**

Aksa Energy set up a Sustainability Committee to guide its efforts to add more value to shareholders, society and the environment, and to manage its operations in a responsible manner. In 2015, the Company became one of the 14 firms included in the BIST Sustainability Index, a significant step forward in monitoring and developing its sustainability efforts.



## Production Portfolio and Characteristics



Bolu Göynük Thermal Power Plant will generate 2 billion KWh of energy per year with its installed capacity of **270 MW.**

Aksa Energy's production portfolio comprises 17 power plants: two hydroelectric power plants, seven wind power plants, four fuel oil power plants, three natural gas power plants and one lignite-fired power plant. Aksa Energy meets 60% of the electricity demand of the Turkish Republic of Northern Cyprus with its power plant in the country.

### Changes in Production Portfolio during the Year

- As part of efforts to increase the capacity of Sebenoba Wind Power Plant, wind turbines with a total installed capacity of 17 MW were approved by the Ministry of Energy and Natural Resources and became operational by May 28, 2015. As a result, the total installed capacity of the Hatay Sebenoba Wind Power Plant rose to 60 MW upon completion of the capacity expansion efforts.
- Under efforts to increase the capacity of Kıyıköy Wind Power Plant, 3 MW of installed capacity was approved by the Ministry and the facility's total installed capacity was brought up to 27 MW.
- The first phase of the Bolu Göynük Thermal Power Plant, with an installed capacity of 135 MW, was completed on July 15, 2015 and the power plant has become operational. The approval of the second phase, which also has a capacity of 135 MW, took place on January 29, 2016. As of the latter date, the power plant conducts operations with a total capacity of 270 MW.
- An application was filed with the Energy Market Regulatory Authority (EMRA) to cancel the production license for Samsun Natural Gas Combined-Cycle Power Plant with 131 MW installed capacity, as the engines will be utilized in the Ghana project, a 370 MW fuel oil power plant. The grid utilization agreement of Samsun NGCC was duly cancelled.
- The production license of the Siirt Akköy Fuel Oil Power Plant with 24 MW installed capacity was cancelled as a result of the Company's application to EMRA. Since the power plant is less and less likely to generate electricity at competitive prices under the free market conditions in Turkey, it is planned to be utilized in overseas projects that will yield high margin US dollar denominated revenues.
- Upon approval of the Company's application to EMRA, the license of the Kozbükü Hydroelectric Power Plant, in construction in the province of Ordu, was amended to increase the installed capacity from 62 MW to 81 MW.
- As part of efforts to increase the capacity of Şanlıurfa Natural Gas Combined-Cycle Power Plant, an additional installed capacity of 18 MW was approved by the Ministry of Energy and Natural Resources and became operational by November 18, 2015.
- The production license for Van Natural Gas Combined-Cycle Power Plant with 115 MW installed capacity was cancelled upon the Company's application to EMRA. As is the case with the Siirt Akköy Power Plant, this power plant will be utilized in overseas projects that will yield high margin US dollar denominated revenues.
- The capacity expansion efforts at the Kalecik Fuel Oil Power Plant in the Turkish Republic of Northern Cyprus were completed and the installed capacity of the plant reached 153 MW with the addition of 33 MW.



**AKSA**  
ENERJİ

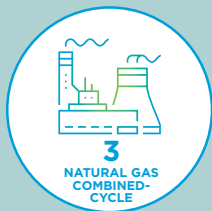
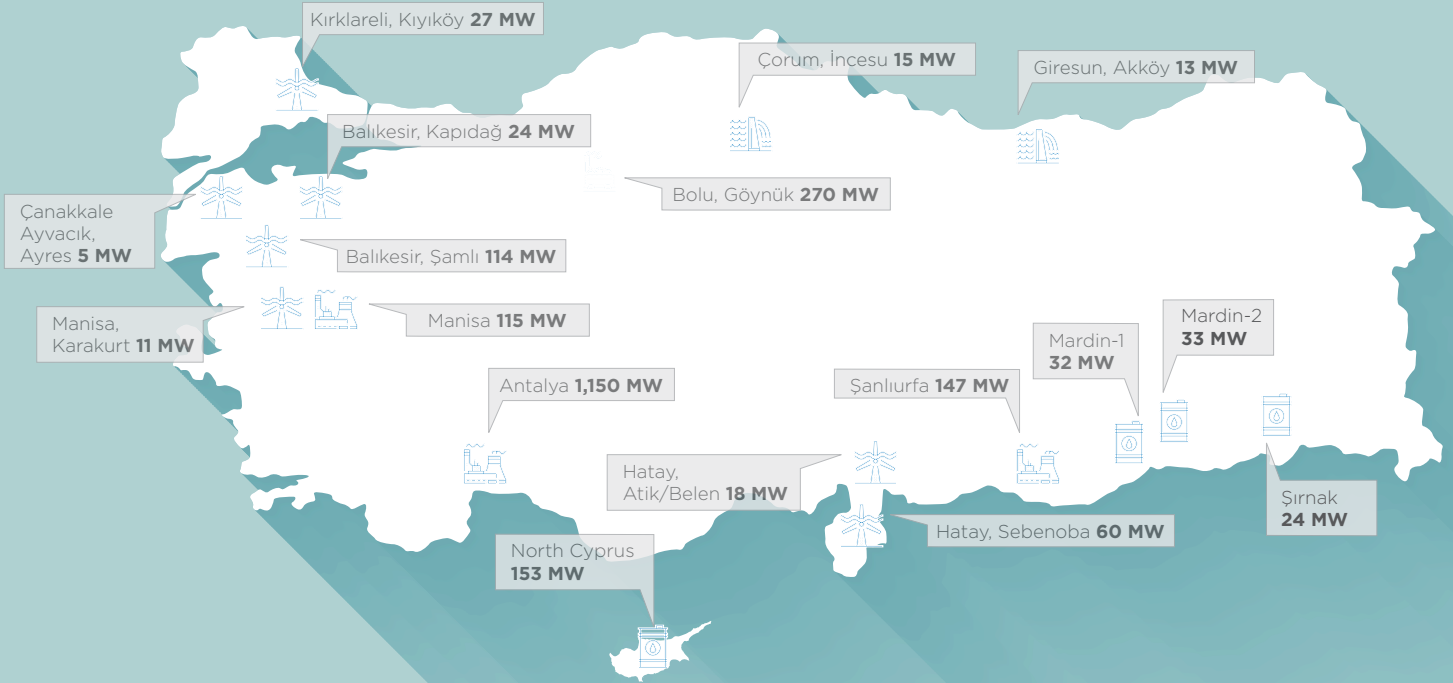


*Aksa Energy meets*

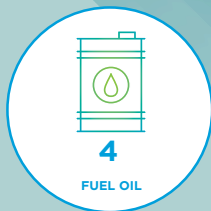
**60%**

*of electricity demand of Turkish Republic  
of Northern Cyprus with its power plant  
in the country.*

Aksa Energy's total installed capacity at power plants running on domestic and renewable resources has climbed to 557 MW.



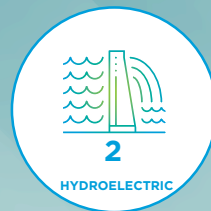
1,412 MW



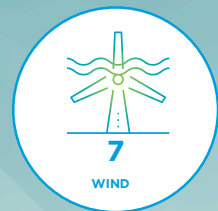
242 MW



270 MW



28 MW



259 MW

NUMBER OF PLANTS  
**17**

INSTALLED CAPACITY  
**2,211 MW\***

\*The installed capacity as of the annual report publication date (March 2016).



## NATURAL GAS POWER PLANTS



### Ali Metin Kazancı Antalya Natural Gas Combined-Cycle Power Plant 1,150 MW

Ali Metin Kazancı Antalya Natural Gas Combined-Cycle Power Plant was established in 2008 to meet energy demand in the Western Mediterranean region, an area that has gained prominence with its rapidly growing tourism industry. The power plant includes two SIEMENS SGT5-4000F gas turbines, each with a generation capacity of 300 MW; one SIEMENS SST5-5000F steam turbine with a generation capacity of 300 MW; four GE LM 6000 gas turbines each with a generation capacity of 50 MW; and two GE Thermodyne steam engines each with a generation capacity of 25 MW. With these components, the facility's total installed capacity is 1,150 MW.

The combined-cycle generation groups in the plant make it one of the most efficient power plants among independent power producers, boasting a thermal efficiency of 59%.

The plant's gas turbines have ultra-low NoX combustion systems. Due to ultra-low NoX levels and the close monitoring of the combustion temperature, carbon monoxide levels remain at single digits.



### Manisa Natural Gas Combined-Cycle Power Plant 115 MW

Manisa Natural Gas Combined-Cycle Power Plant was established in 2008. The conversion of the plant into a combined-cycle from a simple cycle plant was completed in fourth quarter 2009.

The plant includes 12 WARTSILA 20V34SG gas turbines, each with a capacity of 8.7 MW; 12 AALBORG boilers and one DRESSER-RAND steam turbine with a capacity of 10.5 MW. The facility's total installed capacity is 115 MW.

Manisa Natural Gas Combined-Cycle Power Plant is Turkey's first engine driven gas-powered combined-cycle power plant. The plant has a state-of-the-art carbon monoxide oxidation system.



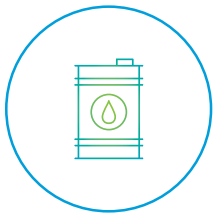
### Şanlıurfa Natural Gas Combined-Cycle Power Plant 147 MW

Şanlıurfa Natural Gas Combined-Cycle Power Plant was established in 2011 to meet the rising energy demand of Şanlıurfa and neighboring cities.

A DRESSER-RAND steam turbine with a capacity of 11.5 MW was commissioned in the second half of 2012. The power plant also includes 12 9.7 MW WARTSILA 20V34SG gas engines. After a capacity increase in 2015, the facility's total installed capacity rose to 147 MW.

The power plant features a cutting-edge carbon monoxide oxidation system.

## Production Portfolio and Characteristics



### FUEL OIL POWER PLANTS



#### **Northern Cyprus Kalecik Fuel Oil Power Plant 153 MW**

Commissioned in 2003, Kalecik Power Plant in Northern Cyprus includes six WARTSILA 18V46 diesel turbines with a capacity of 17.8 MW and is fuel oil-fired. The plant's combined-cycle conversion was completed in third quarter 2011 and six AALBORG boilers and one DRESSER-RAND turbine with a capacity of 13.5 MW were commissioned. The plant has a DeSOx flue gas cleaning system.

The five-year contract with KIB-TEK was extended in 2008 until 2027 and restructured in the form of 15+3 years, with a USD denominated purchase guarantee. The capacity increase in 2015 boosted the facility's percentage of operational readiness. As a result, the power plant now has an installed capacity of 153 MW.



#### **Mardin-1 Fuel Oil Power Plant 32 MW**

Mardin-1 Power Plant has generated power since 2007 with three WARTSILA 18V38 diesel turbines, each with a capacity of 10.7 MW. The facility has a total installed capacity of 32 MW.

There is a DeSOx flue gas cleaning system in the facility.



#### **Mardin-2 Fuel Oil Power Plant 33 MW**

The Mardin-2 Power Plant has an installed capacity of 33 MW and commissioned in November 2011.

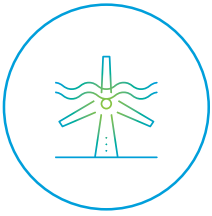
The plant includes three WARTSILA 18V38 diesel turbines and has a DeSOx flue gas cleaning system.



#### **Şırnak Fuel Oil Power Plant 24 MW**

Şırnak Power Plant, with an installed capacity of 24 MW, includes four Wartsila 18V32LN diesel turbines, each with a capacity of 6 MW.

It was commissioned in 2001 and acquired by Akso Energy in 2010. The plant uses a DeSOx flue gas cleaning system.



## WIND POWER PLANTS



### **Balıkesir Şamlı Wind Power Plant 114 MW**

114 MW capacity wind power plant is located in Şamlı district of Balıkesir province. The facility has 30 80m-tall VESTAS V90 wind turbines, each with a capacity of 3 MW, along with 13 VESTAS V90 wind turbines each having a capacity of 1.8 MW or 2 MW. In 2017, 13 MW will be added to the plant's installed capacity.

The power plant holds a Gold Standard certification for carbon emissions.



### **Hatay Sebenoba Wind Power Plant 60 MW**

Hatay Sebenoba Wind Power Plant is located in Sebenoba district of Hatay province. The facility includes 20 67m-tall VESTAS V80 wind turbines. In early 2015, the power plant's installed capacity was increased from 47 MW to 60 MW.

The facility has received VER+ standard Voluntary Emission Reductions certification thanks to its low carbon emissions. The carbon credits have been sold since November 28, 2011, with a total of 6,500 VCUs sold in 2015.

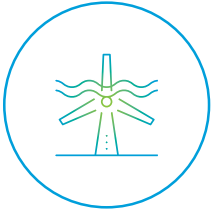


### **Manisa Karakurt Wind Power Plant 11 MW**

Manisa Karakurt Wind Power Plant is located in Karakurt district of Manisa province was commissioned in 2007. The facility has six 80m-tall VESTAS V90 wind turbines each with a capacity of 1.8 MW. The plan to expand the power plant's installed capacity by 12 MW was added to the investment plan for 2017.

This is the first wind power plant in Turkey to obtain VCS certification for its carbon emissions. The carbon credits have been sold since August 20, 2009, with a total of 9,000 VCUs sold in 2015.

## Production Portfolio and Characteristics



### WIND POWER PLANTS



#### **Balıkesir Kapıdağ Wind Power Plant 24 MW**

Located in Erdek region of Balıkesir province, wind power plant operates with a total installed capacity of 24 MW. Commissioned in 2013, facility has 12 78m-tall VESTAS V80 wind turbines each with a capacity of 2 MW. The project was undertaken with a loan supplied by World Bank. Two additional V80 wind turbines, each with a capacity of 2 MW, are planned to be assembled and commissioned.



#### **Ayvacık Ayres Wind Power Plant 5 MW**

Located in Ayvacık district of Çanakkale province, the wind power plant includes three 80m-tall VESTAS V90 wind turbines each with a capacity of 1.8 MW. The facility was commissioned in 2011 and is expected to reach an installed capacity of 9 MW in 2017 following capacity increase efforts.



#### **Hatay, Belen/Atik Wind Power Plant 18 MW**

Located in Belen district of the Hatay province, the wind power plant has nine 78m-tall GAMESA G90 wind turbines, each with a capacity of 2 MW. Some of these wind turbines were completed and commissioned in 2013, with the remainder completed and commissioned in 2014.



#### **Kırklareli Kiyıköy Wind Power Plant 27 MW**

Located in the town of Kiyıköy in Kırklareli province, Kiyıköy Wind Power Plant operates 12 GAMESA G97 wind turbines, each with a capacity of 2 MW. The plant was commissioned in 2014. With a capacity increase commissioned in first quarter 2015, the facility's installed capacity expanded to 27 MW, up from 24 MW.



## HYDROELECTRIC POWER PLANTS



### **Çorum İncesu Hydroelectric Power Plant 15 MW**

The river-run facility is located in Çorum, on Çekerek Creek, and consists of the Kazankaya regulator and İncesu Hydroelectric Power Plant. It includes three Vatech Francis hydro-turbine generators, each with a capacity of 5 MW. Commissioned in 2011, İncesu HEPP was the first hydroelectric power plant to be added to Aksa Energy's production portfolio.

The power plant has applied for Voluntary Emission Reduction certification for carbon emissions and the assessment is currently in process.



### **Giresun Akköy Hydroelectric Power Plant 13 MW**

The river-run Akköy Hydroelectric Power Plant is located in Giresun province on Yağlıdere Creek. The plant consists of Akköy-Espiye regulator and Akköy Hydroelectric Power Plant. It includes three Vatech Francis hydro-turbine generators, each with a capacity of 5 MW. Commissioned in 2012, the plant became part of Aksa Energy in 2014.

An application for Voluntary Emission Reduction certification was made and the process is underway.





## Production Portfolio and Characteristics



### LIGNITE POWER PLANT



#### **Bolu Göynük Thermal Power Plant 270 MW**

Bolu Göynük Thermal Power Plant is Akxa Energy's first lignite investment. Construction of the facility commenced on July 13, 2012 and the work within the scope of the project was completed successfully. The power plant was commissioned in two phases. The first phase with 135 MW of installed capacity became operational on July 15, 2015, followed by the second phase with 135 MW installed capacity, which came on stream on January 29, 2016.

Lignite is supplied to the plant through a royalty agreement signed between Akxa Energy and the General Directorate of Turkish Coal (TKİ). The agreement is significant as it represents the very first agreement signed by TKİ with a private company. The lignite mine is an open pit mine, with about 40 million tons of coal reserves. Excavation work is ongoing at the mine site. In 2015, 12,860,000 m<sup>3</sup>

of the excavation work was completed to meet the plant's coal demand. As of year-end 2015, 830,000 tons of coal was prepared for production.

Bolu Göynük Thermal Power Plant was designed with fluidized bed combustion technology that is an alternative to thermal plants which work with pulverized coal. Combustion is realized with the solid fuel that consists of coal and limestone on the air cushion formed with the air given under the combustion room due to the fluidized bed boiler. This process ensures that coal remains in the boiler combustion room for longer, thereby enabling combustion reaction at lower temperatures. This technology reduces nitrous oxide emissions, which are harmful to the environment, to a minimum.

Meanwhile, a desulphurization process is realized directly inside the boiler by using limestone during combustion. This technology both eliminates harmful gases and increases the plant's efficiency, thus paving the way for cheaper power production. This technology has been implemented in power plants with more than 50,000 MW of installed capacity since 1985 and passed from the trial stage long ago, proving its credentials as an environmentally friendly technology.



**At Bolu Göynük Thermal Power Plant, Akxa Energy has installed a flue gas treatment system, the first of its kind in Turkey.**

### **A first in Turkey: Flue gas treatment system**

Akxa Energy undertook the necessary investments to remove the potentially hazardous effects of lignite coal on human health and the environment through its environmentally sensitive approach. The Company installed a flue gas treatment system in the Bolu Göynük Facility, the first such system in Turkey.

The facility's electrostatic filtering and DeSOx systems allow the chimney to emit pure water vapor into the atmosphere. By employing state-of-the-art technologies, the power plant has already been meeting the EU emissions standards for 2018 since 2015 when it was commissioned. The same meticulous approach is used to dispose of the ash resulting from burning lignite. Some of this ash waste is planned to be sent for use as raw material by cement companies and in road construction projects; feasibility and analytical studies to this end are underway.

Any remaining ash will be buried in impermeable areas at the mine site where coal was extracted. At the same time, trees will be planted in the region through a re-forestation initiative. Prior to the commissioning of the facility, more than 6,000 saplings were planted on the grounds to prevent erosion and contribute to the local environment.

The Bolu Göynük Thermal Plant is an important investment because it made a domestic resource economically viable. Another key feature is the plant's contribution to the region's employment and economy. Most of the 1,200 people employed to work on the construction site are from the Bolu Göynük area and surrounding villages. In effect, the facility contributes to the local life and economic cycle, and has created its own ecosystem. The power plant is operated in cooperation and dialog with the local residents.

The facility is planned to generate 2 billion kWh of electricity per year. Since the plant will generate power from lignite, an inexpensive domestic resource, production costs will be reduced. The facility is expected to operate with an EBITDA (earnings before interest taxes depreciation and amortization) margin of about 50%. The plant will be Turkey's second privately owned lignite facility. Akxa Energy has added a new, inexpensive fuel type to its portfolio with this plant. Therefore, the Company contributes to the country's economy by reducing Turkey's dependency on imported energy and consequently reducing the current account deficit.

# Aksa Energy continued its investments according to plan despite the turmoil and crises in the global and Turkish markets.

2015 was a year of intensive investment and restructuring at Aksa Energy. The Company undertook total investments worth TL 4.43 billion in the period 2009-2015, of which 47% was financed with shareholders' equity, and the remaining funded with long term project finance.

As of year-end 2015, the Company reported net financial debt of TL 2,538 million and net financial debt to EBITDA ratio of 5.8. Aksa Energy's investment spending for the year totaled TL 500 million.

Aksa Energy completed its investments according to plan despite the turmoil and crises in the global and Turkish markets. Aksa Energy's ongoing and planned investments are as follows:

- Kozbükü Hydroelectric Power Plant with an installed capacity 81 MW is under construction in Ordu. The facility is planned to be completed and commissioned in mid-2016.
- Keen to increase the share of wind power plants in its production portfolio,

Aksa Energy continues efforts to increase the capacity of the Kapıdağ, Şamlı, Ayvacık and Karakurt wind plants.

- Datça Wind Power Plant with 12 MW installed capacity is at the license stage and is scheduled for completion in 2016.
- As part of the agreement signed with the government of Republic of Ghana in 2015, construction of the fuel oil power plant with 370 MW installed capacity will begin in 2016.
- The Company continues talks with different African governments on similar projects.

Projects	Investment Expenditures (TL)	Technical Completion (%)
Bolu Göynük Thermal Power Plant	122,709,875	100
Kozbükü Hydroelectric Power Plant	205,467,608	97
Northern Cyprus Kalecik Fuel Oil Power Plant	6,781,525	98
Ghana Fuel Oil Power Plant	97,991,669	28
Other*	26,529,066	
<b>TOTAL</b>	<b>459,479,743</b>	

\*Consists of project investments at the license stage.



Oksa Energy's investment expenditures totaled  
**TL 500 million**  
in 2015.



# Aksa Energy's sales corresponded to 5.3% of total Turkish electricity consumption in 2015.

## Operational Performance in 2015

Aksa Energy's sales corresponded to 5.3% of total Turkish electricity consumption in 2015. The Company's total electricity sales volume increased 43% over the prior year to 14,018 GWh.

In 2010, Aksa Energy decided to expand its contracted customer base and its sales volume. To these ends, the Company directed its sales efforts among contracted customers to commercial enterprises and households, which generate higher profitability. This strategy shift stems from the fact that when a large part of sales take place through bilateral agreements, meaning that the price and approximate consumption volume is known beforehand, Aksa Energy can protect its fiscal and operational performance against possible fluctuations in the spot market and plan its production in the most efficient manner.

Determined to increase its bilateral contract sales volume, Aksa Energy achieved sales of 5 TWh on the spot market and sales of 9 TWh to eligible customers under bilateral

agreements in 2015. Within the bilateral contracts, the majority of the sales was to end-customers accounting 53% of the total bilateral sales, followed by sales in the over-the-counter (OTC) market. While bilateral contracts had accounted for only 14% of the Company's total sales in 2010, this figure climbed to 64% in 2015.

Working in close collaboration with Aksa Electricity, a subsidiary of Kazancı Group, Aksa Energy's household, commercial and industrial subscriber base grew 45% over the prior year thanks to joint marketing efforts with Aksa Electricity. The number of bilateral customers were only 245 in 2010, but soared to 125,912 in 2015. While electricity sales via bilateral contracts stood at 0.6 TWh in 2010, this figure increased 15-fold to reach 9 TWh in 2015.

Aksa Electricity carries out approximately 6.1 TWh of retail electricity sales annually to more than 2 million subscribers in the Çoruh and Fırat electricity distribution regions. Aksa Energy commands 24% market penetration based on volumes in these regions

within the collaboration it formed with Aksa Electricity. Aksa Energy is determined to bolster its presence in the region and gain more of the massive customer potential in the distribution area. Aksa Electricity's popularity with consumers is driven by its production capacity; sector leadership; generation of energy from environmentally friendly renewable energy resources; broad-based, in-depth experience in this business segment; supply continuity, as well as its customer oriented service approach.

The vast customer base and immense sales volume attest to the success of integration and cooperation within the Group.

Focused on making the best of market opportunities in 2015, Aksa Energy expanded its turnover by 19% year-on-year to TL 2,320 million.

Aksa Energy's earnings before interest taxes depreciation and amortization (EBITDA) climbed 27% over the prior year to reach TL 436.2 million.

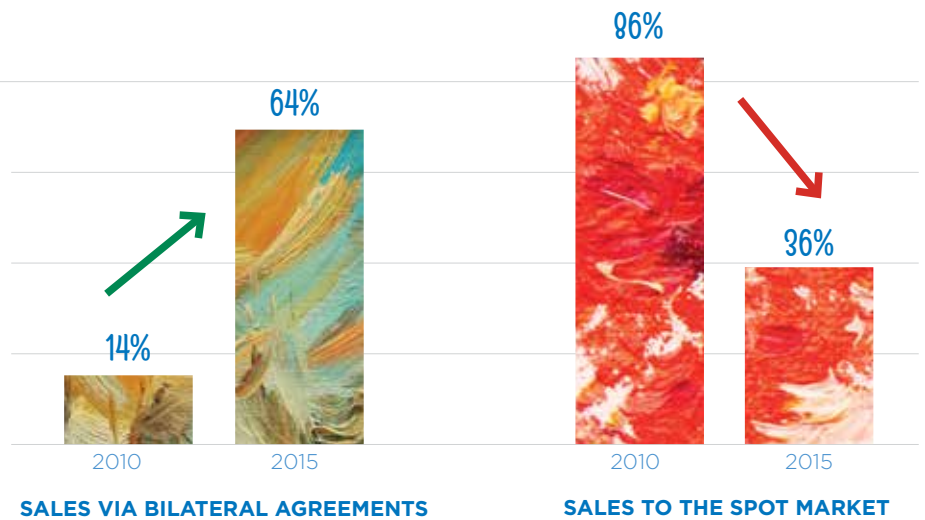


Aksa Energy's total electricity sales volume was up 43% over the prior year, rising to **14,018 GWh.**

## Sales Breakdown

**+64%**

Aksa Energy's sales via bilateral agreements have come to account for 64% of total sales.



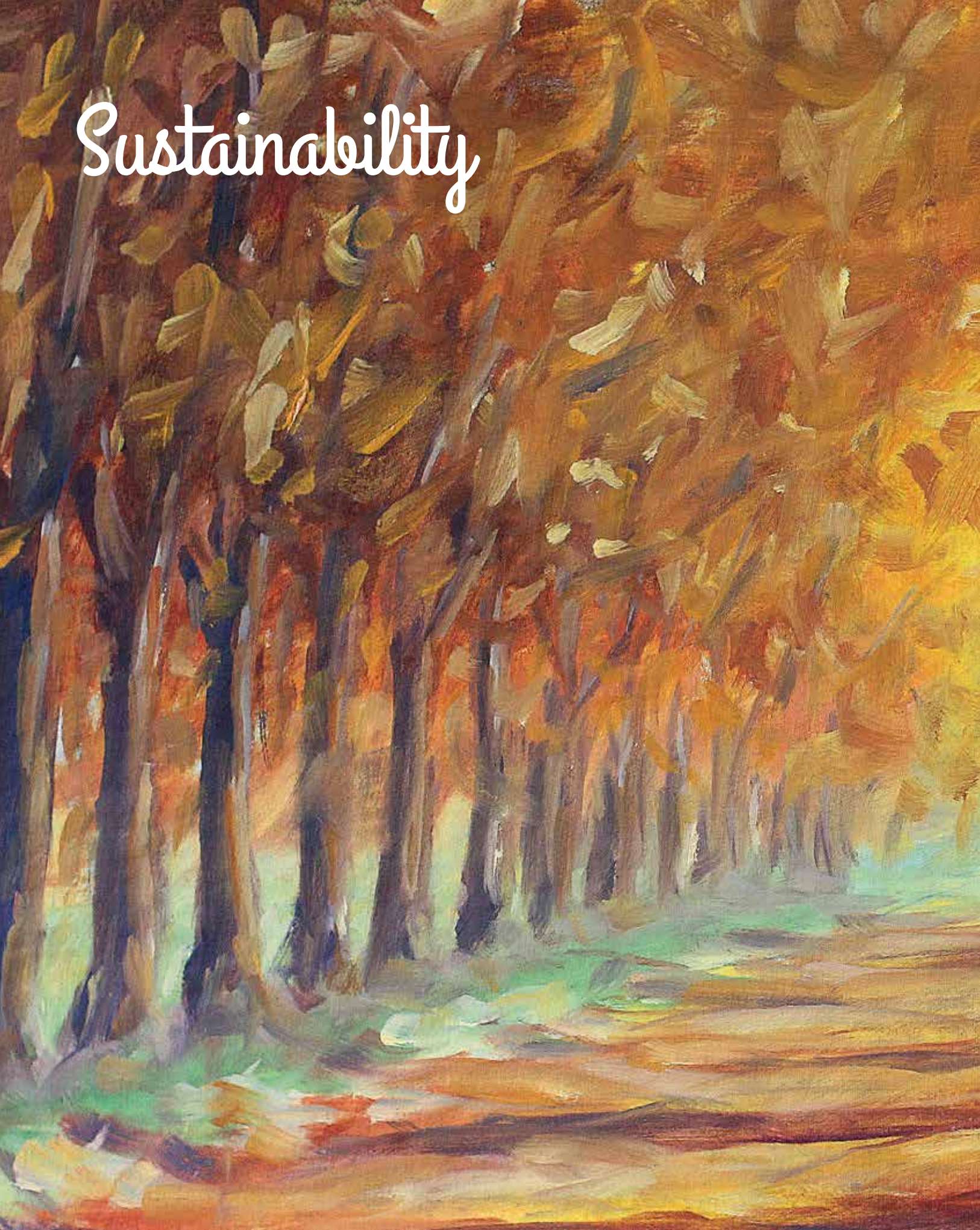
## Growth of Bilateral Agreements

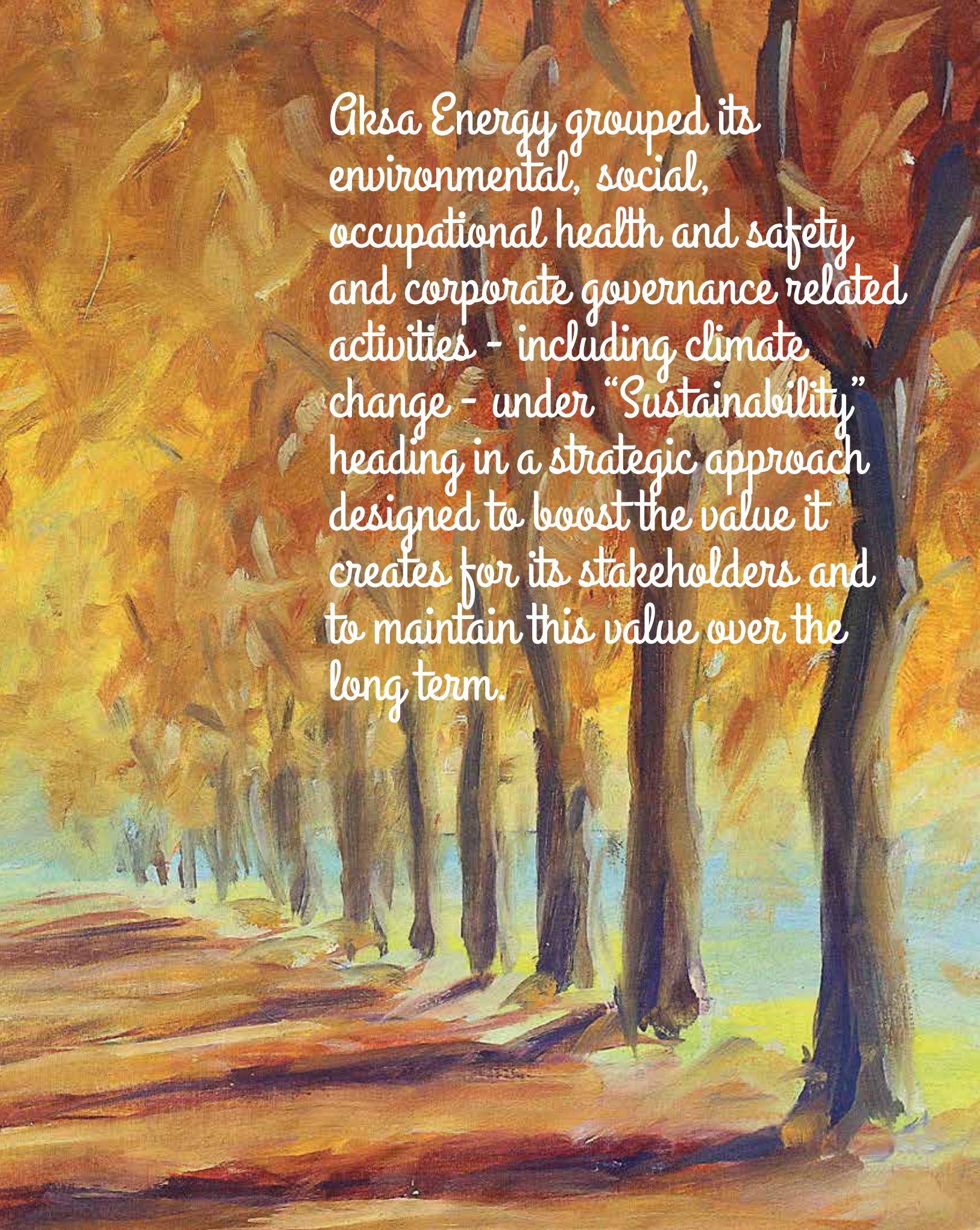
**+1,500%**

The consumption volume of Aksa Energy's bilateral customers has increased 15-fold over the last five years.



Sustainability



A painting of a forest path. The scene is dominated by warm, golden-yellow and orange tones, suggesting a bright, sunny day. The path is a mix of brown and tan, leading into the distance. On the right side, several tall, dark brown tree trunks stand prominently, their branches reaching upwards. The background is a soft, hazy blue and white, indicating a bright sky. The overall style is impressionistic, with visible brushstrokes and a focus on light and color.

Gksa Energy grouped its environmental, social, occupational health and safety and corporate governance related activities - including climate change - under "Sustainability" heading in a strategic approach designed to boost the value it creates for its stakeholders and to maintain this value over the long term.



The Company's inclusion in the BIST Sustainability Index in 2015 is a significant indicator that Akxa Energy has institutionalised sustainability.

#### Our Sustainability Strategy

Akxa Energy grouped its activities in environment, social responsibility, occupational health and safety and corporate governance – including climate change – under the roof of “Sustainability”, in a strategic approach designed to boost the value it creates for its stakeholders and to maintain this value over the long term.

Aware of the global and national risks and opportunities in the sector, Akxa Energy shapes its sustainability strategy in five areas: Management Approach, Environmental Sustainability, Employees, R&D and Innovation, and Social Responsibility.



### **Aksa Energy joined the BIST Sustainability Index.**

Thanks to its diligent efforts, Aksa Energy passed with success the assessment and rating processes performed by EIRIS Global Sustainability Ratings, an independent international body. As a result, the Company became one of the 14 companies included in Borsa Istanbul's Sustainability Index in 2015 for the period November 2015 - October 2016.

Keen to make its sustainability approach an integral part of its institutionalization process, the Company is working to issue its first Sustainability Report in 2016, which will be developed at internationally accepted standards and formatting, and audited overseas.

### **Sustainability Management Structure**

In compliance with Corporate Governance Principles, Aksa Energy has set up the Sustainability Committee ("Committee"), which reports directly to the Chairman and CEO. This structure aims to facilitate formulating the strategies, policies and objectives required to manage environmental, social and managerial risks, including climate change; ensuring the integration of these with the Company's decision-making, administration, operation and audit processes; and creating added value over the long term.

The Committee is chaired by the Head of Investor Relations and Corporate Communications, while the Environment and Energy Legislation Specialist serves as Secretary General of the Committee. Other Committee members are appointed by the Board of Directors from among

the senior managers of the Plants and Operation, Plants Support and Coordination, Human Resources, Investment Planning-Fossil Resources, Investment Planning-Renewable Resources, Business Processes, Procurement and Logistics Departments. When deemed necessary, Committee meetings are also attended by senior managers from the Energy Trading, Sales and Marketing Departments, chosen in the same manner.

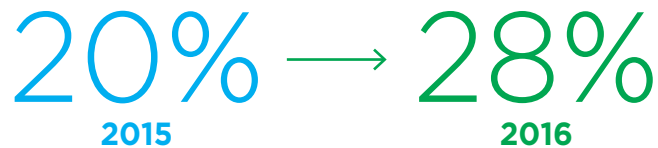
In order to assist the Sustainability Committee and fulfill other assigned tasks, the Coordination and Working Group was set up. The latter body is chaired by the Environment and Energy Legislation Specialist, and comprises managers from WPP, HEPP, FOPP, Natural Gas Power Plant Operations and Human Resources, appointed upon the nomination of the Committee and approval of the CEO.

# Aksa Energy views the protection of biodiversity as a key component of its strategic objectives.

Given that management of environmental impact is an integral part of its operations, Aksa Energy has adopted an environmental policy to ensure the consistency of its environment related actions across its various business lines. Having obtained ISO 14001 certification, the Company aligns its environmental sustainability efforts along the following principles:

- Climate change lies at the heart of Aksa Energy's environmental policy. Fully aware of the impact that climate change has on the planet, the Company diversifies its energy resources in order to minimize its environmental footprint.
- In order to minimize its effect on the environment and to reduce its greenhouse gas emissions, the Company focuses on energy efficiency as a key part of its environmental policy. Aside from increasing energy efficiency, the Company also boosts the use of renewable and alternative energy sources to combat climate change effectively. Aksa Energy aims to expand its renewable energy capacities. The Company is keen to reducing its greenhouse gas emissions, and expends efforts to minimize other emissions as well.

## Ratio of Domestic and Renewable Portfolio to Total Installed Capacity



- Aksa Energy promotes innovation and efficient use of natural resources in every sphere of production. The Company places an emphasis on water management, and makes a point of consuming water in the most efficient manner possible to minimize all associated risks and impacts. In addition, the Company aims to reduce its waste and hazardous waste volume as part of its waste management policy.
- Aksa Energy views the protection of biodiversity as a key component of its strategic objectives.
- Aside from these efforts related to the environmental impact of its current facilities, Aksa Energy also performs regular environmental impact assessments prior to the establishment of new facilities.
- Aksa Energy is committed to continuous improvement of its environmental performance.

The Company accomplishes this by designating objectives and targets; measuring progress and reporting the results; sharing its performance with all stakeholders via Sustainability Reports and the corporate website; and promoting the participation of employees and other stakeholders in responsible environmental management schemes.

In 2015, Aksa Energy reported environmental investment and expenditure totaling TL 37 million, a six-fold increase year-on-year, demonstrating the Company's resolve to further boost its environmental performance. Responsible environmental management processes are promoted among all stakeholders, employees in particular. To this end, staff members are offered training programs on efficient environmental management practices. In addition, the Company works to raise and broaden awareness among suppliers on this issue.



Aksa Energy plans to reduce its emissions per MWh in 2020 by **15%** over the 2008 level.

### Natural Resource Management

In keeping with its strategy of efficient use of natural resources, Aksa Energy views water management as one of its top priorities. The Company carries out water consumption risk and impact assessment studies, and plans its investments accordingly.

In order to reduce water consumption at Ali Metin Kazancı Antalya Natural Gas Combined-Cycle Power Plant, the Company established a decarbonization facility with an investment of EUR 2.5 million in 2012. The facility, which saves 500 m<sup>3</sup> of water per hour, has lowered the power plant's water consumption per MWh from 0.7 m<sup>3</sup> to 0.55 m<sup>3</sup>. In 2015, a total of 19,200 m<sup>3</sup> of water was recycled and reused.

Another decarbonization project was implemented at the Bolu Göynük Thermal Plant, scheduled to be commissioned with a EUR 2.8 million investment. These investments target water savings amounting to 350 m<sup>3</sup> per hour. Moreover, Çatak Pond was created with a EUR 4.5 million investment at Bolu Göynük Thermal Plant. This initiative foresees that residents in the vicinity of the plant will meet some of their water needs from this pond.

As a result of intensive efforts at the Manisa Natural Gas Combined-Cycle Power Plant in 2011, water recycled by the reverse osmosis method started being used in cooling towers. This project has allowed the Company to recycle 13% of the total water consumed since 2013. At the end of five years, the project has helped cut some TL 450,000 in costs.

### Waste Management

Aksa Energy aims to minimize waste and hazardous wastes in line with its waste management policies, an integral element of environmental sustainability. To this end, some of the ash produced by Bolu Göynük Thermal Power Plant is planned to be used as raw material at cement companies and on road construction projects; the requisite studies and analyses are underway. The remaining portion of the ash will be buried in impermeable areas in the mine site where coal was extracted; at the same time, trees will be planted in the region through the re-cultivation project. The Company also has plans to invest in an ash field.

### Biodiversity

Aksa Energy views the protection of biodiversity as a key component of its strategic objectives. The Company has formulated a biodiversity strategy that includes assessing and monitoring the impact of its operations in terms of biodiversity, reviewing the strategy in line with designated targets, and reporting of the Company activities' impact on biodiversity.

Aksa Energy is not content with simply measuring its environmental impact; the Company proactively undertakes efforts to protect nature. In all areas of its operation, the Company places great importance on preserving natural flora and fauna. In 2015, the Company joined forces with the Association for the Protection of Turkey's Nature (TTKD) to execute the Hatay Mountain Gazelle Protection Project, which aims to protect the mountain gazelle species and its habitat in Turkey.

In its fight against climate change, the Company's top priority is reducing greenhouse gas emissions - the main culprit of the problem.

### Climate Change and Energy

Understanding the immensity of the challenge posed by climate change, Aksa Energy does its utmost to minimize its impact in this respect. As part of the corporate transformation initiated to this end, the Company took steps to integrate climate change criteria into the performance-based remuneration scheme for all department managers.

In its fight against climate change, the Company's top priority is reducing greenhouse gas emissions - the main culprit of the problem. In order to monitor gas emissions, the Company devised greenhouse gas monitoring plans for 2015, which were approved by the Ministry of Environment and Urbanization.

Seeking to slash greenhouse gas emissions, the Company plans to diversify its energy resources and carry out energy efficiency projects. For example, a key energy efficiency project implemented by Aksa Energy pertains to the generation of energy from waste heat. With the combined-cycle power plant technology, the Company utilizes the heat of the waste gas let off during production to generate energy, thereby cutting its energy consumption per unit by 10%.

#### Greenhouse Gas Emissions (Tons CO<sub>2</sub> - equivalent)\*

	2013	2014	2015
Scope 1	3,074,515.7	3,793,772.4	2,295,640.7
Scope 2	77,300.5	81,936.1	77,020.7
<b>Total</b>	<b>3,151,816.1</b>	<b>3,875,708.5</b>	<b>2,372,661.4</b>

\*Data has been calculated according to the greenhouse gas protocol. It covers Scope 1 (direct) and Scope 2 greenhouse gas emissions. Aksa Energy Head Office's emissions arising from energy consumption are not included. Global warming potential (GWP) coefficients were taken from Intergovernmental Panel on Climate Change (IPCC) sources.

Energy is generated from waste heat at all current natural gas power plants and at the Northern Cyprus Kalecik Fuel Oil Power Plant.


Another effort to curb greenhouse gas emissions is to employ oxidant filters at natural gas power plants.

Surpassing its greenhouse gas reduction target by a large margin in 2015, the Company cut emissions by 40% over the prior year. Aksa Energy plans to reduce its emissions per MWh in 2020 by 15% over the 2008 level.

In addition to executing energy efficiency projects, the Company boosts its use of alternative energy resources by investing in domestic-renewable resources such as hydropower and wind.

Aksa Energy's renewable energy capacity rose from 267 MW in 2014 to 287 MW in 2015; it is expected to hit 384 MW in 2016. The ratio of installed capacity based on domestic resources and renewables to total installed capacity stood at 20% as of year-end 2015; it is projected to rise to 28% by year-end 2016.

Aksa Energy monitors and strives to reduce its emissions other than greenhouse gases, too. By means of emission measurement systems set up at power plants, the Company monitors emissions in real-time. Under this effort, Aksa Energy set up NOx treatment systems at fuel oil power plants. Additionally, the Company plans to bring down SO<sub>2</sub> emission at Northern Cyprus Kalecik Fuel Oil Power Plant to European



Surpassing its greenhouse gas reduction target by a large margin in 2015, the Company cut emissions by 40% over the prior year. Aksa Energy aims to reduce its emissions per MWh in 2020 by 15% over the 2008 level.

Union standards by 2017. DeSOx treatment systems are being installed to reach this target.

Bolu Göynük Thermal Power Plant has already reached the emission values required by the European Union for 2018 in 2015 by employing a flue gas cleaning system, the first of its kind in Turkey.

Bolu Göynük Thermal Power Plant was designed with fluidized bed combustion technology, which brings NOx volume down to a minimum. Furthermore, the desulphurization process is performed inside the boiler by using limestone during combustion, thus eliminating hazardous gases and increasing the plant's efficiency.

Aksa Energy has signed The Trillion Tonne Communiqué in demonstration of its transformation to a sustainable, socially responsible company.

This communiqué, written by The Prince of Wales's Corporate Leaders Group, which suggests that new and long-term policies are urgently needed to fight against climate change was executed by over 1,000 signatories in 60 countries, including Aksa Energy.

## Aksa Energy directly creates economic benefit for communities with an employment policy that has a local focus.

As one of Turkey's largest independent power producers, Aksa Energy generates electricity that energizes daily life. In doing so, the Company endeavors to manage its impact on nature and stakeholders in the best manner. Put in general terms, the Company's stakeholders include everyone who benefits from the energy it generates with a minimal environmental footprint.

Aksa Energy runs its operations with due consideration of its social effects on stakeholders. The Company strives to create value for every single stakeholder in the value chain, starting with employees. The Company provides a healthy, safe working environment to personnel, viewed as the most

important stakeholders. It also contributes to the staff's career plans by supporting their personal and professional development via training programs.

Aksa Energy directly creates economic benefit for communities with an employment policy that has a local focus. The power plant in Bolu Göynük has provided job opportunities for the nearby villages of Bölücekova, Himmetoğlu and Karaardıç. Whenever further labor needs arise, additional personnel are recruited from the surrounding communities, with a view toward raising household income and stimulating the local job market.

Additionally, the Company made donations totaling TL 180 thousand to the Kıyıköy and Antalya Döşemealtı municipalities, which administer the localities where two Aksa Energy plants are located.

In the regions where it operates, the Company creates permanent value via infrastructure works and renovation projects that contribute to local economic development. Meanwhile, impact on nature is considered to be as important as this impact on the society, and the Company's environmental footprint is reduced via various measures.

As of end-2015, Aksa Energy employs a total of 779 personnel, 12% of whom work at the Head Office with the remaining 88% working at the power plants and other facilities.



As a sector leader, Aksa Energy places special importance on the personal and professional development of its workforce. For this purpose, the Company supports its employees with training programs organized at regular intervals. These training programs aim to help staff members gain new skills; remain aware of developments in the energy sector where continuously developing technology is at the forefront; and to develop their performance and competencies.

In 2015, the Company's training programs reached out to 779 personnel as well as 723 employees in subcontractor firms. These training programs covered issues such as first aid, occupational health and safety (OHS), fire, gas turbines, technical and professional issues, environmental waste management, machinery, search engine optimization (SEO), body language, positive living at work, salary management, EKAT certification and sustainability.

Aksa Energy implements various practices in the area of OHS, in line with Company policies that ensure a healthy, safe working environment is provided to achieve employee satisfaction and a sustainable performance. The Company develops integrated projects in all plants across Turkey and sub-contractor companies, which also encompass visitors and the enterprises with which there is a working relationship. Occupational health and safety efforts are handled from a risk management perspective in accordance with applicable laws and regulations and modern practices. Akxa Energy defined all risks that stand out in all its operational areas and take necessary measures to minimize these risks. Precautionary measures taken against workplace accidents are shared with the entire workforce through training programs and employees are informed of the Company's emergency plans. Occupational health and safety practices are reinforced through the quality management system which is adopted by the employees.



Aksa Energy aims to “become the employer of choice for development-oriented, highly productive professionals” in the industry.

Key Demographic Indicators	2010	2011	2012	2013	2014	2015
Male	552	571	533	596	748	746
Female	34	36	25	31	29	33
<b>Total</b>	<b>586</b>	<b>607</b>	<b>558</b>	<b>627</b>	<b>777</b>	<b>779</b>

Breakdown by Education	2010	2011	2012	2013	2014	2015
Bachelor’s, Master’s, Doctorate	140	158	135	146	166	169
Vocational College	76	96	89	112	137	144
Vocational High School, General High School or Below	370	353	334	369	474	466

Average Age of Employpess	2010	2011	2012	2013	2014	2015
Age	34.81	34.04	34.69	34.95	35.11	35.47

**Aksa Energy’s Human Resources Policy**

Kazancı Group’s motto “Human resources is our most valuable asset” constitutes the cornerstone of Aksa Energy’s Human Resources Policy. The Company’s human resources strategy aims to

- present some of the best practices in human resource management in the sector;
- manage all human resources processes in an effective manner so as to build a competitive edge;
- support employee performance by establishing the necessary coordination.

Aksa Energy’s human resources practices are designed to maintain a dynamic and competitive organizational structure in line with the Company’s strategic plan and objectives.

Through its human resources practices, Aksa Energy provides rapid, efficient support to its personnel and boosts the productivity and performance of various departments.

Aksa Energy is fully aware that the success of employees reflects on the satisfaction of clients. As a result, the Company prioritizes maintaining a sustainable human

resources structure to achieve its long-term objectives. Corporate human resource policies are formulated to ensure continual development of employee skills and qualifications, in accordance with the Company’s long term objectives.

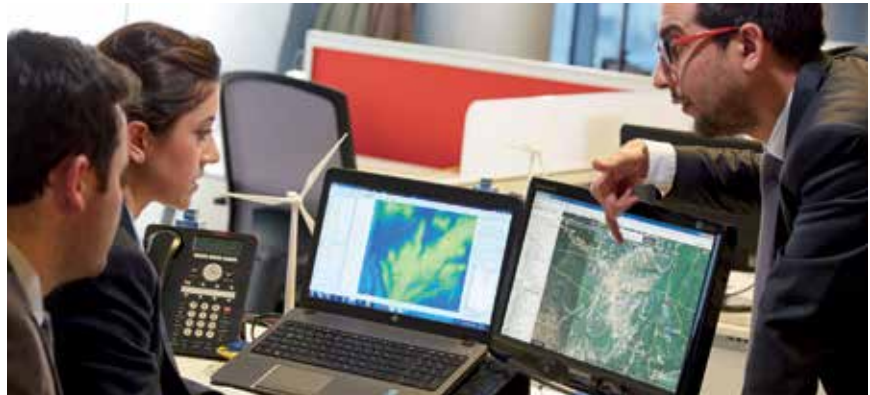
Aksa Energy employees are dynamic, open to innovation and change, aware of their potential to develop themselves and their work. From the day of recruitment onwards, they are the members of a team in which development and creativity are fostered, efforts are rewarded and success is well appreciated.



As of end-2015,  
Aksa Energy employed  
**779**  
personnel.

Aksa Energy aims to be the most popular employer in the industry for professionals who are highly productive and development oriented. Aksa Energy's human resources approach is based on the following principles:

- The right person for the right job,
- Management of differences,
- Equality of opportunity,
- Personal and professional development.



### **Human resources is a strategic advantage for Aksa Energy**

Aksa Energy deems its workforce as a strategic advantage that manages all of the Company's other resources. Employee satisfaction and a strong sense of belonging are constant elements of Aksa Energy's human resource vision. To this end, the Company devises and implements the policies required to enhance the loyalty of its staff.

Aksa Energy accepts the diversity of its workforce as a valuable component of its organizational structure and a fundamental feature of human resources, which lies at the heart of the Company's intellectual capital. All processes and practices in the Company's

human resources policy are aimed at delivering equal opportunity to its employees. There is no discrimination based on race, religion, language, gender or sexual orientation. Moreover, Aksa Energy adopts universally accepted human rights principles and stands against child labor and forced labor.

### **Aksa Energy's human resource structure**

As of December 31, 2015, Aksa Energy employed 779 personnel, of whom 33% are white collar and the remaining 67% blue collar workers. Some 12% of the Company's staff work at the Head Office with 88% working at the power plants and other facilities.

### **Talent management at Aksa Energy**

Aksa Energy discovers its current and potential human capital via talent management efforts. Employees are offered career paths to uphold the development of their talents and to achieve corporate objectives, based on the common denominator that connects the staff with the Company.

Aksa Energy's unwavering target is to recruit well-educated, talented, tech-savvy and innovative individuals who can add value to the enterprise; possess a strong sense of business ethics; are open to development; keep a close watch on the global marketplace; embrace

# Aksa Energy provided its workforce a total 15,549.5 man hours of technical and vocational training in 2015.

the Company vision; and work diligently to achieve this vision. Internal and external resources are evaluated by taking account of the characteristics required by the job definition and the job itself, when the need for a new position in the Company arises.

## Performance, organizational development and training management

At Aksa Energy, the skills and competencies that staff members should possess and the performance levels are defined in order to realize the Company's mission, vision and strategic goals. Employee performance is evaluated in relation to these definitions.

Aksa Energy supports its personnel through training and development programs that enhance their professional and individual development. Training and development activities aim to maintain the continuous development of employees and thus to bolster Aksa Energy's effectiveness and efficiency in its sector.

In parallel with Kazancı Group's objective and strategies, Aksa Energy provides a range of opportunities designed to meet employees' career and personal development requirements. The Company administers training and development programs that will enhance the performance and competencies of the workforce.

## Highlights of the 2015 training program

Aksa Energy provided its workforce a total 15,549.5 man hours of technical and vocational training in 2015. Detailed information on in-house and external training programs categorized into 13 subject areas is presented below. In addition to these training programs for permanent employees, 723 personnel of subcontractor firms were offered occupational health and safety training.

### In House Training

Training Program	Training Hours	Number of Attendees	Man Hours
First Aid	9	2	18
Occupational Health and Safety	16	779	12,464
Fire Training	6	4	24
GE Gas Turbines Training	3	9	27
Technical Training Programs	9	30	270
Environment and Waste Management	6	37	222
Machinery Maintenance Training	2	15	30

### External Training

Training Program	Training Hours	Number of Attendees	Man Hours
SEO Training	3.5	2	7
Body Language Training	3.5	2	7
Positive Living at Work Training	3.5	1	3.5
Salary Management	3	3	9
EKAT Certification	220	11	2,420
Sustainability Training	48	1	48



### **Remuneration and additional benefits at Aksa Energy**

Aksa Energy is focused on providing sustainable optimal conditions for the Company and meaningful conditions for the employees.

In parallel with the Company's objective of being the most popular employer in the industry, Aksa Energy implements a remuneration policy that is competitive, sensitive to the market and which aims to improve the quality of life of its staff.

Remuneration at Aksa Energy is based on performance. In addition to performance, general macroeconomic conditions, the current inflation rate in Turkey and trends in the sector are taken into account to implement a fair and appropriate remuneration policy for the Company's personnel. Aksa Energy's remuneration system is continually reviewed in line with the following:

- Fairness,
- Transparency,
- Measurable and balanced performance targets,
- Sustainable success, and
- Compliance with the Company's risk management principles.

### **“Respect for People” Award from Kariyer.net**

Aksa Energy was granted the “Respect for People” award in appreciation of the rapid and high quality feedback that the Company provided its job applicants. Aksa Energy's Human Resources Department is focused on conveying the “Respect for People” approach in every stage of its work. Aksa Group's unwavering objective is for member companies to figure among the most popular employers for job applicants in their respective sectors.

Aksa Energy's steadfast goal is to be an employer of choice for job seekers.

# Aksa Energy provides employees with a world class working environment.

Aksa Energy is committed to taking all precautionary measures related to occupational health and safety when carrying out its operational activities for all its employees as well as visitors, sub-contractors and the companies with which it has a working relationship.

Aksa Energy strives to improve the health and safety conditions of its staff and to prevent occupational accidents and vocational illnesses; the Company views these concerns as the cornerstones of its human resources policies and practices. As of end-2015, 70% of the employees are represented on the Health and Safety Committee, which works to better the health and safety conditions of employees and to prevent work-related accidents and vocational disorders.

At its Istanbul Head Office and plant facilities, Aksa Energy ensures full compliance with labor law and occupational health and safety regulations. The Company closely monitors modern occupational health and safety practices as well as technological advancements across the world. New developments and innovations are rapidly integrated into the Company's OHS Policy and various

projects are put into practice to ensure a world class working environment.

To this end, Aksa Energy:

- Fulfills applicable national and international legal requirements, determines the best OHS practices in the industry and implements these across the Company.
- Identifies the dangers related to its operations, assesses and classifies risks and aims to minimize those risks as much as possible.
- Ensures that all occupational health and safety measures are taken to protect employees, subcontractors and visitors, and reviews these measures periodically.
- Provides its workforce with in-house occupational health and safety training. Emphasizes the importance of OHS: Occupational health and safety training accounts for 60% of total training hours.
- Plans and administers vocational training across the entire organization to help employees hone their physical, social, cultural and business skills and to develop their knowledge, qualifications, attitudes and

values to ensure that they can continue their professional development and adapt rapidly to a changing work environment.

- Organizes world class training programs for those staff members who figure among special risk groups.
- Draws up emergency plans for potential work accidents or emergencies at all of its facilities and implements these plans effectively.
- Takes all measures necessary against fire risk and installs automatic fire extinguishing systems at all the Company's plants.

Aksa Energy has ensured the continuity of the following certifications that it has obtained, and has successfully internalized all of the four systems concerned:

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 50001 Energy Efficiency Management System





**Bilateral contracts:** Commercial agreements related to electrical energy and/or capacity trading signed between real persons or legal entities and license-holder entities, or among license-holder entities. These contracts are subject to private law and do not require EMRA approval.

**BOO:** Build-Own-Operate

**BOT:** Build-Operate-Transfer

**Consumer:** Independent and non-independent consumers who purchase electricity to meet their own needs.

**Distribution company:** A legal entity that distributes electricity to a specific region

**Distribution region:** Geographic region delineated in the license of a distribution company

**EBITDA:** Earnings before interest, taxes, depreciation and amortization

**EMRA:** Energy Market Regulatory Authority

**EURELECTRIC (Union of the Electricity Industry):** Industry association that includes the electricity industry representatives of European nations. Turkey is represented in the union by TESAB.

**EÜAŞ:** Electricity Generation Company of Turkey

**FOPP:** Fuel Oil Power Plants

**Fossil fuel:** Natural resources of energy that include hydrocarbons and coal, oil and natural gas which consist of vast amounts of carbon. Created by the decay of dead organisms under conditions devoid of oxygen for millions of years.

**HEPP:** Hydroelectric Power Plant

**Independent consumer:** A real person or legal entity that consumes more electricity than the limit specified by EMRA or that is directly connected to the transmission grid, and thus has been granted the freedom to choose its electricity provider

**KIB-TEK:** Cyprus Turkish Electricity Authority

**Kyoto Protocol:** As the only international framework designed to coordinate the fight against global warming and climate change, this treaty was adopted on December 11, 1997, within the scope of United Nations Framework Convention on Climate Change.

**Market and Financial Settlement Center (PMUM):** Active under the umbrella of the Turkish Electricity Transmission Company (TEİAŞ), the Market and Financial Settlement Center operates the financial settlement system by calculating the sums that legal entities owe to each other through the real time physical balancing of electrical power supply and demand at the National Load Dispatch Center.

**NGCC:** Natural Gas Combined-Cycle Power Plant

**OECD (Organization for Economic Cooperation and Development):** An international economic structure established by the 1960 Paris Treaty. Turkey is among its 34 members.

**Renewable energy:** Type of energy supplied from everlasting natural processes. These resources include the sun, wind, rivers, biological processes and geothermal power.

**Shale gas:** Found in the small pores of sedimentary rock composed of clay rich in organic materials, as well as quartz and calcite. To tap into this non-conventional resource of energy and bring it up the surface, horizontal drilling and hydraulic fracturing methods are employed.

**Supplier:** Power companies, autoproducers, autoproducer groups, wholesale companies, retail sales companies and distribution companies with retail sales license that provide electrical energy and/or capacity to their customers.

**Sustainable energy:** Type of energy that meets today's needs without jeopardizing the natural resources and capabilities that future generations will require to meet their energy needs.

**TOR:** Transfer of Operation Rights

**WPP:** Wind Power Plant

**W:** Watt: Power Unit  
**KW:** Kilowatt  
**MW:** Megawatt  
**GW:** Gigawatt  
**TW:** Terawatt

**Wh:** Watt/hour: Energy unit  
**KWh:** Kilowatt/hour  
**MWh:** Megawatt/hour  
**GWh:** Gigawatt/hour  
**TWh:** Terawatt/hour

**YEK:** Renewable energy resources

**YEKDEM:** Renewable energy resources support scheme

1 TW=1,000 GW=1 million MW=1 billion KW=1 trillion W  
1 TWh=1,000 GWh=1 million MWh=1 billion KWh=1 trillion Wh





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**KAZANCI HOLDİNG**



2015  
Corporate  
Governance  
Activities

The art of transforming nature's force  
into energy...

**aksa** ENERGY



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*Bolstered by its dynamic and flexible structure, Akxa Energy recently conducted an in-depth analysis of industry-wide trends shaped by various domestic and global factors as part of a strategy review. In response to its findings, Akxa Energy has included overseas regions in its target operating areas and took its first significant step internationally in Republic of Ghana.*

**Cemil KAZANCI**  
Chairman





Aksa Energy currently boasts  
**2,211 MW**  
of installed capacity.

**We have left behind a year that deserves to be analyzed thoroughly.**

For the global economy as a whole, 2015 was a more complex period than the previous year. Fluctuations in the markets coupled with uncertainty surrounding the interest rate decision of the Federal Reserve (Fed) led to a downward revision of growth expectations, especially in emerging markets during the year.

The Fed signaled that, following its interest rate rise of 25 basis points, it would continue to hike rates gradually over the course of the coming year. The end of the Fed's low interest rate policy is thought to bring to a close the emerging market bloc's growth story based on hot money inflows.

Although 2015 yielded more positive results than 2014, the recovery process seems to be slow and irregular in advanced countries other than the US. Downside risks still persist in the Eurozone. One hotly debated issue is whether the European Central Bank's expansionary monetary policy will turn into a fully-fledged quantitative easing program.

Another development during the year that led to concerns about the world economy was the extent and suddenness of China's slowing growth rate. Although the Chinese economy has been long expected to settle down into a more stable growth path, such a development could reverberate globally, triggering a slowdown in developing economies and a long-term appreciation of the US dollar.

Another result of the China's downturn was the quite visible loss of momentum in the demand for oil. Demand-side factors have joined the downtrend in US shale gas costs and escalating tensions in the Middle East to depress the price of oil by a significant margin. Oil prices, on a downward course since June 2014, slipped below USD 40 per barrel as of year-end 2015. Although this situation is thought to have some positive effects, especially on petroleum-importing countries in the short term, a more global economic perspective suggests that it may also yield negative macroeconomic results in the coming period.

**Turkey emerged unscathed after a rough patch.**

The first element to be taken into account before embarking on an economic analysis of the year in Turkey is the political juncture the country experienced in 2015. Following the elections of June 7, 2015, concerns about the impossibility of establishing a stable coalition government coupled with rising security problems led to increased uncertainty.

However, the snap elections on November 1, 2015 resulted in a new parliament that allowed for a single party government again, alleviating concerns about political instability.

Two general elections in a single year do not only incur costs on the economy, but also lead to delays in various investments and projects. Despite this process which lasted until November and that supplanted the economy as the top item on the nation's agenda, Turkey succeeded in demonstrating a better-than-expected performance. This was most importantly



**Boasting rich know-how in the energy industry, an integrated structure and a sustainable performance, Aksa Energy has Turkey's most experienced team in all areas of the sector, including project development, construction, plant operations and maintenance, and electricity trading.**

## Chairman's Message

reflected in the GDP growth rate, which was reported to be 4% at year's end. Turkey thus successfully maintained its growth trend during a year beset by not only domestic political challenges, but also economic risks arising from the wider region as well as global problems related to the Fed's decision to raise interest rates.

Although the sharp fall in oil prices had an obvious positive effect on the country's current account balance, the anti-inflationary policies failed to yield the desired results in 2015. The Consumer Price Index rose 8.81% for the year, well above the target set by the Central Bank of Turkey for 2015. Factors underlying this hike in inflation were, as in 2014, rising food prices and the depreciation of the Turkish lira.

The drop in energy prices and slowdown in economic activity led to a narrowing of the current account deficit, which contributed to more balanced foreign trade accounts. Nonetheless, owing to the economic and geopolitical woes in its main export markets and the price effect from the devaluation of the euro against the dollar, Turkey's export performance remained weak. As a result, exports made a net negative contribution to growth in 2015, after being the main driver of economic expansion in 2014.

### **The energy industry experienced a vibrant period in 2015.**

Due to its strong connection to manufacturing, the energy sector is one of the first that springs to mind when discussing economic expansion. As such, Turkey's economic growth target and energy policies are two elements that complement each other.

2015 saw both positive and negative developments impact the energy business. The establishment of the Energy Markets Operations Company (EPIAŞ), the start of the Trans-Anatolian Natural Gas Pipeline (TANAP) Project, recent developments related to oil shipments

from the Kurdish region in Northern Iraq and of course the price of oil slipping below USD 40 per barrel ranked among the most favorable developments.

Energy prices have vast repercussions in a country dependent on energy imports, such as Turkey, including macroeconomic data such as the balance of payments, inflation and the budget. The ongoing downtrend in oil and other commodity prices yielded favorable results that affected not only the energy industry but the economy as a whole.

On the other hand, the US dollar appreciated during the year, soaring to as high as TL 3.07, placing immense pressure on the investments and profitability of the energy sector, which is highly dependent on imported inputs. The appreciation of the American dollar complicated the financing of projects across the industry, leading to delays in new projects while also creating challenging financial conditions for those players who have significant debt denominated in US dollars.

Another development that had a direct effect on our sector was the unfavorable turn in relations with Russia, Turkey's largest natural gas supplier, in the latter part of the year. This situation was yet another reminder of the necessity to promote new energy initiatives based on domestic and renewable resources in Turkey. In addition, these tensions are feared to possibly get in the way of large-scale projects such as Turkish Stream.

### **Aksa Energy remains on its course of sustainable profitability with new strategies.**

Boasting rich know-how in the energy industry, an integrated structure and a commitment to sustainable performance, the Company also has Turkey's most experienced team in all areas of the sector, including project development, construction, plant operations and maintenance, and electricity trading.

In a year marked by varied forms of adversity, such as exchange rate fluctuations and rising natural gas costs, Aksa Energy nevertheless managed to post successful results thanks to its long-term, forward-looking and visionary approach in addition to its balanced portfolio structure.

With total capacity of 2,211 MW as of January 2016, Aksa Energy's new investments and projects based on renewable resources amount to 126 MW - 114 MW in the construction stage and 12 MW in the licensing stage.

One of the most important developments for Aksa Energy during the fiscal year we left behind was the completion of the 270 MW Bolu Göynük Thermal Power Plant, which started up operations. The Bolu Göynük facility is a source of inspiration for us, as the country's second private sector investment to run on domestic lignite. This plant will meet 1% of Turkey's total demand for electricity while boosting employment in the region.

Capitalizing on the advantages provided by a dynamic and flexible structure, the Company conducted an in-depth analysis of industry-wide trends shaped by domestic and global as part of a corporate strategy review. In response to its findings, Aksa Energy included overseas locations in its target operating regions and took its first major step internationally in the Republic of Ghana. We are currently working at full speed to initiate operations in 2016 at the Fuel Oil Power Plant, which upon completion will operate with an installed capacity of 370 MW.

Another factor that made 2015 a turning point for us was the modification to our sales strategies in response to intensifying competition and ever-changing market conditions. In a period when supply is ample yet demand is low, we procured electricity from over-the-counter or spot markets to sell it



With total installed capacity of 2,211 MW as of January 2016, Akxa Energy's new investments and projects amount to 496 MW, some of which are under construction and 12 MW of which is in licensing stage.

via bilateral contracts, thereby further bolstering our sustainable profitability.

**In all its operations, Akxa Energy acts as a responsible corporate citizen.**

At Akxa Energy, the foundation underlying all our strategic goals is the economic, environmental and social development of Turkey. Another characteristic that sets us apart from other sector players is our capability to formulate and put into practice functional projects that deliver permanent benefits, based on the interaction between energy, the environment and people thanks to our integrated structure. We are proud to contribute to the sustainable development of the energy industry

and Turkey in a number of areas, spanning from employment creation to investments in domestic and renewable sources.

**We are ready for 2016.**

Even though our modus operandi has changed, we plan to focus on the same objectives in 2016, which we expect to be at least as challenging as the previous year. Without steering off from our course of sustainable profitability and by capitalizing on production techniques based on productivity and cutting edge technologies, we will ramp up our investments in domestic-renewable energy sources as we continue with resolve to work for the future of Turkey. The biggest guarantee

behind our commitment will remain the support offered by our highly proficient human resources and stakeholders.

On this occasion, I would like to extend my gratitude to all Akxa Energy family members for their diligent efforts, and to you, our esteemed shareholders, customers and stakeholders for your unflinching support.



**Cemil Kazancı**  
Chairman



## Board of Directors



### **CEMİL KAZANCI** Chairman

(1961) Cemil Kazancı began his professional career working in Kazancı Group companies. His first managerial position was in generator production and sales. He subsequently played an active role in the formation of Akxa Energy, which was set up to expand the Group's operations in the energy industry and to generate electricity starting from 1997. Mr. Kazancı is the Chairman of the Board of Directors at Akxa Energy, a Member of the Board of Directors at Kazancı Holding and a number of other Group companies.

### **SERDAR NİŞLİ** Vice Chairman

(1954) Serdar Nişli graduated from Middle East Technical University, Department of Mechanical Engineering, earning Bachelor's and Master's degrees. Subsequently, he began his professional career at TEK Çayırhan Thermal Power Plant and worked in various private sector positions for 18 years prior to joining Kazancı Holding in 1996. Serdar Nişli, who priorly served as the Company's General Manager, holds the Vice Chairman position on the Board of Directors at Akxa Energy.

### **TÜLAY KAZANCI** Member of the Board

(1959) Tülay Kazancı is a Member of the Board of Directors at Kazancı Holding as well as at ATK Sigorta Aracılık Hizmetleri and Akxa Anadolu Yakası Makine Satış ve Servis. She has been serving as a Board Member at Akxa Energy since April 2010.

### **YAĞMUR ŞATANA** Member of the Board

(1963) Yağmur Şatana began his 22 year banking and finance career at İktisat Bank in 1987. He joined Finansbank in 1989, where held various managerial positions until 2008. Additionally, Mr. Şatana served as the Chairman and Board Member at 16 companies operating under Fiba Holding. Mr. Şatana joined Kazancı Holding in 2012 and has been serving as a member of the Board of Directors since then.



#### **CÜNEYT UYGUN**

Energy Group Head, CEO  
and Member of the Board

(1970) A graduate of Saint Joseph French High School, Cüneyt Uygun obtained a Bachelor's degree in Mathematics and a Master's degree in Economics from Boğaziçi University. He joined Kazancı Holding in 2010. After undertaking a variety of management positions at Türkiye Sınai Kalkınma Bankası, Efes İçecek Group and Turkcell, Mr. Uygun was appointed Chief Financial Officer (CFO) for Turkcell's operations in Ukraine. In 2013, he was appointed CEO at Aksa Energy. Mr. Uygun has also been serving as a Member of the Board of Directors at the Company since 2015.

#### **T. YAVUZ İŞBAKAN**

Independent Member  
of the Board

(1942) Yavuz İşbakan retired from his position as Assistant General Manager at Türkiye Sınai Kalkınma Bankası in 2004. Mr. İşbakan is currently an Independent Member of the Board of Directors at Aksa Energy, after having previously served as an Independent Board Member for a number of other companies.

#### **HALDUN ALPERAT**

Independent Member  
of the Board

(1970) Haldun Alperat graduated with a Bachelor's degree in Mechanical Engineering from Boğaziçi University and a Master's of Business Administration (MBA) from the University of Wolverhampton (UK). Having begun his professional career as a Research Specialist at Garanti Yatırım Bank, he went on to work in various management positions at Caspian Menkul Değerler, Ege Yatırım, Raymond James Menkul Değerler and Fideltus Capital. Most recently, he served as General Manager at Ekspres Yatırım. Mr. Alperat, speaks French and English. He holds SFA certification from the UK and the Capital Markets Board (CMB) Advanced Level License.

#### **DERYA UZTÜRK\***

Independent Member  
of the Board

(1969) A graduate of Boğaziçi University, Department of Chemical Engineering, Derya Uztürk received his Master's degree from the same department at Boğaziçi University, before obtaining a PhD from Lehigh University (USA). Mr. Uztürk worked as a Manager at ExxonMobil Research & Engineering Company in the USA. Subsequently, he went on to work at SVM on the optimization and management of energy systems; he has also authored numerous articles and publications on the issue.

\* Following the resignation of Independent Board Member Yaver Uğur Timurkan on August 3, 2015, Derya Uztürk was appointed as a Board Member on September 1, 2015, subject to the approval of shareholders at the next General Assembly to be held.

Message from the CEO

Bolu Göynük Thermal Power Plant, which became operational in 2015, has become a robust symbol of Aksa Energy's focus on local resources, not only because of its use of local lignite, but also due to its local the project design and capital structure.

**Cüneyt UYGUN**

Energy Group Head,  
CEO, Member of the  
Board





Aksa Energy sold  
**14,018 GWh**  
of electricity in 2015.

### The Turkish energy industry left behind a vibrant year.

In order to make an accurate analysis of our industry and company operations in 2015, it is more important than ever to look at developments across the world. The dramatic fall in the price of oil reduced energy prices and costs world-wide. However, the rise in foreign exchange rates for emerging economies such as Turkey increased the cost of investment spending and foreign currency denominated debts on energy company balance sheets.

Another 2015 development that had a direct impact on the sector was the escalating tensions between Turkey and Russia. Since Turkey gets half of its natural gas from Turkey, concerns on energy security were raised frequently in the final quarter of the year. Although there were signs of a divergence between the medium and long term strategies in natural gas and oil procurement, and nuclear power plant project between the two countries, worries about short term natural gas supply seem to have been put to rest for the time being.

A key item on the energy industry agenda was the need for legislation that allows for more equitable and transparent regulation of the electricity market, which has an annual trading volume of USD 30 billion, as well as Turkey's vast energy potential in general. In 2015, an important step forward was made in this area. In September, when the Energy Market Regulation Authority (EMRA) granted a 49-year market operating license to the Energy Markets Operation Company (EPIAŞ), a major stride was taken toward establishing a mechanism at international standards to ensure the transparency and reliability of the energy market.



On the capacity side, Turkey's electric energy installed capacity in 2015 rose 5% over the prior year to 73,148 MW. 2015 was a period of ample rain in sharp contrast to the dry 2014, which was accompanied by a visible rise in the share of hydroelectric power in terms of both installed capacity and production. High production costs coupled with the expansion of hydroelectric power generation led to a slip in the share of natural gas in total production, which went down from 48% in 2014 to 38% in 2015.

**A key item on the energy sector agenda was the need for legislation that could allow for a more equitable and transparent regulation of the electricity market, which has an annual trading volume of USD 30 billion, as well as of Turkey's vast energy potential in general.**

## Message from the CEO

### 2015: Going through a rough patch with success

Aksa Energy will look back upon 2015 as a challenging year when we managed to come up stronger. Last year went down in our history as a successful period when we completed investments, made significant progress in our projects, took ambitious steps to achieve sustainability and pioneered various partnerships and ventures in the industry.

While our electricity sales capacity expanded, we maintained our strong momentum in customer acquisition and continued our investments according to plan. In 2015, our sales volume soared 43% to 14 TWh, corresponding to 5.3% of the country's total electricity consumption. Bilateral contracts accounted for 64% of our total sales, while the client base in this segment exceeded the threshold of 125,000, up 46% over the prior year. Despite the problems besetting the sector, we continued at full speed with our investments in the construction stage. Our total investment expenditure amounted to TL 500 million in 2015.

During 2015, energy prices remained very low due to the commissioning of new capacity totaling 3,632 MW across Turkey, the reduction of costs due to renewable energies, and the limited rise in energy demand. Annual weighted average price of electricity on the spot market was 14% lower than the previous year at 142 TL/MWh, while competition in the sector heated up significantly. In 2015, we easily surpassed our guidance for the Company's total sales volume and EBITDA, which we had publicly disclosed despite these challenging conditions in the energy industry. As of year-end 2015, our turnover hit TL 2.3 billion, up 19%, while EBITDA climbed 27% to TL 436.2 million. The EBITDA margin came in at 18.8%, yet another confirmation of our superior financial performance.

### Aksa Energy bolsters its pioneering position in the sector through renewable energy investments and new market strategies.

At Aksa Energy, we set an example for the entire industry by focusing on domestic sources and renewable energy – that is, the rich resources of this nation – for a sustainable future. In 2015, our operations were shaped by this fundamental approach.

Our thermal power plant in Bolu Göynük – which was commissioned at a ceremony honored by the presence of the Minister of Energy and Natural Resources Taner Yıldız, and Minister of Environment and Urbanization İdris Güllüce – has become a robust symbol of Aksa Energy's focus on local resources, due to the facility's use of local lignite, the project design, and the capital structure.

The electricity that we generate from local lignite through a royalty agreement – the first of its kind in Turkey – contributes to the reduction of the country's foreign dependence on energy. Added to the Company's diversified resource portfolio with an investment of USD 390 million, the power plant consumes 1.8 million tons while generating 2 billion kWh per annum with its 270 MW installed capacity. Another contribution to the national economy by Bolu Göynük Thermal Power Plant is the creation of employment opportunities to about 1 thousand persons, majority of whom are local residents.

This large-scale investment also upholds our objective to boost the share of domestic- renewable energy in our portfolio, which in turn leads to lower production costs and higher profit margins.

Capitalizing on over 50 years of business experience from its founding family, Aksa Energy has become one of the key players in the Turkish energy


industry, setting an inspiring example in the area of renewable energy in particular.

Capacity increase efforts at the Sebenoba Wind Power Plant located in Hatay province, Samandağ district were completed, bringing total installed capacity up to 60 MW. As such, Aksa Energy has come to own one of Turkey's largest wind power plants with a total capacity of 259 MW.

Our installed capacity based on domestic, renewable resources has increased 2.7-fold since 2013, rising to 557 MW. Nevertheless, our hydroelectric capacity, which has a relatively lower weight in our total installed capacity, will be given a boost with the commissioning of Kozbükü HEPP in 2016. As a result, our domestic, renewable resource-based installed capacity will climb to 654 MW.

In 2015, as one of the strongest players in Turkey's energy sector, we expended efforts to export our productivity- and sustainability-centered approach beyond our borders. The first fruit of this attempt was the agreement we reached with the government of Republic of Ghana for a 370 MW installed capacity fuel oil power plant, power production, and a five-year purchase guarantee on the electricity the facility generates.

An outstanding feature of the executed agreement is that it is US dollar denominated, which will protect Aksa Energy against possible foreign exchange rate fluctuations. The power plant is scheduled to become operational gradually by fourth quarter 2016 and make a significant contribution to the Company's operating profit. At Aksa Energy, we consider this investment as an important first step into African markets, which have a high demand for investment, energy and infrastructure, and as a boost to our sustainable profitability by means of additional US dollar denominated revenues.



**Aksa Energy Group aims to become the leader in Derivatives Market electricity contracts in terms of trading volume and quantity.**

**Keeping up investment drive with confidence and resolve, Aksa Energy is also taking ambitious steps to bolster its financial performance.**

In 2015, as in the prior year, on top of our intensive investment and project efforts, we worked to seize all possible opportunities in order to improve our sales strategies, boost our profitability and sharpen our competitive edge. While prices fell across the sector, we meticulously analyzed demand-side developments, limited production in certain power plants, and opted to increase operating profit via low-cost purchases over the spot market and the over-the-counter market.

We sell the power that we either generate or procure over the market to independent electricity consumers via bilateral contracts, boosting the number of household customers in our portfolio to expand this segment, which offers higher profitability.

**We also aim to make Aksa Energy Group a leader in Derivatives Market electricity contracts in terms of trading volume and quantity.**

In 2015, Aksa Energy's wholly-owned subsidiary Aksa Aksen Enerji Ticareti A.Ş. became a market maker on the Borsa Istanbul Derivatives Market in Base-Load Electricity Futures Contracts, which were included in the Market Making Program. Our objective here is to increase the liquidity of the Derivatives Market's electricity products market with Aksa Energy's pioneering role in the sector and vast experience, thus ensuring more market activity and more participants. We aim to make Aksa Energy Group a leader in Derivatives Market electricity contracts in terms of trading volume. The Group is already the top performer in terms of trading volume and quantity in the over-the-counter market, which offers an alternative market for energy sector players.

## Message from the CEO

### We became one of the 29 companies included in the BIST Sustainability Index.

Aksa Energy embraces a holistic approach to the concept of sustainability. For us, sustainable energy does not simply mean protecting the natural environment at the stage of production; in fact, we expand the definition to include elements such as financing and safety. The basis of our operating philosophy is our advanced, flexible and dynamic policy whereby we supply continuous energy with optimal financing and minimal environmental and social costs, by employing state-of-the-art technologies and efficient practices.

Against this backdrop, we formulated the strategies, policies and targets required to manage the Company's environmental, social and managerial risks. In order to integrate these efforts with decision-making, operation and audit processes and to create long-term value, the Company established the Sustainability Committee. Aksa Energy was invited to Borsa Istanbul's (BIST) Sustainability Index in 2015, confirming our meticulous sustainability approach toward environmental, health, safety, employment and corporate governance issues. We are even more proud to become one of the 29 companies that make up the Index, which leads the pack in the area of sustainability in Turkey.

In 2015, we witnessed yet more confirmation of our successful strategies and robust performance. Turkrating deemed Aksa Energy to be investment grade in domestic currency terms on the national level, assigning the Company a Long-term Credit Rating of 'TR A+' and a Short-term Credit Rating

of 'TR A2'. The Long-term Credit Rating of TR A+ corresponds to the high credit quality assigned by Turkrating, a notch above TR A (above average credit quality). This indicates that the Company has a strong capacity to meet its outstanding financial obligations, and that it is moving forward into the future with confidence.

### Human capital is our most valuable asset.

We are well aware that our highly qualified human resources are as important as advanced, efficient technologies in the generation of safe and sustainable energy. Our investments in our employees, who are situated at the very heart of Aksa Group's value chain, make us one of the most preferred employers in the industry. In 2015, we garnered Kariyer.net's "Respect for People" award in recognition of our fast, high quality responses to job applicants during the recruitment process, confirming the Group's people-centered approach.

### Sustainability efforts will continue.

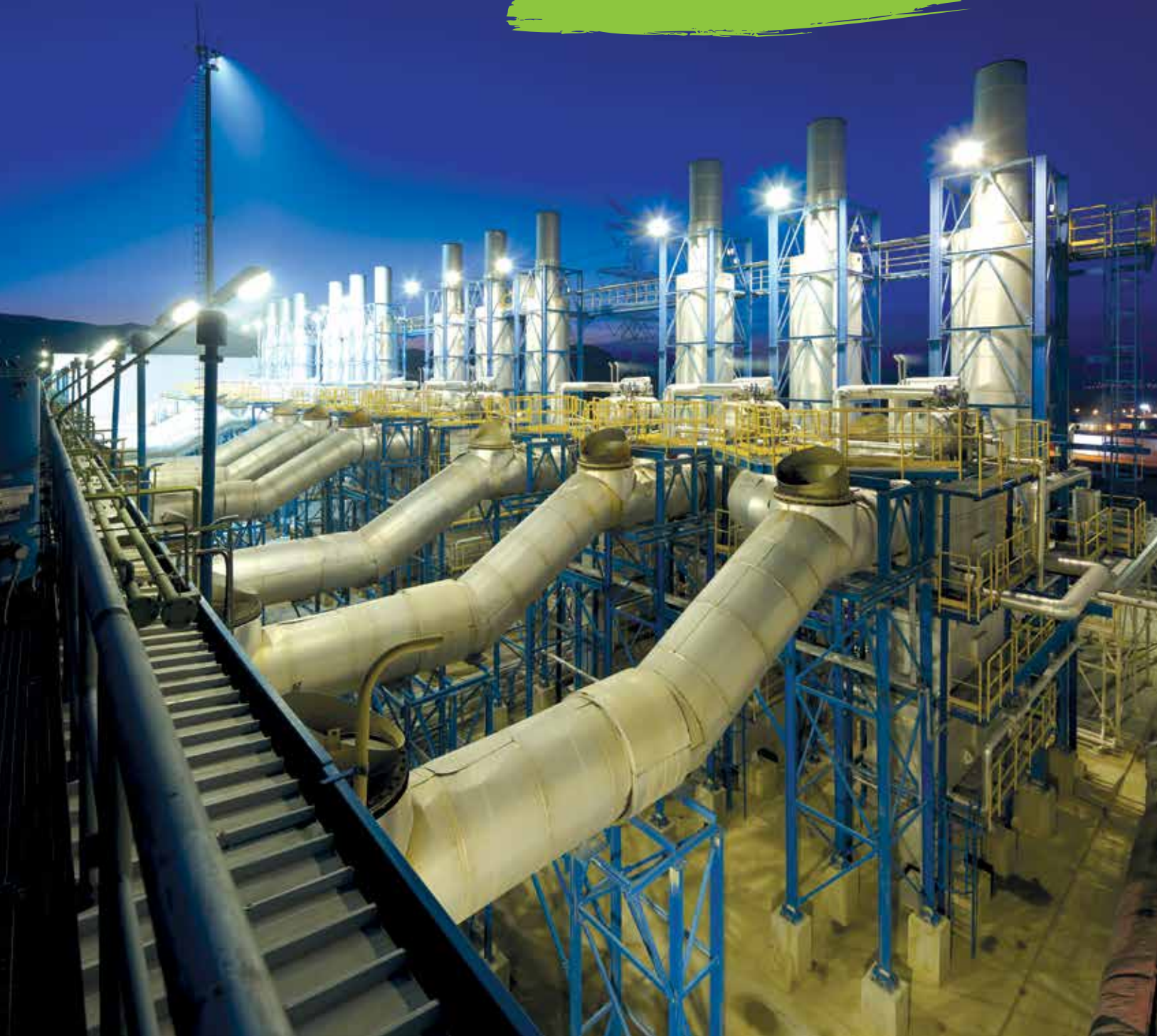
Seeing sustainability as a fundamental business principle, Aksa Energy plans to continue tapping into domestic-renewable energy resources and adding value to the country as a responsible, sensitive and pioneering corporation in the coming period. In addition to initiatives that will bolster our presence on the domestic front, we will closely monitor investment opportunities in our priority overseas regions in order to reinforce our competitive edge. Without compromising customer satisfaction, which is our top priority, we will diversify and enrich our portfolio of customers, with whom we will continue building long-term relationships.

In today's world, the energy industry is indisputably a determining factor in various key areas. Turkey, especially due to its geographic location, is one of those countries closely affected by developments in the energy business. The weakness of the Turkish lira and rising tensions in our region add further difficulties to our operating environment. Aware of the responsibilities associated with conducting operations in an industry of strategic national importance, I am fully confident that the challenges faced by the sector will only serve to strengthen our motivation in 2016.

Powered by Kazancı Group's more than 50 years of know-how and experience, our highly competent workforce, and the trust of our shareholders, customers and other stakeholders, we will undoubtedly overcome all the challenges that await us. I would like to extend my gratitude to all our employees, customers and stakeholders for allowing us to look toward the future with such confidence.

**Cüneyt Uygun**  
Energy Group Head, CEO,  
Member of the Board

Aksa Energy was invited to Borsa Istanbul's (BIST) Sustainability Index in 2015, in a confirmation of our meticulous sustainability approach towards environment, health, safety, employment and corporate governance issues. We are even more proud to become one of the 29 companies featured in the Index, which lead the pack in the field of sustainability in Turkey.





## Senior Management



### **CÜNEYT UYGUN**

Energy Group Head, CEO,  
Member of the Board

Please refer to page 7 for  
background information.

### **BARIŞ BAŞER**

Vice President,  
Energy Production

After graduating from Istanbul Technical University, Department of Marine Mechanical Engineering in 1999, Barış Başer started his professional career in 2000 at Edison International as Operations Manager, and went on to work as Plant Manager from 2005 until 2009. Between 2009 and 2012, he worked at Ak Enerji A.Ş. as Operational Maintenance Group Manager, and from 2012 to 2013, he served as Global Enterprises and Operations Coordinator at Contour Global Paris. In 2013, Mr. Başer was appointed CEO at Hamitabat Enerji Üretim A.Ş., a Limak Energy company. In December 2015, he was appointed Chief Operating Officer (COO) at Aksa Energy.

### **MURAT KIRAZLI**

Vice President,  
Energy Trade and Sales

Murat Kirazlı graduated from Middle Eastern Technical University, Department of Electrical and Electronic Engineering and earned his Master's degree in Finance from Bilkent University. He started his professional career as Founding Partner at CCM Ltd. Şti., and then worked as Energy Industry Senior Consultant at Deloitte and as Energy Trade Director at Espe Enerji San. ve Tic. A.Ş. Subsequently, he served as Energy Trade Director at Limak Energy Group. In September 2014, Mr. Kirazlı joined Aksa Energy Group as Energy Trade Director and was later appointed Vice President in charge of Energy Trade and Sales.



**NESİM İBRAHİMHAKKIOĞLU**  
Financial Affairs Director (CFO)

Nesim İbrahimhakkioğlu graduated from Istanbul University, Faculty of Business Administration, Department of Business Administration in English and then obtained a Master's degree in Accounting at Baruch College, Zicklin School of Business. Mr. İbrahimhakkioğlu began his professional career at Citibank; he went on to serve in various positions at MTS Lojistik New York, Deutsche Bank New York, Finansbank and Unit Investment N.V. Subsequently, he served as Finance Director at Ayas Enerji. He joined Akxa Energy to serve as CFO as of June 25, 2014.

**FATMA UTAN**  
Finance Director

Fatma Utan graduated from Marmara University, Department of Economics. She began her banking career at Töbank in 1989 as Assistant Inspector. She went on to serve as Inspector at Nakhchivan Türkbank; Budget & Reporting and Financial Audit Officer at Demirbank; Manager of the Loans & Marketing Department at Interbank; and subsequently as Commercial and Corporate Branch Manager at Halkbank. She joined Akxa Energy in 2010.

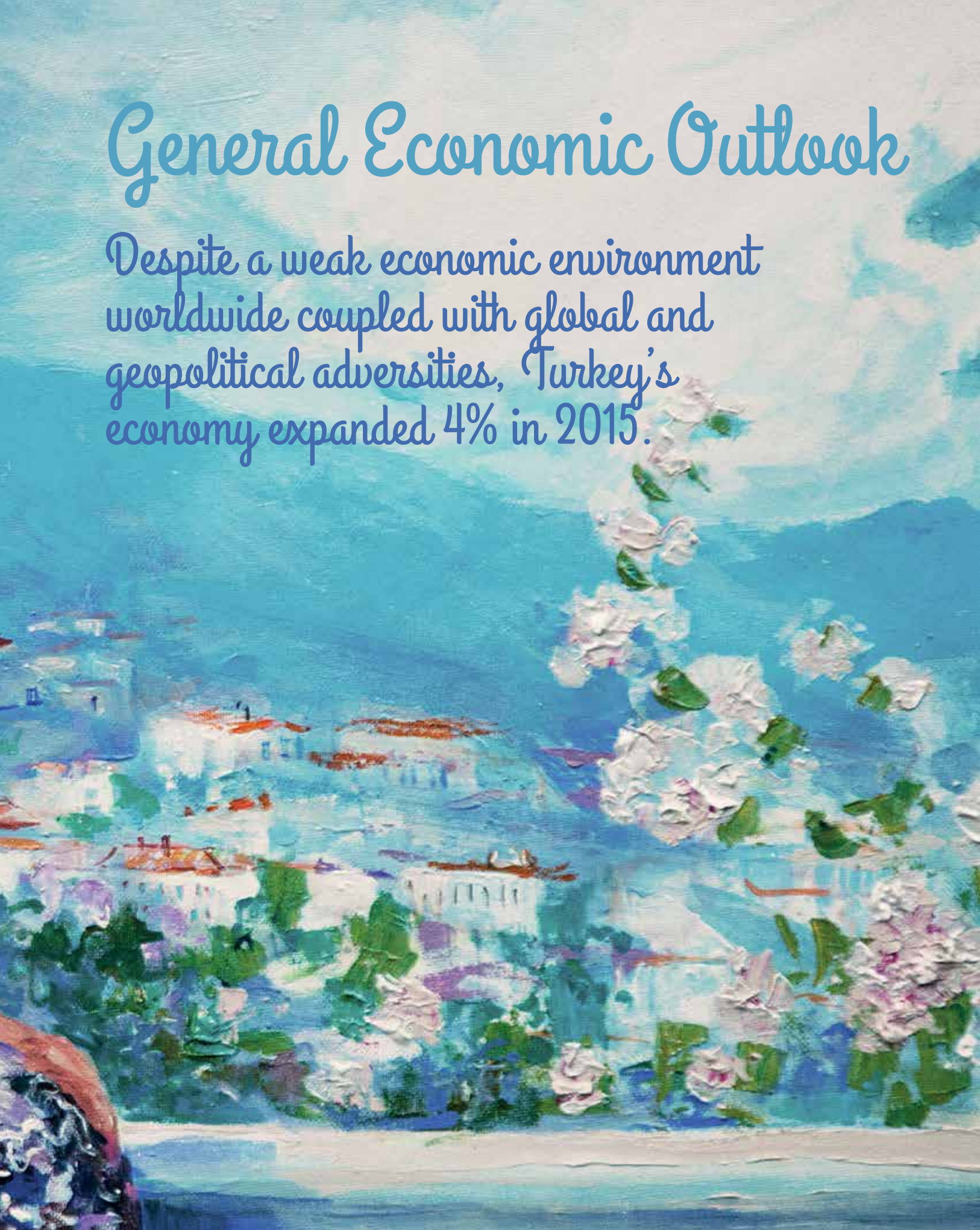
**ÖZLEM McCANN**  
Head of Investor Relations and  
Corporate Communications

A graduate of Izmir American College, Özlem McCann graduated from Middle East Technical University, Department of Economics. With 19 years of capital markets experience, Ms. McCann initially worked as a senior analyst in various brokerage houses before taking investment banking positions in Paris and London. She went on to serve in various managerial positions in the International Sales (ICM) departments of HSBC Securities and Eczacıbaşı Securities. Özlem McCann holds Capital Market Activities Advanced Level Licence, Corporate Governance Rating Specialist Licence and FCA (UK) licence. Having joined Akxa Energy in December 2013 as Investor Relations Manager, she became Head of Investor Relations and Corporate Communications in 2015.



# General Economic Outlook

Despite a weak economic environment worldwide coupled with global and geopolitical adversities, Turkey's economy expanded 4% in 2015.



# Turkey's current account deficit fell from USD 45.8 billion in 2014 to USD 32.2 billion in 2015.

## 2015 was a year when concerns over the global economy were on the rise.

Weak economic activity continued to dominate the landscape in 2015, which was marked by the Federal Reserve's decision on its policy rate. Indeed, the Fed's decision to hike its benchmark rate for the first time in nine years – by 25 basis points to 0.50% – led to worries about capital flight from emerging economies. This in turn triggered significant depreciation in the currencies of these nations. On the other hand, the Fed's opting for a gradual rise with a clear-cut road map rather than a large hike limited the short-term adverse effects on vulnerable developing economies.

Another development which that pressured emerging market economies was the ongoing slowdown in the Chinese economy, which seems to have fallen below its double digit growth trajectory for good.

Additionally, rising regional geopolitical risks also led to a heightened sense of risk towards the developing country bloc.

In advanced countries, except the US, economic activity generally remained weak despite a slight recovery in 2015 in comparison with previous years. In parallel with projections, growth picked up during the year in the Eurozone, where the results of the ECB's new quantitative easing measures are anxiously awaited. Similarly, the weak recovery in Japan urged the Bank of Japan to adopt new measures to extend quantitative easing there.

## Energy and commodity prices continue to downtrend.

In 2015, global demand remained sluggish in parallel with the loss of steam in emerging economies led by China. In addition, the unchanged level of oil supply led to a continuation of the downward course of oil prices. During the year, oil prices fell by around 40%, hit their lowest level in 11 years in December, with the price of Brent per barrel slipping to USD 36. The

same period saw a significant drop in agricultural prices as well as metal prices. The downtrend in commodity prices, led by oil, placed a brake on growth in commodity-exporting countries.

## Concerns over 2016 are increasing.

In the coming period, too, the course of the Fed's rate rises is expected to top the agenda of the global economy. The direction of capital flows will be shaped according to these decisions, while the US dollar is expected to maintain its strength. Another key factor that will determine the economic outlook will be whether the drop in oil prices will continue or not. Although generally seen as a trend that has a positive effect on inflation rates and current account gaps in commodity-importing countries, the low level of oil prices and increased price volatility could pose risks for the global economy.



Oil prices dropped around  
**40%**  
over the course of 2015.

### **Turkey outperformed other emerging economies with its growth rate.**

Despite global and geopolitical adversities, two general elections and a rise in terrorist attacks, the Turkish economy remained resilient in 2015. Annual growth of 4% is noteworthy especially given the weak global economic activity in 2015.

Another positive development for the Turkish economy during the year was the historic low in oil and other commodity prices which had a favorable impact on the current account balance. Turkey's current account deficit went down from USD 45.8 billion in 2014 to USD 32.2 billion in 2015. However, lower commodity prices led to problems in Turkey's main foreign trade partners, weighing down Turkish exports to these countries.

Since the Fed's decision to raise its policy rate in December, the US dollar has appreciated against the TL. Meanwhile, the ECB has signaled that it will continue with measures of quantitative easing, increasing downward pressure on the euro. As a result, the USD/TL rate climbed from 2.30 at the beginning of the year to 2.91 by December.

Inflation is the issue where the effects of the depreciation of the Turkish lira is felt most acutely. When coupled with the rise in food prices, this confluence brought the inflation rate significantly above the medium term target during the year. Turkey's the annual inflation rate was 8.81%, overshooting the Central Bank of Turkey's target of 5% by a large margin.

### **Expectations for the Turkish economy in 2016**

In 2016, commodity prices are expected to remain low, making a positive contribution to the Turkish economy, especially in terms of energy import costs. The Fed's announcement that future interest rate hikes will follow a moderate, gradual course, leading to the expectation that the impact of this rise on the Turkish economy will be less than anticipated. On the other hand, the creation of a single party government following the elections on November 1 suggests that politics could gradually give way to economics at the top of the country's agenda.

# According to the International Energy Agency's World Energy Outlook, global energy demand is expected to rise 33% in the period 2013-2040.

The sharp drop in oil prices, ongoing geopolitical instability, and decisions to address climate change led to continuous shifts in the dynamics of the energy market. This situation suggests that we are going through a period of low predictability for the energy business.

## World energy demand soars in parallel with rising income and growing populations.

Rising populations coupled with increased urbanization and industrialization in countries outside the OECD suggest that non-OECD countries are the key drivers of the demand for energy. Forecasts for the period until 2035 indicate that non-OECD nations will account for a large part of the world's population increase, and accordingly for the rising demand for energy. According to the International Energy Agency's World Energy Outlook, global energy demand is expected to rise 33% in the period 2013-2040.

Meanwhile, OPEC's 2015 World Oil Outlook predicts that global energy demand will expand 47% in the period 2014-2040, reaching 399 million barrels of oil equivalent per day. Additionally, emerging markets are projected to come to account for 63% of global energy consumption. According to the same report, over the same period, OECD countries will see their energy consumption grow by just 4% due to enhanced energy efficiency and slowing economic growth.

The report also expects that the share of fossil fuels in global energy will increase to 77% by 2040, with natural gas accounting for 27.9%, oil for 25.2% and coal for 24.6%.

A large part of the global demand for energy comes from industry. The most extensively used source in electricity generation is coal. According to the Budget Presentation for 2015 by the Ministry of Energy and Natural Resources, coal in the US, China, India and Germany, natural gas in Russia, nuclear energy in France and renewable energy in Canada are the main sources for power production.

On the natural gas front, in key economies – China in particular – the economic slowdown and lower industrial production are seen to dampen the demand for energy. Global natural gas demand is shaped largely by Asia; total natural gas demand over the next 15 years is expected to come from China, India, Pakistan and ASEAN countries. In addition, falling world oil prices create downward pressure on natural gas prices, too.

The coal industry was adversely affected by developments in the financial markets in 2015. Additionally, the Paris Agreement on climate change, prompted by the environmental and health effects of coal-fired power plants, had a negative impact on the industry. As of October 2015, China, which accounts for around half of

current global coal demand, saw its 10-monthly demand for coal drop 30% year-on-year to 170.31 million tons.

Interest is rising across the world in shale gas, offered as an alternative to oil and natural gas. Although China has the world's largest shale gas reserves, the US is expected to bring its shale gas production up to 840 billion m<sup>3</sup> by 2035, through an intensive investment drive. This projection suggests that the US could overtake Russia as the biggest gas producer and Saudi Arabia as the biggest hydrocarbon producer.

IEA's World Energy Outlook report expects that, by 2030, renewable energy will surpass coal to become the main source of power production globally. By 2040, electricity generation from renewable sources could rise to 50% of the total in EU nations, to 30% in China and Japan and to 25% in the US and India.

In 2014, the installed capacity of global renewable energy sources increased 128 GWh. Of this total, wind power accounted for 37%, solar power for 33% and hydropower for 30%.

### Falling oil prices affect the energy industry on various levels.

The oil market is experiencing excess oil supply, with daily oil production in the US exceeding 10 million barrels/day and OPEC countries led by Saudi Arabia refusing to lower their production level. As a result, crude oil prices fell from a high of USD 115 in June 2014 to as low as USD 36 by year-end 2015. This trend has had a positive effect on energy sector costs in oil-importing countries.

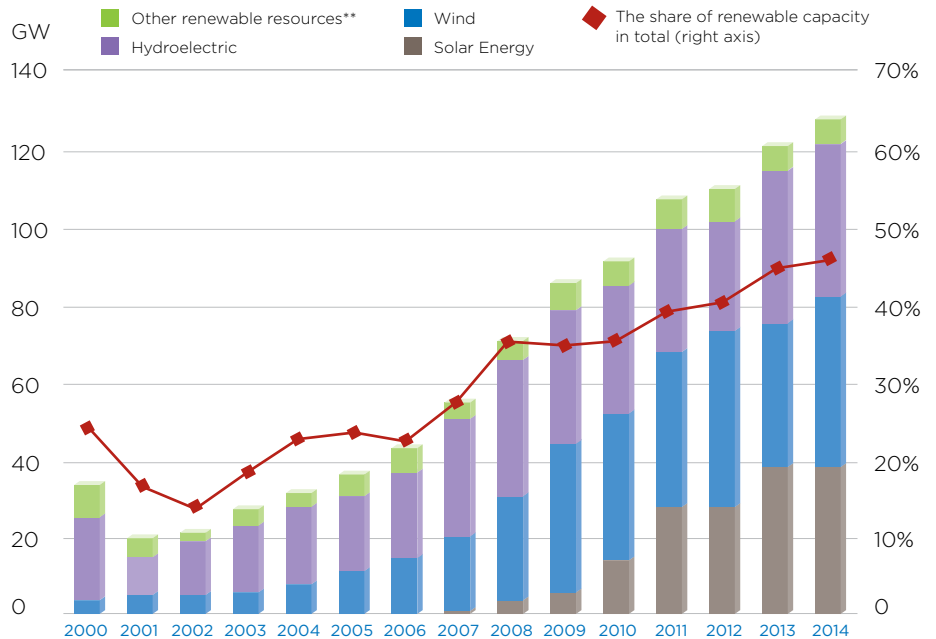
As this sharp fall continues without respite, previous oil price projections are under revision. Goldman Sachs and Morgan Stanley predict that levels around USD 20 should not come as a surprise in 2016.

### Energy production and consumption remain central to the climate change debate.

According to IPCC data, the amount of greenhouse gases released into the atmosphere since the Industrial Revolution have grown in leaps and bounds; in addition, the pace has since accelerated, starting in the 1950s. The share of fossil fuels in greenhouse gases released into the atmosphere has now reached 75%; according to IPCC's calculations, the world has warmed by an average of 0.7° C in the last 200 years. Projections suggest that if greenhouse gases continue to be released at the current rate, the earth's warming will rise to 2° C by 2100.

As a result of the spread of low-carbon energy sources, the link between economic productivity and greenhouse gas-producing energy has weakened remarkably. IMF estimates that CO<sub>2</sub> emissions remained unchanged in 2015, although the global economy expanded 3.1%.

### Global renewable capacity increase\*



\*Data from IEA's World Energy Outlook 2015.

\*\*Includes geothermal power, marine current power, bio power and concentrated solar power.

Aside from oil prices, another issue that topped the energy agenda last year was the UN Climate Change Conference in Paris, attended by representatives from countries the world over. At the conference, the debate hinged around the responsibility of states and energy industry actors in combatting climate change.

At the UN Climate Change Conference, the Paris Agreement was concluded on December 12 following long negotiations. The key articles of the agreement based on a consensus among all participating countries include:

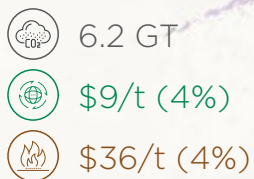
- All necessary measures should be taken to keep global warming below 2° C,

- Each year, a USD 100 billion fund shall be set up to help developing economies maintain growth while tapping into non-fossil fuels to meet their energy demand,
- Every five years, checks will be performed to discern whether the countries are meeting the commitments they made in the agreement.

However, since the agreement will not come into effect until January 1, 2020, there are worries that it could be of limited effectiveness, much like the Kyoto Protocol before it.



## North America



## Latin America



**GT:** CO<sub>2</sub> emissions from fossil fuels.



**\$/t:** CO<sub>2</sub> emissions met with ETS and carbon prices.



**\$/t:** CO<sub>2</sub> emissions from subsidized fossil fuels or latent carbon.

**Note:** Latent carbon subsidy is calculated by dividing the economic value of subsidies with the amount of CO<sub>2</sub> released by energy generated in this manner. ETS=Emission Trading System.



**Russia**

1.7 GT  
\$107/t (21%)

**Other Asian Countries**

1.9 GT  
\$68/t (27%)

**European Union**

3.2 GT  
\$8/t (60%)

**Caspian Region**

0.5 GT  
\$2/t (34%)  
\$102/t (52%)

**Japan**

1.2 GT  
\$66/t (2%)

**China**

8.6 GT  
\$6/t (15%)  
\$29/t (8%)

**Middle East**

1.7 GT  
\$173/t (63%)

**India**

2.0 GT  
\$104/t (15%)

**Australia and New Zealand**

0.4 GT  
\$3/t (15%)

**Africa**

1.1 GT  
\$168/t (33%)

# Increasing resource diversity and the use of domestic and renewable resources, especially coal, are crucial for reducing the country's dependence on energy imports.

## Turkey's electricity demand growth rate has slowed in relative terms.

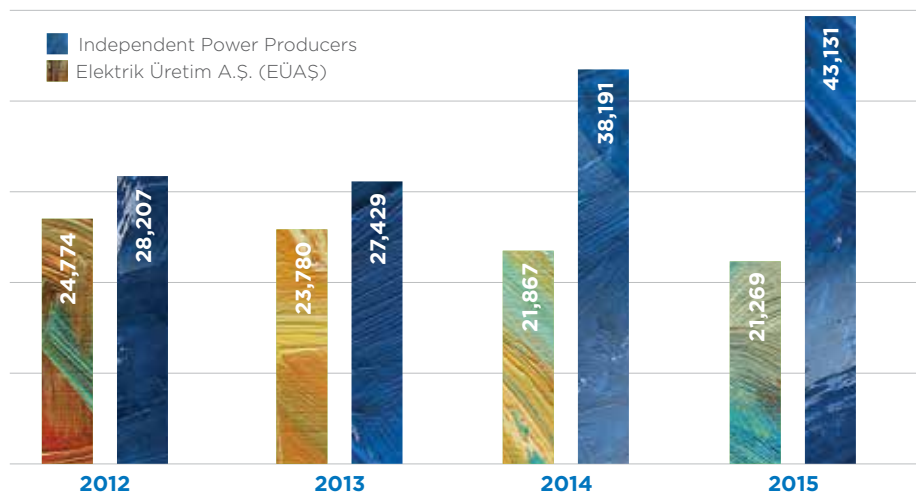
Due to the global financial crisis, Turkey's electricity demand growth rate decelerated from 5.5% in the period 2003-2009 to 5.2% in the period 2009-2015. In the last three years, this figure fell further to 2.9% owing to lower GDP growth. This resulted in average demand growth of 5.1% over the last decade.

According to TEİAŞ, Turkey has exhibited one of the largest increases in energy demand in the last ten years. Energy demand in the country is expected to expand by annual rate of 5%, going up from 264 TWh in 2015 to 362 TWh by 2021. By 2023, the share of coal in meeting Turkey's energy demand is projected to rise from 27% to 37%, the share of oil will drop from 27% to 26% and the share of natural gas will slip from 33% to 23%. Meanwhile, hydropower will come to account for 4% of the total, renewable energies for 6%, and nuclear power - to be commissioned in the near future - for 4%.

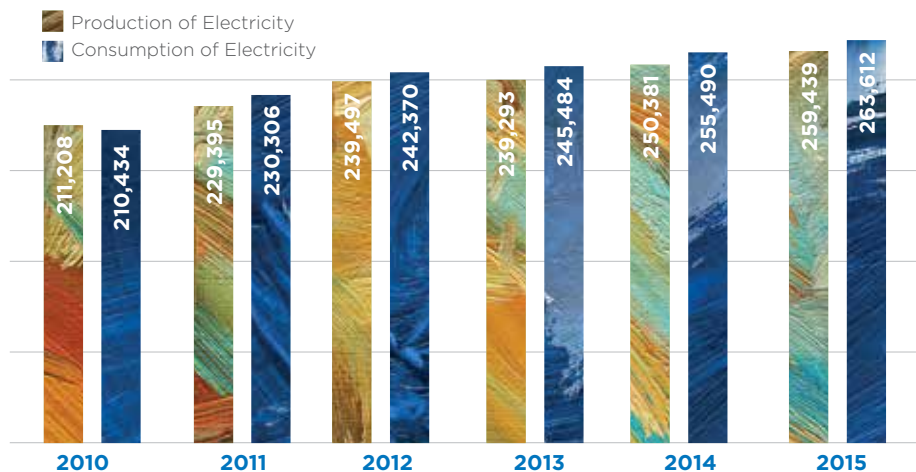
## Independent power producers (IPPs) account for an increasing portion of installed capacity.

Turkey's installed capacity has expanded over the years. From its 2014 level of 69,516 MW, installed capacity rose to 73,148 MW at year-end 2015, up 5%. In the period 2015-2025, a net capacity increase of 34,700 MW is expected. Accordingly, installed capacity is predicted to hit 90,000 MW by 2020 and exceed 100,000 MW in 2025.

Development of the Capacity of Turkish Independent Power Producers (MW)



Development of the Turkish Power Production and Consumption (GWh)



In parallel to the privatization process and new investments in the electricity sector, the share of independent power producers in total installed capacity is continuing to increase. The share of the private sector in total capacity went up from 3% in 2003 to 59% as of year-end 2015. On December 31, 2015, independent producers' installed capacity reached 43,131 MW. Furthermore, almost all the projects under construction are being carried out by the private sector.

**The composition of installed capacity is changing in tandem with investments in domestic and renewable resources.**

Turkish electricity production has grown over the years in parallel with the expanding installed capacity, as well as rising population, urbanization and industrialization. Power production in the country has gone up from 194.8 GWh in 2009 to 259.4 GWh in 2015.

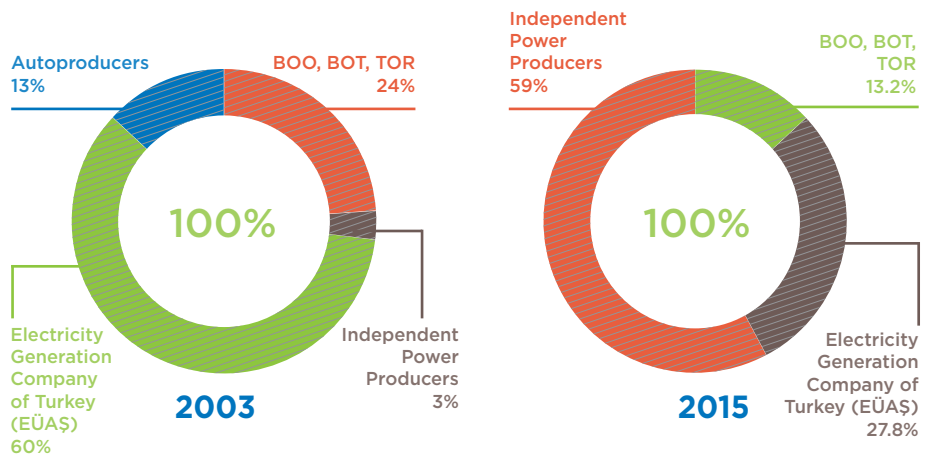
Due to their rising strategic importance, domestic-renewable resources have attracted more investment. As a result, the composition of installed capacity has started to change; coal and renewable resources have come to account for a large part of new capacity in recent years.

As of 2015, 34% of Turkey's installed capacity is invested in natural gas and LNG, 35% in hydropower, 21% in coal, 6% in wind power, 1% in fuel oil and 3% in other resources. Meanwhile, 38% of electricity is generated from natural gas and LNG, 28% from coal, 26% from hydropower, and 4% from wind power.

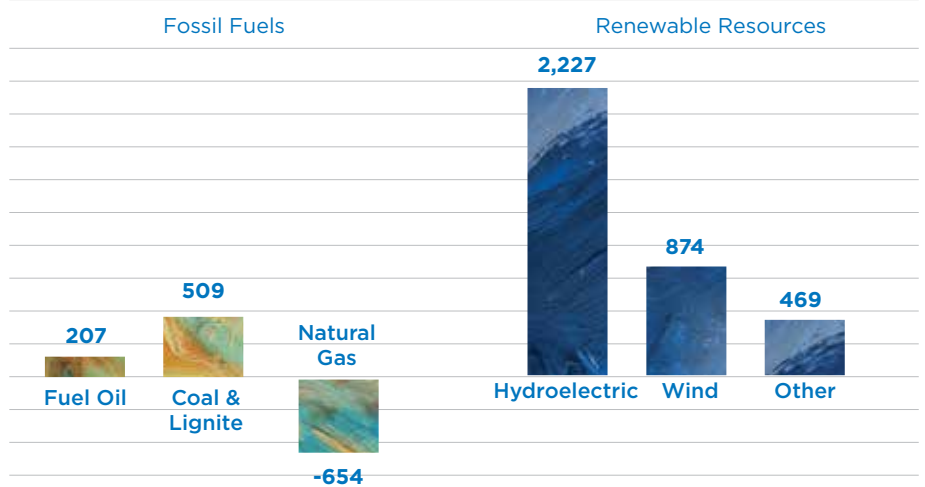
**Resource diversity and use of domestic resources will top the agenda.**

"The 2015-2019 Strategic Plan" issued by the Ministry of Energy and Natural Resources underscores the importance of investing in renewable energy resources such as hydropower, wind, solar power, geothermal power and biomass to achieve resource diversity. Given that a large proportion of electricity production depends on imported natural gas, the increased use of domestic resources, especially coal, is crucial for overcoming this dependence on foreign energy imports.

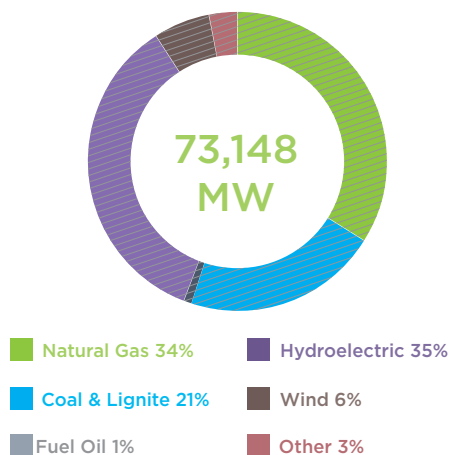
**Breakdown of Installed Capacity in Turkey (2003/2015)**



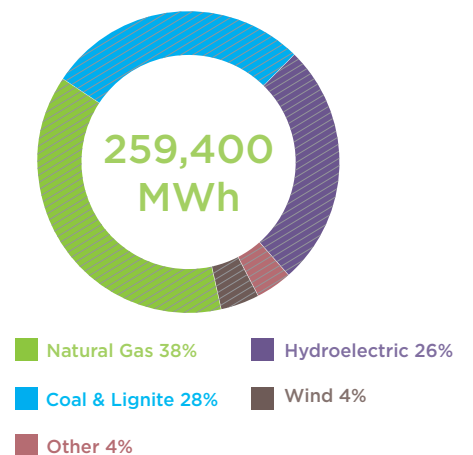
**Breakdown of Capacity Increase in Turkey by Resource (2014/2015) (MW)**



**Breakdown of 2015 Installed Capacity in Turkey by Resource (%)**



**Breakdown of 2015 Power Production in Turkey by Resource (%)**



# The over-the-counter market, which has developed rapidly in the last year, is expected to expand further in 2016.

One key target designated by the Strategic Plan is to make the most efficient use of the country's coal reserves. According to performance benchmarks set in the plan, the reserves in Afyonkarahisar-Dinar and Eskişehir-Alpu, Karapınar-Ayrancı and Tekirdağ-Çerkezköy/Istanbul-Çatalca will be opened to investment.

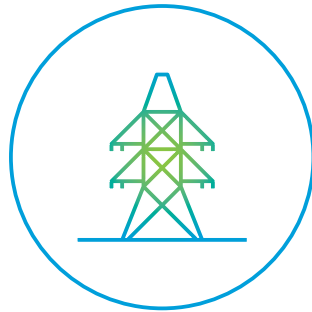
In its strategy for 2015, the Ministry of Energy and Natural Resources places a special emphasis on these issues: energy supply security, alternative energy resources, resource diversity, use of domestic resources, sustainability, liberalization of energy markets and energy efficiency.

Pursuant to Law No. 6094 on increasing the share of renewable energy resources in Turkey's total energy supply, the Ministry offered 7.3 US cents/kWh in price support to hydropower and wind power, 10.5 US cents/kWh to geothermal power, and 13.3 US cents/kWh to biomass (including garbage gas) and solar power. Furthermore, if domestically manufactured equipment is used in plants that generate power from renewable energy resources, an additional price support, ranging from 0.4 to 3.5 US cents, is in order. As such, energy companies are ramping up investments in renewable energy resources. The substitution of imported natural gas with domestic resources is crucial for reducing foreign dependence in the energy business.

## Important developments took place in the Turkish energy industry in 2015.

In 2015, issues such as the Turkish Stream, the natural gas arbitration process with Russia, falling oil prices and TANAP loomed large for the domestic industry. The main developments in the sector during the year include:

- The National Renewable Energy Action Plan was developed to update Turkey's road map for growth based on domestic-renewable energy resources, such as water, wind, solar, geothermal and biomass.
- Petroleum Pipeline Corporation (BOTAS), the State Oil Company of the Azerbaijan Republic (SOCAR) and BP signed a partnership deal for the Trans-Anatolian Natural Gas Pipeline (TANAP).
- Energy Markets Operations Company (EPIAŞ) started up operations as of September 1.
- The price of Brent crude oil, the most traded type of oil on international energy markets, reached a low of USD 36 in 2015.
- TEİAŞ decided to hold a public tender to upgrade its IT network, whose breakdown on March 30 led to a blackout across Turkey; a detailed technical specification was drawn up to prevent all kinds of outages and attacks.
- On January 1, 2016, the limit to become an independent consumer was lowered from 4 MWh to 3.6 MWh on an annual basis. As a result, households and enterprises paying a monthly power bill equal to or over TL 122 were granted the freedom to choose their suppliers.
- The power transmission grid has expanded to 56,892 km and the distribution grid has increased to 1,100,000 km. According to 2015 figures, Turkey has the world's fifth biggest and Europe's third largest power transmission and distribution grid.
- In 2016, the YEKDEM scheme will support power plants with a total capacity of 14,885 MW. HEPPs account for 9,562 MW, WPPs for 4,320 MW, geothermal power plants for 599 MW, biomass power plants for 204 MW and solar power plants for 201 MW of this figure.



The volume of the over-the-counter market tripled to  
**41.7 TWh**  
in 2015.

### Expectations for 2016

The transaction volume of the over-the-counter energy market increased three-fold, from 14.3 TWh in 2014 to 41.7 TWh in 2015. After its rapid development over the course of the last year, this market is expected to expand further in 2016.

Since geopolitical developments and the devaluation of the Turkish lira increased the cost of natural gas, the US dollar denominated YEKDEM tariff – designed to support power production based on renewable energies – is expected to remain attractive. In particular due to the appreciation of the dollar, the investment drive in this field is predicted to continue.

Electricity demand growth in Turkey, after expanding at a 7.2% average pace for many years, fell to 4.7% in the last 10 year period and dropped to 3.5% in the last five years. Over the last five year period, a total installed capacity of 23,624 MW has been commissioned nationwide. The deceleration of demand growth coupled with the rise in supply has resulted in an excess of supply. It is predicted that in 2016 demand will grow around 3% over the prior year.

Since demand growth remains weak and supply is on the rise, energy prices can be expected to remain low and competition to intensify in 2016, as was the case in 2015.

The Energy Market Regulation Authority (EMRA) increased the retail electricity sales tariff by 6.8% as of January 1, 2016. At the same time, different cost items in electricity bills – such as distribution cost, transmission cost, loss/theft cost and retail sales service cost – were brought under the single category of “Distribution cost.”

### Ministry of Energy and Natural Resources

#### 2016 Budget Presentation

According to the 2016 Budget Presentation of the Ministry of Energy and Natural Resources, when Turkey fully taps into its coal reserves, the country's natural gas import bill could be cut by as much as TL 7.2 billion. The Ministry indicated that the subsidy scheme for power plants using domestic coal will be monitored and revised according to needs. Power production based on domestic energy resources, which totaled 30 billion kWh last year, is planned to be brought up to 7 billion kWh by 2018.

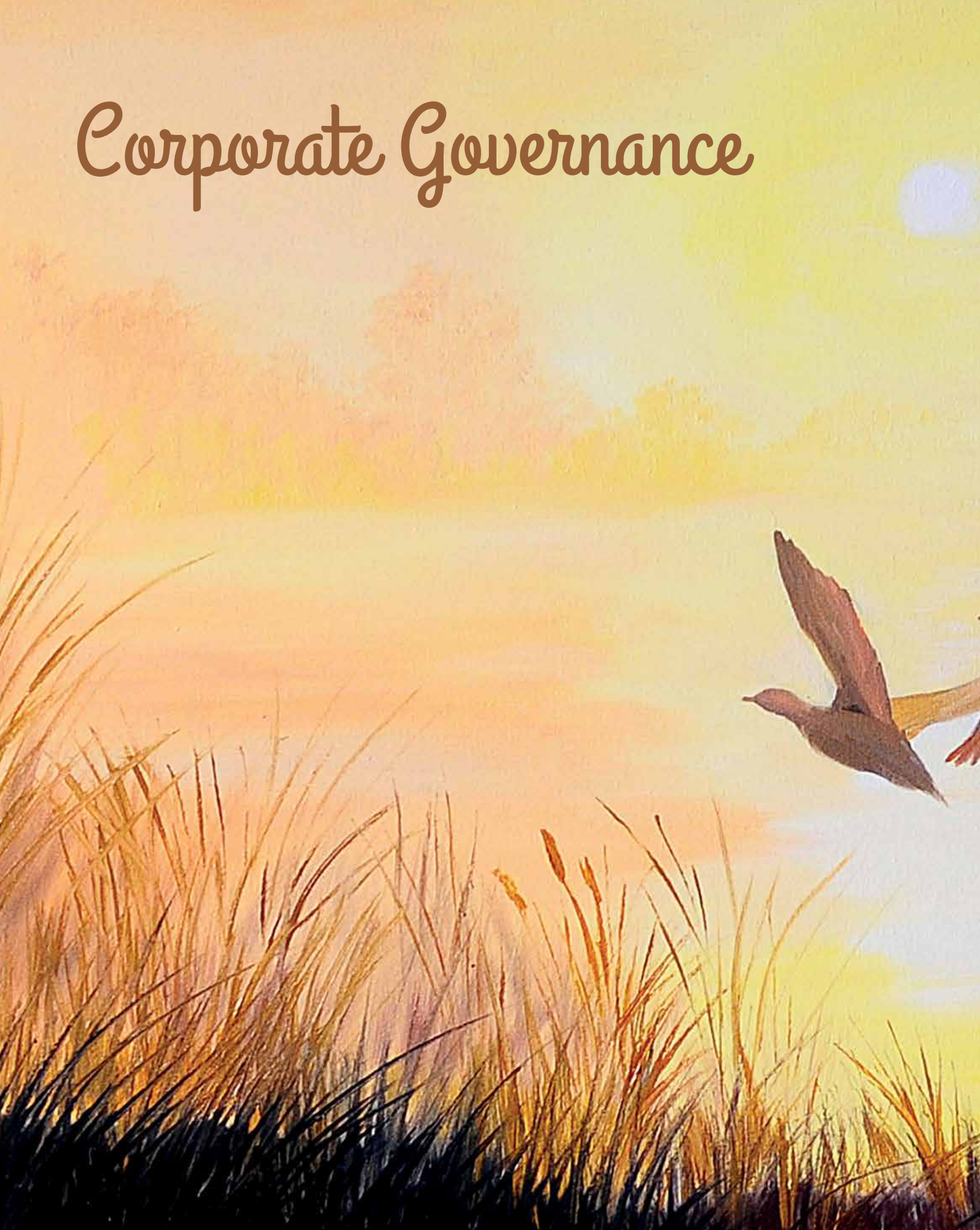
### Road Map for 2019

The Ministry of Energy and Natural Resources has issued the Turkish energy sector's road map until 2019. The energy sector's investment requirement is forecast to be over USD 110 billion in 10 years. The road map suggests that priority should be given to domestic- renewable resources.

According to the referenced study:

- By 2019, the share of domestic coal will be increased and the total installed capacity of renewable energy resources will surpass the level of 45,000 MW.
- The share of natural gas-based production will be brought under 38% and dependence on a single country in natural gas imports will be limited to a maximum of 50%.
- According to plans, the breakdown of installed capacity by energy resources will be as follows by 2019: 32,000 MW of hydropower, 10,000 MW of wind power, 3,000 MW of solar power, 700 MW of geothermal power and 700 MW biomass.

# Corporate Governance







### Assessment of the Board of Directors on Risks

Aksa Energy's financial risks and opportunities are managed centrally. The Finance Department provides assistance to the upper management in this regard. Operating in an investment intensive sector, the Company finances its investments through long term project finance. Therefore, liquidity, currency and interest rate risk positions and market developments are monitored regularly. Financial risks and opportunities are efficiently managed through policy revisions, where deemed necessary. Hedging instruments are purchased when appropriate in line with policies determined by the upper management to minimize risk exposure. Early Risk Assessment Committee, chaired by an Independent Board Member, convenes four times a year to identify risks and take necessary actions. The Committee's efforts include adopting and implementing measures against all potential risks; managing and monitoring these risks within a risk management system; and reporting its findings to the Board of Directors.

The Company aims to further improve its high service quality in customer relationship management, technology, information management and in service delivery. The Company plans to continue analyzing and prioritizing market risks using methodologies in compliance with its strategic objectives in order to reach its EBITDA targets.

Although the Company has no exchange rate risk in operational terms, since the project financing loans used for funding investments are US dollar denominated, foreign exchange rate costs can appear in our financial statements and have a negative effect on our profitability. The continued downtrend in energy market prices is another factor that has a negative impact on the Company in operational terms.

In order to eliminate or minimize these two risk factors, the Company has increased the capacity of the wind power plant and hydroelectric power plants over the years and commissioned the Bolu Göynük Thermal Power Plant, which utilizes domestic resources. Our aim is to maintain this trend in order to

lower production costs and thus a gain competitive edge in the domestic market. During 2015, when competition intensified further and power prices on the spot market fell sharply, the Company purchased electricity at low prices from the market and increased its profit margin, especially in second quarter 2015. During the rest of the year, the Company continued to procure electricity from the market and used it to meet sales based on bilateral contracts. In order to minimize the potential foreign exchange rate difference, around half of the renewable energy capacity was dedicated to YEKDEM in 2015. Since the US dollar is expected to remain strong in 2016, the Company plans to commit its entire renewable energy capacity to YEKDEM and generate revenues at a unit price of 7.3 US cents. Additionally, to eliminate the negative impact on our financial statements of the low price/ intensely competitive environment in the domestic market, as well as of the weakness of the Turkish lira, the Company is in talks with various African countries to transfer some its power plants which are no longer competitive domestically, in order to secure dollar denominated sales.

To this end, the Company signed a US dollar denominated power sales contract with the Republic of Ghana. The Company also aims to maximize customer loyalty by emphasizing its strategic priorities and commitment to high service quality. By prioritizing service quality assurance and customer satisfaction, the Company was able to expand its customer base during the year. The Company plans to continue efforts to boost customer numbers and sales volume in 2016.

#### **Assessment of the Board of Directors on the Internal Control System and Internal Audit Practices**

Aksa Energy has an Internal Audit Unit that performs assurance and consultancy activities in order to evaluate and develop the risk management, control and governance processes of the Company. Internal Audit reports its activities to the Audit Committee. The Company uses a risk-centered approach to audit the reliability of the financial reporting system; compliance with applicable laws and in-house regulations; the efficiency and productivity of business operations; and the safety and reliability of IT systems. In 2015, both centralized internal audit efforts and on-site audit activities at power plants were carried out by the Company.

As a result of these audits, the effectiveness of the risk management, internal control and governance processes were deemed satisfactory. In addition, the managerial units in charge of these areas were presented with proposals that included a number of actions they could take to overcome various issues identified during the audit. Furthermore, it was meticulously monitored whether these actions were implemented in a timely fashion or not.

#### **Assessment of the Board of Directors on Financial and Operational Results**

In 2015, despite the excess supply in the sector and the 14% drop in power prices from the prior year, Aksa Energy managed to turn these challenges into advantages. The Company sustained its superior operational performance by procuring power at low prices and boosting its installed capacity of domestic-renewable resources. In order to meet its medium term target of installed capacity, the Company maintained its investment drive during the year. The Company's profitability, however, dropped sharply from the prior year due to the adverse trend in foreign exchange rates, since financial costs arising from forex rate changes – which do not cause cash outflow – must be recorded as cost. The Company preserved its leadership among independent power producers in terms of market share and expanded its customer base.

#### **Assessment of the Board of Directors on the Committees**

The Committees reporting to the Board of Directors convene at least four times every year, in three-monthly periods at the Company's Head Office.

The new members of the Board of Directors were appointed at the Ordinary General Assembly held on August 5, 2015 where the number of Board members increased from seven to eight and the number of independent members rose from two to three. With Board of Directors Resolution No. 310 and dated August 11, 2014, committees were re-instituted and their assignment and working principles were reviewed pursuant to the CMB's Communiqué on the Determination and Implementation of Corporate Governance Principles and were announced on the Public Disclosure Platform (KAP). During the year, an appointment was made to fill an independent Board member position vacated due to resignation. Afterwards, the backgrounds and experience of current Board Members were reviewed, committee memberships were revised to ensure the highest efficiency and the necessary disclosures to the relevant authorities were carried out.

Detailed information pertaining to the committees and their working principles is available on the Company website at [www.aksainvestorrelations.com](http://www.aksainvestorrelations.com).



## Audit Committee

Audit Committee is composed of at least two members who are elected among independent Board members. The Committee is charged with monitoring the financial and operational activities of the Company in an appropriate manner in compliance with the principles set forth in capital markets legislation and the committee duty and working principles. Audit Committee, which reports to the Board of Directors, aims to provide the public declaration attesting to the compliance of the Company's accounting system and financial information in accordance with the Articles of Association in addition to the operation and efficiency of the independent audit and internal control system. The Committee is also responsible for taking all necessary measures to carry out the execution of all types of internal and independent audits in an adequate, transparent manner.

Accordingly, the Committee is mainly responsible for the following:

- Conducting investigations to select the independent audit company, making a presentation to the Board of Directors following prior approval;
- Evaluating compliance of financial statements and disclosure to be publicly announced with legal and regulatory requirements and international reporting standards;
- Surveilling the operation and effectiveness of the Company's accounting system, public announcement of financial information, independent audit, and the internal control system;
- Examining and finalizing complaints related to the Company's accounting, internal control system, and independent audit.

Audit Committee meets at minimum every three months upon the invitation of the Chair of the Committee. The Committee can collect information by inviting managers, internal and independent auditors, as required, to meetings; and receive consultancy from outside the Company. The Committee expenses are covered by the Board of Directors. Audit Committee may notify specific issues to the Company's General Assembly if deemed necessary.

The members of Audit Committee are T. Yavuz İşbakan (Independent Board Member; Committee Chairman) and Derya Uztürk (Independent Board Member).

In meetings held during the year, Audit Committee receives information about periodically conducted audit activities, decides to expand or narrow the scope of audit activities and makes resolutions on amendments to the annual plan. The Committee also provides support to the Board of Directors during the selection of the independent audit firm and contributes to a healthy selection process.

## Corporate Governance Committee

Corporate Governance Committee aims to ensure compliance with the corporate governance principles set by the Communiqué on the Determination and Implementation of Corporate Governance Principles. The Committee investigates if there are any instances where these principles were not applied in the Company; checks to see if there were any cases of noncompliance; and takes remedial measures as needed. It also supports and assists the Board of Directors by carrying out research studies related to investor relations

and public disclosure. Additionally, the duties of Nomination Committee and Compensation Committee are performed by the Corporate Governance Committee. The Committee supports the Board of Directors with respect to the determination and evaluation of the appropriate candidates for Board membership and managerial positions with executive function. The Committee also makes periodic evaluations on the Board's structure and efficiency and recommends to the Board about any possible changes regarding these issues.

Haldun Alperat (Independent Board Member; Committee Chairman), Yağmur Şatana (Board Member) and Özlem McCann (Head of Investor Relations and Corporate Communications) are members of the Corporate Governance Committee.

## Early Risk Assessment Committee

Early Risk Assessment Committee is responsible for determining the risks that might jeopardize the existence, development and continuity of the Company and taking the necessary measures against identified risks and managing them. Committee reviews the risk management systems at least once a year. All work conducted and decisions made by Early Risk Assessment Committee, as well as minutes of the meeting, are recorded and shared with senior management in a report format.

Early Risk Assessment Committee's members are Derya Uztürk (Independent Board Member; Committee Chairman) and Yağmur Şatana (Board Member).

# Corporate Governance Principles Compliance Report

## 1. Statement of Compliance with Corporate Governance Principles

In the context of the Corporate Governance Principles publicly issued by the Capital Markets Board (CMB), the Compliance Report of Aksa Enerji Üretim A.Ş. (referred to as the “Company” or “Aksa Energy” hereinafter) concerning the minimum elements requested by the Capital Markets Board to be included in annual reports on compliance and pertaining to the reporting period ending on December 31, 2015 is presented below.

Acting upon the conviction that good corporate governance is fundamental to the sustainability of companies, Aksa Energy takes the necessary steps in the area of corporate governance. The Company has always worked to abide by the four principles of corporate governance: (i) transparency, (ii) fairness, (iii) responsibility, and (iv) accountability.

The Company embraces compliance with the requirements of the Corporate Governance Principles as a strategic goal and has achieved complete compliance with the obligatory principles in line with the Capital Market Law.

In addition, among the non-obligatory corporate governance principles, the Company has adopted regulations that would not have a negative impact on the Company’s competitive strength and business confidentiality, and which would ensure a flow information in order to prevent inequalities between shareholders. Efforts to apply the requirements of the stated principles in compliance with the Company’s own dynamics and to improve the current management systems against the backdrop of the principles still continue. Although the Company may comply with some of these changes immediately, the execution of the required infrastructure and organizational work for compliance with the rest of the changes will require a longer process. In the periods to follow, efforts will continue, to the best ability of the energy industry, to ensure compliance with matters of

those Corporate Governance Principles that have not yet been adopted by the Company. The principles that have not yet been implemented have not resulted in any conflicts of interest among stakeholders to date. Information concerning the Corporate Governance Principles, compliance with same and justifications for the principles that have not yet been implemented are set out below.

## SHAREHOLDERS

### 2. Investor Relations Department

The Investor Relations Department at Aksa Energy performs duties concerning relations with stakeholders. The Department started up operations on May 21, 2010, the Company’s first transaction date on Borsa Istanbul. The Investor Relations Department directly reports to the Executive Member of the Board of Directors.

In 2015, the Investor Relations Department undertook a number of activities; these included informing shareholders, facilitating the exercise of shareholders’ rights, organizing the Annual General Assembly Meeting, and issuing statements in accordance with the Public Disclosure Policy. The Company made a total of 41 material event disclosures in 2015.

In accordance with the Company’s Information Policy, the Investor Relations Department is responsible for providing accurate and complete information in a timely manner on financial and other (non-financial) matters (except for confidential data and trade secrets) as required by applicable laws and regulations, without affecting the value of the capital market instruments issued by the Company, or compromising the equality of opportunity among shareholders in accordance with the CMB’s Corporate Governance Principles.

To this end, the contact details of the Investor Relations Department were shared with the public through the Company’s website, Annual Reports and the Public Disclosure Platform (KAP)

in order to allow stakeholders to obtain information concerning the Company in related matters. For information requests from stakeholders, the Department has established telephone, e-mail and fax communication channels.

In 2015, Aksa Energy’s website was upgraded, and a new Investor Relations website was set up to ensure that all stakeholders can access detailed information in a single location. The Investor Relations website is available in English and Turkish at [www.aksainvestorrelations.com](http://www.aksainvestorrelations.com).

Developments concerning the Company’s strategy and business activities, as well as the industry that the Company operates in and the laws, rules and regulations that the Company is subject to, are presented to analysts and investors in meetings organized as prescribed by applicable law. Company representatives participate in investor conferences held by intermediaries both in Turkey and abroad. Moreover, the Company holds teleconferences and/or meetings on a quarterly basis following the announcement of the Company’s financial statements in order to inform investors and analysts of operational and financial developments. In order to ensure an accurate, clear and reliable flow of information, the Investor Relations Department prepares presentations regarding quarterly announced financial statements; publishes these presentations on the Company’s corporate website; sends them to investors and analysts by e-mail; and shares them with the financial community by organizing teleconferences. Oral and written questions directed to the Investor Relations Department are answered orally and/or in written form as soon as possible, within the limits of publicly disclosable information. The disclosure of material events is conducted in coordination with the Investor Relations Department in compliance with applicable laws and regulations and as required by the Company’s Public Disclosure Policy.

During 2015, the Company held a total of 148 face-to-face meetings

# Corporate Governance Principles Compliance Report

and 12 teleconferences with analysts and investors as part of domestic and overseas conferences. In the same period, the Investor Relations Department received around 460 inquiries for information; these inquiries were answered via phone and e-mail with information disclosed to the public. Following the disclosure of the results for year-end 2014, a meeting was held with analysts and investors in March 2015; in addition, another teleconference was organized for foreign investors. Upon the disclosure of first quarter results, a teleconference was held to inform investors and analysts. Two meetings were organized with analysts and fund/portfolio managers in the second quarter, and a teleconference was held in the third quarter. Finally, a teleconference was organized for analysts and investors as regards the result of year-end 2015.

With respect to the 2015 Annual General Assembly Meeting, all necessary steps were taken to ensure that the meeting was held in compliance with relevant laws, rules and regulations. Accordingly, the Company's 2014 Annual General Assembly Meeting was duly convened on June 8, 2015 in accordance with the legal and regulatory requirements, the Company's Articles of Association and General Assembly meeting instructions.

All Type-B shares of the Company are bearer shares. Hence, shareholding registrations are recorded at the Central Registry Agency (MKK).

The Investor Relations Department continued to undertake the relevant requests and transactions of the shareholders concerning dematerialization. Similarly, shareholders were informed of the exercise of their rights (e.g. dividend, attendance at the Annual General Assembly Meeting, and the like). No dividend was distributed in 2015; related actions were undertaken pursuant to the Company's Articles of Associations as well as CMB and Central Registry Agency regulations. The required declarations and statements on the matter were completed within the legally prescribed time limit.

## Head of Investor Relations and Corporate Communications

### Özlem McCann

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## Investor Relations and Corporate Communication Specialist

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## 3. Exercise of Shareholders' Right to Obtain Information

Care is exercised to present equal information and to allow shareholders the opportunity to review and evaluate this information, during the process of sharing information (except that containing trade secrets) with shareholders.

During the reporting period, the Investor Relations Department received and responded to around 460 inquiries for information, mainly relating to the Company's strategy, operations and financial performance, ongoing and planned investments, developments in the sector, Bolu Göynük Thermal Power Plant, the Ghana project, and stock performance. In accordance with Capital Markets Board requirements, such requests cannot be answered when the relevant information has yet to be made public. Information disclosed to the public, on the other hand, is made accessible to shareholders.

All information publicly revealed is presented for the use of stakeholders in the Investor Relations section of the investor relation's website ([www.aksainvestorrelations.com](http://www.aksainvestorrelations.com)) in order to provide easy and equal access to information related to the Company for stakeholders.

Although the Articles of Association do not govern the right of individual shareholders to demand a special auditor, under Article 438 of the Turkish Commercial Code, one may be requested from the General Assembly in order to clarify certain events even if the issue is not on the agenda. This request can be made if it is necessary for every shareholder to be able to exercise their shareholder rights, and if the right to receive and evaluate information concerning the events in question has been previously exercised. To date, no shareholder has submitted such a request. The Company's activities are audited by an Independent Auditor and Legal Auditors elected at the General Assembly.

## 4. Annual General Assembly Meetings

In 2015, the Company held its 2014 Annual General Assembly Meeting on June 8, 2015 in both physical and electronic environments.

As required by applicable law, the Ministry of Customs and Trade, Energy Market Regulatory Authority, Capital Markets Board and Borsa Istanbul (Istanbul Stock Exchange) are all notified of the Annual General Meeting.

The meeting announcements were published in Turkish Trade Registry Gazette No. 8848 and dated June 24, 2015, and on the Company's website ([www.aksainvestorrelations.com](http://www.aksainvestorrelations.com)) pursuant to Article 414 of Turkish Commercial Code

No. 6102; Article 10 of the Communiqué on the Rules and Standards of General Assembly Meeting of Corporations and the Representatives of the Ministry of Customs and Trade Attending these Meetings; Article 29 of Turkish Capital Market Law No. 6362; Capital Markets Board's Corporate Governance Communiqué No. II-17.1 and the Company's Articles of Association. At the same time, invitations were submitted within the legally prescribed period through the announcement of the meeting date and agenda on the Public Disclosure Platform (KAP) and Central Registry Agency's Electronic General Assembly System (EGKS). Regarding the shares which are not within the context of exception, mentioned in Article 29 Paragraph 2 of the Capital Market Law, written notifications were made on May 12, 2015 via registered and reply-paid correspondence for those who posted their mailing addresses. Since there is no Group B registered share certificate of the Company, no other type of invitation was made.

The announcements of the Annual General Assembly Meeting included the meeting date and time; meeting location; agenda; a statement that the invitation was extended by the Board of Directors; and the procedures to follow for shareholders to attend the Annual General Assembly Meeting. Furthermore, the Information Document, including all relevant information about the General Assembly, was made available to all stakeholders together with invitations to the assembly. The Information Document features information on the total number of shares and voting rights reflecting the Company's shareholding structure; the number of shares and voting rights representing each class of preferred shares if there are preferred shares in the Company's capital; changes in the management or activities of the Company or its major subsidiaries or affiliates that transpired in the previous reporting period or that are planned for the coming period which may have a significant impact on the Company's operations as well as the justifications for these changes; annual reports and annual financial statements for the last two fiscal years of all entities that are party to such changes; the justification for any discharge or change as well as information on the persons who will be nominated for a seat on the Board of Directors if the General Assembly

meeting agenda includes the release, replacement or election of Board Members as well as the justifications for release and replacement; information on individuals nominated to the Board of Directors; the resolution of the Board of Directors related to the amendment of the Articles of Association included in the agenda as well as the old and new versions of the amendments; background information on the individuals nominated to the Board of Directors, the positions they have held in the last ten years and the reasons for leaving these positions, the nature and material level of their relationship with the Company and its related parties, and whether they meet the criteria for independent Board Members and information on other related matters that could potentially affect the Company operations if they were elected Board Members. The above referenced information was disclosed to the general public on the date the General Assembly announcement was placed. No request was made by shareholders, the Capital Markets Board (CMB) and/or other public institutions or organizations, with which the Company is concerned, to include any item on the agenda of the General Assembly Meeting. Financial statements and reports and agenda items for the Annual General Assembly Meeting were made available to shareholders, beginning from the date of announcement of the invitation to the Annual General Assembly Meeting, on the Public Disclosure Platform, at the Company's headquarters, and on a corporate website in such a way that these materials may be accessed easily.

While preparing an agenda for the Annual General Assembly Meeting, each agenda item is added under a different title; expressions that are suggestive and open-ended are actively avoided in drawing up agenda items. Terms such as "other" and "miscellaneous" are actively avoided in agenda items; the information to be provided prior to an Annual General Assembly Meeting is stated by referring to the related agenda items.

The Annual General Assembly Meetings are held in a manner that avoids any inequalities between shareholders while ensuring participation of the shareholders with a minimum cost in order to increase the level of participation by shareholders; thus, as stated in the Articles of Association, the meeting is organized at the Company's

headquarters or at a suitable location in the city the Company is headquartered in.

Pursuant to the Turkish Commercial Code, applicable law, rules and regulations, the Meeting Chair undertakes preparations and obtains the necessary information related to holding a general meeting.

At the Annual General Assembly Meeting, issues on the agenda are communicated to shareholders in an impartial, thorough, clear and understandable manner such that they may express their views under the same conditions and are offered an opportunity to ask questions. If a question asked is not related to the meeting agenda, or if it is a very detailed question that cannot be answered right away, the question posed is responded to by the Investors Relations Department in writing within a maximum period of 15 days. All questions asked during the Annual General Assembly Meetings and answers provided are disclosed to the public on the Company's website within a maximum period of 30 days following the date of the Annual General Assembly Meeting. No proposals were made to include any new item on the agenda and no questions were posed on matters not related to the agenda of the 2014 Annual General Assembly Meeting, which was held in 2015. The questions posed by shareholders, audience and meeting attendees during the course of the General Assembly Meeting were responded to via appropriate explanations by the Chief Executive Officer and senior management.

Members of the Board of Directors, other related parties, officers responsible for preparing the financial statements and auditors should attend the Annual General Assembly Meeting in order to provide information concerning agenda items as prioritized and to answer questions.

Pursuant to Turkish Commercial Code No. 6102 Article 1527, the Company has made preparations for its Electronic General Assembly in compliance with legal requirements. Out of a total of 613,169,118 shares, 2,137 were represented in person and 502,712,338 were represented by proxy. As a result, the General Assembly Meeting took place with a participation rate of 81.98% in both the physical and electronic

# Corporate Governance Principles Compliance Report

environments. No representatives from the media attended the meeting.

Information was presented to shareholders at the Annual General Assembly Meeting as a separate agenda item regarding the amount of all donations and charitable contributions provided by the Company during the year. Pursuant to capital markets law, upper limits were designated by the Annual General Assembly Meeting regarding donations and charitable contributions to be made in 2015.

No request was made by shareholders to assign a special auditor during the period.

A list of attendees and the minutes of the Annual General Assembly Meeting are made available at the Company's headquarters, posted on the Company's website and published on the Public Disclosure Platform (KAP) for the review and consideration of shareholders.

## 5. Voting Rights and Minority Rights

The Company's shares are divided into Group A and Group B shares. The number of Board Members elected by Group A-registered shareholders cannot exceed the half of total Board Members. Accordingly, four members of the eight Board of Directors are chosen from among the candidates nominated by Group A shareholders.

At Annual General Meetings, the Company avoids practices that inhibit the exercising of voting rights. As a result, there is no share that is deprived of voting rights. As required by the Articles of Association, each TL 1 nominally valued share carries one vote.

All shareholders including those outside Turkey are given the opportunity to exercise their voting rights in the easiest and most convenient manner possible. The Company's Articles of Association do not contain any provision that restricts the exercise of shareholders' voting rights for a certain time period following the acquisition date of the shares or that complicates the use of voting rights.

There are no provisions set out in the Articles of Association that prevent individuals who are not shareholders from voting as representatives by proxy.

At General Assembly Meetings, shareholders may have themselves represented by other shareholders or an externally appointed deputy. Shareholder deputies are authorized to exercise the votes held by the shareholder they represent in addition to their own votes. The Board of Directors appoints and announces the form of authorization documents in consideration of relevant CMB regulations. Furthermore, the rules set forth in the capital markets legislation with respect to proxy voting are abided by.

The cumulative voting method is not included in the Articles of Association.

The Company's share capital does not involve any cross-shareholdings.

There is no regulation set out in the Company's Articles of Association concerning the exercise of minority rights. Matters not covered by the Articles of Association are regulated according to the relevant provisions of the Turkish Commercial Code and the Capital Market Law. The Company accepts that the related regulations concerning the exercise of minority rights are sufficient.

## 6. Right to Dividends

The dividend policy approved by the General Assembly can be found in the Annual Report and on the investor relations website. The Company reaches its dividend distribution decisions by taking into account the Turkish Commercial Code, Capital Market Law, Capital Markets Board Communiqués and Resolutions, the Tax Laws and provisions of other related laws and regulations, as well as the Company's Articles of Association.

The profit distribution policy contains the minimum information that will allow shareholders to anticipate the procedures and principles of the distribution of the profit the Company will earn in the years ahead.

Principles concerning dividend payments are regulated in Article 17 of Company's Articles of Association. Accordingly, 50% of the distributable net profit for the relevant period – which is calculated after deducting losses of previous years from the Company's net profit for the period which was determined according to the provisions set forth in the Turkish Commercial Code and the Capital Market Law and in conformity with generally accepted accounting principles – shall be distributed in cash or as gratis shares which shall be issued by means of adding such an amount to the share capital subject to a resolution to be rendered by the General Assembly or through the use of both methods at specific rates. The General Assembly is authorized to decide on the completion of the distribution processes within the legally prescribed time periods.

The resolution on dividend distribution shall be evaluated and prepared by the Board of Directors based on the Company's long-term strategies, financing needs, short-term financial liabilities, conditions set forth in the contracts made with creditors and the Company's profitability; and it shall be presented for the approval of the General Assembly. The procedures and principles set forth in the Company's Articles of Association shall be applied during dividend distribution.

As of the accounting period of the dividend, irrespective of its issuing and acquiring dates, the annual profit shall be distributed equally to all existing shares. There is no privilege authorized in the Company's Articles of Association with respect to dividend rights. In the event that the Board of Directors proposes to the General Assembly that the profit not be distributed to shareholders, information on the reasons for such a recommendation and how the retained earnings will be used are provided in the agenda item pertaining to profit.

At the Board of Directors meeting dated May 4, 2015, it was proposed that no dividend distribution should take place at the 2014 Ordinary General Assembly Meeting, since no distributable net profit for the period materialized

according to the consolidated financial statements prepared for the accounting period 01.01.2014 - 31.12.2014, according to CMB regulations, although the operations of 2014 yielded profit; this proposal was submitted upon the unanimous decision of the Board of Directors to the General Assembly, which approved it unanimously.

## 7. Transfer of Shares

The transfer of Company shares is unrestricted in accordance with the rules and regulations of the Turkish Commercial Code, Capital Markets Law and electricity market legislation. The Company's Articles of Association do not contain any provisions that would inhibit shareholders' ability to freely transfer their shares.

The acquisition of shares representing 5% or more of the Company capital by an individual or a corporate entity directly or indirectly and share transfers that result in any change of the control in the cooperation structure of the legal entity independently of any above mentioned capital share transfers, each and every such transfers are subject to the approval of the Energy Market Regulatory Authority prior to the transactions.

## PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Public Disclosure Policy

Respecting the points in the context of the Capital Markets Board's Communiqué on Material Events No. II-15.1, the Public Disclosure Policy of Aksa Energy is formulated within the framework of the provisions of applicable capital markets laws and regulations in order to share necessary information and explanations (provided they do not include trade secrets) with local and foreign stakeholders, investors, securities and exchange market specialists, all related parties and financial intermediaries in a simultaneous, fair, complete, clear, correct, understandable and easily reachable manner.

For public information, the Capital Market Law, Turkish Commercial Code, Borsa Istanbul regulations, and the other related laws, rules and regulations are all taken into account, targeting effective, active, and transparent communication with the investment community.

The Public Disclosure Policy includes all kinds of information, documentation, electronic records and data related to the Company's activities (provided they do not include insider information or trade secrets) as known by members of the Board of Directors, senior management, and employees, the disclosure of which is not legally dubious.

The Company's Public Disclosure Policy is formulated and approved in decisions by the Board of Directors in the context of the Capital Markets Board's Communiqué on Material Events No. II-15.1. The composition, follow up, review, update and improvement of the Public Disclosure Policy is under the responsibility of the Board of Directors. The Board of Directors works with the cooperation of the Corporate Governance Committee and the Investor Relations Department and solicits their opinion. The Corporate Governance Committee informs and makes suggestions to the Board of Directors about the matters related to the Public Disclosure Policy, and assists the Board of Directors in the implementation of the Public Disclosure Policy. Amendments to the Public Disclosure Policy are published on the Company's website following the approval of the Board of Directors and are presented for the information of shareholders at the first General Assembly Meeting to be held.

The Public Disclosure Policy was revised upon a Board of Directors resolution dated April 11, 2014. The revised version was submitted to the shareholders at the General Assembly in 2014 and disclosed to the public.

### 9. Company Website and Its Content

In 2015, Aksa Energy's website was upgraded, and a new Investor Relations website was set up to ensure that all stakeholders can access detailed information in a single location easily and in an ongoing fashion. The Company's website, [www.aksainvestorrelations.com](http://www.aksainvestorrelations.com), is used effectively in order to ensure access to announced current and historical information, and public disclosures. The website is prepared with the content and context required by the CMB's Corporate Governance Principles, in both Turkish and English.

In addition to information whose disclosure is prescribed by legal and regulatory requirements, the Investor Relations website also features pertinent information, such as trade registry data; current shareholding structure and management; detailed information on preferred shares; the final version of the Company's Articles of Association; material event disclosures; financial reports; annual reports; registration statements and public offering circulars; agendas of the Annual General Assembly meetings; their lists of participants and minutes; documents for voting by proxy; documents required in case of stock and proxy collection by tender calling and other such forms; the Company's dividend distribution; Public Disclosure Policy; Remuneration Policy; Code of Ethics; Anti-Bribery and Anti-Corruption Policy; and sustainability approach. The current information and documents featured on the Company's website are considered to be sufficient. The Company's website completely includes all the documents and announcements as required by the Capital Markets Board. The website is regularly updated in order to reflect the latest status of the shareholding and management structure. The Company promptly answers any request for information corresponded through the internet site and all explanations publicly announced by the Company may be reached on the website.

Material event explanations that need to be publicly disclosed, IFRS financial statements including footnotes, the Company's trade registry information, the latest status of shareholding structure, information related to the Board and prospectuses and public offering circulars, as well as the Company's profit distribution policy are disclosed in English as well as in Turkish under the Investor Relations section of the Company's website.

### 10. Annual Report

Each year, a detailed annual report is prepared and presented by the Board of Directors of the Company in printed form to ensure that stakeholders of the Company are kept informed prior to the Annual General Assembly Meetings. The annual report is also available on the corporate website. Furthermore, activity reports are also prepared and announced to the public on a quarterly basis in accordance with Communiqué No. II-17.1 (Communiqué Series: XI No. 29 for reports of previous periods).



# Corporate Governance Principles Compliance Report

The Board of Directors prepares the annual report in a manner that ensures the public has access to accurate, precise information about Company's operations. The Company pays maximum attention to ensure that activity reports contain detailed information pertaining to the Company's operations. In addition, the Company takes every effort to ensure that the information provided is consistent with the Company's financial statements and activity results.

The annual reports prepared by the Company provide information on the activities of Board members or managers outside the Company and statements of Board members concerning their independence.

Information on the structure and membership of committees formed among Board members is presented in the activity reports. These reports also include information on the number of Board of Directors meetings held within each year. However, information on the list of participants at such meetings is excluded. According to the Company's Articles of Association, regulations of the Turkish Commercial Code and of other related laws are abided by with respect to the Board's meeting and decision quorums.

Since the founding of the Company, none of the Board members have been sentenced to any penal procedure or sanctions at a material level. In the event of such a situation in the future, the Company acknowledges that it (within the framework of its importance) should be announced publicly as a matter of principle.

It is accepted as a principle that information will be disclosed to the public in the event of any change in legislation (within the framework of its importance) that would affect the Company's operations to a significant extent.

Information concerning any significant legal action filed against the Company and possible outcomes are expressed in the footnotes of the financial

statements prepared by the Company. These footnotes are also included in the annual reports.

Since the Company's founding, there have been no instances of conflicts of interest between the Company and any institutions that have provided investment advisory or rating services to the Company. The Company's Ethics Principles, formulated in 2014, sets the guidelines for relations with commercially related individuals; entities and corporate bodies; media; public authorities; and stakeholders. The Ethics Board was formed in order to resolve potential conflicts in this regard. The Ethics Board is responsible for investigating and solving the complaints and notifications if Aksa Energy Ethics Principles are violated. Reporting to the Aksa Energy Chairman of the Board of Directors, the Ethics Board consists of the Internal Audit Manager, Legal Director and the Human Resources Director. There were no complaints or notifications in 2015 concerning the violation of the Ethics Principles.

Despite this procedural framework, it is accepted as a principle that in the event of such a situation arising in the future, public disclosures will be issued, provided that such disclosures do not affect the competitiveness of the Company or include any trade secrets of the Company (within the framework of its importance).

Footnotes to the financial statements of the Company include information concerning the Company, its affiliates and subsidiaries. Furthermore, these footnotes are also provided in the Company's annual reports.

The Company's annual reports provide information pertaining to employee and social benefits and vocational training.

Each year, information is provided at the Ordinary General Assembly Meeting as regards the issues regulated by the Corporate Governance Principles, Articles 1.3.6 and 1.3.7, which are also explained in the annual reports.

## STAKEHOLDERS

### 11. Informing Stakeholders

The Company continues to serve as an institution of trust for its partners, employees, clients, suppliers, and the community, always creating and conveying value. The Company has established a special unit charged with energy sales to Free Consumers; this unit is reachable by clients at any time. The Company works to ensure the compliance of contractors and suppliers with quality commitments insofar as it may affect quality. Informational meetings are organized to raise the quality awareness of contractors and suppliers; in addition, maximum care is taken to foster effective communications between the parties. The Company's efforts to develop client satisfaction are ongoing in tandem with the importance it places on production, service and quality. Moreover, important events and developments of interest to clients and suppliers, together with legal and regulatory changes, are shared with these key stakeholders through the most rapid communication channels.

Necessary measures are taken on the website to inform interested parties and every type of information related to the Company is presented to interested parties in line with Corporate Governance Principles.

In the event of requests from investors and financial intermediaries, the Company organizes face to face or group meetings with these institutions; participates in investor conferences held by intermediaries both in Turkey and abroad; and shares developments concerning the sector and Aksa Energy with investors. Additionally, the Company holds teleconferences and/or meetings on a quarterly basis following the announcement of the Company's financial statements in order to inform investors and analysts of operational and financial developments. In order to ensure accurate, clear and reliable flow of information, the Investor Relations Department prepares presentations regarding quarterly announced financial statements; sends these to investors and analysts by email and website; posts the information on the website; and shares the

results with the financial community by organizing teleconferences. All questions and requests related to the Company's activities and sector developments (excluding trade secrets) are directed to the Investor Relations Department and are answered by telephone or email.

Protecting stakeholder rights with respect to the Company's activities and informing stakeholders concerning the Company's policies and procedures are fundamental principles embraced by the Company. For this purpose, providing information for shareholders, employees, suppliers, customers and the public is effectively carried out as stipulated by the Company's Public Disclosure Policy.

The Company's internal communication channels are accessible for all stakeholders; contact details are also available on the Company's website. Stakeholders are entitled to communicate with the Corporate Governance Committee or the Audit Committee without any interference from the Company. Stakeholders are also entitled to reach these committees through all communication channels.

The Company aims to protect the rights of each and every stakeholder independently by pursuing a well-balanced policy in the event of possible conflicts of interest between stakeholders or the participation of any stakeholder in more than one interest group. The Company's Ethics Principles, formulated in 2014, sets the guidelines for relations with commercially related individuals; entities and corporate bodies; media; public authorities; and stakeholders. The Ethics Board was formed in order to resolve potential conflicts in this regard. The Ethics Board is responsible for investigating and solving the complaints and notifications if Aksa Energy Ethics Principles are violated. The email address [etik@aksa.com.tr](mailto:etik@aksa.com.tr) was created and shared with stakeholders to receive any complaints and reports. Reporting to the Aksa Energy Chairman of the Board of Directors, the Ethics Board consists of the Internal Audit Manager, Legal Director and the Human Resources Director.

## 12. Stakeholders' Participation in the Management

The Company does not have a formal model or mechanism for stakeholders to participate in management. However, the independent members of the Board of Directors represent all stakeholders – as well as the Company and the shareholders

– in the Company's management. The Company heeds the opinions and suggestions of its employees, suppliers, various non-governmental organizations and all other stakeholders as well as participants of customer satisfaction surveys. While not stipulated in the Articles of Association, the Company's Chairman of the Board of Directors has never been the same person as its Chief Executive Officer since the day the Company was founded. No one at the Company has unlimited decision-making authority.

In order to ensure that personnel at different levels of the organization participate in the management, Executive Committee meetings are held in various departments, with the participation of the relevant department executives as well as the senior management. A variety of issues are discussed at these meetings. In addition, the requests and expectations of personnel, customers and suppliers are collected during these meeting and delivered to senior management. The departments implement the decisions thus made. Personnel are informed of all activities and processes of the Company linked to procedures that are established according to the ISO 9001 Quality Management Systems. The Articles of Association contains no stipulations regarding the participation of employees. In 2015, a questionnaire was distributed to employees to solicit their expectations, opinions and demands.

## 13. Human Resources Policy

The approach best summed up as "Our most valuable asset is our human resources" is embraced by the Company and serves as the cornerstone of the Human Resources Policy.

The mission of human resources is to support all the Company's management staff and personnel; to ensure the continuity of a creative, dynamic, motivated, effective, and efficient corporate team; and to establish human resources systems in coordination with the related units. The Company provides its employees with every kind of opportunity for career development. Different training opportunities are provided to all staff members in order to meet their career and personal development needs; fulfill occupational requirements occurring over time; and achieve the Company's targets and strategies. Training sessions are carried out to develop the technical, occupational knowledge and personal

skills required for individuals to perform efficiently and effectively in their respective roles and departments.

The Company prioritizes the employment of well educated, talented and successful individuals, understanding that it will reach its ambitious targets by employing the most qualified human resources. In employment, meeting current needs for personnel vacancies is not enough; the Company's long term objectives are also be evaluated.

As a rule, personnel needs are met primarily from within the Company's current workforce. In order to fill vacancies that cannot be met internally via promotion or transfer, external resources are used to facilitate new staff recruitment.

Fairness is embraced and implemented by the Company as a principle in all rights provided to employees. Department managers are responsible for informing staff members of all decisions or developments that concern them via email.

Job definitions of the Company's employees are detailed in written form in compliance with the ISO 9001 standard on Quality Management Systems. Staff salaries and other benefits are determined on the basis of performance and efficiency. The Company has no plans to have its personnel become shareholders in the Company.

There is no representative appointed exclusively to conduct employee relations. The Company manages personnel relationships through the Human Resources Department, which is staffed by human resources professionals who have specific responsibilities in this department. In addition, the Human Resources Department is the designated department to be consulted by employees in case of a conflict with the management. Staff members are duly informed of the Department's role in this regard. The Company takes all precautions to prevent any discrimination on the basis of race, religion, language or gender as well as any attitudes towards employees that could physically, mentally or emotionally affect employees. No complaint was submitted by employees with respect to discrimination on the basis of race,

# Corporate Governance Principles Compliance Report

religion, language or gender either in 2015 or prior.

The Human Resources Policy is also publicly announced on the Company's website.

## 14. Ethics Principles and Social Responsibility

As an institution well aware of its obligations to uphold the law as well as environmental values, Akxa Energy has undertaken various efforts in the area of social responsibility. The Company also firmly believes in the necessity of leaving a sustainable planet to future generations. Akxa Energy takes this approach into account at every step of its operations and applies it accordingly. The Company strives to take every kind of measure to support the protection of the environment and human health. In line with this objective, the Company has been granted the following certifications: compliance with the requirements of the 9001:2008 Quality Management System; 14001:2004 Environmental Management System; OHSAS 18001-2007 Occupational Health and Safety Management System; and the ISO 50001:2011 Energy Management System Standard, by ensuring continuity of systems. As part of its social responsibility efforts, the Company is also engaged in various activities under the coordination of Kazancı Holding, providing scholarships to students for example.

Ethics Principles for the Company and employees went into effect in 2014, and was revised by the Board of Directors on January 7, 2016. Ethics Principles are available on the website and have been shared with Company employees.

## BOARD OF DIRECTORS

### 15. Structure and Formation of Board of Directors

Akxa Energy's Board of Directors governs and represents the Company by making strategic decisions; maintaining an optimal balance between risk, growth and return; pursuing a rational and prudent risk management approach; and placing

a priority on the Company's long-term plans. The Board of Directors defines the strategic objectives of the Company; determines the workforce and financial resources to be required by the Company; and monitors the management performance.

The Company's Articles of Association was amended in 2014 and approved by the General Assembly on August 5, 2014. With these amendments, the number of members of the Board of Directors was increased from seven to eight. Half of the members are selected among candidates nominated by a capital majority of Group A stakeholders with registered shares.

The Board of Directors includes executive and non-executive members. The majority of the Board members are non-executive members who do not serve any managerial duty other than board membership and who are not involved in the Company's day-to-day business flow and operations. The independent members among the non-executive members of Board of Directors are appointed by the General Assembly; independent Board members are qualified and quantified in line with the Capital Markets Board's Corporate Governance Principles regulations.

At its meeting after each Ordinary General Assembly or each General Assembly in which members are selected, the Board of Directors selects a chairman and vice chairman among members participating by proxy for Group A stakeholders with registered shares.

The CMB's Corporate Governance Principles regulations are applied in procedures related to the nomination and appointment of independent Board members. Members of the Board of Directors are appointed for a maximum term of three years. The members whose term of office has ended can be reappointed.

The Board of Directors is composed of members who possess all the qualifications indicated in the Corporate Governance Principles regulations published by the Capital Markets Board.

The functions of Chairman and CEO are performed by different individuals.

Independent Board members have submitted their statements of independence to the Board of Directors; their independence was not compromised by any circumstances during the accounting period. Independent members fulfill the criteria of independence listed in CMB's Corporate Governance Principles Communiqué.

In 2015, independent member Y. Uğur Timurkan resigned from his duty as Independent Board Member on August 3, 2015. He indicated that he will assume a full-time position at another company and cannot dedicate sufficient time to Akxa Energy; thus, it would not be appropriate for him to continue serving as Independent Board Member at the Company. According to Capital Markets Board Capital Markets Board's Corporate Governance Principles, Article 4.3.2, paragraph f, Y. Uğur Timurkan's resignation was approved by the Board of Directors. The vacated position of Independent Board Member was filled by Derya Uztürk, who took office on September 1, 2015 upon the nomination of the Corporate Governance Committee. His membership candidacy will be submitted to the next General Assembly. The new independent member meets all the criteria of independence and his statement of independence is available in this report.

For the assurance of sending of representatives to the Board of Directors by minority stakeholders, the Articles of Association contains no provision related to cumulative voting; the Company believes that the cumulative voting method would compromise the Company's harmonious management structure. Moreover, there were no incidences that would compromise the independence of any independent Board member during the reporting period.

The duties of members of the Board of Directors outside the Company are regulated by the Turkish Commercial Code and other applicable legislation.

Currently, Board members dedicate sufficient time to the affairs of the Company. In the event they are appointed to other companies as executives or Board members, or start to offer consultancy services to other companies, the Company makes sure that this does not lead to any conflicts of interest and that the Board Members continue to fulfill their duty as before. As such, Board members' duties outside the Company were not limited in accordance with the provisions of the Turkish Commercial Code and other applicable legislation.

The Board of Directors strives to conduct its activities and fulfill its duties in a transparent, accountable, fair and responsible manner.

The Company's Board members are listed below. Pursuant to the CMB's Corporate Governance Principles, most of the Board members do not serve in any executive function.

Name - Surname	Title	Term Start	Executive Position	Term End
Şaban Cemil Kazancı	Chairman	05.08.2014	No	05.08.2017
Ahmet Serdar Nişli	Vice Chairman	05.08.2014	No	05.08.2017
Tülay Kazancı	Board Member	05.08.2014	No	05.08.2017
Yağmur Şatana	Board Member	05.08.2014	No	05.08.2017
Cüneyt Uygun	Energy Group Head, CEO & Board Member	05.08.2014	Yes	05.08.2017
T. Yavuz İşbakan	Independent Board Member	05.08.2014	No	26.04.2016
Haldun Alperat	Independent Board Member	08.06.2015	No	08.06.2018
Derya Uztürk*	Independent Board Member	01.09.2015	No	

\*Following Independent Board Member Y. Uğur Timurkan's resignation on August 3, 2015, Derya Uztürk was appointed as Independent Board Member on September 1, 2015; his membership will be submitted to the vote of the Company's shareholders at the next General Assembly.

The distribution of tasks within the Board of Directors, their duties, authority and CVs are presented on Page 6 and 7 of the Annual Report.

### Positions Held outside the Group by Board Members

Name - Surname	
Şaban Cemil Kazancı	Board Member - Kazancı Holding A.Ş., Rasa Enerji Üretim A.Ş., Kapıdağ Rü. En. El. Ü. A.Ş., Rasa Elektrik Üretim A.Ş., İdil İki Enerji San. ve Tic. A.Ş., Deniz Elektrik Üretim Ltd. Şti., Ayres Ayvacı Rü. En. El. Ü. S. Ltd. Şti., Akxa Göynük Ener. Ürt. A.Ş., Baki Elektrik Ürt. Ltd. Şti., Alenka Enerji Ürt. Yat. Ltd. Şti., Akxa Elektrik Satış A.Ş., Akxa Elek. Per. Satış A.Ş., Çoruh Elek. Per. Satış A.Ş., Fırat Elek. Per. Satış A.Ş., Fırat Akxa Elek. Hiz. A.Ş., Çoruh Akxa Elek. Hiz. A.Ş., Akxa Jeneratör Sanayi A.Ş., Akxa Makina Sanayi A.Ş., Akxa Ankara Mak. Sat. ve Ser. A.Ş., Akxa Servis ve Kiralama A.Ş., Akxa Teknoloji A.Ş., Akxa Satış ve Pazarlama A.Ş.
Ahmet Serdar Nişli	Board Member - Rasa Enerji Üretim A.Ş., Kapıdağ Rü. En. El. Ü. A.Ş., Rasa Elektrik Üretim A.Ş., İdil İki Enerji San. ve Tic. A.Ş., Deniz Elektrik Üretim Ltd. Şti., Ayres Ayvacı Rü. En. El. Ü. S. Ltd. Şti., Akxa Göynük Ener. Ürt. A.Ş., Baki Elektrik Ürt. Ltd. Şti., Alenka Enerji Ürt. Yat. Ltd. Şti., Akxa Elektrik Satış A.Ş., Akxa Elek. Per. Satış A.Ş., Çoruh Elek. Per. Satış A.Ş., Fırat Elek. Per. Satış A.Ş., Fırat Akxa Elek. Hiz. A.Ş., Çoruh Akxa Elek. Hiz. A.Ş.
Tülay Kazancı	Board Member - Kazancı Holding A.Ş., Rasa Enerji Üretim A.Ş., Kapıdağ Rü. En. El. Ü. A.Ş., Rasa Elektrik Üretim A.Ş., İdil İki Enerji San. ve Tic. A.Ş., Deniz Elektrik Üretim Ltd. Şti., Ayres Ayvacı Rü. En. El. Ü. S. Ltd. Şti., Akxa Göynük Ener. Ürt. A.Ş., Baki Elektrik Ürt. Ltd. Şti.
Cüneyt Uygun	Board Member - Deniz Elektrik Üretim Ltd. Şti., Ayres Ayvacı Rü. En. El. Ü. S. Ltd. Şti., Baki Elektrik Ürt. Ltd. Şti., Alenka Enerji Ürt. Yat. Ltd. Şti.
Yağmur Şatana	Board Member - Anadolu İplik ve Tekstil Fab. San. A.Ş., Detur International B.V.
T. Yavuz İşbakan	-
Haldun Alperat	CFO - Acun Medya Grup
Derya Uztürk	Partner - Chemist Chemicals Istanbul Kimyasal Ürünler Pazarlama Sanayi ve Ticaret Anonim Şirketi

## Corporate Governance Principles Compliance Report

### 16. Operating Principles of the Board of Directors

The Board of Directors is responsible for the Company's management and representation externally. The Board of Directors is appointed to and authorized in the Company's management and in undertaking all the operations assigned to it by the Turkish Commercial Code, Capital Market Law, the Company's Articles of Association and the General Assembly. For the validation of all certificates and agreements executed by the Company, these must be put under the corporate name and signed by the authorized persons that can bind the Company.

With the development of the Company's business and activities, the Board of Directors determines the distribution, form and principles of its administrative tasks and duties from among its own members, on an as needed basis. The Board of Directors may form committees or commissions to execute business depending on the requirements of the business.

Members of the Board of Directors hold a meeting as Company activities necessitate, generally not less than once a month. Furthermore, separate meetings of the Board of Directors may be called if deemed necessary by the chairman or five of the members. Board meetings can be held at Company headquarters or at an appropriate locale in the same city where the Company is headquartered, or another city which is subject to the decision of the Board of Directors. The Board members decide whether to make a division of duties among themselves.

Meeting invitations must be submitted at least seven days ahead of the meeting of the Board of Directors; a meeting agenda and documents related to the agenda should be attached to the invitation. In the event that all members of the Board of Directors are present at the meeting, an invitation is not necessary. In the case of a matter requiring urgency, an invitation to a meeting of the Board of Directors may also be undertaken in good will, without a seven-day notice period. Under this

circumstance, members of the Board of Directors will be given sufficient time to prepare for the meeting and be readily present at the meeting. Presence of a member at a meeting serves as proof that this member is relinquished from the requirement of invitation to the meeting.

Board members who have the right to participate in the Board meetings can attend via an electronic environment as per Article 1527 of the Turkish Commercial Code.

The Board of Directors meets with the participation of an absolute majority of the members. The Board of Directors makes decisions by an absolute majority of the participants who attend the meeting. In the event of a tie vote, the matter is included on the agenda of the next meeting; and in the case that no majority is provided for in that meeting as well, the proposal is in effect deemed rejected. In the case that none of the members call for a meeting, the Board may make decisions upon the written proposal of one of the members which must receive written approval of the majority of the total number of Board members. The condition of validation is that the proposal has to be made to all of the Board members.

Related regulations of the Capital Markets Board are followed in important transactions that are specified by the CMB's Corporate Governance Principles, in all related party transactions of the Company and in providing guarantee and pledge in favor of third parties.

Each member of the Board of Directors holds one voting and one veto right without consideration of their position or scope of duty.

For any negative vote related to the decisions of the Board of Directors, an appendix to the decision record and correspondence of justifications to the auditors in writing is considered beneficial in such circumstances.

No breakdown of duties among members of the Board of Directors is available. However, information concerning the Board committees

appears in the activity reports and on the Company's website.

The Board of Directors held 16 meetings between January 1, 2015 and December 31, 2015, with the participation of all members. The Company's Board of Directors made all its resolutions unanimously in 2015, and no dissenting opinions were written in the resolution reports.

### 17. Numbers, Structures, and Independence of Committees within the Board of Directors

Pursuant to CMB laws and regulations, the Company has established the following committees: Audit Committee, Corporate Governance Committee and Early Risk Assessment Committee. A principle was adopted that the Corporate Governance Committee also fulfills the duties of the Nomination Committee and the Remuneration Committee. Committee chairs were elected from among the independent members of the Board of Directors. All members of the Audit Committee are independent members of the Board of Directors.

The committees that are formed among Board members are required to record all of their activities in written form; in doing so, they comply with the written rules of the procedures. In accordance with the rules of the procedures, all of the committees are permitted to call the Company's managers to a meeting and seek their opinions when deemed necessary to fulfill their duties. The required financial resources for the activities of the committees are provided by the Board of Directors.

The Company's chief executive officer/general manager is not a member of any committee.

In accordance with the structure of the Company's Board of Directors, three independent Board members serve on the Board. Since, at the very least, the chairs of these formed committees and all members of the Audit Committee are required to be independent members, the principle that "A board member cannot be appointed to more than one committee" could not be fulfilled.

Committees convened at the Company's headquarters with the frequency indicated in their operating principles.

Committee details are available below, under the sections for specific committees.

Following the appointment of the Board members at the General Assembly Meeting, committees were re-established and their duties and working principles were reviewed and updated in accordance with the Capital Markets Board's II-17.1 Corporate Governance Principles Communiqué. Detailed information on committees and their working principles is available on Investor Relations website at [www.aksainvestorrelations.com](http://www.aksainvestorrelations.com)

The Board of Directors had a positive assessment of the operations of the Audit Committee, Corporate Governance Committee and Early Risk Assessment Committee. This assessment can be found on pages 30 and 31 of the Annual Report under the section Assessment of the Board of Directors.

### **Audit Committee**

Audit Committee is composed of at least two members who are elected among independent Board members. The Committee is charged with monitoring the financial and operational activities of the Company in an appropriate manner in compliance with the principles set forth in capital markets legislation and the committee duty and working principles. Audit Committee, which reports to the Board of Directors, aims to provide the public declaration attesting to the compliance of the Company's accounting system and financial information in accordance with the Articles of Association in addition to the operation and efficiency of the independent audit and internal control system. The Committee is also responsible for taking all necessary measures to carry out the execution of all types of internal and independent audits in an adequate, transparent manner.

Accordingly, the Committee is mainly responsible for the following:

- Conducting investigations to select the independent audit company, making a presentation to the Board of Directors following prior approval;
- Evaluating compliance of financial

statements and disclosure to be publicly announced with legal and regulatory requirements and international reporting standards;

- Surveilling the operation and effectiveness of the Company's accounting system, public announcement of financial information, independent audit, and the internal control system;
- Examining and finalizing complaints related to the Company's accounting, internal control system, and independent audit.

Audit Committee meets at minimum every three months upon the invitation of the head of the Committee. The Committee can collect information by inviting managers, internal and independent auditors, as required, to meetings; and receive consultancy from outside the Company. The Committee expenses are covered by the Board of Directors. The Audit Committee may notify specific issues to the Company's General Assembly if deemed necessary.

Audit Committee was established upon Board of Directors Resolution No. 189 and dated April 4, 2011. Information regarding the structure and members of the Committee is presented on page 32 of the Annual Report.

### **Corporate Governance Committee**

Corporate Governance Committee aims to ensure compliance with the corporate governance principles set by the Communiqué on the Determination and Implementation of Corporate Governance Principles. The Committee investigates if there are any instances where these principles were not applied in the Company; checks to see if there were any cases of noncompliance; and takes remedial measures as needed. It also supports and assists the Board of Directors by carrying out research studies related to investor relations and public disclosure. Additionally, the duties of the Nomination Committee and Compensation Committee are performed by Corporate Governance Committee.

Corporate Governance Committee meets four times a year. The Committee was established upon Board of Directors Resolution No. 190 and dated April 4, 2011. Information regarding the structure and members of the Committee is presented on page 32 of the Annual Report.

### **Early Risk Assessment Committee**

Early Risk Assessment Committee is responsible for determining the risks that might jeopardize the existence, development and continuity of the Company and taking the necessary measures against identified risks and managing them. The Committee reviews the risk management systems at least once a year.

Early Risk Assessment Committee meets four times a year. The Committee was established upon Board of Directors Resolution No. 190 and dated April 4, 2011. Information regarding the structure and members of the Committee is presented on page 32 of the Annual Report.

### **18. Risk Management and Internal Control Mechanism**

The Risk Management and Internal Control Mechanism are under the responsibility and control of the Company management. The management reviews the Company's risk management and internal control system regularly in order to achieve the following objectives:

- Protecting company assets;
- Ensuring compliance with laws, rules, regulations and agreements;
- Attaining efficiency in operations and effectiveness of operations;
- Ensuring accuracy and reliability of financial and operational information;
- Controlling or preventing of any reported activities and operations that have a significant risk factor, in the context of proposals accepted by the management.

The results of the Company's activities, the extent to which targets are met, and identification and reporting of associated risks faced by the Company are evaluated at Board of Directors meetings, which are periodically held with the participation of the relevant managers.

Early Risk Assessment Committee within the Company's organization operates in line with the working principles announced on the Company's website. It provides support to the Board of Directors for the management of possible risks by informing the Board about them.

# Corporate Governance Principles Compliance Report

Risk management and internal control mechanisms have been set up at the Company. Information on these can be found on pages 30 and 31 of the Annual Report under the section Assessment of the Board of Directors.

## 19. Strategic Goals of the Company

The Board of Directors sets the strategic objectives of the Company for the year ahead, and determines the human and financial resources needed to meet these objectives. In addition, the Board of Directors periodically decides whether or not these targets have been achieved.

The Board of Directors strives to conduct its activities and fulfill its duties in a transparent, accountable, fair and responsible manner.

The Company's Board of Directors ensures that all of its activities and transactions comply with applicable laws, rules and regulations; the Company's Articles of Association; and internal regulations and policies.

## Our Mission

Aksa Energy's mission is to capitalize on our deep experience and know-how in the energy industry in order to continue implementing high performance projects, with a focus on cutting edge technologies and a well-educated, highly skilled workforce.

## Our Vision

Aksa Energy's vision is to maintain our role as the largest privately owned power producer in the Turkish electricity market and create sustainable, ever-increasing value for the nation and our stakeholders.

## Strategy and Targets

Aksa Energy plans to enter African markets, which have a high demand for energy and infrastructure, in order to increase its profitability and to reduce the effect of foreign exchange rate fluctuations by expanding its US dollar denominated sales.

To this end, the Company plans to transfer to Africa some of its power plants that can no longer generate electricity at competitive prices under free market conditions in Turkey, for use in potential projects with high levels of US dollar denominated returns.

## 20. Financial Remuneration

As part of the structuring of the Board of Directors of the Company, the Board of Directors decided against the establishment of a separate Remuneration Committee. Instead, the Board decided that the obligatory duties defined for this committee in line with the Corporate Governance Principles would be fulfilled by the Corporate Governance Committee.

The remuneration principles of Board members and senior management are set out in written form. This is treated as a separate agenda item at the General Assembly Meeting in order to inform shareholders and offer them the opportunity to share their opinions on the matter. This policy is also announced on the Company's website.

For the remuneration of the independent Board members, stock options or Company performance-based payment plans were not taken into account. The Company sought to provide a level of remuneration to independent Board members that would not compromise their

independence. It was decided at the Annual General Assembly Meeting that monthly salaries would be paid to independent Board members.

The Company does not have any practice of lending or supplying credit, provide assurance or guarantee in countenance of the Board members or senior management. The prohibition of such transactions is embraced as a principle by the Board of Directors.

Information on the remuneration and compensation provided to Board members and senior management staff is made available in the annual reports and on the Company's website.

Members of the Board of Directors receive no financial benefits other than the monthly honorarium that is paid to them. The total amount of financial benefits paid such as bonuses, dividends or wages to the members of the Board and the senior management was TL 3,950,875 for the accounting period 01.01.2015 – 31.12.2015 (01.01.2014 – 31.12.2014: TL 4,441,383.83).

As per Article 4.6.5 of the Corporate Governance Principles, information on the remuneration and compensation provided to the members of the Board and the senior management is made available in the footnotes of the quarterly financial tables and in the annual reports. No explanation is provided on an individual basis; in addition, it only covers members of the Board and the senior management.

## 21. Disclosure of Non-Corporate Ultimate Shareholder(s) Who Have a Controlling Interest

The Company's shareholding structure as of December 31, 2015 is presented below.

Title of Shareholder	Nominal Amount (TL)	Share (%)
Kazancı Holding A.Ş. <sup>(*)</sup>	380,064,978	61.98
Goldman Sachs	101,911,765	16.62
Publicly Traded	131,158,000	21.39
Other	34,375	0.01
<b>Total</b>	<b>613,169,118</b>	<b>100.00</b>

<sup>(\*)</sup> As of December 31, 2013, Kazancı Holding A.Ş. owned a total of 4,458,962 publicly traded shares of Company stock. These shares are shown in the Publicly Traded row in the above table.

## 22. Public Disclosure of Those Who Have Access to Insider Information

The Company composed the List of Individuals Having Access to Insider Information as required by the Notification for Guidelines Related to the Public Disclosure of Material Events set out by the Capital Markets Board (CMB). Updates on the list are made following changes in position assignments. In addition to the Chairman and members of Board of Directors, individuals on the list are as follows.

Şaban Cemil Kazancı - <b>Chairman</b>	Ahmet Serdar Nişli - <b>Vice Chairman of the Board of Directors</b>
Tülay Kazancı - <b>Board Member</b>	Yağmur Şatana - <b>Board Member</b>
Tevfik Yavuz İşbakan - <b>Independent Board Member</b>	Haldun Alperat - <b>Independent Board Member</b>
Derya Uztürk - <b>Independent Board Member</b>	Cüneyt Uygun - <b>Energy Group Head, CEO and Board Member</b>
Barış Başer - <b>Vice President, Energy Production</b>	Nesim İbrahimhakkioğlu - <b>CFO, Financial Affairs</b>
Murat Kırızlı - <b>Vice President, CEO of Aksa Energy Trading and Sales</b>	Şenol İnan - <b>Director of Plant Operations</b>
Fatma Utan - <b>Finance Director</b>	Kaan Görenek - <b>Business Development Director - Kazancı Holding</b>
Serhat Sert - <b>Investments and Planning Director - Renewable Resources</b>	Özlem McCann - <b>Head of Investor Relations and Corporate Communications</b>
Erdoğan Gök - <b>Risk Analysis and Strategic Planning Executive</b>	Serdar Şeşen - <b>Legal Affairs Director</b>
Aylin Kırhan - <b>Corporate Finance Manager</b>	Seda Halıcı - <b>Budget and Reporting Manager</b>
Hasan Akpınar - <b>Finance Manager</b>	Ebru Koç - <b>Finance Manager</b>
Serhat Demet - <b>Accounting Manager (Energy Production/Trade)</b>	Canan Cacur - <b>Accounting Manager (Electricity Sales)</b>
Özkan Gül - <b>Finance Executive</b>	Gözde Haşcelik Abraş - <b>Attorney</b>
Nurdan Cengizek - <b>Investor Relations and Corporate Communications Specialist</b>	Cemil Bora Baskın - <b>Finance Controller</b>

The list of individuals having access to insider information is updated regularly by the Company in accordance with the scope of changing projects and subjects. Employees of the Company who are party to insider information and other parties who are communicated this information are informed of their obligation to protect the confidentiality of this confidential information during the formation of the material event and throughout the period, from the time of the material event to its disclosure to Borsa İstanbul.

The Company may delay the disclosure of insider information in order to prevent damage to its legal rights and interests in accordance with the provisions of the related Communiqué.

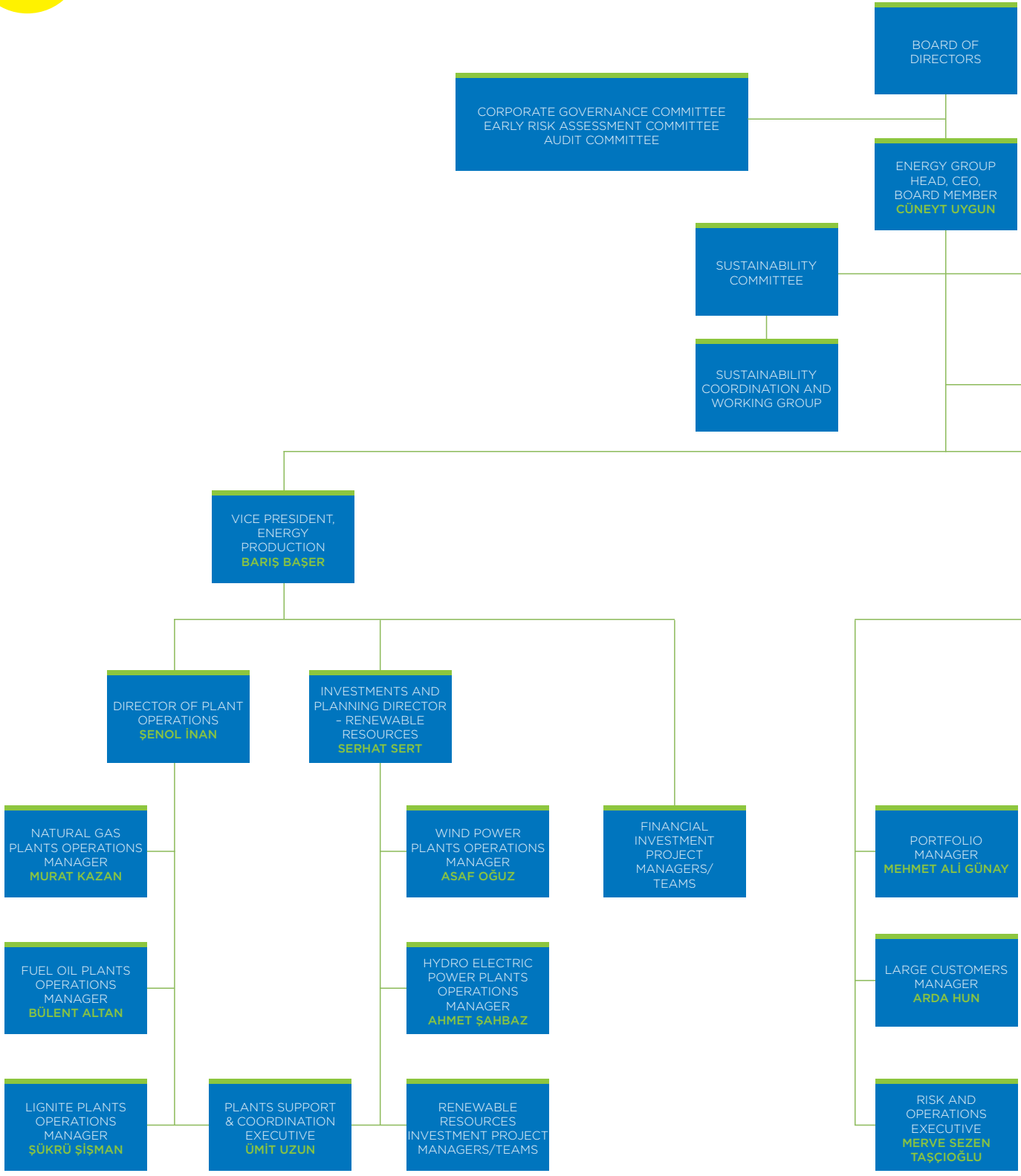
## Amendments to Articles of Association in 2015

No amendments were made to the Company's Articles of Association in 2015.





# Organizational Chart



HOLDING SUPPORT  
FUNCTIONS

HEAD OF INVESTOR  
RELATIONS AND  
CORPORATE  
COMMUNICATIONS  
**ÖZLEM McCANN**

RISK ANALYSIS AND  
STRATEGIC PLANNING  
EXECUTIVE  
**ERDİNÇ GÖK**

VICE PRESIDENT,  
CEO OF AKSA  
ENERGY TRADING  
AND SALES  
**MURAT KIRAZLI**

CHIEF FINANCIAL  
OFFICER (CFO)  
**NESİM  
İBRAHİMHAKKIOĞLU**

FINANCE DIRECTOR  
**FATMA UTAN**

MARKETING  
COMMUNICATIONS  
MANAGER  
**ARIF ÖZPEYNİRCİ**

MARKETING  
COMMUNICATIONS  
EXECUTIVE  
**ERDEM GÜNEŞ**

SALES DIRECTOR  
**SERKAN GUNAYDIN**

SALES MANAGER  
**KORHAN BAYKAL**

SALES EXECUTIVE  
**DEMET DANIŞ**

SALES EXECUTIVE  
**İBRAHİM EVREN  
DUMLU**

SALES SUPPORT  
AND OPERATIONS  
DIRECTOR  
**ERSAN DEVREZ**

ACCOUNTING  
MANAGER  
(ELECTRICITY  
SALES)  
**CANAN CACUR**

PRICING AND INCOME  
MANAGEMENT  
MANAGER  
**NUR ÇATANA**

OPERATIONS  
EXECUTIVE  
**ERTAN ÖZDEMİR**

BUDGET AND  
REPORTING  
MANAGER  
**SEDA HALICI**

CORPORATE  
FINANCE MANAGER  
**AYLİN KIRHAN**

ACCOUNTING  
MANAGER (ENERGY  
PRODUCTION/  
TRADE)  
**SERHAT DEMET**

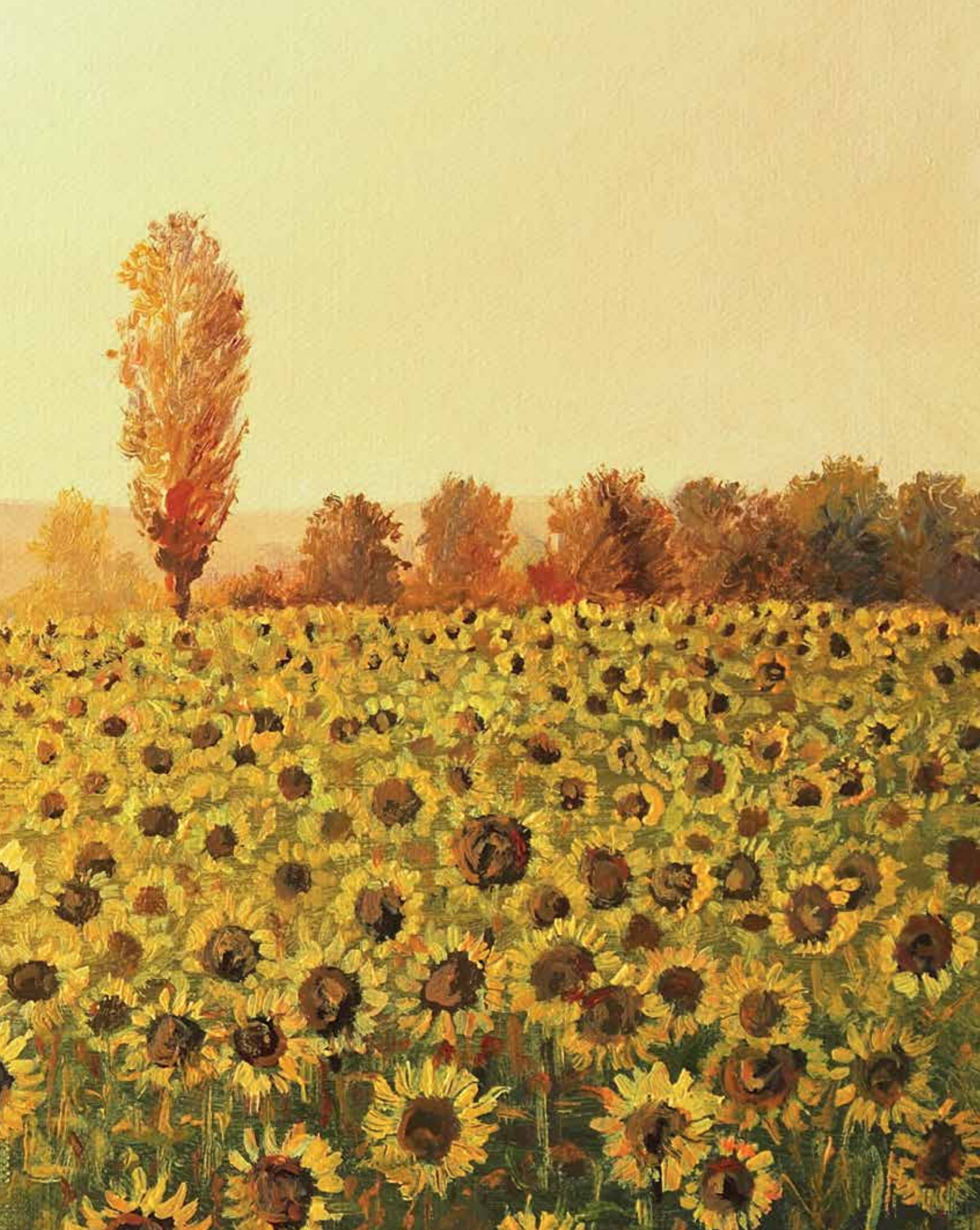
FINANCE MANAGER  
**HASAN AKPINAR**

FINANCE MANAGER  
**EBRU KOÇ**

FINANCE EXECUTIVE  
**ÖZKAN GÜL**

# General Assembly





## Ordinary General Assembly Agenda

The Ordinary General Assembly for 2014 convened on June 8, 2015 at 11:00 am at the address Rüzgârlıbahçe Mahallesi, Selvi Çıkmaşı, No: 10, Kavacık, Beykoz, Istanbul to discuss the following agenda items.

### AGENDA FOR GENERAL ASSEMBLY OF 2014

1. Opening of the Meeting, Election of the General Assembly Presidential Board;
2. Authorization of the Presidential Board for signing the Minutes of the General Assembly Meeting;
3. Presentation for discussion and approval of the Annual Report of the Board of Directors and Independent Audit Report for the year 2014;
4. Presentation for discussion and approval of the Financial Statements of the Company for the year 2014;
5. Submission for the General Assembly's approval of the appointment of a new Independent Board Member to replace the one who resigned during the year, as per Turkish Commercial Code, Article 363;
6. Discussion and approval of the release of each Board Member from liability for the activities of 2014;
7. Approval of the appointment of the Independent Audit Firm as selected by the Board of Directors, in accordance with the provisions of the Turkish Commercial Code and Capital Markets Board regulations;
8. Discussion and approval of the Board of Directors resolution on the allocation, distribution method and distribution date of the operating profit for 2014;
9. Determination of the salaries, attendance fees, premiums and bonuses of Board Members;
10. Granting Board Members permission to carry out the transactions listed in Turkish Commercial Code, Articles 395 and 396;
11. Informing the General Assembly about the transaction undertaken in accordance with the Capital Markets Board Corporate Governance Principles Article 1.3.6. in 2014;
12. Presentation to the shareholders, of the donations made by the Company in 2014, and resolution of an upper limit for donations for the year 2015;
13. In accordance with Capital Markets Board legislation, presentation to the shareholders of the collaterals, pledges and mortgages granted in favor of third parties in the year 2014 and of any benefits or income thereof;
14. Opinions and closing.

## Statement of Independence

In accordance with the criteria specified in the Corporate Governance Principles announced by Capital Market Law, corporate charter and applicable legislation, I declare that I am a candidate to serve as “independent member” on the Board of Directors of Aksa Enerji Üretim A.Ş. In this context:

- a) I declare that there is no employment relation in a managerial position that will assume important duties and responsibilities in the last five years between myself, my spouse and second degree blood relatives and relatives by marriage and the company, the company’s management control or partnerships over which the company has significant influence and partners who hold the company’s management control or who have significant influence over the company and legal entities over which these partners have influence. I declare that together or on my own do not possess capital or voting rights or more than 5% of privileged shares or there is no commercial relation of importance exists.
- b) In the last five years, I declare that I did not work in a managerial position that will assume important duties and responsibilities, as partner (5% or more) or I am not a member of the board in the companies from which Aksa Enerji Üretim A.Ş. buys considerable amount of services or products or the companies to which Aksa Enerji Üretim A.Ş. sells products during the periods in which service or product is bought or sold, especially the company’s audit including tax audit, legal audit and internal audit, rating and consultancy.
- c) I declare that I have the required professional qualifications, knowledge and experience to execute the duties that I will undertake as an independent member of the board.
- ç) I declare that I do not work in public institutions and organizations full time.
- d) According to 31/12/1960 dated and numbered 193 Income Tax Law (ITL), I declare that I reside in Turkey.
- e) As it can be seen from my resume, I declare that I can positively contribute to the company’s operations, I can preserve my impartiality during conflicts of interest between the company and the shareholders, I have strong ethical standards to decide freely by taking into account the rights of stakeholders and I have professional reputation and experience.
- f) I declare that I will separate time to carry out fully the requirements of the duties that I undertake and to follow up the company’s operations functioning.
- g) I declare that I have not been a member of the company’s board more than six years in the last ten years.
- ğ) I declare that I do not assume duty as a member of the board more than three companies of which partners hold the management control who also hold the management control of the company or the company and in total more than five companies which are traded on the stock exchange.

Respectfully yours,



**Derya Uztürk**

## Statement of Independence

In accordance with the criteria specified in the Corporate Governance Principles announced by Capital Market Law, corporate charter and applicable legislation, I declare that I am a candidate to serve as "independent member" on the Board of Directors of Aksa Enerji Üretim A.Ş. In this context:

- a) I declare that there is no employment relation in a managerial position that will assume important duties and responsibilities in the last five years between myself, my spouse and second degree blood relatives and relatives by marriage and the company, the company's management control or partnerships over which the company has significant influence and partners who hold the company's management control or who have significant influence over the company and legal entities over which these partners have influence. I declare that together or on my own do not possess capital or voting rights or more than 5% of privileged shares or there is no commercial relation of importance exists.
- b) In the last five years, I declare that I did not work in a managerial position that will assume important duties and responsibilities, as partner (5% or more) or I am not a member of the board in the companies from which Aksa Enerji Üretim A.Ş. buys considerable amount of services or products or the companies to which Aksa Enerji Üretim A.Ş. sells products during the periods in which service or product is bought or sold, especially the company's audit including tax audit, legal audit and internal audit, rating and consultancy.
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- ğ) I declare that I do not assume duty as a member of the board more than three companies of which partners hold the management control who also hold the management control of the company or the company and in total more than five companies which are traded on the stock exchange.

Respectfully yours,



**T. Yavuz İşbakan**

## Statement of Independence

In accordance with the criteria specified in the Corporate Governance Principles announced by Capital Market Law, corporate charter and applicable legislation, I declare that I am a candidate to serve as “independent member” on the Board of Directors of Aksa Enerji Üretim A.Ş.

In this context:

- a) I declare that there is no employment relation in a managerial position that will assume important duties and responsibilities in the last five years between myself, my spouse and second degree blood relatives and relatives by marriage and the company, the company’s management control or partnerships over which the company has significant influence and partners who hold the company’s management control or who have significant influence over the company and legal entities over which these partners have influence. I declare that together or on my own do not possess capital or voting rights or more than 5% of privileged shares or there is no commercial relation of importance exists.
- b) In the last five years, I declare that I did not work in a managerial position that will assume important duties and responsibilities, as partner (5% and more) or I am not a member of the board in the companies from which Aksa Enerji Üretim A.Ş. buys considerable amount of services or products or the companies to which Aksa Enerji Üretim A.Ş. sells products during the periods in which service or product is bought or sold, especially the company’s audit including tax audit, legal audit and internal audit, rating and consultancy.
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- f) I declare that I will separate time to carry out fully the requirements of the duties that I undertake and to follow up the company’s operations functioning.
- g) I declare that I have not been a member of the company’s board more than six years in the last ten years.
- ğ) I declare that I do not assume duty as a member of the board more than three companies of which partners hold the management control who also hold the management control of the company or the company and in total more than five companies which are traded on the stock exchange.

Respectfully yours,



**Haldun Alperat**



## I. PURPOSE AND SCOPE

Aksa Enerji Üretim A.Ş. ("Aksa Energy" or the "Company")'s Public Disclosure Policy was formulated in accordance with the provisions of capital markets legislation and in consideration of the matters covered by the Exceptions Communiqué No. II-15.1. The Policy sets out guidelines for sharing necessary information and explanations about the Company - excluding trade secrets - with local and foreign shareholders, investors, capital market experts, financial intermediaries and all related parties and stakeholders in a simultaneous, fair, complete, clear, correct, understandable and easily accessible manner.

In matters of public disclosure, regulations of the Capital Market Law, Turkish Commercial Code, Borsa Istanbul as well as other applicable legislative/regulatory provisions are all taken into account and in effect, with active and transparent communication with the investor community targeted.

The Company's Public Disclosure Policy covers all kinds of information, documentation, electronic records and data related to business activities - provided they do not include insider information or trade secrets known to members of the Board of Directors, senior management and employees - and all other information the disclosure of which is not legally dubious.

## II. AUTHORITY AND RESPONSIBILITY

The Company's Public Disclosure Policy was formulated in keeping with the Capital Markets Board's Exceptions Communiqué No. II-15.1 and subsequently approved by the Board of Directors. The formulation, monitoring, review, update and improvement of the Public Disclosure Policy are under the responsibility of the Board of Directors. The Board of Directors works in collaboration with and seeks the opinion of the Corporate Governance Committee and Investor Relations Department regarding the Public Disclosure Policy. The Corporate Governance Committee provides information and suggestions to the Board of Directors regarding the Public Disclosure Policy and supports the Board of Directors with regard to the implementation of the Public Disclosure Policy. Amendments to be made to the

Public Disclosure Policy are published on the Company's website following approval of the Board of Directors and are presented to shareholders for their information at the first General Assembly Meeting to be held thereafter.

## III. PUBLIC DISCLOSURE MEANS AND METHODS

As prescribed by the Turkish Commercial Code, Capital Market Law and other applicable legal and regulatory provisions, the disclosure means and methods used by Aksa Energy include the following:

- Material event announcements through the Public Disclosure Platform (PDP), which was set up to inform the public;
- Financial table and footnotes, independent audit report, statements of responsibility and annual reports disclosed periodically through the PDP;
- Notices and announcements made through the Turkey Trade Registry Gazette;
- Press releases and press conferences made through print and visual media;
- Statements made to data distribution companies such as Reuters, Forex and the like;
- Informational interviews and meetings made through electronic communications means or face to face with capital market participations and prepared information and promotional presentations;
- Corporate website ([www.aksaenerji.com.tr/en](http://www.aksaenerji.com.tr/en));
- Aksa Energy investor relations website ([www.aksainvestorrelations.com](http://www.aksainvestorrelations.com)) and information society services website;
- Statements made through various communication means and methods, including telephone, electronic mail, fax, and the like;
- Other documents that are required to be announced pursuant to relevant legal and regulatory requirements other than those documents mentioned above.

## IV. PUBLIC DISCLOSURE OF FINANCIAL STATEMENTS

Aksa Energy's interim period and annual financial statements and related footnotes are prepared in accordance

with the Turkish Commercial Code, Capital Markets Board regulations and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The reports are audited in accordance with independent auditing standards issued by the Capital Markets Board, approved by the Board of Directors and disclosed to the public via the PDP within the respective time frame specified in capital markets legislation. Financial statements and related footnotes within the next business day after the latest statement made are published under a separate heading on Aksa Energy's Investor Relations website. The referenced financial statements and related footnotes are posted and remain on the Investor Relations website for five years.

Necessary information that may be required by the shareholders in relation to the financial statements and related footnotes are located on the Investor Relations website and are regularly updated. All the applications made and questions asked by the shareholders are responded to through telephone, email or face-to-face meetings without any discrimination.

## V. PUBLIC DISCLOSURE OF ANNUAL REPORTS

Aksa Energy's annual and interim period operational reports are prepared in accordance with the Turkish Commercial Code, Capital Market Law, the Capital Markets Board's Corporate Governance Principles and other applicable regulations and in keeping with the time periods and procedures specified in the relevant regulations. These reports are disclosed to the public via the PDP following the approval of the Board of Directors.

Publicly disclosed annual reports are published within the next business day after the latest statement made under a separate heading on Aksa Energy's Investor Relations website. The referenced annual reports are published and remain on the Investor Relations website for five years. The annual report can be in print form and/or printed in CD format in Turkish and/or English to be given to the concerned persons. The prepared copies can be obtained from the Investor Relations Department.

## **VI. PUBLIC DISCLOSURE OF MATERIAL EVENTS**

### **a. Procedure for the Disclosure of Material Events**

Statements that should be made in accordance with the relevant Communiqué and without being limited to these, all kinds of significant information that have not been publicly disclosed yet and that may affect stakeholders' decisions, the value of subsidiaries' stock (and other capital market instruments), investment decisions and assessments of investors and analysts regarding these instruments, are prepared in coordination with the Investor Relations Department's in-house relevant managers and members of the Board of Directors pursuant to the Capital Markets Board's relevant regulations and disclosed via the PDP. The statement is posted on the corporate website at latest within the next business day. Material event statements are published and remain on Aksa Energy Investor Relations website for five years.

### **b. Delay of Insider Information's Public Disclosure and Protection of Confidentiality**

Aksa Energy can delay the public disclosure of insider information so as not to mislead the public and provided that this information can be held as confidential to prevent damage to its legal rights and legitimate interests within the provisions of the applicable Communiqué. As soon as the reasons for the delay of public disclosure of insider information are removed, the referenced insider information is publicly disclosed as prescribed by the Communiqué.

Other parties who communicate with the Company's employees who possess insider information will be informed that they are liable to protect the confidentiality of this information during the process of formation of the material event and during the process starting from the formation of the material event until its disclosure to Borsa Istanbul. Those who work for and on behalf of the Company shall not in any circumstances share any kinds of information that can be deemed to be a material event with third parties. In case it is revealed that insider information

was disclosed to the third parties by those persons inadvertently and it is understood that it is not possible to keep the confidentiality of the information, a material event statement shall be made immediately by the Company in accordance with capital markets regulations.

The Company has prepared a list of persons who have access to insider information pursuant to the relevant Communiqué's provisions. The list of persons who have access to insider information will be kept continually updated in accordance with the scope of changing projects and subjects. The referenced list shall be submitted to the relevant official institutions and organizations for information on demand.

Those persons who have access to insider information cannot use the information that is secret and/or is of a trade secret nature about the Company and the information that is not open to the public in a manner that will benefit themselves or others. They cannot disclose incorrect and misleading information about the Company and cannot spread rumors. The Company shall take and implement necessary precautionary measures to prevent sharing this information outside the Company.

### **c. Informing Investors and Analysts, Written-Verbal Statements, Press Releases, Conferences and Statements Made to News Agencies**

The Investor Relations Department has the duty and responsibility to inform investors and analysts, and ensure two way information flow between the concerned parties and the Company. The written or verbal information demands made by investors and analysts are responded to as publicly disclosed information by the Investor Relations Department in coordination with the relevant unit's managers and after the approval of relevant senior managers, written and/or verbally. If other units at the Company receive questions and information demands pertaining to the Company's operations and financial matters from analysts and/or investors, they direct these to the Investor Relations Department.

The Investor Relations Department promotes Aksa Energy to existing

and potential investors and financial organizations domestic and abroad; meets the information requests of analysts and research specialists who work in these institutions; communicates on behalf of Aksa Energy by coordinating according to the demand's content when necessary with the relevant units regarding answering the questions directed to themselves as part of the investor relations function. Company authorities can participate in investor conferences or meetings organized domestically and abroad from time to time in order to share information with investors and analysts and to communicate information related to the Company and energy market. In addition, the Investor Relations Department evaluates the meeting demands from analysts and investors and coordinates these requests. The Company presentations prepared with current data that are used in investor and analyst meetings can be emailed to investors and analysts and published on the corporate website. Meetings can be organized and press releases can be prepared by the Company to inform about the matters that directly concern the Company's operations, such as ongoing projects, mid- and long-term strategies, by adhering to the content of material event statements. The equality principle is adhered to when inviting members of the media to the meetings. Only the Chairman of the Board of Directors, Board members, CEO and other persons assigned by the referenced senior managers are authorized to make written and verbal statements to the print and visual media, news agencies and data distribution channels such as Reuters, Bloomberg, Foreks, and the like.

### **d. Website ([www.aksaenerji.com.tr/en](http://www.aksaenerji.com.tr/en))**

Aksa Energy's website - accessible at [www.aksaenerji.com.tr/en](http://www.aksaenerji.com.tr/en) - is used effectively by the Company to keep the public informed and to ensure easy access to announced current and historic information about the Company. The website was prepared in Turkish and English in a manner and including content required by capital markets legislation. The latest version of the Company's main charter, periodic financial statements and reports, offering circular, public offering circular and agendas of General Assembly Meetings are posted on the website.

## Public Disclosure Policy

The website will be continually updated to reflect the latest status of the Company and management structure. The Company will respond immediately to all kinds of information requests received via the website. In addition, all the statements made to the public by the Company can be accessed via the Company's website.

### e. Analyst Reports

Analyst reports prepared about Aksa Energy by various intermediary company analysts are accepted as the responsibility of the preparing company. These reports or revenue models are not verified, approved, taken responsibility of published on the Company website.

In certain limited circumstances and upon request, analyst reports can be reviewed provided that only publicly known and retrospective information is used and is limited to a specific subject to prevent misinforming the public. The Company can disclose the analysts who prepare a report about it and their contact details on the corporate website. Even though it can influence the capital market instrument's price or the investors' investment decisions, analysis and evaluations made on publicly disclosed information are not deemed to be insider information.

### f. Follow-up of the News and Rumors in the Media and Communication Channels

Aksa Energy monitors news reports about the Company and the Group of companies made in major national broadcasting media organizations through a contracted media monitoring agency. Every morning, broadcasted news about the Company is sent to senior managers and the Investor Relations Department.

As a rule, Aksa Energy does not give opinion about news, rumors and/or speculations that are in print and verbal media and/or on the internet which do not originate from Aksa Energy. However, in the event that news and rumors about Aksa Energy exist, which are different from the information publicly disclosed through documents such as an offering circular, circular, financial reports and the like

and material event statements made previously and do not directly originate from Company authorities and are published in the media or appear in the public realm and can influence the price of capital market instruments or the investment decisions of investors, a statement is made by the Company in keeping with capital markets legislation.

### g. Forward Looking Statements

Aksa Energy can publicly disclose the evaluations pertaining to the Company's forward looking targets and expectations that are of a nature of insider information in cases that the Company deems necessary in accordance with capital markets legislation.

Forward looking statements are based on reasonable assumptions and estimations. It is clearly stated that in the statement that the results to be realized may significantly deviate from expectations due to potential risks, uncertainties and other factors. In case of a deviation due to unforeseen developments, forecasts can be revised and this situation is immediately disclosed to the public as prescribed by the procedures spelled out in the Public Disclosure Policy.

### h. Quiet Period and Blackout Period

Aksa Energy avoids sharing the Company's financial results and other related matters with capital market participants in certain periods of the calendar year in order to prevent statements that are contrary to the procedures specified in the Public Disclosure Policy regarding the operational results and to prevent unequal information distribution. This period is called the "quiet period." Aksa Energy will conduct quiet period practices until the working day following the disclosure - two weeks before the Company publicly discloses the quarterly interim period results and three weeks before it discloses annual financial results.

The Company can conduct informational meetings with the participation of those persons who are authorized to make public disclosures during the quiet period; these persons can participate in conferences, panels

and similar activities and can make written and verbal disclosures. However, information to be disclosed within this framework is limited to pre-interim period results and information previously publicly disclosed by Aksa Energy.

"Blackout period" practices are put into effect by Aksa Energy separately from the quiet period during certain periods of the calendar year; during the blackout period, Aksa Energy's shares cannot be bought or sold by persons who have access to insider information. The blackout period begins one month before the date on which relevant interim financial report is publicly disclosed via the PDP and ends when the results are publicly disclosed on the PDP.

### i. Persons with Administrative Responsibility and Determination of Persons who are Closely Associated with Them

For all the transactions conducted by persons with administrative responsibility regarding the shares representing the Company's capital and other capital market instruments that are based on these shares and other persons who are closely related with them, in accordance with the provisions of the relevant Communiqué, Aksa Energy notifies persons with administrative responsibility in writing for the transactions carried out to be notified to the relevant stock exchange by whomever carried out the transactions. Definitions set forth in the Communiqué are taken into account when determining the persons with administrative responsibility and persons closely associated with them.

## Donation and Charity Policy

Aksa Energy is allowed to provide donations and charities to individuals, NGOs, associations, foundations, public agencies and institutions active in the areas of education, arts and culture, the environment, sports, among others, in line with Capital Markets Board regulations and the Company's Code of Ethics.

At the annual General Assembly, under a special agenda item, Aksa Energy informs shareholders about the donations and charities provided in the relevant accounting period and discloses this information to the general public in the annual report. In the accounting period 01.01.2015 - 31.12.2015, the Company's donations totaled TL 1,053,746.

## Remuneration Policy for the Board of Directors and Senior Management

### 1. PURPOSE

Formulated in accordance with applicable regulations, obligations and principles laid out in the Capital Market Law and the Capital Markets Board's Corporate Governance Principles, the Remuneration Policy was developed to put into writing, implement and facilitate the audit of the remunerations principles and guidelines that will be determined for the members of the Board of Directors and senior managers. This will help ensure that the Company complies with CMB's Corporate Governance Principles and that the Board of Directors continues its activities in an environment of trust and transparency.

### 2. RESPONSIBILITY

Aksa Enerji Üretim A.Ş.'s Corporate Governance Committee is responsible for the Remuneration Policy and its implementation on behalf of the Board of Directors.

Kazancı Holding's Human Resources Department is responsible for carrying out day-to-day practices under the Company's remuneration policies.

### 3. BASIC PRINCIPLES

**3.1.** The remuneration principles for the members of Board of Directors and senior management should be put down in writing. The Company's shareholders are allowed the opportunity to express their opinions by presenting the principles to the shareholders for their information as a separate item at the General Assembly Meeting.

**3.2.** The prepared Remuneration Policy is published on the Company's website.

**3.3.** When remunerating the independent members of the Board, stock options or payment plans based on the Company's performance are not used. Care is taken to ensure that the fees paid to the independent members of the Board are at a level that will protect their independence.

**3.4.** The Company cannot lend money or allow using credit, extend the duration of previously extended loans or credits, improve the conditions, allow using credit under a personal loan through a third party or cannot guarantee favorable bailment for any members of the Board or senior management in its Remuneration Policy content.

### 4. REMUNERATION POLICIES

**4.1.** The Company's remuneration policies encompass all policies related to the remuneration of senior managers and employees. These policies are designed in a manner that it will prevent the Company from taking excessive risk and have a healthy financial structure in line with the Company's long term goals and risk management.

**4.2.** The fundamental purpose of the Company's remuneration policies is that they will not include incentive systems that can harm the Company and employees' interests; the remunerations will not total a proportion that may pose a risk in the equity and annual financial statement; and the remunerations should be made in accordance with fair, moderate and comparable criteria.

**4.3.** When making proposals regarding the remuneration principles for the members of the Board and senior managers, in addition to adhering to legal and regulatory requirements, the Company's current financial status, goals and revenues planned to be obtained in the future are taken into account.

# Remuneration Policy for the Board of Directors and Senior Management

**4.4.** Traditionally, equal remuneration for the equal performance principle is adopted at the Company. The aim is to reach a balance among the paid remuneration by taking into account the importance, difficulty and responsibility and risk of the job position.

**4.5.** It is aimed to give remuneration objectively to everyone to the extent that they deserve, without giving favor and causing unrest.

**4.6.** When making proposals regarding the remuneration principles for the members of the Board and senior managers, the Company's long term goals are taken into account.

**4.7.** The criteria that will be used for remuneration are determined in a way that connects the Company's performance and the individual's performance.

**4.8.** Proposals regarding the remuneration principles for members of the Board and senior managers are submitted to the Board of Directors by taking into account the degree of attainment of the criteria.

**4.9.** The Corporate Governance Committee is obliged to take into account the Company's current financial status, goals and revenues planned to be obtained in the future as well as applicable legal and regulatory requirements.

## 5. REMUNERATIONS

Remuneration at the Company consists of two kinds: fixed and variable.

**5.1.** Fixed Remunerations: It should be ensured for the remunerations that will be given to the members of the Board and senior managers to be in compliance with the Company's internal balances, strategic targets and ethical values. Fixed remuneration is determined in accordance with the scope of duty and responsibilities. This remuneration is calculated by taking into account the required conditions and experience for each position. These are cash payments made in fixed amounts in certain periods of the year regularly and continually regardless of Company's performance, such as profit or revenue. These remunerations are defined at the appropriate level in accordance with the principle of complying with their counterparts or market conventions. However, when determining remunerations, the Company's current financial status is taken into account.

**5.2.** Variable Remunerations: These are performance-based premiums, bonuses, all kinds of cash such as commission and non-cash payments that are outside the scope of fixed remunerations. Variable remunerations are determined in a way that they will not weaken the Company's equity and by taking into account current potential risks, capital and liquidity status and the possibility of realization of revenues planned to be obtained in the future and their timing.

The remuneration that will be given to the members of the Board and senior managers are not associated only with the Company's short term performance such as profit or revenue. The members of the committees that are composed of Board members can be remunerated by taking into account the responsibilities that they undertake. Care is taken for such remunerations to be in compliance with the Company's ethical values, internal balances and strategic targets.

It is possible to remunerate members of the Board and senior management who have executive duty, according to the Company's performance; however, care is taken that these incentive payments are structured in a way that they will affect positively the Company's corporate values.

It is not possible to guarantee the variable remuneration made by the Company's management.

## 6. POLICY CHANGE

The Remuneration Policy is updated at least once in a year after being reviewed by the Corporate Governance Committee in order to increase motivation and loyalty if deemed necessary in accordance with the changes in the Company's business processes and the increased risks within the sector in a manner that supports the Company's target and strategies. The policy is submitted to the shareholders for their information during the General Assembly. Also, it is published on the Company's website.

## 1. PURPOSE

Aksa Enerji A.Ş. defines "Ethics Principles" as those principles, guidelines and rules that should be complied with by all managers and employees, which were identified as adding financial value to shareholders and increasing corporate value. The Company's Ethics Principles aim to ensure that Aksa Energy managers and employees demonstrate behavior and conduct at high standards; to raise awareness among the staff that their behaviors and attitudes have a corporate impact; to make sure that employees and shareholders use the most appropriate methods and demonstrate the highest quality attitude and conduct. All of the members of the Board, managers and employees are expected to comply with Aksa Energy Ethics Principles as detailed below.

## 2. SCOPE

Ethics Principles are for all employees working at Aksa Energy and its companies. It is important and obligatory that every Aksa Energy employee complies with these principles. The implementation of these principles is guarantee of perfection that Aksa Energy strives to achieve. The principles have broad, general content and ensure the minimum standard sought by the Company.

## 3. RESPONSIBILITY

The Company's managers are responsible for creating a suitable environment for ethical principles in the Company. Therefore, members of the Board and management staff above all accept the importance of ethical principles and compliance with them. They set an example with their behavior, conduct and attitude toward other employees; they also implement and keep alive these principles firstly in the departments that are under their responsibility. They work for the placement of the Company's culture and for the employees to adopt the norms, values and principles that they are obliged to comply with. They provide an environment in which personnel can communicate openly regarding both the operation of the Company and ethical problems. They always display an honest and consistent manner in their behavior and decisions including existing or potential conflicts of interest between their personal relations or financial and commercial interests and their responsibilities to the Company. They notify the Ethics Committee without delay in case that

there is a known or suspected violation of the Company's Ethics Principles.

All Aksa Energy employees are responsible for the implementation of these principles that are within the scope of this document. Managers at all levels are responsible for accompanying the implementation, identifying any non-conformities and taking corrective actions.

In addition, Aksa Energy members of the Board, Group Head and human resources managers/employees are charged with supporting the implementation of the Ethics Principles. These positions have the authority and competency to provide support in individual cases.

In case of doubt about how to apply the principles in a particular case, the problem will be forwarded to a relevant senior manager.

Regarding the principles, Aksa Energy employees who have questions or comments that may be valid for today or other cases in the future and not limited to a certain case are obliged to communicate internally across Aksa Energy.

## 4. ETHICS PRINCIPLES

Ethical principles are an important factor in terms of the Company's success as well as the individual success of staff members.

Ethics principles that the Company's employees are obliged to comply with are classified under four main categories and presented in following items below.

- General Rules
- Use of Company Resources
- Relationships
- Liabilities against the Company

### 4.1. GENERAL RULES

#### 4.1.1. Honesty

Integrity and honesty are our core values in our all business processes and relations. We act with integrity and honesty in our dealings with employees and all stakeholders.

#### 4.1.2. Respect for the Law

In our operations, we act in accordance with all rules of law. Employees are not allowed to conduct activities that breach the law by thinking that they are serving the Company's or their own personal interests.

Accuracy and compliance with the law in the financial and business records are essential.

If there was a doubt regarding the job done in terms of legality, the matter is consulted with the Ethics Committee, the Company's Group Head and Legal Affairs Director.

### 4.1.3. Confidentiality

Confidential information can be defined as information that belongs to the Company and unknown by third parties; if known, this information may cause harm to the Company and/or its shareholders or may benefit others. Confidential information is related to financial, strategic, technical, commercial, employee personal rights, subjects that are in the scope of a confidentiality agreement made with third parties and similar information.

Employees are expected to protect the referenced confidential information and to use it only for the Company's operations.

The Company's employees care about protecting the information that belongs to Aksa Energy and all its stakeholders. Our employees share this information only with the relevant persons within specified authorities. The employees cannot use confidential information in a way to provide them any commercial interests, including buying and selling shares on the stock exchange by means of sharing confidential information from inside the Company.

Employees cannot share confidential information with third parties when leaving the Company.

The employees are obliged to deliver back all kinds of confidential documents or electronic copy documents that they received during their tenure at the Company.

All official statements are announced to investors, shareholders and the public in a complete, simultaneous and understandable manner in line with the quality principle through the departments specified by Aksa Energy.

### 4.1.4. Personal Securities Investments

Our employees cannot make personal investments with Aksa Energy companies' shares or other investment instruments which may cause conflict of interest with their duties and responsibilities in the Company, when managing their personal investments.

It is forbidden for those who are in a job position to be able to know information that is not publicly disclosed to carry out insider trading to provide interest for themselves and/or third parties by using this kind of information.

The persons who have access to insider information are the chairman of the board and members of the board of a publicly traded company, managers such as the general manager and those who are in more senior positions, auditors, other than these those persons who can gain this information during carrying out their professions and duties, those persons who can gain this information directly or indirectly by means of being in touch with referenced persons.

These persons can buy and sell shares that belong to Aksa Energy companies only by using publicly disclosed information and for the purpose of investment. (Holding the shares more than three months is considered as investment purpose.)

Aksa Energy employees other than these referenced persons can freely buy and sell shares that belong to Aksa Energy companies only by using publicly disclosed information without time restrictions.

The practices mentioned above are valid for employees, spouses and children; transactions made by the spouse and children are considered to be done by the employee.

## 4.2. USE OF COMPANY RESOURCES

Utmost care is taken in the use of the Company's monetary and non-monetary resources. These resources cannot be used for things like personal use, spending, making gifts, donations and political aid.

### 4.2.1. Office Equipment and Stationery

Stationery, printed material and all kinds of company equipment, used only for company business, cannot be taken out of the Company. Care is taken to abide by economy principles for items used within the Company.

Employees leaving the job are required to transfer any securities, documents and equipment assigned to them in the line of duty with a report.

### 4.2.2. Communication Tools

Email is used only as a communication tool in business; care is taken not to use email for non-business reasons.

Email is used rather than the telephone whenever possible.

Fax, copier, Internet, and similar tools are not to be used for private matters.

### 4.2.3. Company Vehicles

Employees who are allocated motor vehicles by the Company are to show the necessary attention and care in the use of these vehicles.

Any traffic fines must be paid from the employee's own budget; the Company cannot be asked to pay for damages caused due to the employee's personal faults.

### 4.2.4. Working Spaces

In the Company's buildings, goods and services other than the area of activity cannot be bought and sold. Outside of working hours, any documents, paperwork, and the like that may be of a private nature cannot be left on desks, tables or in the open.

The following rules shall be followed regarding the use of our Company's office premises.

- Posters, hand-written notes may not be posted.
- Political and social campaigns are not conducted; funds cannot be collected for these campaigns.
- Publications contrary to law and Company policy are not distributed.
- Harmful substances such as alcohol, drugs, and weapons cannot be kept.
- All kinds of documents containing confidential and critical information is the responsibility of our employees; these items are not to be left on the desk, cabinet or table during or outside working hours.
- Office premises will not be scattered.
- Games of chance, cannot be played, distributed, nor sold.

### 4.2.5. Representation Expenses

Representation costs are used for clients and business meetings.

Representation expenditures are only used in relevant areas; the areas of expenditure cannot be switched.

### 4.2.6. Gift-giving on Behalf of the Company, Making a Donation

Gifts that are in line with the principles set forth by the Company's management, compatible with corporate business objectives, appropriate under current law and that will not leave Aksa Energy in a difficult situation in case of it becoming public knowledge, can be given on behalf of the Company.

The content of the gift and promotional materials to be given to third persons in business dealings are approved by senior management; there is no need for additional permission for their distribution.

### 4.2.7. Time Management

Time is one of the important resources of the Company. Our Company employees make good use of time and do not take time for personal business during business hours. Managers will not appoint employees to conduct their personal business. Ensuring the effectiveness of time spent on meetings is the responsibility of the organizer; it is essential that all participants come prepared to the meeting. All participants of the meeting comply with the time allotted for the start and end time.

## 4.3. RELATIONSHIPS

### 4.3.1. Commercial Relations with Persons, Institutions and Organizations

All of our employees are careful to be appropriate, consistent, trustworthy, helpful and punctual in their relationships with our customers and those in commercial business relationships with our Company.

Product/service agreements with parties in a business relationship with the Company are carried out in accordance with relevant laws, rules and regulations in addition to Company policies and procedures. When executing these contracts, the following points are taken into consideration:

Those who are in a business relationship with the Company are bound by the regulations of the Company; business operations and processes are carried out in accordance with ethical business principles.

The opinion of the Legal Department and other relevant departments are taken for the contracts, agreements and protocols to be made between the Company and those in a business relationship with the Company. The selection of the firm is based on objective criteria such as cost/benefit, without undue influence of anyone.

#### 4.3.2. Media Relations

To give an interview to any media organization, to conduct interviews, to participate as a speaker at seminars, conferences, and the like, all must receive prior approval from the Company's senior management. Personal gain cannot be obtained from these activities.

#### 4.3.3. Relations with Public Authorities

Relations with public authorities are carried out in keeping with applicable law and Company policies and procedures. Information requested by authorities from the Company must be provided accurately and on time.

#### 4.3.4. Stakeholders

At Aksa Energy, our main goal is to create sustainable economic value for all our stakeholders. To this end, our objective is to consider the interests of all our stakeholders.

Partnerships and business relationships are configured for long-term and are based on the principle of trust.

The Company safeguards stakeholders' rights and benefits equally and justly while organizing the business activities of the Company.

The aim is to create value for all stakeholders.

The Company operates within a framework of financial discipline and accountability in all its activities.

Statements made to stakeholders and the public about financial tables, the Company's strategy and investments are accurate, timely, complete and clear in informational content.

### 4.4. LIABILITIES AGAINST THE COMPANY

#### 4.4.1. Gifts, Invitation, Aid and Donations

**Acceptance of Gift:** Customers, subcontractors and suppliers cannot be asked for gifts; absolutely no mention or hint can be made about it. Any gift, money, checks, properties, free holidays, special discounts, and the like that put the Company and the person who accepts a gift under obligation is unacceptable. Gifts that are valued over TL 50 and that are predicted to not affect the decisions to be made may be accepted upon prior notification made to a senior manager. In this manner, the total value of gifts that can be accepted may not exceed the amount of TL 500.

**Acceptance of Invitation:** Participation in business meetings that does not affect the decisions of the employees participating in the invitation and that does not contradict Company policies and interests may be carried out with the written or verbal approval of a senior manager.

**Aid and Donations:** Any aid and donations from any individuals and organizations who have business relationships with the Company cannot be accepted.

Information of offered donations and aid is shared with the senior management in any and all situations.

#### 4.4.2. Not to Engage in Activities That Create a Conflict of Interest

Conflict of interest is an inverse relationship between Company interests and personal interests and the interests of customers or suppliers. It is essential for Aksa Energy's employees to avoid activities that may create a conflict of interest. The name and power of the Company's resources cannot be used for personal benefit. To actively avoid situations that could negatively affect the reputation and image of the organization is the most important responsibility of all employees.

Our employees, managers and Board members shall refrain from any interference that may be construed as providing for themselves personally or their relatives. A position within the Company, the Company's goods and services and Company information cannot be used for personal interests and gain.

Special interests from customers/suppliers cannot be provided; transfer of benefits cannot be performed through establishing the relationship between the customers/suppliers.

Customers/suppliers are treated equally and fairly when it comes to a conflict of interest between all parties. Our employees perform their duties impartially, and make every effort to do so.

To avoid conflicts of interest, our employees comply with the following rules:

- Not to enter into a debtor-creditor relationship with customers/suppliers, and not to agree to vouch for them or for their bail.
- Not to engage in domestic or non-domestic travel, go on vacation or accept invitations with customers/suppliers of which the costs are fully or partially covered by the Company, without the knowledge and permission of a senior manager.
- Not to accept a gift from customers/suppliers that might have the content and value of a liability for themselves and not to provide benefits from the customer's/supplier's business area in excess of the normal practice (e.g. make special discounted purchases) by using the authority.
- Not to enter into a business relationship with spouses, relatives and friends. (If an interest in favor of the Company is involved a working relationship can be established, prior approval of a senior manager is required.)
- Not to be influential in the promotion or reward decisions of the employee's spouse or close relatives within the Company or its affiliates.

#### 4.4.3. Doing Business Outside the Company

Employees cannot accept permanent or temporary, paid or unpaid, official or private duties without permission by the Company, and cannot engage in trade.

#### 4.4.4. Health, Safety and Environmental Protection

Managers and employees show the necessary attention and care for the continuation of the Company's activities and the healthiest, most reliable and minimal impacts to the environment for employees.



#### 4.4.5. Discrimination

Managers and employees treat everyone unbiased, fairly and equally; they do not in any way allow abuse to occur. No one shall be subjected to discriminatory treatment for reasons such as age, language, race, nationality, health status, gender, marital status, religion, political opinion, or philosophical belief. For those who fail to comply with these rules, the Company may impose sanctions or exercise the rights of termination of the employment contract. Any complaint in this regard will not be hampered. Employees may report their complaints as any complaint in this regard to the Human Resources Department, bypassing 1<sup>st</sup> and 2<sup>nd</sup> senior managers.

#### 4.4.6. Personal Assistance and Donations

Employees of the Company can help third parties outside the Company personally, materially and morally; can make donations; and can take part in charities.

### 5. RESOLVING INCOMPATIBILITIES OF ETHICAL PRINCIPLES

Violators of the Ethics Principles or the Company's policies and procedures, shall be subject to disciplinary sanctions that might lead to separation from work if necessary. Disciplinary sanctions also apply to persons who approve and direct the acts of misconduct and violates the rules, or knows these issues but does not make the necessary notification as appropriate.

#### 5.1. ETHICS COMMITTEES

##### 5.1.1. Aksa Energy Ethics Committee

The Ethics Committee consists of an Aksa Energy Board Member, Group President/Group Vice President, Human Resources Director, Legal Affairs Director and Audit Director. The Human Resources Department serves as the rapporteur of the Committee. Members can be added to or released from the Committee upon the approval of the Chair, who presides over the Committee, or of the Vice Chair. Decisions reached are put into practice upon the approval of the Chair or Vice Chair.

When Aksa Energy Ethics Committee is to convene to discuss issues regarding employees under the level of Manager, the Committee must comprise the

Department Manager of the employee in question, as well as the Human Resources Director, Legal Affairs Director and the Audit Director. Other members could be added upon the approval of the Chair of the Committee.

##### 5.1.2. Company Ethics Committee

The Company Ethics Committee must be chaired by the relevant Group President or the Power Plant Manager appointed by the Group President, and comprise Human Resources Manager, an Auditor appointed by the Audit Director, and a Lawyer (a staff lawyer where available, otherwise a contracted lawyer). Upon the approval of the Company Senior Manager, new members could be added to the Committee. These new members are preferably chosen according to the issue at hand, or the department in question.

The Company Ethics Committee convenes to discuss issues concerning employees below Manager level.

The rapporteur of the Committee is appointed by the Company Senior Manager.

#### 5.2. FUNCTIONS OF THE ETHICS COMMITTEE

The Ethics Committee is responsible for investigating and resolving complaints and notifications concerning violations of the Aksa Energy Code of Ethics.

#### 5.3. PRINCIPLES GOVERNING ETHICS COMMITTEE MEETINGS AND DECISIONS

When a violation of Code of Ethics takes place or is heard of in any department of the Group/ Company, this must be reported to the Human Resources Department with the intermediation of the next level manager, in writing or via email. These reports must be addressed to the email address at [etik@aksa.com.tr](mailto:etik@aksa.com.tr).

Reports of violations from outside the Company should also be addressed to the address [etik@aksa.com.tr](mailto:etik@aksa.com.tr).

Within six business days following the report of the incident, the Human Resources Department must send a written letter inviting the Ethics Committee to convene.

The Committee convenes within six business days to discuss an incident that constitutes a disciplinary transgression and initiates an investigation if necessary. Upon completion of the investigation, the Ethics Committee is once again invited to convene to reach a resolution. The Committee reaches a resolution, puts it into practice and registers it in the resolutions ledger. The Committee can reach a resolution with a majority of votes. In case of a tie, the Committee Chair's vote will count as two votes.

After the resolution is reached, within six business days, it is communicated to the employee and any necessary action is taken. Until the Ethics Committee clarifies the issue, it is assumed that the issue is unbeknownst to the employer and that the employee is innocent of the matter at hand.

#### 5.4. ETHICS COMMITTEE'S AUTHORITIES

The Ethics Committee is authorized to take the following actions in order to make a full assessment of the files and documents concerning the investigation, and reach a resolution:

- To analyze the record files of individuals concerned;
- To demand and receive information from the authorities in question;
- To meet with witnesses and experts;
- To take the testimony of the employee under investigation;
- To carry out other kinds of research and investigation as needed.

The Board, if necessary, may seek expert opinion and can benefit from experts taking measures to avoid breaching the principles of confidentiality during the investigation.

#### 6. EFFECTIVE DATE

These revised Ethics Principles shall become effective as of January 7, 2016. In all matters not mentioned here, one is to act in accordance with the opinion of the senior management of the Company.

#### 7. PUBLIC DISCLOSURE

Aksa Energy Code of Ethics must be explained to the public and to all employees. In case of any change in the Ethics Principles, the same obligations apply.

# Combating Bribery and Corruption

Aksa Energy Ethics Committee is responsible for investigating and resolving any complaint or report as to the violation of the Ethics Principles. In 2015, the managers of all business departments in the Company monitored compliance with the Anti-Bribery and Anti-Corruption Policy and Program; no instance of non-compliance was reported to the Ethics Committee nor to the senior management. Neither did employees nor individuals acting on behalf of the Company file any complaints of bribery or corruption. To receive any allegations of violations of the Policy and Program, a system which protects the anonymity of the alleged has been set up; the email account [etik@aksa.com.tr](mailto:etik@aksa.com.tr) has been created to receive such allegations and has been shared with all employees. The mail address has also been included in the Code of Ethics accessible on the website and thus is disclosed to the general public. As part of internal audit efforts, one audit was performed in 2015 to check for compliance with the Policy and Program; during the referenced audit, the effectiveness of the Policy and Program was also reviewed. Independently of the Internal Audit Department, the Corporate Governance Committee also presented its report on compliance with the Policy and Program to the Board of Directors. In line with the Human Resources Policy, employees are planned to be offered a training seminar on the Anti-Bribery and Anti-Corruption Policy in 2016 so as to draw further attention to this issue.

## ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

### 1. PURPOSE AND SCOPE

**1.1.** The Anti-Bribery and Anti-Corruption Policy and its annexes (hereinafter: the "Policy") are created as an annex to the Code of Ethics in order to promote and increase the Company's corporate value and reputation and to protect Aksa Energy (hereinafter: the "Company") and its stakeholders against all risk; these contain the basic norms about principles, practices, audit and reporting standards with regard to bribery, corruption, job facilitating payments, compliance with applicable laws and regulations, political donations, travel and accommodation expenses, and gifts.

**1.2.** The Policy has been approved by the Board of Directors, which is also charged with implementing the Policy.

**1.3.** The Company's Board Members, executives, employees and other individuals working on behalf of the Company (including intermediaries, consultants and representatives) fall under the scope of the Policy, and are obliged to act according to the Policy and other applicable laws or regulations.

### 2. PRINCIPLES, COMMITMENTS AND OTHER RELEVANT PRACTICES

**2.1.** It is forbidden for executives, employees and other individuals or agencies under the scope of the Policy:

- to extend bribes;
- to resort to any kind of job facilitating payment in order to facilitate and speed up the Company's businesses;
- to make political donations under any condition or in any form;
- to make any travel and accommodation expenses, except in cases specified by the Board of Directors;
- to give or accept gifts.

The actions listed in this Article and other similar actions are considered as corruption by the Policy.

**2.2.** The executives, employees and other individuals acting on behalf or account of the Company shall show zero tolerance to corruption in any transaction or business carried out with or on behalf of the Company.

**2.3.** The Company is committed to not imposing any sanctions on its employees for not offering bribes.

**2.4.** The Company is committed to not retaliating against employees who report a case of corruption.

**2.5.** Breach of the anti-bribery principle could result in termination of the employment contract.

**2.6.** Donations or sponsorships provided to any organization will be decided upon by the Board of Directors, and disclosed on the corporate website.

### 3. COMMUNICATION OF THE POLICY AND THE ANTI-CORRUPTION PROGRAM

**3.1.** A copy of the Policy is provided to each employee or other individuals acting on behalf of the Company at the time of recruitment or at the beginning of the business affair; employee receipts attesting to their having read the Policy are collected.

**3.2.** The Policy is communicated to real persons and legal entities (e.g. contractors, sub-contractors and suppliers) who supply goods and services to the Company according to a contract, and over whom the Company does not have control.

**3.3.** The training program for employees and individuals acting on behalf of the Company and the staff is designed to cover the fight against bribery and corruption.

**3.4.** The Company has established an Anti-Corruption Program (hereinafter: the "Program") to identify the areas of risk and the weights of these risks in the Company's businesses and processes, and the methods and instruments to fight against corruption effectively. The Program comes into effect upon the approval of the Executive Board.

**3.5.** The Board of Directors appoints a Chair and an Anti-Corruption Program Officer to create the Program, and to monitor the implementation of the Policy and Program.

### 4. POLICY AND PROGRAM COMPLIANCE, MONITORING, AUDIT AND REPORTING

**4.1.** All department managers are under the obligation of continuously monitoring compliance with the Policy and Program and reporting any possible non-compliance to the senior management.

**4.2.** A system which does not disclose the alleged's identity is created in order to report any allegations of non-compliance with the Policy and Program.

**4.3.** Necessary actions are taken to identify bribers and to create a black list of bribers.

**4.4.** Compliance with the Policy and Program is audited whenever necessary, and not less than once a year, by taking into account the areas of risk and weights of risks identified by internal audit efforts; during this audit, the efficiency of the Policy and Program are also reviewed.

**4.5.** The Corporate Governance Committee is in charge of reporting on compliance with the Policy and Program. This reporting must cover a review of the Policy and Program as well.

### 5. ACTIONS AGAINST NON-COMPLIANCE WITH THE POLICY

**5.1.** Individuals who breach the Policy or violate the Program shall be subject to various disciplinary sanctions including termination of the employment contract if deemed necessary. Disciplinary sanctions will also be applied to individuals who endorse or guide inappropriate behavior or transgressive actions, and to individuals who refrain from properly reporting such behavior despite having prior knowledge thereof.

**5.2.** The Ethics Committee is responsible for investigating and resolving any complaints and reports concerning breach of the Policy or violation of the Program.

**5.3.** The Ethics Committee may seek expert opinion when necessary and may ask for help from experts during the investigation after taking the necessary action so as not to violate the principles of confidentiality. During the investigation, the Ethics Committee is provided with all the documents and information that it demands. All employees are obliged to assist the Ethics Committee in this regard.

### 6. DATE OF EFFECT

The Policy has come into effect as of May 29, 2015. On any issue not addressed hereby, action is taken according to the opinions to be presented by the senior management of the Company.

### 7. PUBLIC DISCLOSURE

The Policy must be disclosed to the public and Company staff. Similarly, any amendments to the Policy must be disclosed to the public and Company staff.



## Dividend Distribution Policy

The basis of the Company's profit distribution appears in detail in Article 17 of the Articles of Association of the Company.

Accordingly, 50% of the distributable net profit for the relevant period – which is calculated after deducting losses of previous years from the Company's net profit for the period, which was determined according to the provisions set forth in the Turkish Commercial Code and the Capital Market Law, and in conformity with generally accepted accounting principles – shall be distributed in cash or as gratis shares which shall be issued by means of adding such an amount to the share capital subject to the resolution to be rendered by the General Assembly or through the use of both methods at specified rates. The General Assembly is authorized to decide on the completion of the distribution processes within legally defined periods of time.

The resolution on dividend distribution shall be evaluated and prepared by the Board of Directors based on the Company's long-term strategies, financing needs, short-term financial liabilities, conditions set forth in contracts made with creditors and the Company's profitability; and it shall be presented for the approval of the General Assembly. The procedures and principles set forth in the Company's Articles of Association shall be applied during dividend distribution.

As of the accounting period of the dividend, irrespective of its issuing and acquiring dates, the annual profit shall be distributed equally to all existing shares. There is no privilege in the Company's Articles of Association with respect to dividend rights.

Dividend distribution can be carried out in equal or unequal installments provided that it is authorized by the General Assembly. The number of installments is determined by the General Assembly or the Board of Directors provided that the Board has been clearly authorized. Requirements of the respective capital markets legislation shall be abided by if dividend distribution will be made in installments.

With respect to announcements on dividend rights and dividend distribution, respective provisions of the Turkish Commercial Code No. 6102, Capital Market Law No. 6362, and Regulation of Dividend Distribution No. II-19.1 and other related capital markets legislation.

The profit distribution policy was approved by the Board of Directors resolution dated May 23, 2014 and numbered 303, and was submitted to shareholders at the General Assembly on August 5, 2014. Changes to the profit distribution policy were also disclosed to the public in accordance with the stipulations of applicable legislation.

## Board of Directors' Proposal Regarding Dividend Distribution

Decision No.: 340  
Meeting Date: 10.03.2016  
Agenda: Proposal Regarding Dividend Distribution

At the Board of Directors meeting held at the Head Office, it was observed that no distributable net profit for the period materialized according to the consolidated financial statements prepared for the accounting period 01.01.2015 - 31.12.2015 under capital markets legislation, since the operations resulted in a loss. As such, the Board of Directors decided unanimously to propose to the 2015 Ordinary General Assembly that no profit be distributed to the shareholders.

**Şaban Cemil KAZANCI**  
Chairman

**A. Serdar NİŞLİ**  
Vice Chairman

**Tülay KAZANCI**  
Board Member

**Yağmur ŞATANA**  
Board Member

**Cüneyt UYGUN**  
Board Member

**T. Yavuz İŞBAKAN**  
Independent  
Board Member

**Haldun ALPERAT**  
Independent  
Board Member

**Derya UZTÜRK**  
Independent  
Board Member

## Dividend Distribution Statement

### AKSA ENERJİ ÜRETİM A.Ş. DIVIDEND DISTRIBUTION STATEMENT - 2015

(TL)

1. Paid-in/Issued Capital		613,169,118
2. Total Legal Reserves (According to Legal Records)		12,752,093
Information on privileges in distribution, if any, in the Articles of Association		
	<b>According to the CMB</b>	<b>According to Legal Records</b>
3. Current Period Profit	-232,829,231	142,626,470
4. Taxes and Legal Duties Payable (-)	<b>6,207,871</b>	-
5. Net Profit for the Period (=)	<b>-226,621,360</b>	142,626,470
6. Losses in Previous Periods (-)	-240,160,170	-240,160,170
7. Primary Legal Reserves (-)	-	-
8. NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)		
9. Endowments during the Year (+)	1,053,746	
10. Endowment Added Distributable Net Period Profit on which First Dividend is Calculated	<b>1,053,746</b>	
11. Primary Dividend to Shareholders		
- Cash	-	-
- Bonus	-	-
- Total	-	-
12. Dividend Distributed to Owners of Privileged Shares		
13. Dividend Distributed to Members of the Board of Directors, Employees, et al.	-	-
14. Dividend Distributed to Owners of Redeemed Shares	-	-
15. Interim Dividend to Shareholders		
- Cash	-	-
- Bonus	-	-
- Total	-	-
16. Interim Legal Reserves	-	-
17. Statutory Reserves	-	-
18. Special Reserves	-	-
19. EXTRAORDINARY RESERVES	-	-
20. Other Distributable Items		
- Profit for the Last Year		
- Extraordinary Reserves		
- Other Distributable Reserves According to Legal Records		

### AKSA ENERGY INFORMATION ON DIVIDEND TO BE PAID - 2015

#### INFORMATION ON DIVIDEND

Group	TOTAL AMOUNT OF DIVIDEND (TL)	DIVIDEND PER SHARE (PER TL 1 NOMINAL VALUE) Amount (TL) %
Gross		
A	0.00	-
B	0.00	-
<b>Total</b>	<b>0.00</b>	
Net		
A	0.00	-
B	0.00	-
<b>Total</b>	<b>0.00</b>	

#### RATIO OF THE DIVIDEND DISTRIBUTED TO THE ENDOWMENT ADDED NET DISTRIBUTABLE PROFIT

DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TL)

0.00

RATIO OF THE DIVIDEND DISTRIBUTED TO SHAREHOLDERS TO THE ENDOWMENT ADDED NET DISTRIBUTABLE PROFIT (%)

0%

## Board of Directors' Decision on Financial Statements of 2015

Decision No.: 339  
Decision Date: 29.02.2016  
Location: Head Office  
Agenda: Transmitting consolidated financial statements and annual report for the accounting period from 01.01.2015 until 31.12.2015 to Borsa Istanbul.

The Company's Board Members convened to discuss the agenda item.

After discussions, the following decisions were reached unanimously:

a) We have analyzed the consolidated financial statements and annual report concerning the activities of Akxa Energy and its subsidiaries (the "Group") issued on 31 December 2015 as per the Capital Markets Board's Communique II-14.1. on Financial Reporting Standards in Capital Markets as well as International Accounting/Financial Reporting Standards, and presented by the Audit Committee to the Board of Directors,

b) In light of information falling within the scope of Group's duties and responsibilities, the consolidated financial statements do not include any untruthful statements concerning major issues nor any deficiency that could be misleading as of the date of the statement,

c) In light of information falling within the scope of the Group's duties and responsibilities, the consolidated financial statements in compliance with the financial reporting standards in effect truthfully reflect the reality of the Group's assets, liabilities, financial position, and profit and loss; while the annual report presents the development and performance of the business, and truthfully reflects the Group's financial position, complete with the major risks and uncertainties that the Group faces,

The consolidated financial statements and annual report have been approved and will be sent to Borsa Istanbul.

**Şaban Cemil KAZANCI**  
Chairman

**A. Serdar NİŞLİ**  
Vice Chairman

**Cüneyt UYGUN**  
Board Member

**Tülay KAZANCI**  
Board Member

**Yağmur ŞATANA**  
Board Member

**Haldun ALPERAT**  
Independent  
Board Member

**Tevfik Yavuz İŞBAKAN**  
Independent  
Board Member

**Derya UZTÜRK**  
Independent  
Board Member

# Aksa Enerji Üretim A.Ş. Subsidiaries' Annual Affiliation Report

## 1. GENERAL INFORMATION

Term: 01.01.2015 – 31.12.2015  
Commercial Title: Aksa Enerji Üretim A.Ş. and Subsidiaries  
Trade Registry No: 366771  
Headquarters Address: Rüzgarlıbahçe Mahallesi Selvi Çıkmazı, No: 10, Kavacık, Beykoz, İstanbul/Türkiye

Branch Addresses of Aksa Energy and Affiliates include:

Branch/Plant	Company	Address
Samsun	Aksa Energy	Karadeniz Bakır İşletmeleri Yanı, Tekkeköy/Samsun
Belen Atik	Aksa Energy	Atik Köyü/Belen Hatay
Mardin-1	Rasa Elektrik	Havaalanı Karşısı, Kocalar Köyü, Kızıltepe/Mardin
Mardin-2	Aksa Energy	Havaalanı Karşısı, Kocalar Köyü, Kızıltepe/Mardin
İdil İki	İdil İki	PS 3A Botaş Pompa İstasyonu, Midyat-İdil Yolu 50. km İdil/Şırnak
Cyprus	Aksa Energy	Kalecik Köyü, Yeni İskele, G. Magusa, KKTC
Bolu-Göynük	Aksa Göynük	Himmetoğlu Köyü Göynük/Bolu
Sebenoba	Deniz Elektrik	Sebenoba RES/Gözene Köyü/Samandağ – Hatay
Karakurt	Deniz Elektrik	Karakurt Kasabası, Kırkağaç/Manisa
Şamlı	Baki Elektrik	Şamlı Rüzgar Santrali Yerolu Köyü No: 91 Balıkesir
Antalya	Aksa Energy	Ali Metin Kazancı Enerji San. Antalya Burdur Karayolu 30. km Selimiye (Karadon) Köyü Antalya
Manisa	Aksa Energy	Gürle Köyü Yolu Üzeri, Emlakdere Mevkii 45000 Manisa
Kıyıköy	Alenka	Güven Mah. Papatya Sok. No:20 Kıyıköy/Vize-Kırklareli
Urfa	Rasa Enerji	Organize Sanayi 2 Bölge Koçören Köyü Muhtarlığı bitişiği Urfa-Antep Karayolu 16. km Şalıurfa
Van	Rasa Enerji	Organize Sanayi Bölgesi Van-Erciş Karayolu Üzeri Yüzüncü Yıl Üniversitesi Karşısı - Van
Kapıdağ	Kapıdağ	Kapıdağ RES Narlı Köyü/ Erdek
İncesu	Aksa Energy	Sanayi Cad. No:1 İncesu Mevki Ortaköy İncesu/Çorum
Siirt	Siirt Akköy	Havalimanı Kavşağı, Kezer/Siirt
Akköy	Siirt Akköy	Tepeköy Elekçi Mah. Yağlıdere/Giresun
Ayres	Ayres	Tuzla Yolu Pınardere Kavşağı Beyalanı Mevki Ayvacık/Çanakkale

### Contact Information

Telephone: +90 216 681 00 00  
Fax: +90 216 681 57 84  
Website: [www.aksaenerji.com.tr/en](http://www.aksaenerji.com.tr/en)

Aksa Energy and subsidiaries hereinafter referred to as "The Company" in the report.

## A. ORGANIZATION, CAPITAL AND SHAREHOLDER STRUCTURE OF THE COMPANY

- Registered Capital: The Company's registered capital is TL 613,169,118 as of 31.12.2015.
- Shareholder Structure: The Company's Shareholder Structure as of 31.12.2015 is as follows:

Title of Shareholder	Share (%)
Kazancı Holding A.Ş.	61.98
Goldman Sachs International	16.62
Publicly traded	21.39
Other	0.01

## B. THE GOVERNING BODY OF THE COMPANY, EXECUTIVES AND STAFF INFORMATION

- Company's Governing Body: The Company's Board of Directors consists of eight members; details of the members are as follows:

Board of Directors	Name - Last Name
Chairman	Şaban Cemil Kazancı
Vice Chairman	Ahmet Serdar Nişli
Board Member	Tülay Kazancı
Board Member	Yağmur Şatana
Energy Group Head, CEO and Board Member	Cüneyt Uygun
Independent Board Member	Derya Uztürk
Independent Board Member	Tevfik Yavuz İşbakan
Independent Board Member	Haldun Alperat

- Executives:

Title	Name - Last Name
Energy Group Head, CEO and Board Member	Cüneyt Uygun
Vice President, Energy Production (COO)	Barış Başer
Investment and Planning Director	Kaan Görenek
Operation and Maintenance Director	Senol İnan
Financial Affairs Director (CFO)	Nesim İbrahimhakkıoğlu
Investment-Operation and Maintenance Director	Serhat Sert
Finance Director	Fatma Utan
Vice President, Aksa Energy Trade and Sales CEO	Murat Kirazlı
Sales Support and Operation Director	Ersan Devrez
Head of Investor Relations and Corporate Communications	Özlem McCann
Budget and Reporting Manager	Seda Halıcı
Corporate Finance Manager	Aylin Kirhan
Marketing Communications Manager	Arif Özpeynirci

- Number of Personnel: The Company employed 779 personnel in fiscal year 2015.



### **C. THE COMPANY'S SUMMARY FINANCIAL STATEMENTS FOR 2015**

In the accounting period from 01.01.2015 to 31.12.2015, the Company incurred a loss of TL 228,419,769 after taxes; and as of 31.12.2015, the Company's total assets stood at TL 4,060,705,589 and its shareholders' equity amounted to TL 789,421,655.

### **2. INFORMATION ON THE PARENT COMPANY AND ITS OTHER SUBSIDIARIES**

#### **A. INFORMATION ON THE PARENT COMPANY:**

Term of Report: 01.01.2015 – 31.12.2015  
Commercial Title: Kazancı Holding A.Ş.  
Office Address: Rüzgarlıbahçe Mahallesi Selvi Çıkmazı, No: 10, Kavacık, Beykoz, İstanbul/Türkiye

#### **B. INFORMATION ON THE SUBSIDIARIES OF PARENT COMPANY**

Transactions with other companies of the parent company in the 01.01.2015 – 31.12.2015 accounting period, are described in section 3.b)

### **3. INFORMATION ON TRANSACTIONS WITH THE PARENT COMPANY AND ITS OTHER SUBSIDIARIES**

#### **A) TRANSACTIONS WITH THE PARENT COMPANY**

In the accounting period from 01.01.2015 to 31.12.2015, the Company received SAP system maintenance revenues of TL 460,965, other revenues worth TL 7,620 and maturity term difference revenue of TL 17,461,306 from Kazancı Holding.

##### **i. Products Sold to or Purchased from the Parent Company**

In the accounting period from 01.01.2015 to 31.12.2015, no products were sold to or purchased from the parent company.

##### **ii. Services Sold to or Purchased from the Parent Company**

In the accounting period from 01.01.2015 to 31.12.2015, the Company received SAP system maintenance revenue of TL 460,965, other revenues worth TL 7,620 and maturity term difference revenue of TL 17,461,306 from Kazancı Holding.

##### **i. Methods Used in Transactions with the Parent Company**

In the 01.01.2015 – 31.12.2015 accounting period, the comparable price method is used for transactions with the parent company.

##### **ii. Calculations Used to Determine the Price and Profit Margin and Assumptions Made in Transactions with the Parent Company**

In the 01.01.2015 – 31.12.2015 accounting period, transactions carried out with the parent company consisted of SAP system maintenance, the purchase and sale of fixed assets, income and expenses of maturity term difference.

## TRANSACTIONS WITH THE AFFILIATED COMPANIES OF THE PARENT COMPANY

In the 01.01.2015 – 31.12.2015 accounting period, the transactions with the other subsidiaries of Kazancı Holding A.Ş are summarized below:

	01.01.2015 – 31.12.2015	
Sales to Related Parties:	Goods/Services	Other
(TL)		
Related parties that are subsidiaries or affiliates of the parent company Kazancı Holding:		
Aksa Elektrik Satış A.Ş.	1,205,897,040	18,476
Aksa Jeneratör Sanayi A.Ş.	386,876	1,873
Aksa Havacılık A.Ş.	-	9
Deriş İnşaat A.Ş.	2,250	-
Kazancı Holding A.Ş.	1,206,286,166	20,371
<b>Total</b>	<b>1,206,286,166</b>	<b>20,371</b>

### Related parties that are indirect subsidiaries or affiliates of the parent company Kazancı Holding:

Aksa Satış ve Pazarlama A.Ş.	1,451	7,020
Fırat Elektrik Dağıtım A.Ş.	--	23,522
Fırat Elektrik Perakende Satış A.Ş.	91,722,960	--
Çoruh Elektrik Perakende Satış A.Ş.	136,085,500	--
<b>Total</b>	<b>227,809,911</b>	<b>30,542</b>

### Related parties that do not have a direct capital relationship but have common senior executives with the Group:

Rasa Endüstriyel Radyatörler San. A.Ş.	--	24,355
Elektrik Altyapı Hizmetleri Ltd. Şti.	5	2,462
Koni İnşaat Sanayi A.Ş.	19,716	162,537
Onan Enerji Üretim A.Ş.	29,964	952,226
Aksa Müşteri Hizmetleri A.Ş.	--	3
<b>Total</b>	<b>49,685</b>	<b>1,141,583</b>

<b>Total</b>	<b>1,434,145,762</b>	<b>1,192,496</b>
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## Aksa Enerji Üretim A.Ş. Subsidiaries' Annual Affiliation Report

01.01.2015 - 31.12.2015

Purchases from/to Related Parties	Goods/Services	Others
<b>Related parties that are subsidiaries or affiliates of the parent company Kazancı Holding:</b>		
Aksa Doğal Gaz Dağıtım A.Ş.	42,546	--
Aksa Elektrik Satış A.Ş.	801,431,003	2,488,920
Aksa Havacılık A.Ş.	756,492	--
Aksa Jeneratör Sanayi A.Ş.	14,187,318	89,451
Aksa Manisa Doğalgaz Dağıtım A.Ş.	33,050,496	--
Aksa Ankara Makine Satış A.Ş.	--	11,100
Aksa Ordu Giresun Doğalgaz Dağıtım A.Ş.	--	879
Aksa Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.	88,950,087	--
Aksa Turizm İşletmeleri A.Ş.	--	315
Aksa Van Doğalgaz Dağıtım A.Ş.	12,720,329	24,944
Deriş İnşaat A.Ş.	42,750	--
Kazancı Holding A.Ş.	461,585	7,000
Renk Transmisyon San. A.Ş.	4,073	--
<b>Total</b>	<b>951,646,589</b>	<b>2,622,609</b>

### Related parties that are indirect subsidiaries or affiliates of the parent company Kazancı Holding:

Aksa Satış ve Pazarlama A.Ş.	10,723	44,396
Aksa Servis ve Kiralama A.Ş.	43,457	34,227
Aksa Power Generation Fze	438,317	--
Fırat Elektrik Dağıtım A.Ş.	65,209	36,028
Fırat Aksa Elektrik Hizmetleri A.Ş.	--	1,227
Fırat Elektrik Perakende Satış A.Ş.	--	7,691
Çoruh Elektrik Perakende Satış A.Ş.	--	6,507
Çoruh Elektrik Dağıtım A.Ş.	--	340,145
<b>Total</b>	<b>557,706</b>	<b>470,221</b>

### Related parties that do not have a direct capital relationship but have common senior executives with the Group:

Elektrik Altyapı Hizmetleri Ltd. Şti.	499,250	595,120
Koni İnşaat Sanayi A.Ş.	83,142	1,989,055
Onan Enerji Üretim A.Ş.	--	257,673
<b>Total</b>	<b>582,392</b>	<b>2,841,848</b>
<b>Total</b>	<b>952,786,687</b>	<b>5,934,678</b>

### Financing Income to Related Parties:

<b>Related parties that are subsidiaries or affiliates of the parent company Kazancı Holding:</b>	<b>Interest Rate and Exchange Rate Difference</b>
Aksa Elektrik Perakende Satış A.Ş.	3,943
Aksa Elektrik Satış A.Ş.	4,558,143
Aksa Jeneratör Sanayi A.Ş.	53,714
Kazancı Holding A.Ş.	17,461,306
Kazancı Teknik Cihazlar Yedek Parça A.Ş.	48,108
Renk Transmisyon San. A.Ş.	93
<b>Total</b>	<b>22,125,307</b>

### Related parties that are indirect subsidiaries or affiliates of the parent company Kazancı Holding:

Aksa Satış ve Pazarlama A.Ş.	1,406
Çoruh Aksa Elektrik Hizmetleri A.Ş.	4,439
<b>Total</b>	<b>5,845</b>

### Related parties that do not have a direct capital relationship but have common senior executives with the Group:

Koni İnşaat Sanayi A.Ş.	176,937
Rasa Endüstriyel Radyatör San. A.Ş.	667
Onan Enerji Üretim A.Ş.	361,513
<b>Total</b>	<b>539,117</b>

### Financing Expenses to Related Parties:

<b>Related parties that are subsidiaries or affiliates of the parent company Kazancı Holding:</b>	<b>Interest and FX Difference</b>
Aksa Gaz Dağıtım A.Ş.	2,367
Aksa Elektrik Satış A.Ş.	10,386,691
Aksa Havacılık A.Ş.	38,246
Aksa Jeneratör Sanayi A.Ş.	75,909
Aksa Makina Sanayi A.Ş.	1,537
Aksa Manisa Doğalgaz Dağıtım A.Ş.	4,736,361
Aksa Şanlıurfa Doğal Gaz Dağıtım Ltd. Şti.	1,219,407
Aksa Van Doğalgaz Dağıtım A.Ş.	834,747
Aksa Turizm İşletmeleri A.Ş.	2,444
Deriş İnşaat A.Ş.	9,881
<b>Total</b>	<b>17,307,590</b>

## Aksa Enerji Üretim A.Ş. Subsidiaries' Annual Affiliation Report

### Related parties that are indirect subsidiaries or affiliates of the parent company Kazancı Holding:

Aksa Satış ve Pazarlama A.Ş.	20,272
Aksa Servis ve Kiralama A.Ş.	1,024
Aksa Teknoloji A.Ş.	25,771
Çoruh Aksa Elektrik Hizmetleri A.Ş.	190
Çoruh Elektrik Parakende Satış A.Ş.	6,633,822
Fırat Elektrik Dağıtım A.Ş.	3,509
Fırat Elektrik Parakende Satış A.Ş.	7,104,875
<b>Total</b>	<b>13,789,463</b>

### Related parties that do not have a direct capital relationship but have common senior executives with the Group:

Elektrik Altyapı Hizmetleri Ltd. Şti.	57,993
Kazancı Makina ve Motor Ltd. Şti.	1,459
Koni İnşaat Sanayi A.Ş.	159,482
Mustafa Kurnaz	8,691
Rasa Endüstriyel Radyatör San. A.Ş.	1,232
Aksa Samsun Enerji Üretim A.Ş.	141,913
Datça Rüzgar Enerjisi Elektrik Üretimi A.Ş.	254,238
<b>Total</b>	<b>625,008</b>

## 4. LEGAL TRANSACTIONS WITH THE PARENT COMPANY AND ITS OTHER SUBSIDIARIES

### a) Legal Proceedings to which the Parent Company is a Party

In the 01.01.2015 - 31.12.2015 accounting period, there were no legal proceedings that the parent company is a party.

### b) Legal Proceedings to which Another Subsidiary of the Parent Company is a Party

In the 01.01.2015 - 31.12.2015 accounting period, there are no legal proceedings that another subsidiary of the parent company is a party.

### c) Legal Proceedings with the Parent Company's Routing

In the 01.01.2015 - 31.12.2015 accounting period, there were no legal proceedings with the parent company's routing.

### d) Legal Transactions Carried Out for the Benefit of the Parent Company or Its Affiliated Companies

In the 01.01.2015 - 31.12.2015 accounting period, there were no legal transactions carried out for the benefit of the parent company or its affiliated companies.

## 5. MEASURES TAKEN REGARDING TRANSACTIONS WITH THE PARENT COMPANY AND ITS AFFILIATED COMPANIES

### a) Measures Taken for the Benefit of the Parent Company

In the 01.01.2015 - 31.12.2015 accounting period, there were no transactions made for the benefit of the parent company.

### b) Measures Avoided to be Taken for the Benefit of the Parent Company

In the 01.01.2015 - 31.12.2015 accounting period, there were no measures avoided to be taken for the benefit of another subsidiary of the parent company.

### c) Measures Taken for the Benefit of Another Subsidiary of the Parent Company

In the 01.01.2015 - 31.12.2015 accounting period, there were no transactions made with another subsidiary of the parent company.

**d) Measures Avoided to be Taken for the Benefit of Another Subsidiary of the Parent Company**

In the 01.01.2015 – 31.12.2015 accounting period, there were no transactions made with another subsidiary of the parent company.

**e) Has the Company suffered a loss as a result of transactions made with the parent company and other affiliated companies?**

In the 01.01.2015 – 31.12.2015 accounting period, the Company received SAP system maintenance revenue of TL 460,965, other revenues worth TL 7,620 and maturity term difference revenues of TL 17,461,306 from Kazancı Holding.

**f) If the Company has suffered a loss, whether the loss was balanced, and if it was, what are the methods used in the realization of equalization and balancing activities during the year?**

In the 01.01.2015 – 31.12.2015 accounting period, there was no loss as a result of transactions made with parent company Kazancı Holding A.Ş.

**6. OTHER ISSUES**

There is no other issue to be added.

**7. RESULT**

It was concluded that in each and every transaction that Akxa Energy executed with its controlling shareholders and the subsidiaries of its controlling shareholders in 2015, based on the situation and conditions known to us at the time the transaction was executed or the measure was taken or the measure was refrained from being taken, the Company had a commensurate gain in return and there was no measure taken or refrained from being taken that will lead to losses for the Company and, accordingly, there were no transactions or measures that require compensation.

This report was prepared in compliance with true and fair accounting principles pursuant to Article 199 of the Turkish Commercial Code, Law No. 6102, and signed and approved by the Board of Directors.

29.02.2016

**Şaban Cemil KAZANCI**

Chairman

**A. Serdar NİŞLİ**

Vice Chairman

**Cüneyt UYGUN**

Board Member

**Tülay KAZANCI**

Board Member

**Yağmur ŞATANA**

Board Member

**Haldun ALPERAT**

Independent Board  
Member

**Tevfik Yavuz İŞBAKAN**

Independent Board  
Member

**Derya UZTÜRK**

Independent Board  
Member

## Statement of Responsibility

### STATEMENT OF RESPONSIBILITY AS PER ARTICLE 9 OF THE CAPITAL MARKETS BOARD'S COMMUNIQUE II-14.1. ON FINANCIAL REPORTING STANDARDS IN CAPITAL MARKETS

Date : 29.02.2016

Number : 339

Agenda : Resolution of the Board of Directors on the Approval of the Financial Statements and Annual Report

We present, for your information, the accompanying 01.01.2015 - 31.12.2015 accounting period Consolidated Statement of Financial Position, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Equity, and interim Annual Report ("Financial Reports"), all of which, together with their footnotes, have been prepared by our company, have been subjected to a limited-scope audit by the independent auditing firm of Engin Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., and conform to Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) and to CMB-specified formats as required by Capital Markets Board Communique II-14.1 concerning Financial Reporting in Capital Markets ("Communique"). We hereby declare, in accordance with CMB regulations, that these Financial Reports:

- have been examined by us,
- within the framework of information available to us by virtue of our duties and responsibilities at the Company, that they contain no inaccurate statement insofar as material issues are concerned nor any omissions that might result in their being misleading as of the date on which such statements are made;
- within the framework of information available to us by virtue of our duties and responsibilities at the Company, that they honestly reflect the true picture of the Company's assets, liabilities, financial position, and profits & losses, including those of entities whose financial reports conforming to the Communique are subject to consolidation and that the annual report honestly reflects the conduct and performance of business as well as the financial position of and the material risks and uncertainties confronting the Company along with any entities subject to consolidation with it.

We hereby acknowledge our responsibility for the foregoing statements.

Very truly yours,

**Cüneyt UYGUN**

CEO and Board Member

**Tevfik Yavuz İŞBAKAN**

Independent Board Member

**Derya UZTÜRK**

Independent Board Member





**Aksa Enerji Üretim A.Ş.**

Rüzgarlıbahçe Mahallesi, Selvi Çıkması No: 10 34805  
Kavacık Beykoz - İSTANBUL/TÜRKİYE

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[www.aksaenerji.com.tr/en](http://www.aksaenerji.com.tr/en)

[www.aksainvestorrelations.com](http://www.aksainvestorrelations.com)



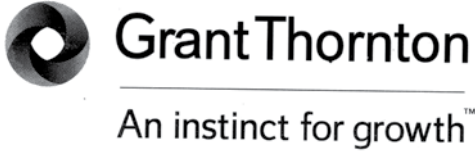
**KAZANCI HOLDİNG**

*Aksa Enerji Üretim A.Ş. and its Subsidiaries'  
Consolidated Financial Statements Together  
with Independent Auditor's Report as of  
31 December 2015*

*The art of transforming nature's force  
into energy...*

**aksa** ENERGY





**INDEPENDENT AUDITOR'S REPORT OF  
AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED 31 DECEMBER 2015**

To the Shareholders and Board of Directors of  
Aksa Enerji Üretim A.Ş.  
İstanbul

1. We have audited the accompanying consolidated financial statements of Aksa Enerji Üretim A.Ş. and its subsidiaries (together referred to as the Group) listed under Note 1 to the financial statements comprise the consolidated balance sheets as at 31 December 2015, and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

3. Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

**Opinion**

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

EREN Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.  
Member Firm of GRANT THORNTON International

**Nazım Hikmet**  
Partner

İstanbul, 29 February 2016

*Aksa Enerji Üretim A.Ş. and its Subsidiaries*  
*Consolidated Balance Sheets as of*  
*31.12.2015 and 2014*  
*(Currency - Turkish Lira)*

ASSETS	Note	<u>31/12/2015</u>	<u>31/12/2014</u>
<b>Current Assets</b>			
Cash and Cash Equivalents	4	48.452.416	34.238.000
Trade Receivables	5	182.621.158	88.689.954
Due from/to Related Parties and Shareholders, net	6	-	4.353.878
Inventory	7	415.357.154	269.198.616
Derivative Financial Instruments	26	-	2.739.513
Other Current Assets	8	180.293.012	116.617.413
		<b>826.723.740</b>	<b>515.837.374</b>
<b>Non-Current Assets</b>			
Investments	9	<u>412.408</u>	<u>1.924.708</u>
Property, Plant and Equipment	10	<u>3.077.400.302</u>	<u>2.730.032.163</u>
Goodwill	2	<u>7.072.179</u>	<u>7.072.179</u>
Intangible Assets	11	2.658.546	1.891.497
Other Non-Current Assets	8	47.500.849	80.615.131
Deferred Tax Asset	14	100.491.830	56.162.669
		3.235.536.114	2.877.698.347
<b>TOTAL ASSETS</b>		<u><b>4.062.259.854</b></u>	<u><b>3.393.535.721</b></u>

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

*Aksa Enerji Üretim A.Ş. And its Subsidiaries*  
*Consolidated Balance Sheets as of*  
*31.12.2015 and 2014*  
*(Currency - Turkish Lira)*

LIABILITIES	Note	31/12/2015	31/12/2014
<b>Short Term Liabilities</b>			
Financial Liabilities	12	789.043.264	439.594.445
Trade Payables	13	533.169.258	431.821.755
Due to Related Parties and Shareholders	6	1.001.462	-
Derivative Financial Instruments	26	7.207.234	1.538.206
Taxation Payable on Income	14	6.801.785	9.552.718
Other Payables and Accrued Liabilities	15	12.910.158	15.766.126
		<u>1.350.133.161</u>	<u>898.273.250</u>
<b>Long Term Liabilities</b>			
Financial Liabilities	12	1.797.657.115	1.375.770.429
Retirement Pay Provision	16	4.385.783	5.208.671
Deferred Tax Liability	14	34.956.268	4.842.746
		<u>1.836.999.166</u>	<u>1.385.821.846</u>
<b>Shareholders' Equity</b>			
Share Capital	17	615.157.050	615.157.050
General Reserves	18	245.439.431	206.970.431
Actuarial Gain / (Loss)		1.377.489	(488.682)
Share Premium		247.403.635	247.403.635
Translation Difference		(64.522)	-
Cash Flow Hedge Reserve	26	(5.765.787)	961.047
Net Profit / (Loss) for the Year		(228.419.769)	39.437.144
		<u>875.127.527</u>	<u>1.109.440.625</u>
Commitments and Contingencies	25		
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><b>4.062.259.854</b></u>	<u><b>3.393.535.721</b></u>

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

*Aksa Enerji Üretim A.Ş. And its Subsidiaries*  
*Consolidated Statements of Income for the Years Ended*  
*31.12.2015 and 2014*  
*(Currency - Turkish Lira)*

INCOME STATEMENT	Note	01.01.-31.12.2015	01.01.-31.12.2014
Net Sales	19	2.319.960.775	1.957.437.904
Cost of Sales	20	(2.001.614.188)	(1.710.836.632)
<b>Gross Profit</b>		<b>318.346.587</b>	<b>246.601.272</b>
Research and Development Expenses	21	(5.816)	-
Marketing and Selling Expenses	21	(560.356)	(2.044.023)
General Administrative Expenses	21	(26.762.398)	(22.188.650)
Other operating income	22	3.404.762	3.790.118
Other operating expenses (-)	22	(6.606.071)	(18.514.997)
<b>Basic Operating Profit</b>		<b>287.816.708</b>	<b>207.643.720</b>
Income from investing activities	23	29.153.783	1.432.105
Expenses from investing activities (-)	23	(552.742)	(249.847)
Financing Income	24	218.961.870	199.595.732
Financing Expenses	24	(770.007.259)	(381.808.996)
<b>Profit / (Loss) Before Tax For The Year</b>		<b>(234.627.640)</b>	<b>26.612.714</b>
Taxation on Profit			
- Current	14	(6.801.785)	(9.552.718)
- Deferred	14	13.009.656	22.377.148
<b>PROFIT / (LOSS) FOR THE YEAR</b>		<b>(228.419.769)</b>	<b>39.437.144</b>

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

*Aksa Enerji Üretim A.Ş. and its Subsidiaries*  
*Consolidated Statements of Income for the Years Ended*  
*31.12.2015 and 2014*  
*(Currency - Turkish Lira)*

Other Comprehensive Income:

Items not to be reclassified to profit or loss in subsequent periods:

Actuarial gain / (loss)		2.341.896	(169.803)
Tax effect of actuarial loss from employee benefits		(475.725)	33.961
<b>Items to be reclassified to profit or loss</b>			
Translation difference		(64.522)	-
Cumulative gains/losses on hedging		(8.408.541)	(1.464.721)
Tax effect of Cumulative gains/losses on hedging		1.681.708	292.944

<b>Other Comprehensive Income / (loss) for the year (after tax)</b>		<b>(4.925.184)</b>	<b>(1.307.619)</b>
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<b>TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE YEAR</b>		<b>(233.344.953)</b>	<b>38.129.525</b>
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<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>	<b>3</b>	<b>436.221.583</b>	<b>343.865.861</b>
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The accompanying notes are an integral part of these consolidated financial statements.



**Aksa Enerji Üretim A.Ş. and its Subsidiaries**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**for the Years Ended 31.12.2015 and 2014**  
**(Currency - Turkish Lira)**

SHAREHOLDERS' EQUITY	Share Capital	General Reserves	Actuarial Gain / (Loss)	Share Premium	Cash Flow Hedge Reserve	Translation Difference	Net Profit / (Loss) for the Period	Total
<b>Balance, 01.01.2014</b>	615.157.050	340.263.301	(352.840)	247.403.635	2.132.824	-	(133.292.870)	1.071.311.100
Transfer to reserves	-	(133.292.870)	-	-	-	-	133.292.870	-
Effective portion of changes in fair value of cash hedges	-	-	-	-	(1.171.777)	-	-	(1.171.777)
Actuarial gain / (loss)	-	-	(135.842)	-	-	-	-	(135.842)
Net profit for the year	-	-	-	-	-	-	39.437.144	39.437.144
<b>Balance, 01.01.2015</b>	615.157.050	206.970.431	(488.682)	247.403.635	961.047	-	39.437.144	1.109.440.625
Transfer to reserves	-	39.437.144	-	-	-	-	(39.437.144)	-
Actuarial gain / (loss)	-	-	1.866.171	-	-	-	-	1.866.171
Effective portion of changes in fair value of cash hedges	-	-	-	-	(6.726.834)	-	-	(6.726.834)
Net effect of changes in investment shareholdings of consolidated entities (note 1)	-	(934.300)	-	-	-	-	-	(934.300)
Translation difference	-	-	-	-	-	(64.522)	-	(64.522)
Dividend paid	-	(33.844)	-	-	-	-	-	(33.844)
Net loss for the year	-	-	-	-	-	-	(228.419.769)	(228.419.769)
<b>Balance, 31.12.2015</b>	615.157.050	245.439.431	1.377.489	247.403.635	(5.765.787)	(64.522)	(228.419.769)	875.127.527

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

**Aksa Enerji Üretim A.Ş. and its Subsidiaries**  
**Consolidated Statements of Cash Flow for the Years Ended**  
**31.12.2015 and 2014**  
**(Currency - Turkish Lira)**

CASH FLOWS FROM OPERATING ACTIVITIES	Note	01.01.-31/12/15	01.01.-31/12/14
Net profit / (loss) before tax for the year		(234.627.640)	26.612.714
Adjustment for:			
Depreciation and amortization	10	145.203.566	121.497.262
Provision for employee termination benefits	16	1.519.007	1.829.338
Interest expense accruals on loans	12	(1.878.139)	17.518.672
Unrealised foreign exchange (gains) / losses on loans	12	310.165.512	59.160.621
Decrease in value of inventory	7	750.000	-
Change in allowance for doubtful trade receivables	5	13.333	-
Change in allowance for doubtful other receivables	8	4.018.501	3.656.903
Discount on receivables / (payables), net	5-13	1.400.115	(125.036)
Translation difference		(64.522)	-
<b>Operating profit before working capital changes</b>		<b>226.499.733</b>	<b>230.150.474</b>
Trade receivables	5	(95.238.450)	54.950.785
Inventory	7	(146.908.538)	(19.211.199)
Other current assets	8	(67.694.100)	(42.893.115)
Other non current assets	8	33.114.282	32.613.946
Trade payables	13	101.241.301	105.783.901
Other payables and accrued liabilities	15	(2.855.968)	(375.668)
Retirement Pay Provision	16	-	202.577
Taxes paid	14	(9.552.718)	(7.456.747)
Net Cash Flows Generated From Operating Activities		38.605.542	353.764.954
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Purchases) / Disposals of property, plant and equipment and intangible assets, net	10-11	(493.338.754)	(676.722.523)
Disposal of investment	9	-	(412.408)
<b>Net Cash Flows Used In Investment Activities</b>		<b>(493.338.754)</b>	<b>(677.134.931)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Financial liabilities	12	463.048.132	410.387.059
Due from/to related parties and shareholders	6	5.355.340	(14.630.775)
Dividend paid	18	(33.844)	-
Effect of companies included in consolidation first time		-	(60.497.110)
Net effect of changes in investment shareholdings of consolidated entities (note 1)	18	578.000	-
<b>Net Cash Flows Generated From Financing Activities</b>		<b>468.947.628</b>	<b>335.259.174</b>
Net Increase / (Decrease) in Cash and Cash Equivalents		14.214.416	11.889.197
Cash and Cash Equivalents at Beginning of the Year		34.238.000	22.348.803
<b>Cash and Cash Equivalents at the End of the Year</b>		<b>48.452.416</b>	<b>34.238.000</b>

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

*Aksa Enerji Üretim A.Ş. and its Subsidiaries*  
*Notes to the Consolidated Financial Statements*  
*as of 31 December 2015 and 2014*  
*(Currency - Turkish Lira)*

## **1. Organization and Nature of Activities**

Aksa Enerji Üretim A.Ş. (The Company) was established on 12 March 1997 for production and sale of electricity. The shares of Company have been registered in the Turkish Capital Markets Board (CMB) in May 2010 and the shares are now publicly traded on the Istanbul Stock Exchange. The public portion of the shares is 21,39% , 61,98% of the share capital is owned by Kazancı Holding A.Ş. and 16,62% of the share capital is owned by Goldman Sachs (note 17). As of 31 December 2015, the number of personnel employed by the Company is 257 (31.12.2014: 261) and the total number of personnel employed by the group is 779 (31.12.2014: 777).

The Company has the following electricity production plants:

### **• Antalya Power Plant**

The Company has been awarded an electricity production license for a natural gas fired combined cycle power plant at Antalya. The Company completed the first portion of the construction of simple cycle at the end of 2008 and the Company started to produce electricity.

As of November 2011 the construction of the second portion of construction has been completed and the total installed capacity of the power plant increased to 1.150 MW.

The Company's power generation plant located in Antalya is the property of the Company's own land.

### **• Manisa Power Plant**

During 2008, the Company has obtained a license for combine cycle natural gas power plant in Manisa, which has 115, 26 MW installed capacity. Manisa power plant construction has been fully completed and operational in 31.03.2010.

The Company's power generation plant is located in Manisa are the property of the Company's own land.

### **• Samsun Power Plant**

The Company has mobile combine cycle power plant located in Samsun which has installed capacity of 131,78 MW and the power plant uses fuel oil for energy production. On April 2009, the power plant has changed fuel oil to natural gas for energy production and the Company hold the energy production for a while. On August 2011, Samsun Power Plant has started to operate as a natural gas fired combined cycle power plant.

Aksa Energy has applied to Energy Market Regulatory Authority for cancellation of generation licence of Samsun CCGT plant, which has an installed capacity of 131MW, since the power plant will be moved to Ghana as per BOD's decision to install a 370MW HFO plant. The system usage agreement has been cancelled as per our request.

### **• İncesu/ Çorum Power Plant**

The Company has a hydro-electric power plant located in Çorum İncesu. The installed capacity of the plant is 15 MW and it is operational since 30.04.2011.

The Company's power generation plant located in Çorum is the property of the Company's own land.

### **• Belen / Hatay Power Plant**

The Company has a wind-electric power plant located in Hatay. The installed capacity of the plant is 30 MW. The first construction period is completed in September 2013 with an installed capacity of 4 MW and the second portion of construction is completed in February 2014. The total operational installed capacity of the plant is increased to 18 MW.

The Company's power generation plant located in Hatay is the property of the Company's own land.

### **• Mardin Power Plant**

The Company has a fuel oil power plant located in Mardin. The installed capacity of the plant is 32 MW and it has been operational since November 2011.

The Company's power generation plant located in Mardin is the property of the Group's related party's own land.

**Aksa Enerji Üretim A.Ş. and its Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**as of 31 December 2015 and 2014**  
**(Currency - Turkish Lira)**

The subsidiaries included in the consolidation As of 31 December 2015 are as follows:

Subsidiaries	Subject of activity	Country	Effective Ownership(%)
1. Aksa Enerji Üretim A.Ş.-Y.Ş.	Electricity production	Northern Cyprus	100,00
2. Rasa Elektrik Üretim A.Ş.	Electricity production	Turkey	99,96
3. Deniz Elektrik Üretim Limited Şirketi	Electricity production	Turkey	99,99
4. Baki Elektrik Üretim Limited Şirketi	Electricity production	Turkey	95,00
5. Rasa Enerji Üretim A.Ş.	Electricity production	Turkey	99,99
6. İdil İki Enerji Sanayi ve Ticaret A.Ş.	Electricity production	Turkey	99,99
7. Ayres Ayvacic Rüzgar Enerjisinden Elektrik Üretim Santrali Ltd. Şti.	Electricity production	Turkey	99,00
8. Alenka Enerji Üretim ve Yatırım Ltd. Şti.	Electricity production	Turkey	90,45
9. Aksa Göynük Enerji Üretim A.Ş.	Electricity production	Turkey	99,99
10. Kapıdağ Rüzgar Enerjisi Elektrik Üretim Sanayi ve Ticaret A.Ş.	Electricity production	Turkey	94,00
11. Gesa Güç Sistemleri A.Ş.	Electricity production	Turkey	99,99
12. Siirt Akköy Enerji Üretim A.Ş.	Electricity production	Turkey	100,00
13. Aksa Aksen Enerji Ticareti A.Ş.	Electricity trading	Turkey	100,00
14. Aksa Energy Ghana Limited	Electricity production	Ghana	75,00

• **Aksa Enerji Üretim A.Ş. - (Y.Ş.) (Northern Cyprus):**

The power plant started electricity production in mid 2003 and all of its production is sold to Electricity Distribution Company of Turkish Northern Cyprus (KIB-TEK). The capacity of the power plant increased by 31 MW as of August 2011 and reached to 120 MW.

The revised contract between the Company and KIB-TEK which is currently available started in April 2009 and the contract period is 15+3 years starting from this date.

In accordance with the capacity increase works of Northern Cyprus Kalecik Power Plant, the installed capacity has been increased by 33 MW by the instalment of two units with the same engine specifications from the power plants whose licences were cancelled. The installed capacity of our Northern Cyprus Kalecik Power Plant has increased to 153 MW, thus its percentage of availability has also grown by the increase in spare capacity.

Company in Northern Cyprus, named Aksa Enerji Üretim A.Ş. (Y.Ş.), is the wholly owned subsidiary of the Company and its financial results have been consolidated in the accompanying financial statements.

As of 31 December 2015, the number of personnel employed by the Company is 98 (31.12.2014: 85).

• **Rasa Elektrik Üretim A.Ş.:**

The Company located at Mardin established on January 1996 in order to meet the electricity needs of Mardin and surrounding areas. It sells its production to TEİAŞ (Turkish Electricity Transmission Company). As of 31 December 2012 the capacity of the fuel power plant is 33 MW.

The land over which the power plant is located in Mardin, has been leased from Koni İnşaat A.Ş. in 2002, to be renewed annually. The factory which the Company manufacture of radiators has been leased from Koni İnşaat A.Ş. until 31.12.2012, the factory land is the property of Aksa Enerji Üretim A.Ş..

In November 2013, part of the manufacturing of radiators was split and received the title which was the Rasa Endüstriyel Radyatörler Sanayi ve Ticaret A.Ş.. As of 31.12.2014 and 2013, Aksa Enerji Üretim A.Ş. does not have any partnership in the company. The company does not consolidated in the financial statements and shown as related party.

**Aksa Enerji Üretim A.Ş. and its Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**as of 31 December 2015 and 2014**  
**(Currency - Turkish Lira)**

Aksa Enerji Üretim A.Ş. have been acquired the Company's 99,96 % shares. As of 31 December 2015, the number of personnel employed by the Company is 14 (31.12.2014: 17).

• **Deniz Elektrik Üretim Limited Şirketi:**

The Company was initially established in 1997 in Izmir with the name of "Deniz Rüzgar Enerjisi ve Cihazları Sanayi ve Ticaret Limited Şirketi". In 2003, the Company changed its name to Deniz Elektrik Üretim Limited Şirketi.

In May 2004, Aksa Enerji Üretim A.Ş. acquired 95% of the shares of the Company. On 13.08.2010, Aksa Enerji Üretim A.Ş. has made the purchase of new shares participate in Deniz Elektrik Üretim Ltd. Şti. and raised its shares to 99,99%.

The Company established to produce electricity from wind energy. In 2004, the Company awarded two wind farm licences located in Sebenova/Hatay and Karakurt/Manisa, the production capacities of which are 30 MW and 10.8 MW respectively. Within the capacity expansion of Sebenova/Hatay wind power plant, total installed capacity of 13 MW which has 2 of 2 MW and 3 of 3 MW turbines, total 5 turbines, was operational on 20.12.2014 with permission of Ministry of Energy and Natural resources. According to the licence, the rest of construction completed in 2015 which is 17 MW and the total operational installed capacity of Hatay Sebenova wind power plant will increase to 60 MW.

Wind energy power plant having 11 MW power in Karakurt/Manisa has become operational in June 2007. Wind energy power plant in Sebenoba/Hatay whose construction was ongoing in 2007 has become operational in April 2008. Deniz Elektrik Üretim Limited Şirketi is selling the produced energy to both TEİAŞ and contracted clients by bilateral agreement over Aksa Elektrik Satış A.Ş. which is a related party.

The Company's power generation plants are located in Karakurt/Manisa and Sebanova/Hatay are the property of the Company's own land.

As of 31 December 2015, the number of personnel employed by the Company is 30 (31.12.2014: 32).

• **Baki Elektrik Üretim Limited Şirketi:**

Baki Elektrik Üretim Ltd. Şti. (the Company) was established on 4 July 2003 in Ankara for the production and sale of wind power electricity.

In March 2004, Aksa Enerji Üretim A.Ş. acquired 95% of the shares of the Company.

As of 31 December 2012 the capacity of the plant is 114 MW and the produced electricity is sold to TEİAŞ and Aksa Elektrik Satış A.Ş. (related Company).

The Company's power generation plant is located in Şamlı/Balıkesir are the property of the Company's own land.

As of 31 December 2015, the number of personnel employed by the Company is 23 (31.12.2014: 23).

• **Rasa Enerji Üretim A.Ş.:**

Rasa Enerji Üretim A.Ş. (the Company) was established on 12.09.2000 for production and distribution of electricity. The Company's 99,99% shares have been acquired by Aksa Enerji Üretim A.Ş. on 05.03.2010 from one of the related parties of Koni İnşaat Sanayi A.Ş.

The Company had a natural gas power plant in Van, which has a 114,88 MW capacity. The total installed capacity of the Van plant was increased from 104 MW to 114,88 MW, as combined cycle in the last quarter of 2010.

As per the application to Energy Market Regulatory Authority, generation licence of Van Natural Gas Combined Cycle Power Plant, which had an installed capacity of 115 MW, has been cancelled. The power plant, which has a decreasing chance of generation in free market conditions within Turkey, is expected to be used abroad on a US Dollar based contract with higher margins.

Urfa plant started to generate electricity in August 2011 with an installed capacity of 129 MW and the investment to transform the plant into a combined cycle engine driven technology was completed in 2012.

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In accordance with the capacity increase works of Şanlıurfa Natural Gas Power Plant, 18 MW capacity has been accepted by the Ministry of Energy and Natural Resources and commissioned on 18.11.2015. Thus, the installed capacity of Şanlıurfa Natural Gas Power Plant is increased to 147 MW.

As of 31 December 2015, the number of personnel employed by the Company is 57 (31.12.2014: 81).

• **İdil İki Enerji Sanayi ve Ticaret A.Ş.:**

İdil İki Enerji Sanayi ve Ticaret A.Ş. (the Company) was established in 2001. The Company owns Şırnak plant which is a fuel oil fired power plant with an installed capacity of 24 MW. The power plant became operational in 2001.

The Company's 99,99% shares have been acquired by Aksa Enerji Üretim A.Ş. at 05.03.2010 from Koni İnşaat Sanayi A.Ş..

As of 31 December 2015, the number of personnel employed by the Company is 26 (31.12.2014:24).

• **Ayres Ayvacık Rüzgar Enerjisinden Elektrik Üretim Santrali Ltd. Şti.:**

The Company has a wind power plant in Çanakkale Ayvacık with a capacity of 5 MW. The Company's 99,00% shares have been acquired by Aksa Enerji Üretim A.Ş. at 18.04.2011 from one of the related parties of Kazancı Holding.

As of 31 December 2015, the number of personnel employed by the Company is 8 (31.12.2014: 6).

• **Alenka Enerji Üretim ve Yatırım Ltd. Şti.:**

As of 17.08.2011, Aksa Enerji Üretim A.Ş. has purchased the 80% stake of from the Alenka's shareholders which has 27 MW of wind power plant with a total investment stage in Kırklareli-Kıyıköy. During 2012, as a result of the purchase of additional shares, the Group's effective ownership increased to 90,45%.

As of 31 December 2015, the number of personnel employed by the Company is 8 (31.12.2014: 11).

• **Aksa Göynük Enerji Üretim A.Ş.:**

Aksa Göynük Enerji Üretim A.Ş. has signed royalty agreement with General Directorate of Turkish Coal for the use of coal in Bolu-Göynük reservoir by the same time Aksa Enerji Üretim A.Ş. has licence about the process of this coal in its power plant with 270 MW capacity.

As of 28.10.2011, Aksa Enerji Üretim A.Ş. purchased the 99,99% of the shares of the Company from Kazancı Holding. The Company is established to install, operate, taken over and hire electricalenergy production facilities, produce and selling of electrical energy and dealing all kinds of oil, gas and mining goods.

The first phase of PP which was 135 MW has become operational as of 30.09.2015 and the second phase of PP has become operational as of 29.01.2016.

As of 31 December 2015, the number of personnel employed by the Company is 220 (31.12.2014: 197).

• **Kapıdağ Rüzgar Enerjisi Elektrik Üretim Sanayi ve Ticaret A.Ş.:**

As of 31.05.2013, Aksa Enerji Üretim A.Ş. has purchased the 94% stake of from Kazancı Holding A.Ş. which has 24 MW and 3 MW additional capacity is on progress of wind power plant in Balıkesir.

As of 31 December 2015, the number of personnel employed by the Company is 12 (31.12.2014: 11).

• **Gesa Güç Sistemleri A.Ş.:**

As of 02.04.2013, Aksa Enerji Üretim A.Ş. has purchased the 99,99% stake of from Kazancı Holding A.Ş..

As of 31 December 2015, there is no personnel employed by the Company.

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• **Siirt Akköy Enerji Üretim A.Ş.:**

As of 31.08.2014, Rasa Elektrik Üretim A.Ş. has purchased the 100% stake of from third parties which has 24 MW of fuel oil power plant and 13 MW of hydroelectric power plant.

As of 31 December 2015, the number of personnel employed by the Company is 26 (31.12.2014: 29).

Production licence of Siirt Akköy Thermic Plant which is fueled with fuel-oil and has 24 MW power was cancelled as a result of the application done by the Group to Energy Market Regulatory Authority (EMRA).

• **Aksa Aksen Enerji Ticareti A.Ş.:**

Aksa Aksen Enerji Ticareti A.Ş. was founded on 08.07.2015 by the Aksa Enerji who has the %100 shares of the company. The purpose of the company is to sell the electricity produced by group companies.

• **Aksa Energy Ghana Limited:**

Aksa Energy Ghana Limited was founded on 15.07.2015 by the Aksa Enerji who has the %75 shares of the company. It was founded as a result of the sale agreement signed with Ghana Republic Government to produce and sell electricity.

As of 31.12.2015, electricity production licences held by the Group are as follows:

Licence Owner	Area	Type of Facility	Date of Licence Started	Licence Duration	The capacity of the plant (MWe)	The capacity under operation (MWe)
Aksa Enerji		KKTC			153	153
Aksa Enerji	Belen- Atik (İskenderun- Hatay)	WPP	13.03.2008	49 year	30	18
Aksa Enerji	Antalya	Natural Gas	13.11.2007	30 year	2.050	1.150
Aksa Enerji	Manisa	Natural Gas	21.02.2008	30 year	115	115
Aksa Enerji	İncesu-Ortaköy-Çorum	HPP	29.09.2005	40 year	15	15
Aksa Enerji	Mardin	Fuel oil	14.07.2011	49 year	32	32
Aksa Enerji	Erzincan <sup>(*)</sup>	HPP	17.01.2008	49 year	85	-
Aksa Enerji	Mersin <sup>(*)</sup>	HPP	14.06.2007	49 year	20	-
Aksa Enerji	Kayseri <sup>(*)</sup>	HPP	17.01.2008	49 year	30	-
Aksa Enerji	Bitlis İli, Kor Barajı <sup>(*)</sup>	HPP	30.10.2008	49 year	26	-
Aksa Enerji	Adana, Yamanlı 1 Reg. <sup>(*)</sup>	HPP	20.05.2010	49 year	24	-
Aksa Enerji	Bolu	Thermal	25.03.2008	30 year	270	135
Alenka	Kırklareli-Kıyıköy	WPP	04.04.2007	20 year	27	27
Ayres	Ayvacık	WPP	01.11.2007	25 year	5	5
Baki Elektrik	Merkez-Şamlı-Balıkesir	WPP	06.04.2004	49 year	127	114
Deniz Elektrik	Sebenoba-Gözene-Yayladağı-Samandağ-Hatay	WPP	04.06.2004	49 year	60	60
Deniz Elektrik	Karakurt-İlyaslar-Çakaltepe-Manisa	WPP	05.12.2003	49 year	11	11
İdil İki	Şırnak	Thermal	22.03.2007	20 year	24	24
İdil İki	Ordu	HPP	25.04.2008	49 year	81	-
Rasa Enerji	Şanlıurfa	Natural Gas	12.05.2011	49 year	270	147
Rasa Elektrik	Mardin	Fuel oil	22.03.2007	20 year	33	33
Kapıdağ	Balıkesir	WPP	12.12.2006	49 year	35	24
Siirt Akköy	Akköy	HPP	21.05.2014	42 year	13	13
<b>Total</b>					<b>3.536</b>	<b>2.076</b>

<sup>(\*)</sup>The licences for which the investments are being planned but not started yet.

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Aksa Energy has applied to Energy Market Regulatory Authority for cancellation of generation licence of Samsun CCGT plant, which has an installed capacity of 131 MW, since the power plant will be moved to Ghana as per BOD's decision to install a 370 MW HFO plant. The system usage agreement has been cancelled as per our request.

As per the application to Energy Market Regulatory Authority, generation licence of Van Natural Gas Combined Cycle Power Plant, which had an installed capacity of 115 MW, has been cancelled. The power plant, which has a decreasing chance of generation in free market conditions within Turkey, is expected to be used abroad on a US Dollar based contract with higher margins.

As per the application to Energy Market Regulatory Authority, generation licence of Siirt Akköy HFO plant, which had an installed capacity of 24 MW, has been cancelled. The power plant, which has a decreasing chance of generation in free market conditions within Turkey, is expected to be used abroad on a US Dollar based contract with higher margins.

## 2. Basis of Presentation of the Financial Statements

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect.

### Basis of Consolidation

The consolidated financial statements included the financial statements of Aksa Enerji Üretim A.Ş., Deniz Elektrik Üretim Limited Şirketi, Aksa Enerji Üretim Kıbrıs, Baki Elektrik Üretim Ltd. Şti., Rasa Elektrik Üretim A.Ş., Rasa Enerji Üretim A.Ş., İdil İki Enerji Sanayi ve Ticaret A.Ş., Ayres Ayvacık Rüzgar Enerjisinden Elektrik Üretim Santrali Ltd. Şti., Alenka Enerji Üretim ve Yatırım Ltd. Şti., Aksa Göynük Enerji Üretim A.Ş., Kapıdağ Rüzgar Enerjisi Elektrik Üretim Sanayi ve Ticaret A.Ş., Gesa Güç Sistemleri A.Ş., Siirt Akköy Enerji Üretim A.Ş., Aksa Aksen Enerji Ticareti A.Ş. and Aksa Energy Ghana Limited. The balance sheets and income statements of the consolidated entities are added on a line by line basis. All significant inter-company transactions and balances between the consolidated entities are eliminated on consolidation.

The subsidiaries which have been included in consolidation and their shareholding percentages at 31 December 2015 and 31 December 2014 are as follows:

Name of Consolidated Entity	Effective Rate of Ownership (%)	
	31.12.2015	31.12.2014
1. Aksa Enerji Üretim Kıbrıs - Y.Ş. (Northern Cyprus)	100,00	100,00
2. Rasa Elektrik Üretim A.Ş.	99,96	99,96
3. Deniz Elektrik Üretim Limited Şirketi	99,99	99,99
4. Baki Elektrik Üretim Limited Şirketi	95,00	95,00
5. Rasa Enerji Üretim A.Ş.	99,99	99,99
6. İdil İki Enerji Sanayi ve Ticaret A.Ş.	99,99	99,99
7. Ayres Ayvacık Rüzgar Enerjisinden Elektrik Üretim Santrali Ltd. Şti.	99,00	99,00
8. Alenka Enerji Üretim ve Yatırım Ltd. Şti.	90,45	90,45
9. Aksa Göynük Enerji Üretim A.Ş.	99,99	99,99
10. Kapıdağ Rüzgar Enerjisi Elektrik Üretim Sanayi ve Ticaret A.Ş.	94,00	94,00
11. Gesa Güç Sistemleri A.Ş.	99,99	99,99
12. Siirt Akköy Enerji Üretim A.Ş.	100,00	100,00
13. Aksa Aksen Enerji Ticareti A.Ş.	100,00	-
14. Aksa Energy Ghana Limited	75,00	-

All subsidiaries in the attached financial statements are fully consolidated and no minority interest is calculated because the companies are under the control of the Kazancı family.



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The Group is incorporated in Turkey, maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The financial statements have been prepared from statutory financial statements of the Group and presented in Turkish Lira (TL) with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

**Reporting currency**

The currency used in these consolidated financial statements is Turkish Lira, which is denoted by the symbol TL.

**Goodwill**

Goodwill is taken into account at the consolidation stage. Goodwill is the difference of the realizable value and cost of a subsidiary. Goodwill is carried at cost as reduced by appropriate provisions for diminution in the value of goodwill (if one exists) in the accompanying financial statements.

As of 31 December 2015 and 31 December 2014, positive goodwill (included in the balance sheet) as follows;

**Cost (Baki Elektrik)**

Payment (24.05.2006)	180.258
(-)Positive /( Negative) Fair value of the asset acquired	(43.725)
<b>Goodwill</b>	<b>223.983</b>

As of 24.05.2006 (from financial statements dated 31.12.2006), 95% of the shares of Baki Elektrik were acquired by the Group and TL 223.983 worth of positive goodwill arose. During 2012, as a result of additional payments amounting to TL 752.651 resulted in positive goodwill in income statement.

**Cost (İdil İki)**

Payment (05.03.2010)	18.000.000
(-)Positive /( Negative) Fair value of the asset acquired	14.650.644
<b>Goodwill</b>	<b>3.349.356</b>

As of 05.03.2010 (from financial statements dated 31.03.2010), 99,99% of the shares of İdil İki were acquired by the Group and TL 3.349.356 worth of positive goodwill arose.

**Cost (Ayres)**

Payment (18.04.2011)	3.275.083
(-)Positive /( Negative) Fair value of the asset acquired	(223.757)
<b>Goodwill</b>	<b>3.498.840</b>

As of 18.04.2011, Aksa Enerji has acquired 99,00% of the shares of Ayres Ayvacık Rüzgar Enerjisinden Elektrik Üretim Ltd.Sti. According to the valuation report prepared by a qualified institution as of 14.02.2011 and the balance sheet tests of the Company, TL 3.498.840 positive goodwill arose.

**Cost (Kapıdağ)**

Payment (31.05.2013)	126.588.793
(-)Positive /( Negative) Fair value of the asset acquired	9.369.391
<b>Goodwill</b>	<b>117.219.402</b>

# Akso Enerji Üretim A.Ş. and its Subsidiaries

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In accordance with IFRS 3, the goodwill of TL 117.219.402 arising from the purchase of shares of Kapıdağ Rüzgar Enerjisi Elektrik Üretim Sanayi ve Ticaret A.Ş. (Kapıdağ Wind Power Plant) is booked under machinery and equipment in tangible fixed assets and amortised in the accompanying financial statements.

#### **Inflation accounting**

The restatement for the changes in the general purchasing power of TL until 31 December 2005 is based on IAS 29 (“Financial Reporting in Hyperinflationary Economies”). As of 1 January 2006, it has been decided to discontinue the adjustment of financial statements for inflation after taking into account that the hyperinflation period has come to an end as indicated by existing objective criteria and, that other signs indicating the continuance of hyperinflation have largely disappeared.

#### **Amendments in International Financial Reporting Standards**

The Group has applied new standards, amendments and interpretations to existing IFRS standards published by IASB and IFRIC that are effective as at 1 January 2015 and are relevant to the Group's operations. There are no relevant amendments or interpretations for the Group which have been enforced as of 1 January 2015 and years to 31 December 2015.

#### **The new standards, amendments and interpretations which are effective for the financial statements as of 31 December 2015:**

- IFRS 9 Financial Instruments - Classification and measurement
- Clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38)
- Accounting for acquisition of interests in joint operations (Amendments to IFRS 11)
- IFRS 14 Regulatory Deferral Accounts
- Disclosure Initiative (Amendments to IAS 1)
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)
- Equity method in separate financial statements (Amendments to IAS 27)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

#### **Annual Improvements to TFRS 2012-2014 Cycle**

- IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”
- IFRS 7 “Financial Instruments: Disclosures”
- IAS 19 “Employee Benefits”
- IAS 34 “Interim Financial Reporting”

#### **The new standards, amendments and interpretations that are issued by IASB but not issued by POA**

IFRS 9 Financial Instruments - Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 - (2013)  
IFRS 9 Financial Instruments (2014)  
IFRS 15 Revenue from Contracts with customers

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.

### **3. Summary of Significant Accounting Policies**

The significant accounting policies followed in the preparation of the accompanying consolidated financial statements are set forth below:

#### **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include all short-term, highly liquid investments that are readily convertible to known amounts of cash and near to maturity that they present an insignificant risk of changes in value because of changes in interest rates.

#### **Trade receivables and allowance for doubtful receivables**

Trade receivables and notes receivable are recognized at original invoice amount and discounted to present value less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. In case the provision decreases as a result of an event that occurs after write off, the amount is reflected on the income statement in the current period.

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Based on an evaluation of its trade portfolio such as volume, character of outstanding loans, past loan experience and general economic conditions management provides a general reserve that it believes is adequate to cover possible losses and uncollectible amounts in the Group's receivables, in addition to specific reserves provided for receivables in legal follow-up.

**Related parties**

For the purpose of the accompanying financial statements, key personnel in management and board of directors, their family and controlled or dependent companies, participations and subsidiaries of the Group are referred to as related parties (Appendix 1).

**Trade payables**

Trade payables are stated at their nominal value, discounted to present value as appropriate.

**Derivative financial instruments**

Derivative financial instruments are initially recognized at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Company mainly consist of foreign exchange forward contracts and currency / interest rate swap instruments. These derivative transactions, even though providing effective economic hedges under the Company risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the financial statements.

The fair value changes for these derivatives are recognized in the income statement.

**Inventory**

Inventory (including raw materials) are valued at the lower of cost and net realizable value. Cost is calculated using the average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**Investments**

The unconsolidated investments are carried at cost, reduced where necessary to reflect permanent impairment in value.

**Property, plant and equipment, intangible assets and related depreciation and amortization**

Property, plant and equipment and intangible assets are stated at cost. Depreciation and amortization are provided on straight line basis. Repair and maintenance expenditure related to property, plant and equipment is expensed as incurred. The depreciation and amortization periods for property, plant, equipment and intangible assets which approximate the economic useful lives of such assets, are as follows:

	Year
Land improvements	5
Buildings	10-50
Leasehold improvements	5-10
Machinery and equipment <sup>(*)</sup>	10-40
Motor vehicles	5-8
Furniture, fixtures and office equipment	5-15
Intangible assets	2-49

<sup>(\*)</sup> The depreciation periods for power plants according to their types are as follows;

	Year
Wind Electricity Powerhouse	20
Natural Gas Power Plants	20
Fuel Oil Power Plants	15
Hidroelectric Power Plants	

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#### Financial liabilities

Interest bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and shown in other liabilities and expense accruals to the extent they are not settled in the period in which they arise.

Aksa Enerji Üretim A.Ş. has an export credit premium payable in connection with its long term loans used to finance the wind electricity, natural gas and other energy plants. In statutory financial statements, the Company recorded these both at assets (Other current and non current assets - Note 8) and liabilities (Financial liabilities- Note 12) until the time of payment. As of 31 December 2015, TL 31.747.901 (USD 7.761.078, EURO 2.889.537) and 31 December 2014, TL 34.161.382 (USD 10.156.043, EURO 3.761.666) of export credit premium is netted off from assets and liabilities.

Deniz Elektrik Üretim Ltd. Şti. has an export credit premium payable in connection with its long term loans used to finance the wind electricity plant. In statutory financial statements, the Company recorded these both at assets (Other current and non current assets - Note 8) and liabilities (Financial liabilities - Note 12) until the time of payment. As of 31 December 2015, TL 2.651.856 (USD 912.042) and 31 December 2014, TL 3.259.089 (USD 1.405.446) of export credit premium is netted off from assets and liabilities.

Baki Elektrik Üretim Ltd. Şti. has an export credit premium payable in connection with its long term loans used to finance the wind electricity plant. In statutory financial statements, the Company recorded these both at assets (Other current and non current assets - Note 8) and liabilities (Financial liabilities - Note 12) until the time of payment. As of 31 December 2015, TL 30.896.798 (USD 8.389.612 and EURO 2.046.564) and 31 December 2014, TL 28.648.060 (USD 9.588.129 and EURO 2.273.960) of export credit premium is netted off from assets and liabilities.

Rasa Enerji Üretim A.Ş. has an export credit premium payable in connection with its long term loans used to finance the wind electricity plant. In statutory financial statements, the Company recorded these both at assets (Other current and non current assets - Note 8) and liabilities (Financial liabilities - Note 12) until the time of payment. As of 31 December 2015, TL 5.334.688 (EURO 1.678.842) and 31 December 2014, TL 6.816.448 (EURO 2.416.580) of export credit premium is netted off from assets and liabilities.

#### Impairment of assets

Assets that have indefinite useful lives, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### Taxation and deferred income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax: The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax: Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

#### Employee benefits / retirement pay provision

Under the Turkish Labour Law and union agreements, employee termination payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No: 19 (revised) "Employee Benefits" ("IAS 19"). The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

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#### **Operating expenses**

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized.

#### **Revenue recognition**

Revenue involves the goods and service sales invoiced value. Revenues are recognized on an accrual basis at the time deliveries of goods and services or acceptances are made, the transfer of risks and benefits related to good are realized, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of the consideration received or receivable. The significant risks and benefits in sales are transferred when the goods are delivered or legal proprietorship is transferred to the customer. Interest income and expenses are recognized in the income statement on an accrual basis. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes.

#### **Research and development costs**

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved power plant equipments) are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Development costs that have been capitalised are amortised over five years.

#### **Segment reporting**

In identifying its operating segments, management generally follows the Group's service lines, which represent the main services provided by the Group. All the Group's power plants (except 120 MW power plant in Northern Cyprus) and wind electricity powerhouses are located in Turkey (notes 19-20).

#### **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

#### **Foreign currency transactions and translation**

Transactions in foreign currencies during the periods have been translated at the exchange rates prevailing at the dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. The foreign exchange gains and losses are recognized in the income statement.

The year end rates used for USD, EURO and GBP are shown below:

<b>Currency</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
USD	2,9076	2,3189
EURO	3,1776	2,8207
GBP	4,3007	3,5961

#### **Provisions**

A provision is recognized when, and only when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### **Commitments and contingencies**

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

#### **Use of estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

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**Significant management judgment in applying accounting policies**

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effect on the financial statements:

**Impairment:** An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management makes assumptions about future events and circumstances.

**Provisions:** The Group is currently defending certain lawsuits where the actual outcome may vary from the amount recognized in the financial statements. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Group's position in the related disputes.

**EBITDA**

EBITDA is defined as earnings before interest expense, income tax expense (benefit), depreciation and amortization. This information should be read with the statements of cash flows contained in the accompanying consolidated financial statements.

**4. Cash and Cash Equivalents**

	31.12.2015	31.12.2014
Cash on hand	63.861	108.138
Cash at banks		
- Demand account	10.423.577	7.278.613
- Time deposits and repurchase agreements (*)	37.964.978	26.851.249
	<b>48.452.416</b>	<b>34.238.000</b>

(\*) As of 31 December 2015, the maturity date of the USD time deposit is 04.01.2016 - 15.01.2016 and the effective interest rate on USD time deposit is 0,25-2,0% (31.12.2014: 12 days, interest rate is 2,0%).

Included in demand and time deposits, as of 31 December 2015 there is an amount of TL 17.447.920 (USD 6.000.000 and TL 1.320) which is blocked as security for the financial liabilities of the Group (31.12.2014: TL 13.913.400 - USD 6.000.000).

**5. Trade Receivables**

<b>Current trade receivables</b>	31.12.2015	31.12.2014
Customers' current accounts (**)	120.598.307	30.847.712
Trade receivables from related parties (***)	63.440.035	57.747.459
Notes receivable	-	218.054
Unearned interest on trade receivable (-)	(1.417.184)	(123.271)
Doubtful trade receivables	2.601.758	2.588.425
Provision for doubtful trade receivables (-)	(2.601.758)	(2.588.425)
	<b>182.621.158</b>	<b>88.689.954</b>

(\*\*) As of 31 December 2015, TL 22.186.903 (31.12.2014: TL 18.584.203) of trade receivables is assignable. It consists of bills of receivables issued by the Group for TEİAŞ, assigned as collateral for loans to banks.

(\*\*\*) The amount is detailed in note 6.

As of 31 December 2015 and 31 December 2014, the movement of the allowance for doubtful trade receivables is as follows:

	01.01.-31.12.2015	01.01.-31.12.2014
Opening balances at 1 January	2.588.425	2.588.425
Increase in provisions (note 21)	13.333	-
<b>Closing balance</b>	<b>2.601.758</b>	<b>2.588.425</b>

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**6. Due from/to Related Parties and Shareholders, net**

On 01.03.2010, Kazancı Holding A.Ş. signed a protocol with Aksa Enerji which stated that the liability of Kazancı Holding A.Ş. (at an amount of TL 335.2 million as of 31.12.2009) to be paid within 2 years.

This time, on 08.03.2012 a new protocol has been signed which has extended the payment period for a further 3 years. The amount of total net receivables (trade and non trade) from Kazancı Holding A.Ş. and all related parties is TL 560.8 million as of 31.12.2011.

Aksa Enerji had receivables from Kazancı Holding A.Ş., Koni İnşaat A.Ş. and Aksa Jeneratör Sanayi A.Ş. and Aksa Jeneratör business valuation report has been prepared by an independent expert and signed on 24.02.2012. Kazancı Holding had pledged all of Aksa Jeneratör's shares as guarantee in relation to Kazancı Holding, Koni İnşaat and Aksa Jeneratör to Aksa Enerji . As of 25.12.2014, the debt has been substantially repaid and the pledge has been removed.

As of 31 December 2015 and 31 December 2014 the breakdown of the related parties balances are as follows:

Due from related parties	31.12.2015		31.12.2014	
	Trade	Non-Trade	Trade	Non-Trade
Aksa Elektrik Perakende Satış A.Ş.	-	37.587	-	17.857
Aksa Elektrik Satış A.Ş.	63.436.380	-	58.361.000	-
Aksa International Ltd.	-	2.501.261	-	1.565.818
Aksa Jeneratör Sanayi A.Ş.	-	7.622	-	646.655
Aksa Satış Ve Pazarlama A.Ş.	11.813	211.867	10.408	258.412
Çoruh Elektrik Dağıtım A.Ş.	-	250	-	6.880
Çoruh Elektrik Perakende Satış A.Ş.	-	-	10.850	-
Fırat Elektrik Dağıtım A.Ş.	-	159	-	4.469
Kazancı Holding A.Ş.	-	743.063	-	2.169.498
Kazancı Teknik Cihazlar Yedek Parça A.Ş.	-	58.286	-	488.816
Koni İnşaat Sanayi A.Ş.	-	-	-	20.000
Onan Enerji Üretim A.Ş.	-	-	-	1.768.084
Rasa Endüstriyel Radyatörler San. A.Ş.	-	-	78.243	-
Other	71	345.374	126.529	398.280
Unearned interest on trade receivables from related parties (-)	(8.229)	-	(839.571)	-
<b>Total</b>	<b>63.440.035</b>	<b>3.905.469</b>	<b>57.747.459</b>	<b>7.344.769</b>

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Due to related parties	31.12.2015		31.12.2014	
	Trade	Non-Trade	Trade	Non-Trade
Aksa Elektrik Perakende Satış A.Ş.	-	-	-	1.006
Aksa Elektrik Satış A.Ş.	7.321.048	-	6.383.648	-
Aksa Far East PTE Ltd.	-	1.475.043	-	916.448
Aksa Havacılık A.Ş.	554.444	-	203.996	-
Aksa Jeneratör Sanayi A.Ş.	16.013.388	311.391	402.306	329.913
Aksa Satış Ve Pazarlama A.Ş.	3.871	-	-	7.057
Aksa Servis Ve Yedek Parça A.Ş.	1.975	-	63.243	-
Aksa Teknoloji A.Ş.	161.990	-	196.069	-
Çoruh Elektrik Dağıtım A.Ş.	-	-	6.689	43.381
Deriş İnşaat A.Ş.	113.137	-	56.119	-
Elektrik Altyapı Hizmetleri Ltd. Şti.	445.579	-	469.984	-
Fırat Elektrik Dağıtım A.Ş.	1.875	-	325	13.725
Aksa Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.	10.035.801	-	19.645.500	-
Kazancı Holding A.Ş.	-	67.881	-	55.721
Kazancı Teknik Cihazlar Yedek Parça A.Ş.	-	-	66	339.673
Koni İnşaat Sanayi A.Ş.	978.111	297.095	951.750	-
Aksa Manisa Doğalgaz Dağıtım A.Ş.	7.121.505	-	17.151.435	-
Rasa Endüstriyel Radyatör San. A.Ş.	-	-	90.006	-
Koni Tarım İşletmeleri A.Ş.	210.375	-	347.875	-
Aksa Samsun Enerji Üretim A.Ş. (Koni Tarımsal Yatırımlar A.Ş.)	-	-	250	1.263.031
Datça Rüzgar Enerjisi Elektrik Üretimi A.Ş.	-	2.724.132	-	-
Aksa Van Doğalgaz Dağıtım A.Ş.	-	-	19.320.221	-
Çoruh Elektrik Perakende Satış A.Ş.	50.871.470	-	-	-
Fırat Elektrik Perakende Satış A.Ş.	34.354.986	-	34.596	-
Unearned interest on trade payables from related parties (-)	(769.623)	-	(52.633)	-
Other	428.656	31.389	25.041	20.936
<b>Total</b>	<b>127.848.588</b>	<b>4.906.931</b>	<b>65.296.486</b>	<b>2.990.891</b>
<b>Due from / to related parties, net</b>	<b>(64.408.553)</b>	<b>(1.001.462)</b>	<b>(7.549.027)</b>	<b>4.353.878</b>

## 7. Inventory

	31.12.2015	31.12.2014
Raw materials <sup>(1)</sup>	186.122.671	146.140.500
Work in process	125.699.522	80.896.503
Other inventory	115.063.779	53.451.582
Finished goods	775.517	337.654
Merchandise	84.825	11.537
Provision for diminution in value of inventory (-)	(12.389.160)	(11.639.160)
	<b>415.357.154</b>	<b>269.198.616</b>

<sup>(1)</sup> Raw materials are mainly comprised of spare parts and fuel oil required for the power plants.



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As of 31 December 2015 and 31 December 2014, the movement of the provision for diminution value of inventory is as follows:

	01.01.-31.12.2015	01.01.-31.12.2014
Opening balances at 1 January	11.639.160	11.639.160
Increase in provisions	750.000	-
<b>Closing balance</b>	<b>12.389.160</b>	<b>11.639.160</b>

**8. Other Current and Non-Current Assets**

Other Current Assets	31.12.2015	31.12.2014
VAT carried forward	134.329.234	74.697.469
Advances given for inventories	30.299.920	21.701.518
Prepaid expenses	5.148.108	4.903.034
Prepaid taxes and funds	5.005.241	9.213.838
Advances given for business purposes	4.206.606	4.976.127
Other doubtful receivables	8.173.855	4.155.354
Provision for other sundry receivables	(8.173.855)	(4.155.354)
Sundry debtors	1.303.903	1.125.427
	<b>180.293.012</b>	<b>116.617.413</b>

As of 31 December 2015 and 31 December 2014, the movement of the allowance for doubtful receivables is as follows:

	01.01.-31.12.2015	01.01.-31.12.2014
Opening balances at 1 January	4.155.354	498.451
Increase in provisions (note 21)	4.139.243	3.739.937
Reversal of provisions and collections received (note 22)	(120.742)	(83.034)
<b>Closing balance</b>	<b>8.173.855</b>	<b>4.155.354</b>
Other Non Current Assets	31.12.2015	31.12.2014
Advances given <sup>(*)</sup>	44.992.503	79.436.173
Deposits given <sup>(**)</sup>	2.484.450	1.163.205
Prepaid expenses	23.896	15.753
	<b>47.500.849</b>	<b>80.615.131</b>

<sup>(\*)</sup> Advances given is mainly related to Aksa Göynük thermal power plant and other energy production power plants (note 1).

<sup>(\*\*)</sup>As of 31 December 2015, the amount of TL 641.362 (31 December 2014: TL 537.934 ) is related to collateral given to Takasbank in relation to receivables to be collected through TEİAŞ sales transactions.

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**9. Investments**

	Participation rate (%)	31.12.2015	31.12.2014
Rasa Radiator (Jiangyin) Co. Ltd.	100,00	-	1.512.300
Enerji Piyasaları İşletme A.Ş. (****)	0,67	412.408	412.408
		<b>412.408</b>	<b>1.924.708</b>

(\*\*\*\*)As of 20.11.2014, Aksa Enerji Üretim A.Ş. participated in the shareholding structure of EPIAŞ as one of the Kazancı Holding Group Companies, by investing TL 412.408 cash in the paid in capital of EPIAŞ and became 0,67% shareholder EPIAŞ.

**10. Property, Plant and Equipment**

	01.01.2015	Additions	Disposals	Transfer	Foreign Currency Translation Differences	31.12.2015
<b>Cost</b>						
Land, land improvements and buildings	64.107.764	1.302.945	(3.107.034)	40.411.240	(11.905)	102.703.010
Leasehold improvements	639.212	17.252	(1.001)	-		655.463
Machinery and equipment	2.465.013.805	62.420.425	(4.490.120)	855.031.995	(714)	3.377.975.391
Motor vehicles	2.116.654	388.772	(789.495)	-	(17.376)	1.698.555
Furniture, fixtures and office equipment	14.341.597	1.407.683	(94.782)	-	(705)	15.653.793
Construction in progress (**)	921.988.123	433.257.594	(256.704)	(895.443.235)	(106.943)	459.438.835
	<b>3.468.207.155</b>	<b>498.794.671</b>	<b>(8.739.136)</b>	<b>-</b>	<b>(137.643)</b>	<b>3.958.125.047</b>

**Accumulated Depreciation**

Land improvements and buildings	2.013.021	656.100	(1.237)	-	-	2.667.884
Leasehold improvements	259.154	31.682	(976)	-	-	289.860
Machinery and equipment	725.130.021	142.796.143	(1.453.649)	-	-	866.472.515
Motor vehicles	1.498.816	227.209	(789.495)	-	-	936.530
Furniture, fixtures and office equipment	9.273.980	1.109.454	(25.478)	-	-	10.357.956
	<b>738.174.992</b>	<b>144.820.588</b>	<b>(2.270.835)</b>	<b>-</b>	<b>-</b>	<b>880.724.745</b>

<b>Net Book Value</b>	<b>2.730.032.163</b>					<b>3.077.400.302</b>
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	01.01.2014	Additions	Disposals	Transfer	Acquisition of new companies <sup>(1)</sup>	31.12.2014
Cost						
Land, land improvements and buildings	63.790.643	246.335	(82.079)	-	152.865	64.107.764
Leasehold improvements	628.369	10.843	-	-	-	639.212
Machinery and equipment	2.239.766.121	25.816.211	(2.404.356)	134.051.367	67.784.462	2.465.013.805
Motor vehicles	2.201.591	51.878	(136.815)	-	-	2.116.654
Furniture, fixtures and office equipment	12.454.114	1.862.200	(56.346)	-	81.629	14.341.597
Construction in progress	406.404.338	658.813.497	(9.292.117)	(134.051.367)	113.772	921.988.123
	2.725.245.176	686.800.964	(11.971.713)	-	68.132.728	3.468.207.155
<b>Accumulated Depreciation</b>						
Land improvements and buildings	1.664.574	347.348	-	-	1.099	2.013.021
Leasehold improvements	229.184	29.970	-	-	-	259.154
Machinery and equipment	603.873.574	119.582.419	(1.410.434)	-	3.084.462	725.130.021
Motor vehicles	1.454.502	181.129	(136.815)	-	-	1.498.816
Furniture, fixtures and office equipment	8.317.042	998.475	(52.751)	-	11.214	9.273.980
	615.538.876	121.139.341	(1.600.000)	-	3.096.775	738.174.992
<b>Net Book Value</b>	<b>2.109.706.300</b>					<b>2.730.032.163</b>

<sup>(1)</sup> It is related to Siirt Akköy Enerji Üretim Üretim A.Ş..

During the period ended 31 December 2015, TL 62.165.274 (31 December 2014: TL 44.773.138) of interest expenses and foreign exchange losses have been capitalized in accordance with IAS 23.

<sup>(2)</sup> As of 31 December 2015, the breakdown of construction in progress are as follows:

	Technical Completion	Investment Expenditures
Kozbükü Ordu – HPP	97,00	205.467.608
Bolu Göynük thermal power plant	100,00	122.709.875
Ghana PP project	28,00	97.991.669
Cyprus Kalecik – Mobile PP	99,00	6.781.525
Other <sup>(*)</sup>		26.488.158
		<b>459.438.835</b>

<sup>(\*)</sup> Other projects are related to HPP and WPP Projects as explained in note 1 which are under license.

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The allocation of current year depreciation and amortization expenses for the years ended 31 December 2015 and 2014 is as follows:

	01.01.-31.12.2015	01.01.-31.12.2014
Cost of sales	144.428.908	120.658.961
General administrative expenses (note 21)	774.658	837.116
Marketing and selling expenses	-	1.185
	<b>145.203.566</b>	<b>121.497.262</b>

**11. Intangible Assets, net**

	01.01.2015	Additions	Disposals	31.12.2015
<b>Cost</b>				
Rights	2.791.533	887.187	(36.250)	3.642.470
Other intangible assets	483.196	293.735	-	776.931
	<b>3.274.729</b>	<b>1.180.922</b>	<b>(36.250)</b>	<b>4.419.401</b>
<b>Accumulated Depreciation</b>				
Rights	1.168.341	185.063	(5.355)	1.348.049
Other intangible assets	214.891	197.915	-	412.806
	<b>1.383.232</b>	<b>382.978</b>	<b>(5.355)</b>	<b>1.760.855</b>
<b>Net Book Value</b>	<b>1.891.497</b>			<b>2.658.546</b>

	01.01.2014	Additions	Acquisition of new companies (*)	31.12.2014
<b>Cost</b>				
Rights	2.575.333	173.100	43.100	2.791.533
Other intangible assets	363.024	120.172	-	483.196
	<b>2.938.357</b>	<b>293.272</b>	<b>43.100</b>	<b>3.274.729</b>
<b>Accumulated Depreciation</b>				
Rights	968.142	198.629	1.570	1.168.341
Other intangible assets	55.599	159.292	-	214.891
	<b>1.023.741</b>	<b>357.921</b>	<b>1.570</b>	<b>1.383.232</b>
<b>Net Book Value</b>	<b>1.914.616</b>			<b>1.891.497</b>

(\*) Siirt Akköy Enerji Üretim A.Ş..

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**12. Financial Liabilities**

	31.12.2015	31.12.2014
Short-term bank loans	140.733.970	26.380.674
Current portion of long-term bank loans	537.039.609	305.497.163
Factoring payables	53.220.162	44.423.270
Finance lease liabilities, net	30.115.047	33.480.723
Interest expense accruals	27.934.476	29.812.615
<b>Total short-term financial liabilities</b>	<b>789.043.264</b>	<b>439.594.445</b>
Long-term bank loans	1.470.351.264	1.171.373.770
Factoring payables	50.990.043	53.694.282
Bond issuance	137.129.101	-
Finance lease liabilities, net	139.186.707	150.702.377
<b>Total long -term financial liabilities</b>	<b>1.797.657.115</b>	<b>1.375.770.429</b>
<b>Total financial liabilities</b>	<b>2.586.700.379</b>	<b>1.815.364.874</b>

As of 31 December 2015, the effective interest rate of the short term TL loans is between 12,99%-16,49% (31 December 2014: 12,67%-12,93%), USD loans is between 0,62%-4,60% (31 December 2014: 0,79%-7,48%).

As of 31 December 2015, TL loans is between 12,99%-16,49% (31 December 2014: 12,16%-16,15%), USD loans is between 0,64%-8,28% (31 December 2014: 0,79%-7,48%) and EURO loans is between 2,21%-7,41% (31 December 2014: 1,96%-9,65%).

Bank loans are guaranteed by Kazancı Holding A.Ş., Aksa Jeneratör Sanayi A.Ş. (a related party), personal guarantee of the Group's shareholders, as well as several other securities.

As of 31 December 2015, total amounting of corporate guarantees provided by Kazancı Family members and Kazancı Holding companies for the Group's bank borrowings is TL 5.280.807.031 (31 December 2014: TL 3.018.740.519).

As of 31 December 2015, the repayment schedule of the short term and long term loans is as follows:

Payment Year	EURO	USD	TL	Total TL Equivalent
Payable in 1 year	20.773.659	72.168.082	401.927.285	677.773.579
Payable in 1-2 years	19.003.450	74.203.141	194.700.041	470.838.457
Payable in 2-3 years	16.975.942	60.529.602	59.673.053	289.611.677
Payable in 3-4 years	13.125.405	53.502.076	-	197.269.923
Payable in 4-5 years	6.579.733	40.753.441	-	139.402.465
Payable over 5 years	12.362.004	114.853.225	-	373.228.742
<b>Total</b>	<b>88.820.193</b>	<b>416.009.567</b>	<b>656.300.379</b>	<b>2.148.124.843</b>

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**Factoring Payables**

As of 31 December 2015 and 31 December 2014, the breakdown of the factoring payables is as follows:

	31.12.2015	31.12.2014
Short-term:		
Yapı ve Kredi Faktoring A.Ş. <sup>(*)</sup>	53.220.162	44.423.270
<b>Total short term</b>	<b>53.220.162</b>	<b>44.423.270</b>
Long-term:		
Yapı ve Kredi Faktoring A.Ş. <sup>(*)</sup>	50.990.043	53.694.282
<b>Total long term</b>	<b>50.990.043</b>	<b>53.694.282</b>
<b>Total</b>	<b>104.210.205</b>	<b>98.117.552</b>

<sup>(\*)</sup>As of 31.12.2015, TL 104.210.205 (31.12.2014: TL 97.455.761 ) of total liabilities has occurred by the service purchase agreement signed via leasing between KIBTEK and the Group which is based on electricity receivable for the future periods by factoring. As of 31 December 2015, TL 14.115.674 (31.12.2014: TL 15.932.758) of KIBTEK receivables is netted off from assets and liabilities.

**Lease Payables**

The Group acquired machinery and equipment via financial leasing. As of 31 December 2015, the repayment schedule of leasing obligations is as follows:

Payment Year	EURO	USD	Total TL Equivalent
Payable in 1 year	6.461.971	3.295.326	30.115.047
Payable in 1-2 years	4.783.235	-	15.199.208
Payable in 2-3 years	4.025.175	2.231.869	19.279.778
Payable in 3-4 years	3.046.939	5.118.040	24.563.166
Payable in 4-5 years	2.852.896	3.073.464	18.001.765
Payable over 5 years	7.668.152	12.992.320	62.142.790
<b>Total</b>	<b>28.838.368</b>	<b>26.711.019</b>	<b>169.301.754</b>

**13. Trade Payables**

	31.12.2015	31.12.2014
Suppliers' current accounts <sup>(*)</sup>	405.808.727	367.119.528
Trade payables to related parties <sup>(**)</sup>	127.848.588	65.296.486
Unearned interest on trade payable (-)	(488.057)	(594.259)
	<b>533.169.258</b>	<b>431.821.755</b>

<sup>(\*)</sup> As of 31.12.2015 TL 133.025.154 (31.12.2014, TL 166.420.610) of the amount is related to letter of credits which are in relation to import of spare parts and small equipments for power plants.

<sup>(\*\*)</sup> The amount is detailed in note 6.

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**14. Taxation Payable on Income**

The corporation tax rate in Turkey on the profits for the calendar year 2015 is 20% (2014: 20%). Taxable profits are calculated by modifying accounting income for certain exclusions and allowances for tax purposes from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed. In Turkey, no taxes are withheld from undistributed profits, profits added to share capital (bonus shares) and dividends paid to other resident companies. Other than those, profits distributed in dividends to individuals and non-resident companies are subject to withholding at the rate of 15%.

The Turkish Tax Procedural Law does not include a procedure for formally agreeing tax assessments. Tax returns must be filed within three and a half months of the year-end and may be subject to investigation, together with their underlying accounting records, by the tax authorities at any stage during the following five years.

The tax liabilities included in the accompanying financial statements comprised:

	31.12.2015	31.12.2014
a) Included in the income statement:		
Current tax charge	(6.801.785)	(9.552.718)
Deferred tax	13.009.656	22.377.148
	31.12.2015	31.12.2014
b) Included in the balance sheet:		
Taxation payable on income (current)	6.801.785	9.552.718
Deferred tax assets	100.491.830	56.162.669
Deferred tax liabilities	34.956.268	4.842.746

**Deferred taxes**

The Group recognizes deferred tax assets and liabilities based upon the temporary differences between financial statements as reported in accordance with IFRS and its tax base of statutory financial statements. These differences usually result in the recognition of revenue and expense items in different periods for IFRS and statutory tax purposes.

Turkish Tax Legislation does not permit a parent company, its subsidiaries and joint ventures to file a consolidated tax return, therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. In this respect deferred tax assets and liabilities of consolidated entities in the accompanying consolidated financial statements are not offset.

**15. Other Payables and Accrued Liabilities**

Current	31.12.2015	31.12.2014
Taxes and dues payable	5.937.049	10.096.783
Due to personnel	2.754.961	2.405.738
Deposits received	2.212.244	1.248.905
Social security premiums payable	1.010.473	876.236
Provision for lawsuits	592.178	592.178
Order advances received	4.867	5.697
Other	398.386	540.589
	12.910.158	15.766.126

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**16. Retirement Pay Provision**

Under the Turkish Labour Law, the Group is required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The amount payable consists of one month's salary limited to a maximum of TL 3.828,37 for each year of service as of 31 December 2015 ( 31.12.2014 : TL 3.438,22)

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 Group arising from the retirement of the employees.

Communiqué require actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31.12.2015	31.12.2014
Discount rate %	10,50	9,25
Inflation rate %	6,50	7,00

Movements of the provision for employee termination benefits during the period are as follows:

	01.01.-31.12.2015	01.01.-31.12.2014
Balance at 1 January	5.208.671	3.006.952
Service cost	1.764.419	2.155.235
Interest cost	122.314	67.262
Payments	(367.726)	(393.159)
Actuarial difference	(2.341.895)	169.803
Acquisition of new companies	--	202.578
<b>Balance at the end of the year</b>	<b>4.385.783</b>	<b>5.208.671</b>

The allocation of the provision for employment termination benefits expenses in the income statement are as follows:

	01.01-31.12.2015	01.01-31.12.2014
Cost of Sales	1.345.354	1.690.388
General administrative expenses (note 21)	173.653	138.950
	<b>1.519.007</b>	<b>1.829.338</b>



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**17. Share Capital**

The issued and paid up share capital of Aksa Enerji Üretim A.Ş. comprised 613.169.118 (31 December 2014: 613.169.118) shares of par value TL 1 each at 31 December 2015.

	31.12.2015	%	31.12.2014	%
Kazancı Holding A.Ş.	380.064.978	61,98	380.064.977	61,98
Goldman Sachs	101.911.765	16,62	101.911.765	16,62
Public Share	131.158.000	21,39	131.158.000	21,39
Other	34.375	( <sup>*)</sup>	34.376	( <sup>*)</sup>
Historic share capital	613.169.118	100,00	613.169.118	100,00
Inflation adjustment to share capital	1.987.932		1.987.932	
<b>Inflation adjusted share capital</b>	<b>615.157.050</b>		<b>615.157.050</b>	

<sup>(\*)</sup> Less than 0,01

Kazancı Holding A.Ş., being the Parent Company of Aksa Enerji, has secured 500 million USD long term credit facility arranged by Goldman Sachs, China Development Bank, Garanti Bankası and İş Bankası. 68,86% of issued capital of Aksa Enerji are pledged as security of the credit facility to Garanti Bankası acting as Security Agent.

**18. General Reserves**

General reserves comprise prior years' undistributed income and legal reserves.

The legal reserves are appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. The legal reserves are not available for distribution unless they exceed 50% of the paid-in share capital but may be used to offset losses in the event that the general reserve is exhausted.

Undistributed retained earnings are available for distribution. However if this reserve is distributed as dividends, a further legal reserve is required to be provided equal to 10% of dividend declared.

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**19. Net Sales**

Total Sales - MWH / Unit	01.01.-31.12.2015	01.01.-31.12.2014
Energy sales - GWH <sup>(*)</sup>	14.018	9.814
Generator sales - unit	-	14
<b>Total Sales - Amount</b>	<b>01.01.-31.12.2015</b>	<b>01.01.-31.12.2014</b>
Electricity Sales <sup>(*)</sup>	2.307.704.694	1.951.237.135
Total Lignite Sales and Transportation Income	12.320.031	5.031.382
Natural Gas Equipments sales	1.096.314	540.536
Generator sales	--	786.803
Other	166.979	592.919
Discount on sales (-)	(1.327.243)	(750.871)
<b>Total Sales</b>	<b>2.319.960.775</b>	<b>1.957.437.904</b>

<sup>(\*)</sup>In 2015, the Group generated total 5.686 GWh of electricity (5.222 GWh generation, 464 GWh imbalancing). Additionally received 1.664 GWh of TEIAS load rejection order (YAT) and together with the trading activities amounting to 6.668 GWh (out of which 2.300 GWh is sold through OTC market), total sales volume reached to 14.018 GWh. The average selling price is 177,6 TL/MWh. The Group's average capacity utilization ratio is 41,41% . The adjusted average capacity utilization ratio of trading activities is 79,68 % (01.01.-31.12.2014: 58,81 %).

**20. Cost of Sales**

	01.01.-31.12.2015	01.01.-31.12.2014
Cost of Energy Sales	1.992.055.134	1.707.712.702
Cost of Lignite Sales	9.677.088	2.437.428
Cost of Natural Gas Equipments Sales	806.286	422.567
Other	(924.320)	263.935
<b>COST OF SALES</b>	<b>2.001.614.188</b>	<b>1.710.836.632</b>

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**21. Marketing and Selling and General Administrative Expenses**

	01.01.-31.12.2015	01.01.-31.12.2014
Research and development expenses	5.816	-
Marketing, selling and distribution expenses	560.356	2.044.023
General administrative expenses	26.762.398	22.188.650
	<b>27.328.570</b>	<b>24.232.673</b>

Breakdown of operating expenses are as follows:

Marketing, selling and distribution expenses	01.01.-31.12.2015	01.01.-31.12.2014
Rent expenses	96.651	99.252
Freight and freight insurance	132.525	1.840.557
Advertising expenses	220.500	11.500
Other	110.680	92.714
	<b>560.356</b>	<b>2.044.023</b>

General administrative expenses	01.01.-31.12.2015	01.01.-31.12.2014
Personnel expenses	12.183.419	10.588.516
Doubtful debts provision expense (note 5- 8)	4.152.576	3.739.937
Consultancy expenses	2.771.825	1.124.103
Traveling expenses	2.317.955	1.908.276
Depreciation and amortisation expenses (note 10)	774.658	837.116
Retirement pay provision expense (note 16)	173.653	138.950
Rent expenses	1.358.750	790.678
Other	3.029.562	3.061.074
	<b>26.762.398</b>	<b>22.188.650</b>

**22. Other Operating Income and Other Operating Expenses**

Other Income	01.01.-31.12.2015	01.01.-31.12.2014
Income on insurance claims	1.689.660	1.857.780
Discount on trade payable	1.183.235	413.155
Doubtful debt provision released (note 8)	120.742	83.034
Other income	411.125	1.436.149
	<b>3.404.762</b>	<b>3.790.118</b>

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Other Expenses	01.01.-31.12.2015	01.01.-31.12.2014
Discount on trade receivable	878.749	824.022
Donation and grants	1.053.746	673.245
Uncollectible receivables	1.625.208	-
Positive goodwill	-	2.747.958
Other expense	3.048.368	14.269.772
	<b>6.606.071</b>	<b>18.514.997</b>

**23. Income From Investing Activities and Expenses From Investing Activities**

Income from investing activities	01.01.-31.12.2015	01.01.-31.12.2014
Profit on sale of fixed assets <sup>(*)</sup>	29.153.783	1.432.105
	<b>29.153.783</b>	<b>1.432.105</b>

<sup>(\*)</sup> The amount is related to profit on sale of Samsun power plant land.

Expenses from investing activities (-)	01.01.-31.12.2015	01.01.-31.12.2014
Loss on sale of fixed assets	552.742	249.847
	<b>552.742</b>	<b>249.847</b>

**24. Financing Income and Financing Expenses**

Financing income	01.01.-31.12.2015	01.01.-31.12.2014
Foreign exchange gains	193.035.541	171.777.460
Interest income on related parties	22.670.269	19.210.670
Interest income on time deposits at banks	3.256.060	8.382.962
Financing income from derivative financial instruments	-	224.640
	<b>218.961.870</b>	<b>199.595.732</b>

Financing expenses (-)	01.01.-31.12.2015	01.01.-31.12.2014
Foreign exchange losses <sup>(*)</sup>	585.398.208	247.317.242
Interest expense on bank loans	151.810.022	104.464.253
Interest expense on related parties	31.722.061	18.198.626
Letters of guarantee and bank commission expenses	1.060.886	11.828.875
Other	16.082	-
	<b>770.007.259</b>	<b>381.808.996</b>

<sup>(\*)</sup> As of 31.12.2015, the amount of TL 203.264.569 is related to Göynük power plant Project.

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**25. Commitments and Contingencies**

**a) Letters of guarantee given to:**

31.12.2015	TL	USD	EUR	TL Equivalent
Botaş-Petroleum Pipeline Corporation	--	8.443.184	--	24.549.402
Banks	--	6.693.163	21.149.444	86.665.515
Electricity distribution companies	1.682.487	--	--	1.682.487
Energy Market Regulatory Authority (EMRA)	85.229.800	--	--	85.229.800
Ministry of Custom and Trade	--	--	1.250.000	3.972.000
Enforcement offices	796.029	--	--	796.029
Special provincial administration	39.646	--	--	39.646
Electricity Authority of KKTC	--	3.000.000	--	8.722.800
Turkey Electricity Distribution Company (TEDAS)	26.862	--	--	26.862
Turkey Electricity Transmission Company (TEIAS)	12.920.187	2.676.518	40.000	20.829.535
Turkey Electricity Generation Company (EUAS)	--	718.601	--	2.089.405
Other	31.168.525	--	--	31.168.525
<b>Total</b>	<b>131.863.537</b>	<b>21.531.466</b>	<b>22.439.444</b>	<b>265.772.006</b>
31.12.2014	TL	USD	EUR	TL Equivalent
Botaş-Petroleum Pipeline Corporation	--	11.084.184	--	25.703.114
Banks	--	7.768.704	22.310.105	80.944.960
Electricity distribution companies	1.759.912	--	--	1.759.912
Energy Market Regulatory Authority (EMRA)	70.426.184	--	--	70.426.184
Enforcement offices	--	--	1.250.000	3.525.875
Special provincial administration	1.478.557	--	--	1.478.557
Electricity Authority of KKTC	--	3.000.000	--	6.956.700
Turkey Electricity Distribution Company (TEDAS)	26.862	--	--	26.862
Turkey Electricity Transmission Company (TEIAS)	11.336.252	2.676.518	--	17.542.830
Turkey Electricity Generation Company (EUAS)	--	718.601	--	1.666.364
Other	12.705.767	--	--	12.705.767
<b>Total</b>	<b>97.733.534</b>	<b>25.248.007</b>	<b>23.560.105</b>	<b>222.737.125</b>

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**b) Guarantees given for the Group's loans**

Guarantee Types - 31.12.2015	Foreign Currency	Currency Amount	Total (TL)
Pledge (**)	EUR	51.000.000	162.057.600
Commercial Enterprise Pledge(**)	USD	133.000.000	386.710.800
Machinery and Equipment Pledge (**)	EUR	24.914.673	79.168.865
Bank Deposit Blockage (Note 4)	USD	6.000.000	17.445.600
Bank Deposit Blockage (Note 4)	TL	1.320	1.320
Surety Ship	TL	618.686.000	618.686.000
Surety Ship	USD	1.275.716.810	3.709.274.196
Surety Ship	EUR	299.863.682	952.846.835
Assignment of Claim	TL	731.377.778	731.377.778
Letters of guarantee	USD	6.693.163	19.461.041
Letters of guarantee	EUR	21.149.444	67.204.474
<b>Total</b>			<b>6.744.234.509</b>

Guarantee Types - 31.12.2014	Foreign Currency	Currency Amount	Total (TL)
Pledge	EUR	51.000.000	143.855.700
Commercial Enterprise Pledge	USD	133.000.000	308.413.700
Machinery and Equipment Pledge	EUR	24.914.673	70.276.818
Bank Deposit Blockage (Note 4)	USD	6.000.000	13.913.400
Surety Ship	TL	619.396.000	619.396.000
Surety Ship	USD	928.575.840	2.153.274.515
Surety Ship	EUR	87.237.212	246.070.004
Assignment of Claim	TL	313.700.000	313.700.000
Collateral Bond	EUR	428.428	1.208.467
Letters of guarantee	USD	7.768.704	18.014.847
Letters of guarantee	EUR	22.310.105	62.930.114
<b>Total</b>			<b>3.951.053.565</b>

(\*) The amount is related to Antalya power plant.

(\*\*) As of 31.12.2015, a collateral of TL 79.168.865 (EURO 24.914.673) (31.12.2014: TL 70.276.818 (EURO 24.914.673)) have been pledged on the machinery and equipment at the powerplant of Rasa Enerji Üretim A.Ş., a consolidated subsidiary.

(\*\*\*) As of 31.12.2015, a collateral of TL 162.057.600 (EURO 51.000.000) (31.12.2014: 143.855.700) have been pledged on the powerplant estate of Kapıdağ Rüzgar Enerjisi Üretim Sanayi ve Ticaret A.Ş., a consolidated subsidiary.

In relation to two bank loans from Commerzbank AG (total of EURO 97.292.148) 51% of Baki Elektrik's shares have been pledged as security.

Kazancı Holding, being the Parent Company of Aksa Enerji, has secured 500 million USD long term credit facility arranged by Goldman Sachs, China Development Bank, Garanti Bankası and İş Bankası. 68.86% of issued capital of Aksa Enerji are pledged as security of the credit facility to Garanti Bankası acting as Security Agent.

The Group has signed an assignment agreement in relation to the current financial debts. As of 31.12.2015, open risk amount of assignment agreements is TL 731.377.778 (31.12.2014: TL 313.700.000).

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**Guarantees given to related parties**

As of 31 December 2015, the Group has no corporate guarantees granted to Kazancı Group companies in relation to their bank loans (31.12.2014: TL 343.494.554).

As of 31 December 2015, there are 13 lawsuits pending in favour of the Group at the amount of TL 5.995.688 and there are 54 lawsuits pending against the Group at the amount of TL 5.072.160.

As of the report date, the management does not expect negative outcomes in relation to ongoing lawsuits in the short run therefore there is no allowance reflected to financial statements regarding to those lawsuits.

**26. Derivative Financial Instruments**

<b>Current derivative financial instruments asset</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
Cross currency swap	-	2.739.513
<b>Total</b>	<b>-</b>	<b>2.739.513</b>

As of 31 December 2014, the Group uses cross currency derivatives to manage its exposure to foreign currency exchange rates fluctuations on its bank borrowings amount of TL 56.859.428 (USD 24.520.000). As of 31.12.2014, mark to market amount is TL 2.739.513 and shown as short term derivative financial assets in the financial statements.

<b>Current derivative financial instruments liabilities</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
Option	-	58.505
Interest rate swap	7.207.204	1.479.701
<b>Total</b>	<b>7.207.204</b>	<b>1.538.206</b>

As of 31 December 2015, the Group uses interest rate derivatives to manage its exposure to interest rate fluctuations on its bank borrowings amount of TL 558.259.200 (USD 192.000.000). As of 31.12.2015, mark to market amount is TL 7.207.204 and shown as short term derivative financial liabilities in the financial statements.

As of 31 December 2014, the Group uses interest rate derivatives to manage its exposure to interest rate fluctuations on its bank borrowings amount of TL 447.426.765 (USD 192.947.848). As of 31.12.2014, mark to market amount is TL 1.479.701 and shown as short term derivative financial liabilities in the financial statements.

As of 31 December 2014, the Group uses cross currency derivatives as put option for TL 71.074.285 (USD 30.650.000). As of 31.12.2014, mark to market amount is TL 58.505 and shown as short term derivative financial liabilities in the financial statements.

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**27. The Nature and Level of Risks Arising From Financial Instruments**

The table below summarizes the foreign monetary position risk of the Group as of 31 December 2015 and 31 December 2014, the recorded amounts of the foreign monetary assets are kept by the Group and those of the payables in terms of total amounts and foreign exchange are as follows:

31.12.2015	USD	EUR	GBP	CHF	TL Equivalent
Cash and cash equivalents	6.308.579	110.558	81	-	18.694.472
Trade receivables	50.741	4.160	-	-	160.753
Other non-current assets	13.310.658	2.208.069	-	-	45.718.430
<b>Total foreign currency assets</b>	<b>19.669.978</b>	<b>2.322.787</b>	<b>81</b>	<b>-</b>	<b>64.573.655</b>
Financial liabilities	442.720.586	117.658.561	-	-	1.661.126.219
Trade payables	51.088.149	10.891.891	1.867	16.905	183.211.499
<b>Total foreign currency liabilities</b>	<b>493.808.735</b>	<b>128.550.452</b>	<b>1.867</b>	<b>16.905</b>	<b>1.844.337.718</b>
<b>Net foreign currency position</b>	<b>(474.138.757)</b>	<b>(126.227.665)</b>	<b>(1.786)</b>	<b>(16.905)</b>	<b>(1.779.764.063)</b>
31.12.2014	USD	EUR	GBP	CHF	TL Equivalent
Cash and cash equivalents	6.078.254	663.104	71	1.214	15.968.375
Trade receivables	18.855	28.333	-	-	123.642
Other non-current assets	2.409.120	12.242.067	-	-	40.117.707
<b>Total foreign currency assets</b>	<b>8.506.229</b>	<b>12.933.504</b>	<b>71</b>	<b>1.214</b>	<b>56.209.724</b>
Financial liabilities	441.308.992	141.123.308	-	-	1.421.417.935
Trade payables	72.984.204	21.880.246	12.923	-	231.007.151
<b>Total foreign currency liabilities</b>	<b>514.293.196</b>	<b>163.003.554</b>	<b>12.923</b>	<b>-</b>	<b>1.652.425.086</b>
<b>Net foreign currency position</b>	<b>(505.786.967)</b>	<b>(150.070.050)</b>	<b>(12.852)</b>	<b>1.214</b>	<b>(1.596.215.362)</b>

Supplementary Disclosures on financial instruments

(a) Capital Management Policies and Procedures

The risk related with each of the capital class and group capital cost is considered by the top management of the Group.

The primary objective of the Group's capital management objectives is to ensure that it maintains a healthy capital structure in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may obtain new loans, repay existing loans; make cash and non cash (bonus shares) dividend payments to shareholders, issue new shares based on Management's evaluation.

The Group manages the capital structure so as to ensure the Group's ability to continue as a going concern; and maximize its profitability by maintaining an adequate capital to overall financing structure ratio.



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The Group monitors capital using a gearing ratio, which is net debt divided by total financing used. The Group includes within net financial debt, borrowings, less cash and cash equivalents. Financing used is the sum of total equity and net financial debt.

The following table sets out the gearing ratios as of 31 December 2015 and 31 December 2014:

	31.12.2015	31.12.2014
Total financial liabilities	2.586.700.379	1.815.364.874
Less: cash and cash equivalents	(48.452.416)	(34.238.000)
Net financial debt	2.538.247.963	1.781.126.874
Total equity	875.127.527	1.109.440.625
Total financing used	3.413.375.490	2.890.567.499
<b>Gearing ratio (net financial debt to overall financing used ratio)</b>	<b>74%</b>	<b>62%</b>

(b) Financial instruments and categories

**Financial assets**

Cash and cash equivalents	48.452.416	34.238.000
Derivative Financial Instruments	-	2.739.513
Trade receivables	182.621.158	88.689.954
	231.073.574	125.667.467

**Financial liabilities**

Financial payables	2.586.700.379	1.815.364.874
Derivative Financial Instruments	7.207.234	1.538.206
Trade payables	533.169.258	431.821.755
	3.127.076.871	2.248.724.835

(c) Market risk

The Group is exposed to financial risks arising from changes in currency rate (paragraph d), interest rate (paragraph e) and price risk (paragraph f) which arise directly from its operations.

The market risks that the Group is exposed to are measured on the basis of sensitivity analysis.

The Group's risk management policies and processes used to measure those risks have been similar to previous periods.

(d) Foreign currency risk

The Group does not have transactional currency exposure from foreign currency denominated transactions.

The Group is exposed to foreign currency risk arising from the translation of foreign currency denominated assets and liabilities to TL, the foreign currency denominated assets and liabilities mainly include bank deposits, bank borrowings and trade payables and trade receivables.

(e) Interest rate risk management

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Certain parts of the interest rates related to borrowings are based on market interest rates; therefore the Group is exposed to interest rate fluctuations on domestic and international markets. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

The majority of the Group's financial obligations consist of fixed and variable interest rate borrowings.

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(f) Price risk

Sales invoices to TEİAŞ and EÜAŞ are issued in Turkish Lira and sales unit prices are fixed, the management of the Group is carefully monitoring the costs, when needed appropriate measures are taken.

**28. Subsequent Events**

a) As announced on 29.01.2016, Bolu Goynuk Lignite Fired Power Plant's second phase (135 MW) has been commissioned today by Ministry of Energy and Natural Resources. 390 million USD has been invested for this power plant, which is one of Turkey's two private plants using local coal. The plant will produce 2 billion kWh of energy per annum with an installed capacity of 270MW and will provide electricity for 150,000 residential units or in other words 600,000 people. The plant is environmentally friendly with its flue gas treatment system, which is a first in Turkey. As an indication of the importance put on public health and environment, the flue gas treatment system installed meets legal emission restrictions of European Union that is required to be met in 2018 since the commissioning of its first phase in July 2015. Bolu Goynuk Lignite Fired Power Plant, which helps with Turkey's struggle against current account deficit and decreases our cost of production due to the use of local lignite as a resource, constitutes 12% of our 2,211MW installed capacity.

Appendix 1: Related Parties

**a) Kazancı Holding A.Ş.'s direct subsidiaries and affiliates:**

1	Aksa Afyon Doğal Gaz Dağıtım A.Ş.	Naturalgas
2	Deriş İnşaat A.Ş.	Construction
3	Aksa Balıkesir Doğal Gaz Dağıtım A.Ş.	Naturalgas
4	Aksa Bandırma Doğal Gaz Dağıtım A.Ş.	Naturalgas
5	Aksa Bilecik, Bolu Doğal Gaz Dağıtım A.Ş.	Naturalgas
6	Aksa CNG Sıkıştırılmış Doğal Gaz Dağ. İletim ve Satış A.Ş.	Naturalgas
7	Aksa Çanakkale Doğal Gaz Dağıtım A.Ş.	Naturalgas
8	Aksa Doğal Gaz Toptan Satış A.Ş.	Naturalgas
9	Aksa Doğal Gaz Dağıtım A.Ş.	Naturalgas
10	Aksa Elazığ Doğal Gaz Dağıtım A.Ş.	Naturalgas
11	Aksa Elektrik Perakende Satış A.Ş.	Energy
12	Aksa Elektrik Satış A.Ş.	Energy
13	Aksa Gaz Dağıtım A.Ş.	Naturalgas
14	Aksa Gemlik Doğal Gaz Dağıtım A.Ş.	Naturalgas
15	Aksa Gümüşhane Bayburt Naturalgas A.Ş.	Naturalgas
16	Aksa Havacılık A.Ş.	Aviation
17	Aksa Jeneratör Sanayi A.Ş.	Generator
18	Aksa Karadeniz Doğal Gaz Dağıtım A.Ş.	Naturalgas
19	Aksa Makina Sanayi A.Ş.	Machine
20	Aksa Malatya Doğal Gaz Dağıtım A.Ş.	Naturalgas
21	Aksa Manisa Doğal Gaz Dağıtım A.Ş.	Naturalgas
22	Aksa Mustafa Kemal Paşa Susurluk Karacabey Doğalgaz Dağıtım A.Ş.	Naturalgas
23	Aksa Ordu Giresun Doğal Gaz Dağıtım A.Ş.	Naturalgas
24	Aksa Sivas Doğal Gaz Dağıtım A.Ş.	Naturalgas
25	Aksa Şanlıurfa Doğal Gaz Dağıtım Ltd. Şti.	Naturalgas
26	Aksa Televizyon Hizmetleri A.Ş.	Media
27	Aksa Tokat Amasya Doğal Gaz Dağıtım A.Ş.	Naturalgas
28	Aksa Trakya Doğal Gaz Dağıtım A.Ş.	Naturalgas
29	Aksa Turizm İşletmeleri A.Ş.	Tourism
30	Aksa Van Doğal Gaz Dağıtım A.Ş.	Naturalgas
31	Anadolu Doğal Gaz Dağıtım A.Ş.	Naturalgas
32	Anadolu Doğal Gaz Toptan Satış A.Ş.	Naturalgas
33	Aksa Düzce Ereğli Doğal Gaz Dağıtım A.Ş.	Naturalgas
34	Kazancı Teknik Cihazlar Yedek Parça A.Ş.	Transportation

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b) Kazancı Holding A.Ş.'s direct subsidiaries and affiliates:

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1	Aksa Far East Pte Ltd.	Generator
2	Aksa International UK Ltd.	Generator
3	Aksa Power Generation (China) Co Ltd.	Generator
4	Aksa Power Generation Fze.	Generator
5	Aksa Servis ve Kiralama A.Ş.	Generator
6	Eurl Aksa Generateurs Algeria	Generator
7	Aksa Kazakhstan Ltd.	Generator
8	Aksa Middle East LLC (Dubai)	Generator
9	Aksa Power Generation (Changzhou) Co. Ltd.	Generator
10	Jiangyin AKSA Electrical & Mechanical Co.,Ltd.	Generator
11	OOO Aksa Russia	Generator
12	Aksa USA	Generator
13	Aksa Satış ve Pazarlama A.Ş.	Marketing
14	Aksa Teknoloji A.Ş.	Technology
15	Ceka Enerji Üretim A.Ş.	Energy
16	Çoruh Aksa Elektrik Hizmetleri A.Ş.	Energy
17	Çoruh Elektrik Dağıtım A.Ş.	Energy
18	Fırat Aksa Elektrik Hizmetleri A.Ş.	Energy
19	Fırat Elektrik Dağıtım A.Ş.	Energy
20	Aksa Ankara Makina Satış ve Servis A.Ş.	Machine
21	Çoruh Elektrik Perakende Satış A.Ş.	Electricity
22	Fırat Elektrik Perakende Satış A.Ş.	Electricity
23	Renk Transmisyon San A.Ş.	Other

c) Related Parties through the key management and family members without capital relationship

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1	Aksa Enerji Iraq	Energy
2	Normdata Bilişim Teknolojileri San. ve Tic. Ltd. Şti.	Energy
3	Doust Company (Irak)	Generator
4	Aksa Siirt Batman Doğalgaz Dağıtım A.Ş.	Naturalgas
5	Elektrik Altyapı Hizmetleri Ltd. Şti.	Other
6	Kazancı Makina ve Motor Ltd. Şti.	Machine
7	Koni İnşaat Sanayi A.Ş.	Construction-Tourism
8	Koni Tarım İşletmeleri A.Ş.	Agriculture
9	Aksa Samsun Enerji Üretim A.Ş.	Energy
10	Rasa Endüstriyel Radyatörler San. A.Ş.	Radiator
11	Datça Rüzgar Enerjisi Elektrik Üretimi A.Ş.	Energy



**Aksa Enerji Üretim A.Ş.**

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