akenerji

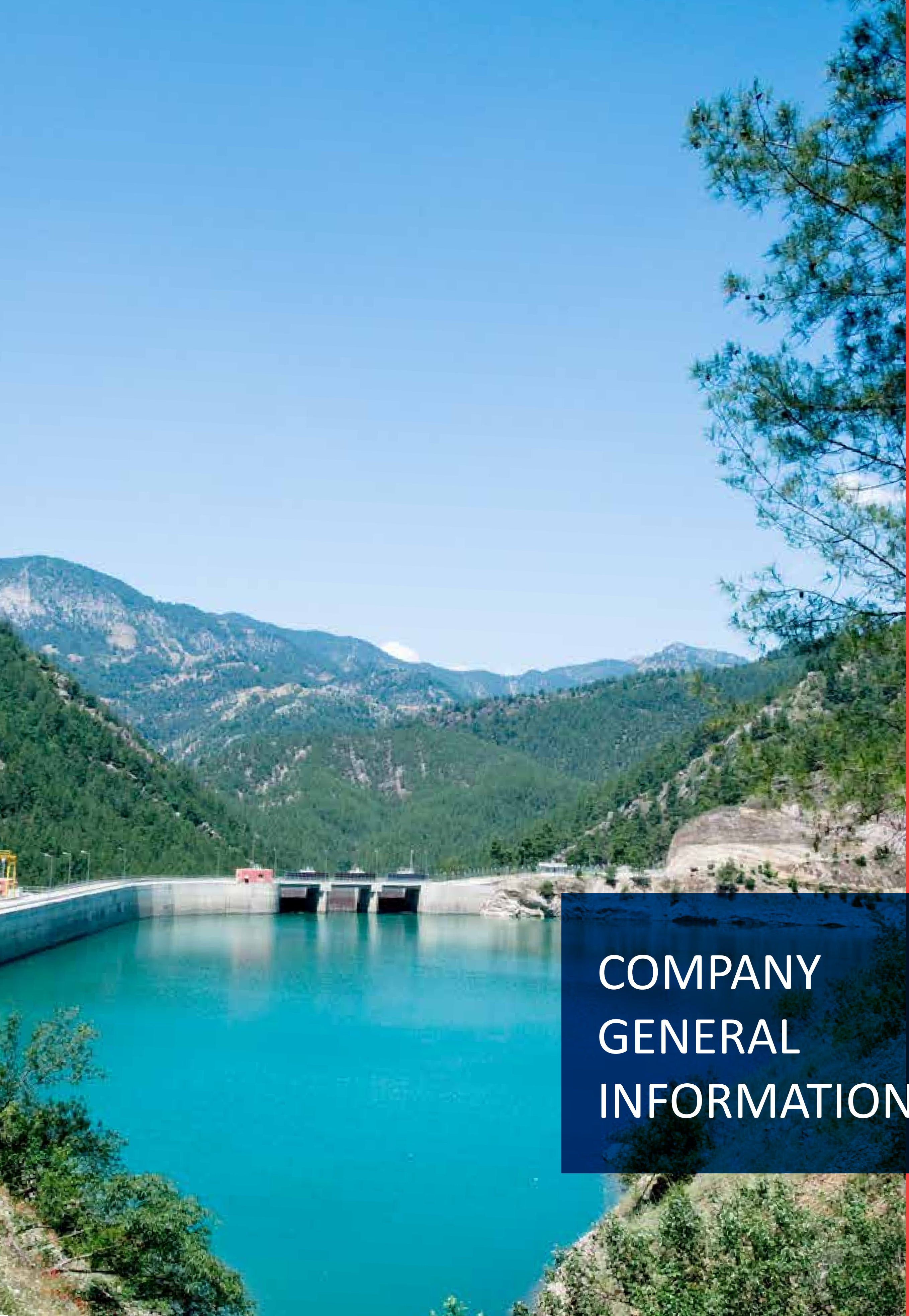
Annual Report 2017

AKKÖK HOLDİNG

CEZ GROUP

CONTENTS

AKENERJİ CONTINUES TO USE ITS ENERGY PRODUCTION FOR TURKEY. OUR NATURAL GAS COMBINED CYCLE, WIND AND SEVEN HYDROELECTRIC POWER PLANTS, ARE RUN ON THE PRINCIPLE OF HIGH EFFICIENCY LEADING TO HIGH PROFITABILITY.
WHILE BREAKING NEW GROUND IN THE SECTOR, WE DIVERSIFY OUR PRODUCTS AND IMPLEMENT LEADING PROJECTS IN ENERGY EFFICIENCY. OUR FOCUS IN 2017 IS ON PROJECTS THAT WILL CREATE ADDED VALUE.



COMPANY GENERAL INFORMATION

This Annual Report (‘Report’) herein is issued in accordance with the provision of Article 516 of the Turkish Code of Commerce, the provisions of ‘The Regulation Related to the Determination of the Minimum Content of Companies’ Annual Reports’, published by the Ministry of Customs and Trade in the Official Gazette dated 28.08.2012 and numbered 28395, provision of Article 8 of the ‘Communiqué on the Principles of Financial Reporting in Capital Markets’ numbered (II-14.1), and published by the Capital Markets Board, provisions of the related article of ‘Corporate Governance Communiqué’ numbered (II-17.1), and provision of Article 39 of the ‘Communiqué on the Principles of Real Estate Investment Funds’ numbered (III-48.1), and the purpose of this Report is to evaluate the Company’s operating activities in the period 01.01.2017 - 31.12.2017, and to inform our investors.

Company Information:

Company Information:	Akenerji Elektrik Üretim A.Ş.
Old Company Name:	Ak Enerji Elektrik Üretimi Otoprodüktör Grubu A.Ş.
Stock Exchange Traded:	BIST
Ticker Symbol:	AKENR
HQ Address:	Miralay Şefik Bey Sokak, Akhan No: 15, 34437 Gümüşsuyu, İstanbul
Web Site:	www.akenerji.com.tr
E-Mail:	info@akenerji.com.tr
Trade Registry Date:	12.05.1989
Trade Registry Number:	255005
Tax Office and Number:	Büyük Mükellefler Vergi Dairesi, 0110031317
Phone No:	0212 249 82 82
Fax No:	0212 249 73 55
Mersis (Central Registration System) No:	0011003131700018
Uluabat Branch Address:	Akçalar Fadıllı Köyü Yolu 5 Km, Nilüfer, Bursa
Bandırma Branch Address:	Edincik Beldesi Aldede ve Delikliktaş Mevkii, Bandırma, Balıkesir
Burç Branch Address:	Besni İlçesi Aşağı Ağzı Köyü, Burç Mahallesi, Adıyaman
Feke-I Branch Address:	Sülemişli Mah, Sülemişli Küme Evler, No:1 Feke, Adana
Feke-II Branch Address:	Kısacıklı Mah., Alıçlı Sok, No:8 Feke, Adana
Gökkaya Branch Address:	Himmetli Mah. Su Çatı Sok. No:112 Saimbeyli, Adana
Himmetli Branch Address:	Himmetli Mah. Dravlı Sok. No:84 Saimbeyli, Adana
Bulam Branch Address:	Doğanlı Köyü Mevkii, Merkez, Adıyaman

AKENERJİ IN BRIEF

WE CONTINUE TO DETERMINE THE STANDARDS IN THE ENERGY MARKET

Generation Capacity (By the end of 2017)

Electricity	1224 MW

Power Plants

Erzin DGKÇS	904 MW
Ayyıldız RES	28 MW
Uluabat HES	100 MW
Feke II HES	70 MW
Gökkaya HES	30 MW
Feke I HES	30 MW
Burç Bendi HES	28 MW
Himmetli HES	27 MW
Bulam HES	7 MW

Investments in project phase

Kemah HES	198 MW

Operations

Electricity Generation and Sale
Electricity Import, Export and Wholesale
Electricity Retail Sale
Natural Gas Import, Export and Wholesale
Energy Services

Number of Employees

206

2017 Turnover

1.855*

*TRY million

Akenerji in Brief

IN 2017 THE COMPANY FOCUSED ON DEVELOPING NEW PROJECTS THAT WILL CREATE ADDED VALUE.

High performance with accurate market analyses

With more than 28 years experience in the energy sector, Akenerji is listed among Turkey's longest established companies, and in 2017 the Company focused on operating its existing power plants in an optimum manner relative to the market prices, and developing new projects that will create added value.

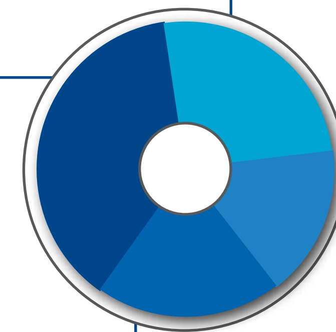
In 2017, Akenerji produced 5.70 TWh of electricity, of which 11% is from renewable resources. This was a 54% jump in electricity generation compared to 2016. Our total trade volume in 2017 was 10.2 TWh.

Renewable energy is one of the hot topics in recent years, not only in our country but also across the world. Following its initiatives in this area, Akenerji has become the representative of vision and stability in the sector. The Company has gone on to reshape its generation strategies to squeeze maximum benefit from renewable energy sources, and has continued operations oriented towards the necessary measures. One after the other, Akenerji has put 7 hydroelectric plants and 1 wind power plant into operation. As a result, 320 MW, which corresponds to 26% of Akenerji's installed power, is supplied from renewable sources as of 2017 year-end.

The investment process was initiated in 2016 in order to boost the installed power in Ayyıldız Wind Power Plant to 28.2 MW from 15 MW. This growth of 13.2 MW was achieved and the plant was commissioned in 2017. Akenerji continues to conduct market research on projects with high capacity utilization and profitability for wind and solar energy to include in its portfolio.

Besides renewable energy, efficiency in energy generation is among the primary issues for Akenerji. The relevant works are maintained under a wide umbrella, from integrating new and efficient technologies into existing power plants, to employees' occupational training processes. The Company focuses on producing new ideas and projects that will enhance energy efficiency for industrial and commercial customers, with energy systems optimization and management services. Akenerji Energy Services aims to reduce energy costs and enhance their competitive edge with the wide variety of services on offer, from consultancy to asset management. The breakthroughs achieved by Akenerji, by effectively following the market conditions, will continue to serve as an example in the electricity generation sector.

Affiliates	Direct and indirect ownership interest by Akenerji and its Subsidiaries (%) December 31, 2017	December 31, 2016
Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A.Ş.	100.00	100.00
Ak-El Yalova Elektrik Üretim A.Ş.	100.00	100.00
Egemer Elektrik Üretim A.Ş.	100.00	100.00
Ak-El Kemah Elektrik Üretim A.Ş.	100.00	100.00
Akenerji Doğalgaz İthalat İhracat ve Toptan Tic. A.Ş.	100.00	100.00



Akenerji has accepted the registered capital system according to the provisions of Capital Board Law no.2499 and authorization dated 31.05.2000 with no.61/922, and has switched to the registered capital system. The maximum registered capital for the Company is TL 1.5 billion from 2017 to 2021 and the paid-in capital is TL 729,164,000. All shareholders have the same rights and no privileges have been granted to shareholders.

A quarter-century success story

Having commenced operations in 1989 as an auto-producer group under the umbrella of the Akkök Group of Companies, Akenerji has been operating as an independent electricity generation company since 2005. Akenerji, the 50/50 joint venture between Akkök Holding, and Europe's leading power company, the ČEZ Group, has the sole capacity to meet 3% of Turkey's power need, with its total installed power of 1,224 MW as of 2017 year-end.

The Company sets an example in the sector with more than 27 years of know-how and prominence. Accordingly, the Company aims to sustain its balanced portfolio structure to protect its robust position in the sector, and to make electricity supply more secure. Akenerji completed the 904 MW Erzin Natural Gas Combined Cycle Power Plant in Hatay, and put it into operation during Q3 2014. With an annual generation capacity of 7.4 TWh, the power plant is one of the Akkök-ČEZ joint venture's key projects. Project works for Kemah Hydroelectric Power Plant, with 198 MW, which is planned to be established in Erzincan, are still continuing.

Corporate social responsibility continued to be a fundamental component in 2017

In recognition of the responsibility that befalls power companies in the creation of a secure future, Akenerji has taken each and every step with due consideration of its environmental and social responsibilities, throughout more than 28 years of experience.

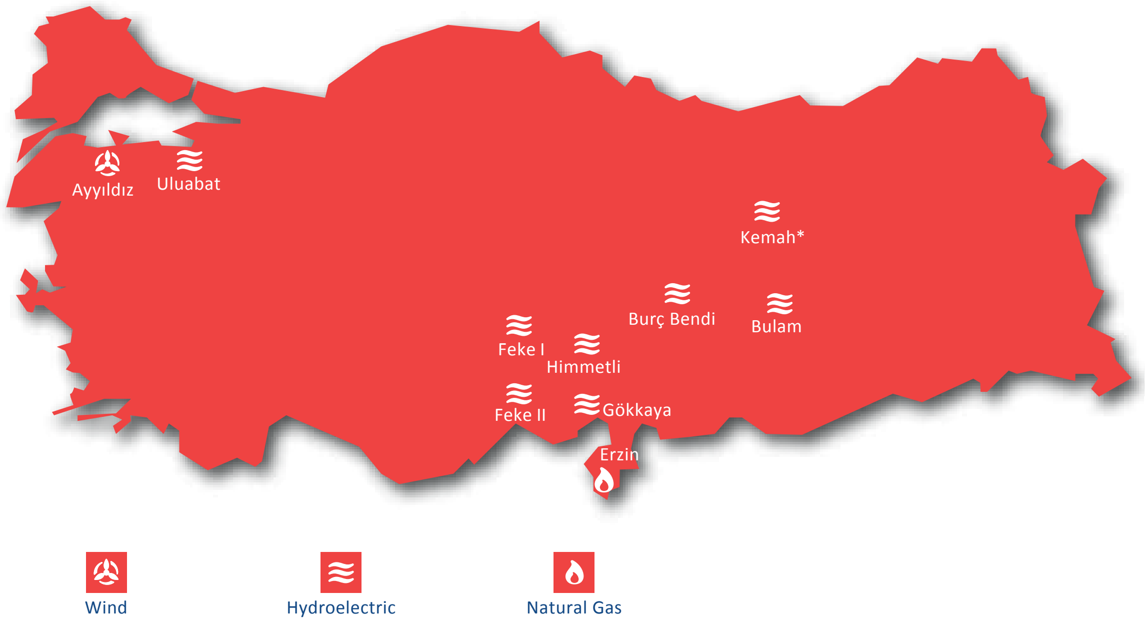
Akenerji won the Golden Voltage award in the social responsibility category at the 8th Turkish Energy Summit in 2017. Aiming to enhance the environment, Akenerji's projects continued to stand out. The Book Project, at Yeşiltepe Primary and Secondary School in Adıyaman, and implemented with the contributions of Akenerji employees, won an award. Serhan Gençer, the General Manager of Akenerji accepted the award on behalf of the Company from Ziya Altunyaldız, the Chairman of Industry, Trade, Energy, Natural Resources, Information and Technology Commission of the Grand National Assembly of Turkey.

Akenerji plans to continue to practice social responsibility in all regions where its power plants are located.

Boosting our brand value on the one hand, we also continued hydroelectric power plant introductions and informative presentations, developed for "living with locals" in the regions where our power plants are located. These activities continue among the best examples that Akenerji does, for and hand in hand with society. Hydroelectric power plant introduction and informative presentations, developed with the consciousness of living with locals, continued to be among the finest samples of the works that Akenerji conducts for and with society.

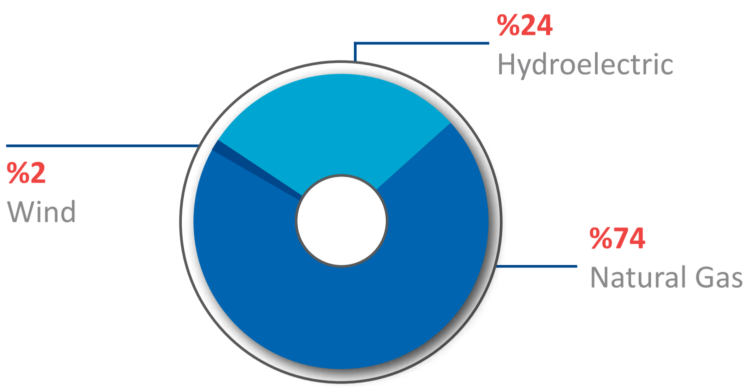
Operations Map

WE ARE THE ENERGY OF TURKEY



* Kemah is in the project please.

Akenerji Breakdown of Installed Capacity by Source



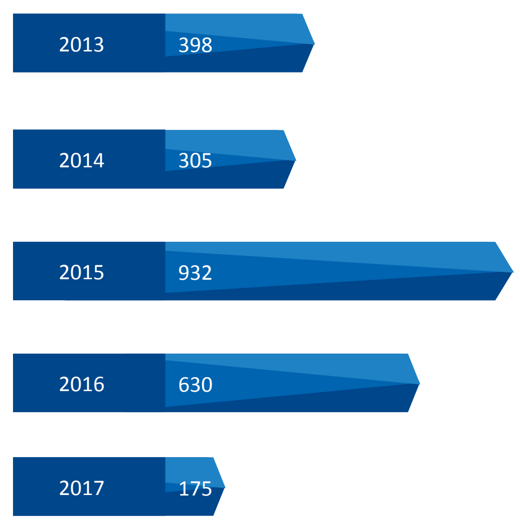
Total Installed Capacity as of the End of 2017: 1,224MW

FINANCIAL AND OPERATIONAL HIGHLIGHTS

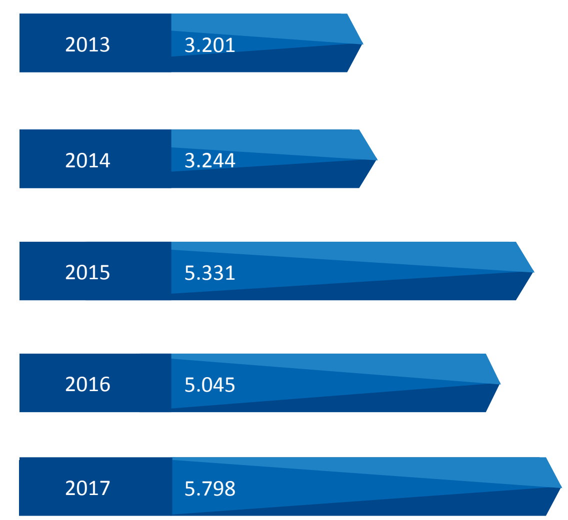
Consolidated Financial Indicators (TL million)	2013	2014	2015	2016	2017
Net Sales	771	1.125	1.803	1.421	1.855
Gross Profit from Sales	149	-11	159	44	59
Operating Profit	76	-75	140	64	-51
Profit before Interest, Taxes, Depreciation and Amortization	136	26	296	234	127
Net Profit / (Loss)	-127	-321	-351	-549	-505
Total Current Assets	398	305	932	630	175
Short Term Liabilities	382	614	370	566	610
Working Capital	-12	70	-13	-19	-96
Tangible and Intangible Assets	2.513	2.617	4.165	4.088	5.504
Total Financial Liabilities	2.052	2.476	3.106	3.274	3.217
Total Assets	3.201	3.244	5.331	5.045	5.798
Total Liabilities	2.373	2.736	3.696	3.944	3.994
Total Shareholders' Equity	828	508	1.635	1.100	1.804
Cash and Cash Equivalents at the End of the Period	243	82	477	434	45
Capital Expenditures	899	224	10	109	101
Market Capitalization at the End of the Period - BIST	875	933	693	620	664
Average Number of Employees	310	288	265	232	206

As Kemalpaşa plant has been shut down due to the market conditions, the provision for impairment negatively affected 2013 EBITDA in the amount of TL 35.5 million.

Total Current Assets (TL million)



Total Assets (TL million)



Milestones

THE STORY OF OUR SUCCESS IS WRITTEN WITH OUR ENERGY

1989

- Akenerji was founded on May 16, 1989 as the first electricity generation auto producer group in Turkey under Law No. 3096 on the "Assignment of Entities Other Than Turkish Electricity Authority (TEK) on Electricity Generation, Transmission, Distribution and Trading."

1993

- Yalova Power Plant, which has an installed capacity of 59.5 MW, was gradually taken over from Aksa Akrilik Kimya Sanayi A.Ş.
- Akenerji ranked 188th on the "Turkey's Top 500 Industrial Enterprises (ISO 500)" list compiled by the Istanbul Chamber of Commerce (ISO).

1996

- Çerkezköy Power Plant with an installed capacity of 98 MW progressively became operational.
- Alaplı Power Plant with an installed capacity of 6.3 MW was activated.

1997

- Bozüyük Power Plant with an installed capacity of 132 MW became operational.

2000

- Twenty-five percent of the Company's shares were offered to the public. Akenerji shares began to trade on the ISE under the "AKENR" ticker symbol.

2001

- Çorlu Power Plant (10.40 MW), Orhangazi Power Plant (5.08 MW), Denizli Power Plant (15.60 MW), Uşak Power Plant (15.24 MW), Yalova Akal Power Plant (10.40 MW) and two turbines of the Gürsu Power Plant (10.40 MW) became operational

2002

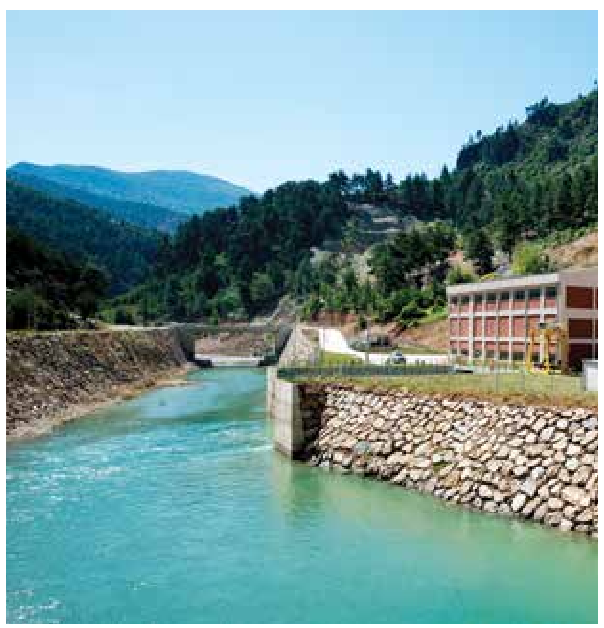
- The capacity of Gürsu Power Plant increased to 15.60 MW.

2003

- İzmir-Batıçim Power Plant was activated with an installed capacity of 45 MW.

2005

- Akenerji underwent a status change and started to operate under the trade name of Akenerji Elektrik Üretim A.Ş. as an independent power generation company.
- Akenerji was granted the right to operate Uluabat Hydroelectric Power Plant (100 MW) and Akocak Hydroelectric Power Plant (81 MW) for a period of 49 years at the hydroelectric power plant auctions held by the Energy Market Regulatory Authority (EMRA).



- İzmir Kemalpaşa Power Plant with an installed capacity of 127.2 MW was activated.

2006

- Akenerji acquired Akkur Enerji Üretim Tic. ve San. A.Ş., which has the licenses of Burç Bendi (28 MW), Feke I (30 MW) and Feke II (70 MW) hydroelectric power plants.

2007

- Operations at Orhangazi, Uşak, Gürsu, Çorlu and Denizli power plants were ceased and the respective licenses were cancelled due to developments in the market.
- Mem Enerji Elektrik Üretim Sanayi T.A.Ş., which held the license application for the Yamanlı III (Himmetli-Gökkaya 57 MW) project and the license of the Bulam Regulator and Hydroelectric Power Plant (7 MW), was acquired.

2008

- Batıçim Power Plant was sold to Batıçim Enerji Elektrik Üretim A.Ş. and the license was transferred accordingly.
- The license of Alaplı Power Plant was terminated as a result of market developments.
- Akenerji won the SEDAŞ tender with the AkČEZ consortium that was formed with the participation of the Akkök Group and Czech power company ČEZ.
- Akkök Holding and ČEZ Group signed a 50/50 joint venture agreement in Akenerji.

2009

- Akenerji acquired Egemer Elektrik Üretim A.Ş. on March 20, 2009. Egemer, having a natural gas power plant project with a capacity of the approximately 900 MW in Erzin, Hatay, was the first investment of the Akkök-ČEZ partnership and, at the same time, largest ever single investment decision made by Akenerji up to that date.
- The license of the Yalova Power Plant was transferred to Aksa Akrilik Kimya Sanayi A.Ş. on April 30, 2009.
- The share transfer transactions between Akkök Group and ČEZ were completed; ČEZ took over a 37.36% stake in Akenerji on May 14, 2009.
- Ayyıldız Wind Power Plant with an installed capacity of 15 MW was activated in September.

2010

- Akenerji acquired İçkale Enerji Elektrik Üretim ve Tic. A.Ş., which holds the license of Kemah Dam and Hydroelectric Power Plant with an installed capacity of 160 MW (later the company's name was changed to Ak- El Kemah Elektrik Üretim A.Ş. (Ak-El Kemah Electricity Generation Co.))

- Akenerji signed the first agreement for the purchase of the production capacity of a wind power plant with Polat Enerji. According to the agreement signed, Akenerji would purchase the entire production capacity of the company's power plants with an installed capacity of 100 MW by the end of 2010.
- Çınarcık Dam and Uluabat Kuvvet Tüneli Hydroelectric Power Plant started operations with an installed capacity of 100 MW.
- Akocak Regulators and Akocak Hydroelectric Power Plants became operational with an installed capacity of 81 MW.
- Burç Bendi Hydroelectric Power Plant with an installed capacity of 28 MW was activated.
- Bulam Hydroelectric Power Plant with an installed capacity of 7 MW was activated.
- Feke II Hydroelectric Power Plant with an installed capacity of 70 MW was activated.
- Akenerji's 2009 Annual Report was presented with Gold and Bronze awards in two categories at the League of American Communications Professionals (LACP), and with a Gold Award at the 24th "Academy Awards of Annual Reports" (ARC) competition.
- For the Head Office and Çerkezköy, Bozüyük, Kemalpaşa Power Plants, ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety documents and certifications were granted.
- Akenerji's first and most comprehensive Environmental, Health and Safety Annual Report was published and disclosed to all stakeholders.

2011

- Akenerji became the first energy company in Turkey that started to implement the EFET (European Federation of Energy Traders) agreement.
- Akenerji participated in the Crossborder Transmission Capacity Tender held by TEİAŞ (Turkish Electricity Transmission Co.) and started its energy import and export activities.

- Akenerji was awarded with the Energy Oscar, given for the first time in 2011 at the 17th International Energy and Environment Fair and Conference - ICCI. Having established the first cogeneration plant in Turkey, the Company won the award in the category of "Best Leading Investor of the Year."
- Ayyıldız Wind Power Plant joined the plants that have ISO 9001:2008 Quality, ISO 14001:2004 Environmental and OHSAS 18001:2007 Occupational Health and Safety Management Systems certifications.
- Akenerji joined the Carbon Development Project (CDP) Turkey and became one of the two energy companies that perform CDP reporting.

2012

- Akocak, Uluabat, Burç Bendi, Bulam and Feke II HEPPs received ISO 9001:2008 Quality, ISO 14001:2004 Environmental and OHSAS 18001:2007 Occupational Health and Safety Management Systems certifications.
- Bozüyük Natural Gas Power Plant was selected the "The Cleanest Industrial Plant" and awarded with an "Environmental Certificate" within the scope of June 5th, World Environment Day.
- Himmetli Hydroelectric Power Plant with an installed capacity of 27 MW commenced operations.
- Feke I Regulator and Hydroelectric Power Plant with an installed capacity of 30 MW commenced operations.
- Gökkaya Dam and Hydroelectric Power Plant with an installed capacity of 30 MW commenced operations.
- The license of Çerkezköy Natural Gas Power Plant was terminated on December 31, 2012 in consideration of current and future market conditions.

2013

- The necessary additional investment of Feke II Plant was ensured with an installed capacity of 70 MW to deliver secondary frequency service.
- Akenerji carried out Turkey's first options transaction for electricity capacity trade at SEPAŞ for 250 MW.
- Egemer Elektrik Üretim A.Ş. financed the construction of the Şehit Uğur Ekiz Technical and Industrial Vocational High School in the Erzin district of Hatay.
- ISO 9001:2008 Quality, ISO 14001:2004 Environmental and OHSAS 18001:2007 Occupational Health and Safety Management Systems certification of the Head Office and Bozüyük, Kemalpaşa, Ayyıldız, Akocak, Uluabat, Burç Bendi, Bulam and Feke II power plants were renewed successfully.
- The Company initiated CRM projects designed to maximize customer satisfaction.
- At the Corporate Social Responsibility (Bronze) and Environment (Gold) Awards competition by the Aegean Region Chamber of Industry (EBSO), Akenerji received Second Prize in the Environment category and Third Prize in the Environmental Corporate Social Responsibility category.
- The Carbon Management Project was launched.
- Akenerji issued its Sustainability Report 2012 in line with Global Reporting Initiative principles and shared it with stakeholders.

2014

- Provisional acceptance by the Republic of Turkey Ministry of Energy and Natural Resources of the 904 MW-installed capacity Erzin Natural Gas Combined Cycle Power Plant, construction of which began in October 2011, has been completed in all units, and the plant started business operations at full capacity as of June 5, 2014.
- The licenses for the Kemalpaşa and Bozüyük Natural Gas Combined Cycle Power Plants were terminated as of October 30, 2014 pursuant to the application made by the Company.
- The necessary studies for the establishment of an Authorized Agency Network have been completed, and the Company began signing contracts with agencies.
- As well as creating a competitive advantage, customer satisfaction was also improved by introducing new products and services to meet customers' energy needs, with the "Smart Power" approach.
- Feke I, Himmetli and Gökkaya HEPP have joined the plants which were granted the ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety documents and certifications.

2015

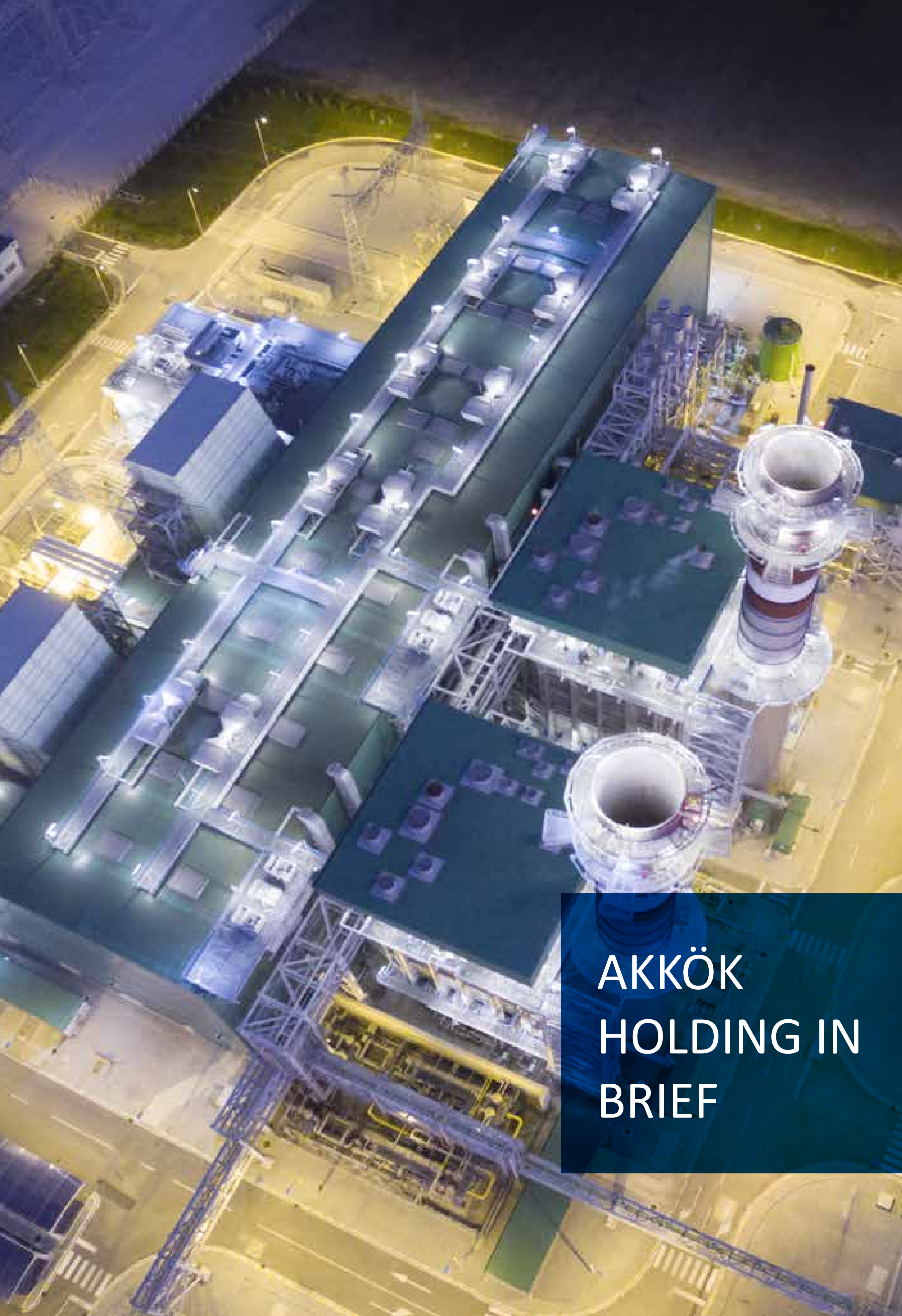
- Erzin Natural Gas Combined Cycle Power Plant was among the power plants obtaining ISO 9001:2008 Quality, ISO 14001:2004 Environment and OHSAS Occupational Health and Safety Management System certifications.
- ISO 27001 Information Security Management Systems Certification was awarded for Head Office, Ulubat Hydroelectric Energy Power Plant and Erzin Natural Gas Combined Cycle Power Plant.
- Akenerji became the first Turkish power company to publish a 2014 Sustainability Report using G4, the most recent version of The Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).
- Akenerji ranked as the first power company in Turkey to be included in the CDP Water program on a voluntary basis in 2015.
- EMRA's approval was obtained to expand Ayyıldız WPP's capacity from 15 MW to 28.2 MW.
- Taking a proactive line, Akenerji signed a US$ 1.1 billion loan agreement with Yapı Kredi to refinance the existing loans, in order to maintain its operations in a healthy financial structure.

2016

- Akenerji was the first company to apply virtual power plant tender in Turkey.
- Upon the 2015 revision of ISO 9001 Quality management systems and ISO 14001 Environment management systems standards, Akenerji obtained the ISO 9001:2015 Quality and ISO 14001:2015 Environment Management Systems certifications for Egemer Head Office, Ayyıldız WPP, Ulubat HPP, Burç HPP, Bulam HPP, Feke I HPP, Feke II HPP, Himmetli HPP, Gökkaya HPP and Erzin NGCCPP. Continuity of OHSAS 18001:2007 Occupational Health and Safety and ISO 27001 Information Security Management System certifications was ensured.
- Sale of Akocak Hydroelectric Power Plant and related equipment was completed as of 04.02.2016.
- Akenerji 2015 Sustainability Report received the Bronze Award in the League of American Communication Professionals (LACP).
- Akenerji is the only electricity generation company participating in the CDP (Carbon Disclosure Project) Turkey 2016 Water Program, and raised its performance from C to B.
- Investment activities to boost the installed power in Ayyıldız Wind Power Plant to 28.2 MW were almost completed, and the additional investment was finalized towards the end of 2016.

2017

- The additional 13.2 MW capacity at the Ayyıldız Wind Power Plant was attained and the total installed capacity of the plant reached 28. 2 MW.
- Within the scope of the Regulations on Monitoring Greenhouse Gas Emissions (Regulations on Monitoring of Greenhouse Gas Emissions, Communiqué on Monitoring and Reporting of Greenhouse Gas Emissions), the greenhouse gas emissions of Erzin Natural Gas Combined Cycle Power Plant in 2015 and 2016 were verified by an authorized verifying body and submitted to the Ministry of Environment and Urban Development.
- In 2016, greenhouse gas emissions were verified under ISO 14064 Greenhouse Gas standard.
- Akenerji received an A-rating for its CDP (Carbon Disclosure Project) Water Program and joined companies included in the Leadership category in Turkey.
- The Company was voluntarily assessed within the Borsa İstanbul (BIST) Sustainability Index, consisting of companies with excellent corporate sustainability and traded on Borsa İstanbul.
- Akenerji won the Golden Voltage award in the Corporate Social Responsibility category at the 8th Turkish Energy Summit.



AKKÖK HOLDING IN BRIEF

BY CLOSELY MONITORING FOREIGN MARKETS WITHIN ITS SECTORS, AKKÖK HOLDING AIMS TO MEET GLOBAL COMPETITION AND REACH WORLD STANDARDS WITH ALL ITS GROUP COMPANIES.

Founded in 1952 by the late Raif Dinçkök, and with deep know-how spanning 66 years, Akkök Holding ranks among the most well established industrial groups in Turkey. The Group conducts operations in the fields of chemicals, energy and real estate, with 19 commercial and industrial enterprises, one of which is overseas, and with 19 production plants. By closely following the trends in the world's markets and in its operating industries, Akkök Holding aims to catch up with the global competition, and achieve world-class standards together with all the companies under its roof.

Aksa Akrilik Kimya Sanayi A.Ş. was founded in Yalova to meet the requirements for acrylic fiber in Turkey in 1968, and started production in 1971 with an annual capacity of 5000 tons. Becoming the largest acrylic fiber producer in the world with its investments and innovations, Aksa is a world giant with approximately 300 customers in 50 cities on 5 continents. With 1200 employees, a production area of 502,000 square meters, and annual capacity of 315,000 tons, it is the largest acrylic fiber producer in the world and the only producer in Turkey.

Along with its success in production, Aksa is also a leader in implemented management systems, environmental practices and social responsibility projects. Thanks to its extensive product range, it supplies textile and technical textile raw materials to various fields, and has improved its new and unique product portfolio with an innovative approach each year. Along with textile fibers, Aksa initiated outdoor fiber production in 2001 and is becoming more ambitious within the technical fiber industry for products such as flock tow, homopolymer and filament thread. Aksa Acrylic upgraded its technological infrastructure in 2009 and started production of carbon fiber, one of the most crucial raw materials of the 21st century.

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

Turkey's pioneer chemicals company Ak-Kim was established in Yalova in 1977, and over time it expanded its production activities in various locations around Turkey. Producing basic and performance chemicals, Ak-Kim, serves the cleaning, chemistry, textile, paper, water treatment, food, metal, agricultural pesticide, energy, building, mining, plastic and paint industries. The Company is a market leader in many products included within the basic chemicals field and grows by developing products and services for alternative fields. It added advanced technological water treatment systems to the water treatment sector with an investment in ultrafiltration, and became the first and only producer of this product in Turkey. Ak-Kim acquired Gizem Frit, one of the largest enamel and ceramic frit producers in the world in 2015, entering into a different market. Serving 70 countries abroad, Ak-Kim, acquired Dinox, a chemical sales and marketing company in Germany, in order to be closer to its customers, and continues its growth in Europe. It acquired 100% of the shares of Akferal, which it founded via a 50% partnership with Feralco in 2013, and soon after acquired Dostel in November 2017.

Opening its Adapazarı Göktepe factory in 1979, Gizem Frit continues its operations in the 2nd Organized Industry Zone in Sakarya's Hendek district. Gizem Frit produces frit and pigment, which are used as intermediate materials for decorating, and protecting materials such as sheet metal, stainless steel, aluminum, molding, ceramic tiles, sanitary ware, porcelain, medical porcelain and glass. It is the second largest producer in the global enamel frit market, and the leader in both the enamel and ceramic markets in Turkey. Gizem Frit has also acquired one of the most significant players in the ceramic sector in Spain.

Akiş REIT, the real estate investment company operating under Akkök Holding, continues to develop projects that help improve quality of life in the regions where it operates. The Company runs Akbatı Shopping Mall and Life Center, as well as the Akasya projects, and it is also developing street retail projects on Bağdat Street as an alternative to shopping mall investments. Akiş REIT has cooperated with Beymen for the Uşaklıgil Apartment in its first high street retail project, and the store opened its doors to visitors in September 2017. The Company aims to provide regular dividends to its shareholders with a regular rental income from these investments. As a result of the merger with SAF REIT on January 18, 2017, Akiş REIT has become one of the most vital players in the sector. With close monitoring of the constantly changing sector trends and socio-economic developments, and creating new trends at the right time and location, the company will continue its projects to create a positive difference in the real estate sector. KidZania Istanbul in the Akasya Shopping Center is an important social location, aiming to teach while entertaining children.

Since its opening, Akmerkez has been investing in the future and has been the leader in creating new values. Akmerkez has been a hotspot for intimate experiences, and the most popular meeting point in the city, with distinguished brands and stores, shopping, entertainment facilities and food court, since 1993. Akmerkez, adding dynamism to the social life of the city, enhances the visitor experience with innovative products such as a Concierge service. The Triangle Terrace is new breath of air in the city, and the new meeting point for creative young people is the Young Lions Zone. Achieving a first in Turkey by winning the Best Shopping Center in Europe award in 1995 and in the World award in 1996 presented by the International Council of Shopping Centers (ICSC), Akmerkez improves itself constantly with projects adding value to city life.

Starting its activities as an auto-producer group in the Akkök Group of Companies in 1989, Akenerji has been operating as an independent power generation company since 2005. With the 50-50 strategic partnership of Akkök Holding and ČEZ, the Company has installed power of 1,224 MW. Sepaş Enerji, a strategic partnership of Akkök Holding and ČEZ Group, supplies electricity all over Turkey, mainly in Bolu, Düzce, Sakarya and Kocaeli. Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ), provides an electricity supply service to 1.6 million consumers in Sakarya, Kocaeli, Bolu and Düzce.

ČEZ IN BRIEF

ČEZ GROUP'S ACTIVITIES ABROAD CONSIST MAINLY OF ELECTRICITY DISTRIBUTION, GENERATION, TRADING, AND SALE.

Headquartered in the Czech Republic, ČEZ Group is an established, integrated energy conglomerate with operations in a number of Central and South-eastern European countries and Turkey. The Group's core business is the generation, distribution, trade in and sales of electricity and heat, trade in and sales of natural gas, coal extraction, and energy services. ČEZ Group companies employ over 30,000 people.

The largest shareholder of its parent company, ČEZ, a. s., is the Czech Republic with a nearly 70% stake in the Company's share capital (as at December 31, 2017). ČEZ, a. s. shares are traded on the Prague and Warsaw stock exchanges and included in the PX and WIG-CEE exchange indices.

ČEZ Group's mission is to provide safe, reliable, and positive energy to its customers and society as a whole; its goal is to bring innovations for resolving energy needs and to help improve the quality of life. Its strategy reflects the major transformation of Europe's energy market. ČEZ Group wants to operate its power assets as efficiently as possible and adapt to the growing share of decentralized and zero-emission generation. Another of its priorities is to offer its customers a wide range of products and services in synergy with the sale of electricity and gas. Its third priority is to invest actively in promising energy assets with focus on the Central European region and in support for advanced technologies in an early stage of development.

ČEZ Group companies in the Czech Republic extract and sell coal, generate and distribute electricity and heat, trade in electricity and other commodities. They sell electricity, heat, and natural gas to end customers, offer them electricity generation and storage facilities, and provide them with other services, especially in relation to energy savings. Their power generation portfolio consists of nuclear, coal-fired, gas-fired, hydroelectric, photovoltaic, wind and biogas facilities. To ensure continuity of ČEZ Group's successful market presence in the Czech Republic, which it considers crucial for its business, its power generation portfolio is being renewed, upgraded, and developed extensively, as well as its distribution network.

ČEZ Group's activities abroad consist mainly of electricity distribution, generation, trading, and sale. ČEZ Group is the owner or co-owner of generation and distribution assets in Germany, Poland, Romania, Bulgaria, Turkey, and Slovakia. ČEZ Group's subsidiaries in the Netherlands and Ireland are ownership intermediaries and companies providing its financing.

In Germany, ČEZ Group operates several wind parks and is active in new decentralized energy through its investment fund, INVEN CAPITAL. In Poland, ČEZ Group operates two hard coal-fired power plants and two hydropower plants near the country's border with the Czech Republic and owns a developer preparing the construction of wind parks. In Romania, ČEZ Group operates hydropower plants, the biggest onshore wind park in Europe and is involved in electricity distribution and sales. In Bulgaria, it distributes and sells electricity in the western part of the country. In Turkey, ČEZ Group and its local partner operate a distribution and sales company and generate electricity in gas-fired and hydroelectric power plants and a wind park.

In many European countries, ČEZ Group trades in electricity and other commodities on wholesale markets. Beside the Czech Republic ČEZ Group sells electricity or natural gas to end customers in Romania, Bulgaria, Turkey, Hungary, Poland, and Slovakia, in particular.

ČEZ Group's business activities are governed by strict ethical standards that include responsible behaviour toward employees, society and the environment. In its business activities, ČEZ Group embraces the principles of sustainable development, supports energy efficiency, promotes new technologies, and creates an environment for employees' professional growth. Its corporate culture emphasizes safety, continuous growth in internal efficiency, and support for innovation in order to increase ČEZ Group's value.

For more information you may visit ČEZ Group website www.ČEZ.cz/en.

VISION, MISSION, CORPORATE VALUES AND AKENERJİ EMPLOYEES

Mission

To make reliable and long-term contributions to Turkey's energy needs by operating with a quality-focused approach at every stage of the energy sector value chain.

Vision

To maintain its leading position in the Turkish energy sector and become one of the largest integrated companies that shape the industry.

Corporate Values

Reliability
Reliability and stability are among the leading and indispensable values in the energy sector. In this context, Akenerji sets out the principles of openness and reliability in its activities at the forefront. The Company shares accurate and up-to-date information with its customers, shareholders, suppliers and employees in a clear and under standable manner. In addition, the Company pays attention to fulfilling its commitments in a timely and thorough manner in all circumstances.

Integrity
As an integral part of Akenerji's corporate culture, integrity and high ethical professional values have been reflected in all activities of the Company since its inception. Akenerji always remains loyal to these values in its relations with customers, employees, shareholders, group companies, banks, and other institutions and organizations.

Accountability
Akenerji's Board of Directors and senior management carry out their duties by giving priority to the Company's profitability and the interests of the shareholders; the Board and executive management are accountable to the Company's legal entity and therefore to the shareholders.

Transparency
Knowing that effective communication is the foundation of reliability, Akenerji discloses developments regarding the Company with its customers, employees, shareholders, the supervisory authorities and with the public on a regular basis. With the exception of information regarded as trade secrets and not yet publicly disclosed, financial and non-financial information related to the Company are disclosed to the public in an accurate, understandable, interpretable and easily accessible manner and simultaneously to all stakeholders. The Company's customers are informed in a clear and understandable manner about the products of Akenerji.

Customer Satisfaction
The Company always gives top priority to customers' needs and expectations and aims to provide continuity in customer satisfaction via sustainable quality and superior service.

Social Responsibility
Akenerji pays attention to providing benefit to society and the environment through its investments and supports social and cultural activities in this respect. With its careful, consistent and reliable management style, the Company adds value to society with its environmentally aware approach, in addition to its operational excellence and profitability.

Competences of Akenerji Employees

Communication
Akenerji employees place emphasis on sharing information and ideas, and utilize a variety of written and/or verbal tools for this purpose. They ensure that information conveyed to individuals and/or groups is understood, and follow up developments in this respect.

Persuasion
Akenerji employees carry out activities within the framework of the corporate culture on the basis of ideas and plans they believe to be correct. They exhibit appropriate attitudes and conduct towards different people, situations and tasks through their communication skills.

Results Orientation
Akenerji employees, who are driven for continuous improvement, work with determination to meet or exceed the high targets set both for them and for their teams, and, by regularly measuring the progress made towards these targets, develop new strategies.

Creating Collaboration
Akenerji employees effectively attain their business goals through collaborations established within their work area, with other work areas, teams, departments and units.

Planning and Organizing
Akenerji employees create action plans for themselves and their teams to complete their work with the highest degree of quality and efficiency.

Decision Making
The first action of an Akenerji employee facing a challenging situation is to identify and understand problems and opportunities. Employees analyze data from different sources. Taking into account the data provided, constraints and the possible consequences, they determine the approach that would lead to an optimal solution, and take action accordingly.

Customer Focus
Akenerji employees accept the customers' needs and expectations as the core of all business activities, and place importance on improving the efficiency of customer relations for this purpose.

Message From the Chairman of the Board of Directors

Dear Shareholders,

2017 bore witness to a slew of incidents that affect regional and global balances, for the world and equally so for Turkey. The Company has also continued its work in many parts of the world this year. Our immediate region has focused on these efforts. We lost 39 fellow citizens in the attack on Reina Istanbul in the early hours of 2017. This shook us all to the core. Also, the bloodshed in Syria continues abate. Thousands of refugees trying to immigrate to safer regions lost their lives under terrible conditions. After the inauguration of the Republican Donald Trump on January 27, many decisions were passed that had an impact on both domestic American politics and also on the world forum, which drew reactions around the globe. The tension with North Korea, the announcement of Jerusalem as the capital of Israel, all left their mark on the year.

The effects of the coup attempt in 2016 were still felt at the beginning of 2017. Under the adversity of the coup attempt and terror attacks, the economy still grew by 3.2%. The measures taken to first mitigate the perception of risk under tough market conditions and then to improve domestic demand had a positive impact on growth. The economy grew by 7.4% in the first 9 months. However, inflation, foreign debt, loan/deposit rates, budget deficit and the current account deficit will remain on the economic agenda next year as well.

In spite of all the uncertainty in Turkey and in the global economy, our fundamental strategy at Akenerji is to operate our existing power plants to the optimum in line with market prices, and to develop new projects that will create added value for our company.

With more than 28 years of experience in the sector, our company is still among the leading companies directing Turkey's energy sector, with an installed capacity of 1,224 MW as of 2017 year-end.

However, we face another challenging year for the energy sector.

Our country is going through some of the worst droughts in recent history. This intensified the operation of Natural Gas Plants compared to Hydroelectric Plants. These droughts have revealed how much of a key role natural gas plants play in the security of our energy supply.

We are positive about efforts on supporting natural gas plants with a Capacity Mechanism. We anticipate that the mechanism will commence in 2018.

According to data provided by the Central Bank of Turkey, as of the end of November 2017, long-term loans obtained from abroad in the private sector amount to $217.7 billion. The energy sector made $95 billion in investments in the last 15 years. The fact that the sector makes its investments in foreign currency loans, and that the input costs are in foreign currencies, makes us vulnerable to fluctuations in foreign exchange rates.

Despite the foreign exchange rate fluctuations in 2017, the positive developments in growth figures and also the rise in energy demand, were positive signals for us.

Total installed power in Turkey reached 85,200 MW as of the end of 2017. Private sector plants generated approximately 66% of this power. The energy sector adds $36 billion to the Turkish GNP and provides employment to 820,000 people.

The growth of the private sector share reveals the importance of the cost basis of privatization and the operation of plants. We believe the operation of TETAŞ and EÜAŞ on a cost basis is a positive step in improving the liberal market structure.

TOTAL INSTALLED POWER IN TURKEY REACHED 85,200 MW AS OF THE END OF 2017. PRIVATE SECTOR PLANTS GENERATED APPROXIMATELY 66% OF THIS POWER.

"With more than 28 years of experience in the sector, our company is still among the leading companies directing Turkey's energy sector, with an installed capacity of 1,224 MW as of 2017 year-end."

Ahmet Cemal Dördüncü
Chairman of the Board of Directors

Full liberalization of the energy market is only possible through the liberalization of the natural gas market together with the electricity market. In this respect, we believe that the regulations regarding the conditions under which natural gas can be discontinued, transparency in sharing information that may affect market prices, and the amendments required in the legislation for ensuring depth in the market, are crucial.

At Akenerji, we do not merely focus on the generation of energy but also the efficiency of energy. Akenerji's Energy Services achieved many solid and significant accomplishments last year along the road we set out on in 2016. Our results set an example for the sector in terms of both technical operation and efficiency. We have achieved 47% efficiency in electricity and 89% in natural gas projects, which are implemented without any additional investment costs.

Akenerji continues to lead the sector in this field. We uphold the principles of respect for the environment, sustainability and social responsibility, which will continue to strengthen Turkey in 2018.

I extend my sincere gratitude to our invaluable employees, who contribute hugely towards Akenerji's recognition for power and reliability, our shareholders, loyal customers, financers who support us in all circumstances, and all of our esteemed stakeholders, whose trust we strive to be worthy of.

Sincerely,

Ahmet Cemal Dördüncü
Chairman of the Board of Directors

Message From The CEO

Dear Shareholders,

2017 started under a pessimistic cloud due to the coup attempt and the terror attacks throughout 2016. Growth estimates were around 2.5-3%, and the Turkish Lira was depreciating at an alarming rate against the US Dollar.

The risks were mitigated by measures taken to improve domestic demand, which had a positive impact on growth. The Turkish economy grew by 11.1% in the third quarter of 2017, and Turkey achieved the highest growth among the G-20 countries.

The unemployment rate at the beginning of 2017 was high at 12%, but subsequently fell to 10.3%. We anticipate that the current account deficit, unemployment, growth, foreign debt, loan/deposit ratios and the budget deficit will also be on the agenda of the Turkish economy in 2018.

Our fundamental strategy at Akenerji is to operate our existing power plants at the optimum level in line with market prices, and to develop new projects that will create added value for our company.

As one of the most prominent energy producers in Turkey, Akenerji consistently provides quality service to our country.

The Company has over 28 years experience in the energy sector. We expanded our capacity at the Ayyıldız Wind Power Plant, commissioned at the beginning of the year, and our installed power reached 1224 MW. Meeting approximately 3% of Turkey's energy requirement, Akenerji continues to be one of the leaders in the sector.

Despite the fluctuations in the global financial markets, difficulties in the energy sector and deepening concerns about risk and fragility, Akenerji meticulously selected the best opportunities and boosted electricity generation and sales in 2017.

Following optimal strategies and measures, the Company crowned a successful financial and operational performance. Our total assets reached TL 5.798 million and our turnover TL 1.855 million in 2017. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to TL 127 million, and all loan debts that matured in 2017 were covered by the Company's capital.

Since all hydroelectric power plants and wind power plants in our portfolio benefited from Renewable Energy Resources Support Mechanisms (RERSM), a natural hedge mechanism was created against the risk of foreign exchange losses on US Dollar based sales.

The Group's exposure to exchange risk was further minimized by a refinancing loan received from Yapı ve Kredi Bankası A.Ş., a portion of which was obtained in TL on September 30, 2015. Alert to all short and long-term liabilities, Akenerji took the necessary steps to sustain its operations with a healthy financial structure and a proactive approach.

The Company improved capacity opportunities at our renewable energy plants in 2016. At that time, we were at the final stages of the investment to expand the installed power at Ayyıldız Wind Power Plant by 13.2 MW to 28.2 MW. All works were completed within less than a year, and the investment was commissioned in 2017.

According to the Gold Standard criteria for Greenhouse Gas Emission Reduction, the capacity enhancement at Ayyıldız power plant corresponds to the electricity requirement of approximately 15,000 houses.

Our market research is ongoing while we continue adding new wind and hydroelectric power plants to our portfolio of energy generation from renewable sources.

Akenerji continues to create added value to energy efficiency.

In 2015, we took an innovative step in the energy sector with our Energy Services mission. We demonstrated our ability to take fast, innovative and competitive steps, proving that the added value and recognition claimed throughout our projects was well deserved.

Akenerji Energy Services has reached 47% efficiency in electrical energy and 89% efficiency in natural gas for projects implemented without any additional investment costs, equaling its own record from 2016. Energy services, together with efficiency projects and engineering services, have demonstrated once more that the Akenerji family is a competent leader in every aspect of the energy sector.

Energy trade is one of the key areas of activity which add value to Akenerji without incurring asset based capital expenditure.

In 2017, Akenerji enhanced the services it offers to the market, took precautions against risks, and achieved a successful year in terms of operational profitability.

Akenerji produced 5.70 TWh of electricity in 2017, 11% of which is from renewable resources. This corresponds to 54% more electricity generation than in 2016. Our total trade volume in 2017 was 10.2 TWh.

As in the previous year, our power plants participated in RERSM (the Renewable Energy Resources Support Mechanism). Consequently, we were able to sell the electricity we generated in foreign currency (US Dollars) and created added value. Thus, we earned 66% more income when compared to the trading reference, Day-Ahead Market.

As in previous years, we continued our success and awards for our social responsibility and sustainability activities in 2017. In all of our activities, our fundamental principles were to add value to our country, respect the environment and be of benefit to society.

IN 2017, AKENERJI ENHANCED THE SERVICES IT OFFERS TO THE MARKET, TOOK PRECAUTIONS AGAINST RISKS, AND ACHIEVED A SUCCESSFUL YEAR IN TERMS OF OPERATIONAL PROFITABILITY.

Akenerji produced 5.70 TWh of electricity in 2017, 11% of which is from renewable resources. This corresponds to 54% more electricity generation than in 2016.

Serhan Gencer
Chief Executive Officer

We reiterated that water is vital for us this year, and we continued to do our best to protect water sources to pass on to future generations. These efforts were appreciated by CDP, the world's strongest and most efficient non-governmental organization, which focuses on the protection of natural resources. Akenerji won the CDP 2017 Water Leadership Award in 2017.

We reinforced our respect for society through informative meetings for local communities organized in our power plant regions, and by high-standard environmental and society-friendly service concepts with our GRI Sustainability Report.

The Company's achievements were not limited to these. Akenerji was voluntarily assessed within the Borsa İstanbul (BIST) Sustainability Index, consisting of companies with excellent corporate sustainability, traded on Borsa İstanbul, and qualified to be included in the index between November 2017 and October 2018.

Akenerji's pioneering steps in the energy sector were deemed noteworthy and again rewarded this year when we received an award at the 8th Turkish Energy Summit, which hosted leading names from the energy world.

One of our projects, whereby we deliver books and contribute to the education of students studying at schools around our power plants, won the Golden Voltage award in the Social Responsibility category.

We hope 2018 will be a better and more predictable year for the energy sector.

Full liberalization of the energy market is only possible through the liberalization of the natural gas market together with the electricity market.

A transparent, competitive and predictable market system is vital for the operation of power plants, to sustain their activities, and for new investments that will ensure power supply security in both the medium and long term.

Despite the uncertainties and difficulties all over the world, in Turkey and in our sector in 2017, at Akenerji we believe we achieved our goals of being participative, cooperative and team players, the qualities most required at these times.

Through powerful teamwork, cooperation and harmony between our employees we pulled through the difficult times we experienced during the year. We emerged from these difficulties in the best possible condition.

We believe our approach will also be sustainable in 2018.

Sincerely,

Serhan GENÇER
Chief Executive Officer

Energy Sector in Turkey and the World

World

The International Energy Agency mentions four structural changes in the global energy field in its World Energy Outlook published in 2017. These changes are; the rapid implementation of clean energy technologies and the reduction in costs as a result; the improvement in electrification, in other words, electrical energy available for use in all areas; the expansion of clean energy resource use in China, the world's largest energy consumer, and finally, continuity in producing shale gas and oil, which enables the U.S. to remain the biggest crude oil and gas producer in the world.

The former distinction between energy producers and consumers is becoming blurred while these changes are taking place, and a group of developing countries, led by India, is becoming more prominent. It is estimated that global energy requirements will rise by 30% by 2040. This is comparable to adding a new China and India to the existing global demand. Southeast Asia, with a demand twice that of China, is one of the biggest consumers in world energy. In addition, countries in Asia account for two thirds of the global energy spike, with the remainder being from the Middle East, Africa and Latin America.

While methods for meeting swelling global energy requirements have undergone a major shift when compared to the last twenty-five years, natural gas is in first place, followed by the rise of renewable energy resources and energy efficiency. Natural gas use is projected to grow its share to 45% by 2040 and, as low-cost options, renewable energy resources are expected to account for two thirds of the world's power plant investments.

The new development process in China focuses on cleaner and more efficient digital technologies in energy politics. China's choices will play a key role in determining world trends, and expedite the switch to clean energy on a global scale. In addition, the renewable energy boom in the electricity sector indicates that the golden age of coal has come to an end. Furthermore, even if the overall demand for oil rises until 2040, the escalation in the rate of demand will gradually slow down. While demand is predicted to be high until the middle of the 2020s, due to enhanced efficiency and alternative fuels, the decline in petrol consumption by passenger cars will lead to significantly lower demand. However, the daily oil demand is expected to reach 105 million barrels by 2040, even with the impact of other sectors. The main sources of such growth are petrochemical production and the rise in consumption by heavy commercial vehicles, and the aviation and maritime industries.

To reduce costs, the USA produces 50% more oil and gas than other countries. As a consequence, the USA, already a major exporter of natural gas, has become the largest overseas dealer of liquidated natural gas. In addition, this will also establish the U.S. as the leading net exporter of oil by the end of 2020.

WHILE METHODS FOR MEETING SWELLING GLOBAL ENERGY REQUIREMENTS HAVE UNDERGONE A MAJOR SHIFT WHEN COMPARED TO THE LAST TWENTY-FIVE YEARS, NATURAL GAS IS IN FIRST PLACE, FOLLOWED BY THE RISE OF RENEWABLE ENERGY RESOURCES AND ENERGY EFFICIENCY.

* World Energy Outlook (WEO), Kasım 2016

“While growth of 7.4% was observed in Turkey's economy during the first three quarters of 2017, total electricity demand in 2017 rose by 3.8% over the same period, reaching almost 290 GWh.”

Petr Dokládal
Deputy General Manager

Turkey

The private sector, which had a 61% interest in total electricity generation in 2016, extended its share to 65% in 2017. 38% of the electricity generation in 2017 was covered by natural gas plants, 32% by coal plants, 20% by hydroelectricity plants and 6% by wind power plants.

Turkey's total installed capacity has reached 85.200 MW with the addition of 6,703 MW installed capacity that came into operation in 2017.

Upon the establishment of Enerji Piyasaları İşletme Anonim Şirketi (EPİAŞ), significant steps were taken towards the liberalization and transparency of Turkey's energy sector. Growth was recorded in the share of free producers with continuing privatizations in 2017. The year saw privatization tenders for a total capacity of 895 MW. Furthermore, tenders were announced to utilize coalfields and renewable resource areas in energy production by the private sector, in order to benefit from local resources and reduce foreign source dependency. It is critical for Turkey that both public and private sector players work jointly to make all these privatization transactions in the most productive and efficient way possible, and that they integrate the renewable resources into the current system and curtail the dependency on foreign sources in 2018.

The share of renewable energy in the installed power portfolio goes up by the year in Turkey, just as in the whole world. Renewable energy's share in total installed power was recorded at 46% in 2017. In parallel with the global energy sector, the share of solar energy is expected to climb in Turkey in 2018 and after. After the certified solar energy power plant projects became operational in 2017, total installed power rose to 3,421 MW.

The Renewable Energy Resources Support Mechanism (RERSM) continued to be attractive to independent manufacturers due to the fluctuations throughout 2017 in electricity sales and foreign exchange rates. THE RERSM, used by 647 power plants with an installed power of 17,382 MW in 2017, will serve 708 power plants with an installed power of 19,266 MW in 2018. While 61% of these are hydroelectric power plants, 32% are wind terminals, 5% are geothermal and 2% are biomass power plants.

Energy Sector in Turkey and the World

THE NEW POWER PLANTS COMMISSIONED IN 2017 BOOSTED TOTAL INSTALLED POWER IN TURKEY BY 6,702 MW TO 85,200 MW

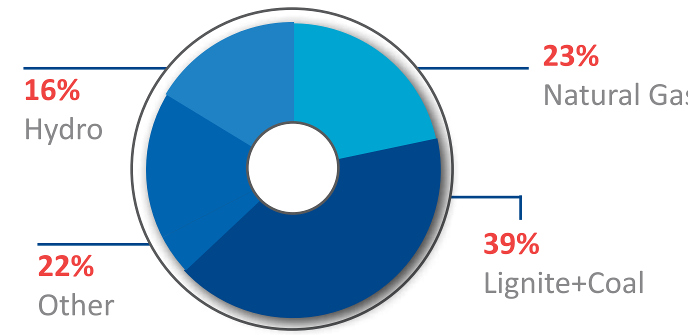
Average Per Capita Electricity Consumption (MWh)

2015 data
Source: International Energy Agency, Key World Energy Statistics 2017

"As a result of the measures taken and the right strategies followed, our Company performed successfully, and is taking the appropriate steps to pursue its activities within a healthy financial structure."

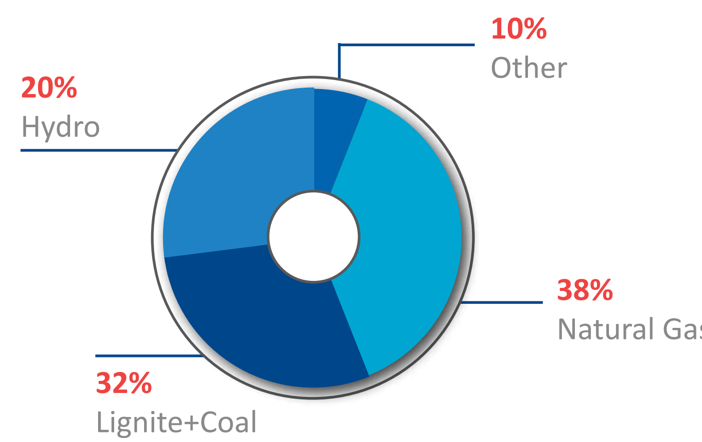
Petr Sedlák
Assistant General Manager - Accounting and Finance

Breakdown of Sources in Electricity Generation (World)



2015 data
Source: International Energy Agency, Key World Energy Statistics 2017

Breakdown of Sources in Electricity Generation (Turkey)



2017 data are provisional.
Source: TEİAŞ

Operations in 2017 / Production

OUR EXPERIENCE AND EXPERTISE SHAPE THE FUTURE OF OUR ENERGY INVESTMENTS

With its balanced, efficient and environment-friendly portfolio, Akenerji generated 54% more electricity in 2017 than in the previous year and production grew to 5,700,138 MWh. Consequently, it has sustained its competitive position with an installed power of 1,224 MW, and a flexible portfolio that can adapt to rapidly changing market conditions.

Focusing on renewable energy resource investments in 2005 to create variety in resources and cost advantages, Akenerji has expanded the number of alternative energy resource power plants through various projects over the years. We have activated one wind and seven hydroelectric power plants since 2009, boosted our installed power from renewable energy resources to 320 MW, and introduced these secure high-quality resources to the market.

The first production facility Akenerji opened as a renewable energy plant is Ayyıldız Wind Power Plant, with installed power of 28.2 MW. This facility is in Bandırma district in Balıkesir, and is one of the most exemplary high capacity plants of its kind. The 13.2 MW capacity expansion at the Ayyıldız Wind Power Plant was carried out at the end of 2016, and after the approval by the Ministry the plant became active on January 28, 2017.

As a result of simultaneous hydroelectric projects, four power plants were activated in 2010. These are Bulam (7 MW), Burç Bendi (28 MW), Feke II (70 MW) and Uluabat (100 MW). In 2012, the share of renewable resources in Akenerji's installed capacity reached 26% when three more hydroelectric power plants came on stream, Feke I (30 MW), Himmetli (27 MW) and Gökkaya (30 MW). With this portfolio, which offers variety in both resources and locations, Akenerji can produce highly efficient and profitable energy at any time of the year. Our hydroelectric power plants generated 555,642 MWh of our electricity in 2017, balancing our portfolio and keeping our costs at competitive levels.

One of the largest natural gas investments in Turkey, and also one of the most crucial projects of the Akkök-ČEZ strategic partnership, is the Erzin Natural Gas Combined Cycle Power Plant. With a capacity of 904 MW the plant became commercially active at full capacity on June 5, 2014. This plant is considered one of most vital investments in our country and maximizes resource efficiency, provides competition which benefits consumers, and contributes significantly to regional employment. Emission values are measured around the clock and are available to the whole of the country through the Ministry of Environment website. The annual production capacity of the Erzin Natural Gas Combined Cycle Power Plant is approximately 7.4 TWh.

	Gross Energy Generation	Capacity Utilization Rate
AYYILDIZ RES	74,128	31.08%
ULUABAT HES	199,371	22.76%
BURÇ HES	45,130	18.85%
BULAM HES	17,135	27.82%
GÖKKAYA HES	59,199	23.68%
HİMMETLİ HES	66,620	28.19%
FEKE I HES	67,345	26.15%
FEKE II HES	100,842	16.54%
ERZİN DGKÇS	5,073,366	64.07%
MWh	5,703,136	53.40%

"The production department saw a year in which ordinary targets were surpassed and record production was reached"

Can Gülcan
Power Generation Director

After the work completed at the Erzin Natural Gas Combined Power Plant in the first quarter of 2017, the ability of the plant to receive loads, load cycling and working at low capacities was significantly improved. The plant has reinforced its competitive position by responding robustly to the need for flexibility, crucial for the balance and security of Turkey's electricity network. In addition, a long-term agreement was signed with GE for the use of the digital solution, Operational Optimization, in the first quarter of 2017. As a leading example to power plants in Turkey, Operational Optimization monitors power plant performance to allow effective planning and lower production costs.

Investments and Services

WE CONSTANTLY REVIEW OUR STRATEGIES AND TAKE STEPS TO COMPLY WITH EVER-CHANGING MARKET CONDITIONS WITH EMPHASIS ON OUR COMPETITIVE POSITION, WE IMPROVE HIGH ADDED VALUE FACILITIES WITH OUR CORPORATE EXPERTISE, QUALIFIED STAFF AND INNOVATIVE APPROACH

Akenerji has completed most of the State Hydraulic Works (DSİ) final Project Approval for the Kemah Hydroelectric Plant Project, which has installed power of 198 MW, and is planned to be set up in Erzincan province, with an annual production capacity of 560 GWh. For 2018, it is planned to execute the necessary preparation works for main equipment supply and construction works bids.

At Akenerji, the optimal operation of our active power plants is of vital importance. The operation and maintenance activities of all power plants within our production portfolio is carried out meticulously and effectively. In addition, we constantly review our strategies in order to adapt to changing market conditions and to strengthen our competitive stance. We continue to take innovative steps for more efficient energy generation. With 28 years of expertise, we aim to continue the profit optimization of our production activities in 2018 with expert staff and a pioneering approach. Through applied use of our corporate skills in these areas, we hope to benefit from fresh opportunities.

WITH THIS ADDITIONAL CAPACITY, THE TOTAL INSTALLED POWER OF THE AYYILDIZ WIND POWER PLANT REACHED 28.2 MW.

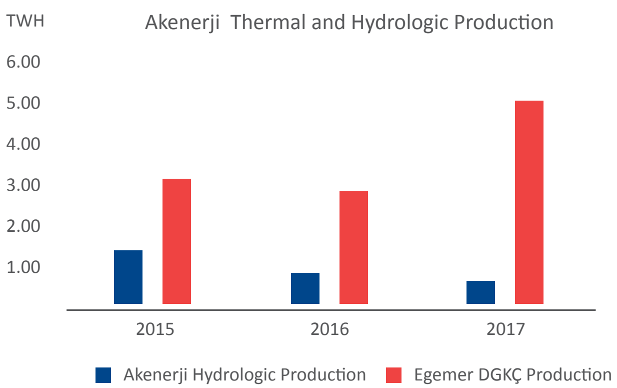
Furthermore, we constantly follow up the performance of our existing power plants and evaluate, in detail, any sorts of potential related to capacity expansion and performance enhancement. Our proposal to boost the installed power of the Ayyıldız Wind Power Plant by 13.2 MW began in 2016. The work was completed in under a year and the plant was activated at the beginning of 2017. With this additional capacity, the total installed power of the Ayyıldız Wind Power Plant reached 28.2 MW. In addition, projects based on the capacity utilization rate of renewable energy resources, market research for hydroelectricity plants and appropriate hydro licenses continue.

Operations in 2017 / Wholesale Electricity Sales

2017 was a year in which the uncertainties that surfaced in 2016 escalated, and market liquidity deteriorated.

Despite a market environment where predictability fell to basement levels, 2017 was a successful year for Akenerji, which expanded the services it provides, took positive measures against risk and safeguarded operational profitability.

In 2017, Akenerji produced 5.7 TWh of electricity, 11% of which was from renewable resources. This corresponds to 54% more electricity generation than 2016. The effect of the unpredictable economy in 2016 and 2017 are shown in the graph below. Despite such deficiency, with the advantage of our balanced portfolio, this negative impact was notably curtailed by the production generated at the Egemer Natural Gas Combined Cycle (NGCC) power plant.

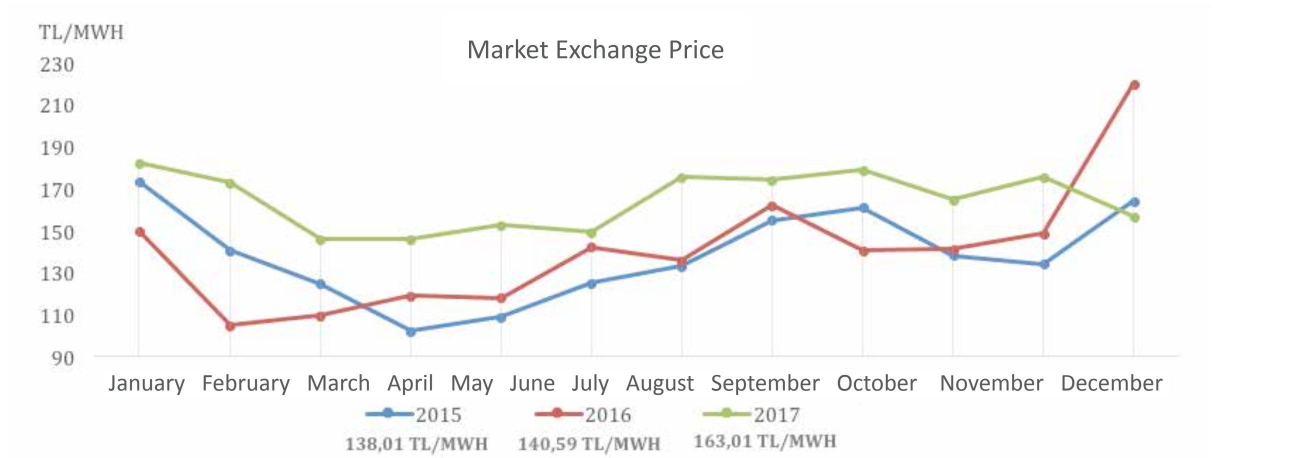


At the end of 2016, government business enterprises started to optimize their production and market offers. However, these older power plants are more inefficient and costly, needing more natural gas imports compared to the new NGCCs, which consume less gas and offer more efficient production. The private sector has been requesting an intervention for the past five years, but despite this the sudden change of strategy as depicted in the Market Exchange Prices of 2015, 2016 and 2017, created a spike in spot prices and a cost opportunity in the mutual dealings of market participants.

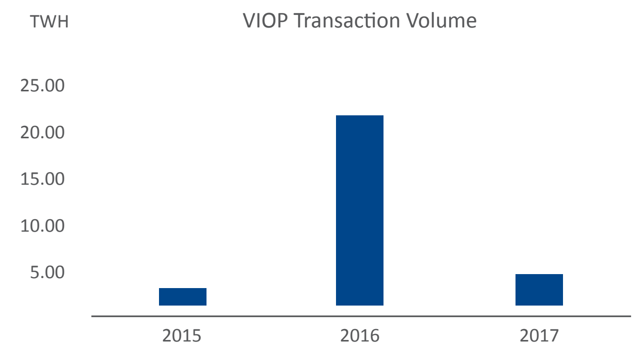
Since the total supply costs and RERSM value exceeded the National Tariff, the Company's main commercial partners, retail companies, were adversely affected by these developments. Retailers reduced their free consumer sales and as a result, their purchase of energy from the market declined. These factors were due to miscommunication between the public and the private sector, leading to a reduction in the trade volume of electricity products in the over-the-counter and organized markets.

In addition, with gas cutbacks reaching 90% at the end of 2016 and applied to NGCC plants, annual products traded at TL 132 / MWh as of October 1, and the over-the-counter market jumped by TL 10 to TL 142 / MWh. The surge in US Dollar exchange rates exceeded expected levels in 2017, and spot prices for low hydrology were higher than anticipated. The Akenerji Trade Department foresaw these risks and eliminated negative impacts by restricting sales to the market. Despite this, Akenerji improved its mutual agreement portfolio with other options, and in 2017 our total trade volume was 10.2 TWh.

OUR MISSION AT AKENERJİ IS TO FULFILL THE NEEDS OF THE ENERGY SECTOR AND THE REQUIREMENTS OF ITS PARTNERS AND STAKEHOLDERS WITH BESPOKE PRODUCTS.



In 2017, as in previous years, Akenerji contributed to the RERSM mechanism with its renewable electricity generation resources. As a result of the structure of the RERSM mechanism, the appreciation of the US Dollar against the Turkish Lira caused the average RERSM unit price of Akenerji's renewable production portfolio to go up. Thus, 66% additional income was earned when compared to the trading reference, Day-Ahead Market. Akenerji will be included in the capacity mechanism which regulates power plants operating with local fuel and the productive NGCC power plants. When the low prices in the middle of the year and the depreciation



SKILLFUL RISK MANAGEMENT WILL PLACE AKENERJİ AT THE FOREFRONT OF THE MARKET IN 2018

of the Turkish Lira are taken into account, it becomes evident that such an arrangement is crucial for investors. In addition, Akenerji continues to take advantage of opportunities for mergers and acquisitions of assets that require expert financial assistance in the energy market, in line with its long-term strategy and income expectations.

Aiming to be an active market participant in countries beyond our direct neighbors, along with the Turkish Energy Market in 2017, Akenerji has drawn its roadmap in this respect and licensed its traders in the EEX (European Energy Exchange). This is the largest energy exchange market in Europe, and after completing the necessary procedures we have started our commercial activities. In addition, the required organizational changes have been implemented in order to prepare for the spot natural gas market opening of EPİAŞ.

New Products, New Services

Akenerji, whose regulations, product range, trade platforms, and dynamics are undergoing an alteration process, and which fulfills the needs and requirements of the energy sector where competitiveness intensifies by the day, takes it as its mission to meet its partners and shareholders' demands, with specially designed liquid and derivate products.

With our mission of contributing to the development of the energy trade market, and as one of the leading energy companies in Turkey, Akenerji places no limit on its commercial activities and continues to offer service access to local and foreign wholesale energy trade companies. For this purpose, with 2.8 TWh transaction volumes over three companies, it has significantly contributed to the growth of the market. In addition, within the scope of the Power Plant Management Services business model implemented in previous years, we continue to collaborate with the same companies.

As market predictability lessened in 2017, Akenerji has focused on market access and power plant management services. We aim to support other market participants with our skilled specialist staff to enhance monthly fixed income.

In light of the risks the RERSM imposes on market participants, the new products and services offered by Akenerji to mitigate the risks resulting from the imbalances of production plants subject to RERSM, have become extremely attractive. New market participants with renewable or thermal capacities continue to trust our twenty-eight years of expertise, our integrity, and the professional asset management initiatives we provide for Day-ahead, balancing and day trading operations. Additionally, we also provide 24/7 market access to mitigate costs arising from any imbalance, and maximize the profit of market participants.

As part of group activities responsible for minimizing costs of disproportion in 2017, we have cooperated with one of the sector's leading companies. Consequently, Akenerji has boosted the added value it creates by enhancing the group volume and synergy responsible for this area.

Akenerji has designed many innovative products and taken steps towards meeting the requirements of sector companies in 2017. Due to the amendments in 2016 to the RERSM regulations, electricity producers with limited production and a narrow portfolio suffered high imbalance costs. In this respect, as the Group Responsible for Balance (GRB) in 2017, Akenerji held meetings based on synergy disparity with a number of companies, and created business models to stabilize these costs.

In order to eliminate market risks that may occur due to price fluctuations in forward electricity products, and included as a first in its portfolio in the over-the-counter electricity trader markets in Turkey, Akenerji sought to sign an Additional Support Loan Annex. In line with the internationally valid European Federation of Electricity Traders (EFET) agreement, as of June, we completed the signing process of this annex with another company. Both parties are committed to meeting the requirements of the Additional Support Loan Annex, which will set an example to the market in improving risk management processes, and help further develop of the Turkish power trade market.

"With an active and dynamic risk management approach, Akenerji prioritized mitigation of the negative effects of uncertainties in the market in 2017"

S. Ergin Baykara
Energy Trading Director (Acting)

The transaction volume of the Intra-Day Market, which became operational in July 2015, mounted up significantly, especially after RERSM power plants became responsible for the imbalance in costs. As a leader in the management of imbalances in the market, Akenerji has assumed various commercial roles, and with around-the-clock production has achieved a transaction volume of 77 GWh, accounting for 4% of the Day-ahead market transaction volume in 2017.

Market Design and Evolution

As one of the founding members of the Energy Trade Association (ETA), Akenerji continues as a member of the Board of Directors of the new management, and has taken part in work groups towards improving the market established under the auspices of ETA.

Regulations on energy markets integrity and transparency (REMIT) and EPİAŞ's development will play a key role in the sector's liberalization goal. Pertaining to these engagements, Akenerji maintains constant contact with EPİAŞ, EMRA, TEİAŞ, EÜAŞ, BOTAŞ and TETAŞ, with the aim to enhance market transparency.

With the ETRM (Energy Trade and Risk Management) software installed and running, the analysis of our commercial position is monitored on a daily basis. In line with the best practice standards of the energy sector, setting clear and transparent duty descriptions for our trade, the optimization, operation and risk departments completed a thorough examination of our processes.

When the high volatility of the energy market spot prices in Turkey is taken into account, third party risk management in the daily operations of the trade department has become critical. Daily risk and security management are implemented and calculated by the operation and risk departments and for the coming term, Akenerji is also preparing the ETRM software for activities in gas trade operations and international trade.

Retail Electricity Sales

ONE OF TURKEY'S LEADING PRIVATE ENERGY COMPANIES, AKENERJİ HAS ACHIEVED A FIRST IN THE SECTOR - AN INNOVATIVE ENERGY EFFICIENCY PROJECT WHICH OBTAINED RECORD RESULTS WITHOUT INVESTMENT OR GUARANTEE

Akenerji continues its success with Innovative projects generating record values in the energy sector

In 2015, Energy Services, a pioneering venture in the energy sector, proved that Akenerji merits the added value and recognition it has achieved through the realization of projects, and demonstrated our aptitude for taking rapid, innovative and competitive steps. Providing service and guaranteed energy efficiency to commercial buildings, without investment and as a result of the free exploration and engineering works at our plants, we offer guaranteed business models suitable for the provision of maximum gains for both sides.

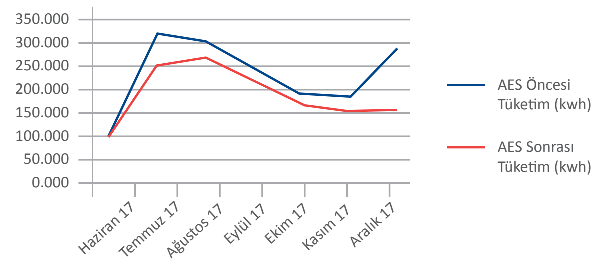
Akenerji Energy Services (AES) has improved its energy efficiency rates without investments by up to 40% for plants with which it has participated as the energy team in 2016 and 2017 with its new business models.

By integrating the current technical team into Akenerji Energy Services in 2017, we have included Akasya Shopping Center and Axis Kağıthane Shopping Center in our business model, assuming the technical operation and continued growth in the sector. A power supply agreement has been signed with Axis Kağıthane Shopping Center to undertake their technical operations, reducing the unit energy prices of the company and ensuring savings in energy consumption through efficiency.

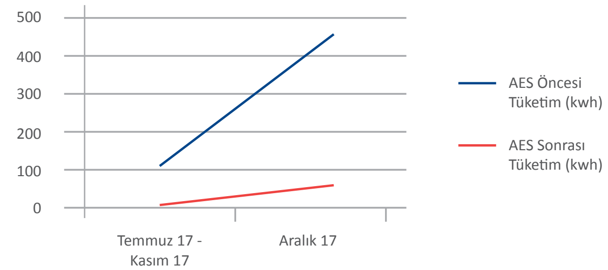
With projects that do not incur any ancillary costs to companies, Akenerji Energy Services has attained efficiency values of 47% in electrical energy and 89% in natural gas, and has maintained its own record. In addition to our efficiency, we have also added value to the plants in which we are active by extending the longevity of equipment and lowering operational maintenance costs.

Enerji Verimliliği Grafikleri

Elektrik Tüketimi Değişimi



Doğalgaz Tüketimi Değişimi



Proving that efficiency is possible without investments, Akenerji Energy Services has upgraded its innovational service package by offering combined performance security, bringing together research and reporting, analysis and consultancy, project development, financing, maintenance, operation and validation services under a single roof.

In addition to technical operations and optimization projects for commercial buildings, we have developed alternative projects by creating teams that have the capacity to offer comprehensive maintenance and operation at cogeneration and trigeneration plants, while continuing research on market requirements.

Energy Services, together with efficiency projects and engineering services, has proven once more that the Akenerji family is a competent leader in every facet of the energy sector.

Carbon Management

AKENERJİ OFFERS EMISSION REDUCTION CERTIFICATION PACKAGES FROM ITS RENEWABLE ENERGY POWER PLANTS TO CUSTOMERS WISHING TO REDUCE THEIR CARBON FOOTPRINTS

Even as climate change remains one of the largest natural threats ever faced on Earth, power companies have assumed a significant role in the solution to the problem through their energy policies. Cognizant of this responsibility, Akenerji continues to invest in renewable energy.

Carbon Certification, Emissions Trading

Akenerji is setting an example for the industry as a whole in terms of cutting carbon emissions. It has successfully carried out carbon certification activities for all of its renewable energy investments. Ayyıldız Wind Power Plant and Bulam HEPP has been registered according to the "Gold Standard" criteria. The certification process for Uluabat, Burç, Feke I and Feke II power plants has been completed within the scope of Voluntary Carbon Standards (VCS). Of these, Uluabat is the largest Turkish HEPP certified project according to Voluntary Carbon Standard (VCS) as of its certification date. The certification work for Himmetli and Gökkaya HEPPs activated in 2012 was also completed in 2013. The projects 'Social Carbon' (SC) has been registered according to the criteria.

Akenerji has set an example for other Turkish energy companies with its emission trade activities. The Company continued to actively trade the carbon emission reduction certifications, which it obtained from the renewable energy power plants, in the market. Accordingly, our customers can, if they desire, zero out the harmful effects of their power usage on the environment, and gain considerable advantage in sustainability engagements.

Carbon Disclosure Project

Akenerji is included in the Carbon Disclosure Project (CDP), which is a worldwide voluntary initiative. The Carbon Disclosure Project is a worldwide voluntary initiative established to collect and share information that will allow companies, investors and governments to take action against the threat of climate change. Every year, participating enterprises make public

disclosures about their climate change strategies and carbon emissions within the scope of the project, so that each company constitutes the basis for the creation of their country report. The data compiled from the annual country reports are evaluated to create strategies for the global campaign against climate change. Our public report rating is B (management) offered to the public under CDP climate change in 2017.

Carbon-Neutral Electricity

Considering the sensitivity of its customers on climate change, Akenerji provides customers, who want to reduce their carbon footprint, with "Carbon-Neutral Electricity" in a single package, including electricity as well as carbon emission reduction certificates obtained from the production of its renewable power plants. By means of "Carbon-Neutral Electricity", companies have the opportunity to compensate unavoidable carbon (greenhouse gas) emissions resulting from electricity consumption, with the emission reduction certificates of renewable source projects. Akenerji's "Carbon-Neutral Electricity" certificate, which is also approved by an independent and international institution, gives Akenerji customers the opportunity to eradicate any carbon footprint arising from electricity consumption.

WE PRIORITIZE SOLUTIONS THAT MINIMIZE ENVIRONMENTAL AND SOCIAL RISKS IN ALL OUR ACTIVITIES

Akenerji is among Turkey's longest established energy generation companies, and it prioritizes solutions that will minimize environmental and social risks in all its activities, while at the same time not neglecting the problems threatening the world. The Company is aware of its responsibility in taking climate change under control, and therefore it uses its own technology and technical expertise to minimize the risks that the company's activities carry in terms of environment and society. The Company takes contemporary steps with its future oriented engagements, proactive approaches, and decision mechanism based on international standards. Akenerji is careful to preserve natural life and prevent environmental pollution in all business processes, and with its high-tech applications adopting efficiency as a principle, it enables maximum energy generation with the minimum possible resource utilization.

Considering the total feasibility generation capacity of Akenerji's current renewable energy power plants, it is possible to eliminate approximately 1 million tons of greenhouse gas emissions, equivalent to the fresh air produced by approximately 42 million trees. Motivated by the prospect of contributing to nature, Akenerji will continue to expand its renewable energy capacity, and preserve its leadership in the field of sustainability with high efficiency generation processes. Raised awareness among consumers and new legislation are other factors that reinforce Akenerji's resolve in this area.

Monitoring of Greenhouse Gas Emissions

The Greenhouse Gas Monitoring Plan (Regulation on Monitoring of Greenhouse Gas Emissions, Communiqué on Monitoring and Reporting of Greenhouse Gas Emissions) of our Erzin Natural Gas Combined Cycle Power Plant, which is included in the scope of the Regulation on Monitoring of Greenhouse Gas Emissions, has been prepared. Information including the amount of greenhouse gases resulting from the production activities of the power plant, and the method to monitor and evaluate these emissions, has been submitted in the plan to the Ministry of Environment and Urbanization. In this way, greenhouse gases began to be monitored in 2015. As of 2016, greenhouse gas emissions at our plants are monitored, verified and reported, and as of 2017, the greenhouse emissions authenticated by the authorized verification body are submitted to the Ministry of Environment and Urban Development. In 2017, an improvement plan in line with verified greenhouse gas reports was prepared including provisions for the future, and consigned for the approval of the Ministry. In addition, a sampling and analysis plan was issued for calculations that will be used for verification of greenhouse gas emissions from 2018 to the end of April 2019, and also submitted for the approval of the Ministry. Consequently, plant monitoring, verification and reporting of greenhouse gasses became functional and Turkey moved one step closer to measurable, transparent and demonstrable emission data. In this respect, a greenhouse gas emission calculation team, consisting of staff from our headquarters and the plant, was dispatched to Erzin NGCCPP at the beginning of 2017. This team monitored and reported greenhouse gasses according to the regulations on monitoring greenhouse gas emissions and ISO 14064 Quantification and Reporting of Greenhouse Gas Emissions. In 2017, greenhouse gas emissions were disclosed and substantiated according to these two regulations.

Accordingly Akenerji has;

The emissions from January 1 to December 31, 2015 and January 1, to December 31, 2016 have been monitored and reported as of 2017, and the initially verified emissions up to April 30, 2016 (from January 01 to December 31, 2015, and from January 01 to December 31, 2016) have been notified to the Republic of Turkey, Ministry of Environment and Urban Planning.

The annual emissions from January 1 to December 31, 2017 were monitored and the verified greenhouse emission amount shall be submitted to the Republic of Turkey Ministry of Environment and Urban Development by April 30, 2018. Also, during this time the 2017 emissions shall be reported and verified according to ISO 14064 Quantification and Reporting of Greenhouse Gas Emissions.

Natural Gas is burned with dry low NOx, producing NOx with low emissions, also in the Erzin Natural Gas Combined Cycle Power Plant, which became operational in the third quarter of 2014. A continuous emission measurement system has been installed for flue gas emissions. A continuous emission measurement system has been installed for flue gas emissions. A continuous emissions measurement system has been installed for our stack gas emissions, and emissions can be monitored via the online system of the Ministry of Environment and Urban Planning.

Sustainability Report

Having published the Environmental and Occupational Health and Safety Activity Report since 2010, Akenerji expanded its scope and prepared its first Sustainability Report for 2012 in accordance with the principles of the Global Reporting Initiative (GRI). Data and information collection, and processes pertaining to expanding the Report content have been conducted through procuring out-source expert support by the Sustainability Committee established within Akenerji. The scope and depth of the matters covered in the report reflect the results of the prioritization analysis that we carried out during the reporting process. The report's content has been prepared in such a way as to cover sustainability matters, which are significant and a priority for Akenerji, and in accordance with G4 "basic" level under the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). Our Sustainability Reports are shared on the company's website (www.akenerji.com.tr), in the "Sustainability" section.

TOTAL GENERATION CAPACITY OF OUR RENEWABLE ENERGY POWER PLANTS PROVIDES THE SAME BENEFIT AS THE FRESH RECIRCULATED AIR FROM 42 MILLION TREES.

Integrated Management Systems

A major portion of work in the context of sustainability is performed with the management systems listed below:

- ISO 9001: 2015 Quality Management System
- ISO 14001: 2015 Environmental Management System Certificate
- OHSAS 18001: 2007 Occupational Health and Safety Management System Certificate
- ISO 27001:2013 Information Security Management System

In line with ISO 9001:2015 Quality Management System, ISO 14001:2015 Environment Management System and OHSAS 18001:2007 Occupational Health and Safety Management System certificates held by all our plants, first intermediary check audits were successfully completed and the validity of these certificates was maintained. At the same time, second intermediary check audits were carried out at our headquarters, Erzin NGCCPP and Ulubat Hydroelectric Plants, and the validity of these certificates was also maintained.

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

Location / Standard	ISO 9001: 2015	ISO 14001: 2015	OHSAS 18001: 2007	ISO 27001:2013
Headquarters	✓	✓	✓	✓
Ayyıldız Wind Power Plant	✓	✓	✓	
Uluabat Hydroelectric Power Plant	✓	✓	✓	✓
Burç Bendi Hydroelectric Power Plant	✓	✓	✓	
Bulam Hydroelectric Power Plant	✓	✓	✓	
Feke I Hydroelectric Power Plant	✓	✓	✓	
Feke II Hydroelectric Power Plant	✓	✓	✓	
Himmetli Hydroelectric Power Plant	✓	✓	✓	
Gökkaya Hydroelectric Power Plant	✓	✓	✓	

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

Erzin Natural Gas Combined Cycle Power Plant

Location / Standard	ISO 9001: 2015	ISO 14001: 2015	OHSAS 18001: 2007	ISO 27001:2013	ISO 14064-1:2016
Headquarters	✓	✓	✓	✓	
Erzin Natural Gas Combined Cycle Power Plant	✓	✓	✓	✓	✓

Placing emphasis on operational excellence and profitability in investment decisions, Akenerji takes all steps with the principles of social responsibility and environmental awareness.

Eco-Friendly Production with Proper Waste Management

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

In 2017, as a result of Akenerji's waste management efforts, over 103 tons of waste was recycled or disposed of.

As in previous years, waste batteries were collected separately from other waste at Akhan, the Company's headquarters, in 2017. All employees of Akenerji and its subsidiaries lent their full support to the collection of waste batteries. Waste batteries are collected and delivered to the Portable Battery Producers and Importers Association (TAP).

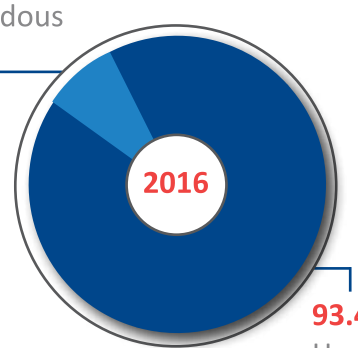
Akenerji's eco-friendly approach has been adopted by all employees as part of the corporate culture. In this context, Akenerji employees contributed to the collection of recyclable waste in 2017, too. During the last year, approximately 9.5 tons of waste paper and packaging was collected from all Akenerji plants and Akhan's sent to recycling centers. The Electronic Waste-Recycling Project, which was initiated at Akhan Headquarters and at Akenerji Group power plants in August 2012, continued in 2017. In the context of the project, electronic waste collection boxes were placed in Akhan's offices and in the power plants. Collected waste is sent to a company granted the Environment Permit and License by the Ministry of Environment and Urbanization. TEMA (Turkish Foundation for Combating Soil Erosion) plants trees and gives saplings to students on behalf of Akenerji, the company to which waste is donated. By the end of 2017, approximately 78 kg of electronic waste was recycled from Akenerji headquarters, within the scope of the Electronic Waste-Recycling Project.

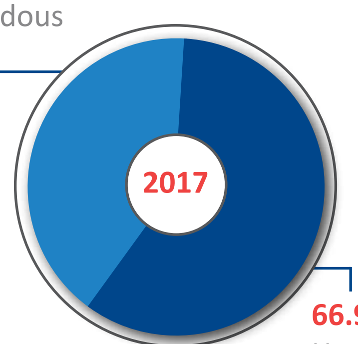
Akenerji aims to continuously improve the level of knowledge and awareness of its employees on waste management, supported by effective projects. To this end, Akenerji Environment Management Unit organized various on-site trainings about environment aspects and

IN 2017, AS A RESULT OF AKENERJI'S WASTE MANAGEMENT EFFORTS, OVER 103 TONS OF WASTE WAS RECYCLED OR DISPOSED OF.

environmental accidents, where the impacts of the Sites on the environment were evaluated. Meanwhile, trainings on environment legislation and waste management took place at the Head Office. Environment Regulations - Waste and Environment Awareness training was organized in order to implement more effective waste management at the plants and headquarters and to inform employees of updates. These rules on waste management, implemented at plants and headquarters, were shared with our employees using real examples from the field.

Waste Quantities





The graphs' data are collected from Ayyıldız, Akocak, Uluabat, Burç, Bulam, Feke I, Feke II, Himmetli, Gökkaya, Erzin Plants, Central Office and Akhan.

We came back with an award from Bond & Loans

Akenerji was recognized in the Best Structured Finance Agreement category at Bond & Loans Awards, the Oscars of the finance world. The award to Akenerji was for the refinancing agreement it concluded with Yapı Kredi. Akenerji set an example with the refinancing agreement for US$ 1.1 billion, signed with Yapı Kredi in order to sustain its operations within a healthy fiscal structure and ease cash flow. This structured financing agreement is the largest funding support from a bank in Turkey to a private company.

Corporate Social Responsibility Projects Continue

While we generate power for Turkey, we continue to use environment friendly technologies and make our infrastructure compliant. Last year, Akenerji continued to receive awards with its environment sensitive stance and sector-leading new projects.

Full Support for Art from Akenerji!

Masada Theater, one of the foremost experimental theater groups in the Czech Republic, met with art lovers in Istanbul under the sponsorship of Akenerji. The Audience by Vaclav Havel, the absurdist playwright and first President of Czechoslovakia, and Nobel-winner Samuel Beckett's Catastrophe, dedicated to Havel, were performed successively on İDT Cevahir Stage. The performance, organized by Istanbul City Theaters with the contribution of the Istanbul Consulate General of the Czech Republic, drew great interest and Akenerji's support for art and artists will continue.

THE BOOK PROJECT AT YEŞILTEPE PRIMARY AND SECONDARY SCHOOL IN ADIYAMAN WAS IMPLEMENTED WITH THE CONTRIBUTIONS OF AKENERJI EMPLOYEES, AND WON AN AWARD.

"Altın Voltaj" (Golden Voltage) Award for Akenerji

Akenerji won the Golden Voltage award in the social responsibility category at the eighth Turkish Energy Summit in 2017. Aiming to enhance the environment, Akenerji's projects continue to stand out. The Book Project at Yeşiltepe Primary and Secondary School in Adıyaman was implemented with the contributions of Akenerji employees, and won an award. Serhan Gender, General Manager of Akenerji accepted the award on behalf of the Company from Zeya Altunyaldız, Chairman of Industry, Trade, Energy, Natural Resources, Information and Technology Commission of the Grand National Assembly of Turkey. Akenerji plans to continue to practice social responsibility in all regions where its power plants are located.

Our Plants Welcome Students

Akenerji plants often welcome university students from all over Turkey. Egemer, one of our most visited plants, welcomed the Erasmus exchange program last season. Our guests from Şehit Uğur Ekiz Vocational and Technical Anatolian High School visiting Erzin Akenerji, toured the Egemer Natural Gas Combined Cycle Plant. At the event organized by the school, we welcomed students and teachers from Turkey, Romania and Portugal.

Students from the construction club at the Civil Engineering Department in Istanbul Kültür University toured the Uluabat power plant. Comprising one academic and thirty-five students, Akenerji provided details about electricity generation and our Plant Manager, Serkan Akçay, explained the working principles of hydroelectric plants and provided information on investments.

WITH AN ATTENTIVE, RESPONSIVE, AND TRUST-BASED MANAGEMENT APPROACH, AKENERJI HAS IMPLEMENTED SOME PRACTICES TO RAISE AWARENESS AMONG LOCAL PEOPLE, AND TO PROTECT THEM FROM POTENTIAL HAZARDS IN THE REGIONS WHERE THE POWER PLANTS ARE ESTABLISHED.

CDP Water Program Participation
We protect our water!

The CDP water program aims to mobilize the private sector with regard to water resources. In line with our vision of sustainability and the need to assume responsibility in the private sector regarding water management, we have been participating in the CDP Water Program since 2015, when the program was first initiated in Turkey.

Deloitte Turkey, according to the methodology developed by CDP, and assessed in line with the leadership program, rates the companies participating in the project. As a result of this assessment, Akenerji received an A- rating and was awarded with the CDP Turkey 2017 Water Leadership Award.

Participation in the BIST Sustainability Index

Akenerji was voluntarily assessed within the Borsa İstanbul (BIST) Sustainability Index, consisting of companies with excellent corporate sustainability, traded on Borsa İstanbul, and qualified to be included in the index between November 2017 and October 2018.

The companies included in the index are assessed according to their public information. Forty-four companies qualified to be included in the BIST Sustainability Index between November 2017 and October 2018.

Entering the BIST Sustainability Index, established to independently observe and assess a corporate approach to sustainability issues such as global warming, adverse changes in natural resources, health, safety and employment, imparts prestige and a competitive edge.

AKENERJİ PLANS TO DISTRIBUTE MORE OF THESE MATERIALS TO A LARGER NUMBER OF PROVINCES IN THE COMING YEARS, WHERE IT WILL CONDUCT AWARENESS RAISING ENGAGEMENTS FOR LOCALS.

Projects Initiated through a ‘Living with Locals’ Consciousness

With an attentive, responsive, and trust-based management approach, Akenerji has implemented some practices to raise awareness among local people, and to protect them from potential hazards in the regions where the power plants are established. In 2017, booklets and posters, including potential hazards pertaining to the HPPs and preventive measures, were prepared in this context and distributed to communities in public areas that neighbor hydroelectric power plants in Adıyaman, Bursa and Adana, such as offices of mukhtars, schools, municipalities and local coffee houses. Akenerji plans to distribute more of these materials to a larger number of provinces in the coming years, where it will conduct awareness raising engagements for locals.

Informative presentations have been made to 6,159 students and 350 teachers in total since 2013. HEPP Informative Presentations, which explain the functioning of the hydroelectric power plants, and the personal security measures students should take in their daily lives, were organized in November 2017 attended by 1,937 students and 111 teachers in Adana, attended by 208 students and 5 teachers in Adıyaman and attended by 100 students and 5 teachers in Bursa, in order to raise the awareness of the local people in the region around the HEPPs.

Our projects are among the stars

This year, various successful projects competed with each other at the Yıldız Akköklüler awards, selecting the most successful projects of the year within Akkök Holding,

Competing on behalf of Akenerji, the enhancement of the reserve capacity of Erzin Plant operational flexibility and Secondary Frequency Check (SFK), was presented with the Operational Perfection award.

HUMAN RESOURCES ACTIVITIES AND EMPLOYEE PROFILE

Main Elements of Our Human Resources Policy

- We provide equal opportunity to everyone.
- We match the right person with the right job.
- We pay fair wages for work as a result of work assessment.
- We evaluate success with measured performance and proven abilities.
- We enhance efficiency by means of creating motivation and loyalty.
- We recognize and reward each other’s accomplishments promptly.
- We work in collaboration, ensuring the continuity of work harmony.
- We inform promptly, accurately, openly and multi-dimensionally.

EACH AND EVERY EMPLOYEE IS PROVIDED WITH OPPORTUNITIES FOR PERSONAL AND PROFESSIONAL DEVELOPMENT, WITH TALENT ASSESSMENT, TALENT MANAGEMENT AND PERFORMANCE MANAGEMENT PROCESSES CONDUCTED BY AKENERJI HUMAN RESOURCES.

Through our human resources practices, we aim to support our employees in becoming team members who can refresh and develop themselves all-round, and to become a pace-setting organization, in which everyone in the sector would opt to be a member, with our high-quality workforce.

No effort is spared in ensuring that our employees receive the support they need, in an appropriate and fair manner, and create equal opportunities for learning and development facilities.

With the aim of serving our strategy and goals during the employee selection and recruitment process, we focus on recruiting candidates who conform with our corporate culture and values; who possess the know-how, talents, experience and competence required for the job; and who have the capacity to carry our Company further. Throughout the selection and recruitment process, contemporary assessment systems are applied with an equal and fair approach, and these principles guide us in recruiting the right person for the right job.

The Akenerji Salary and Benefits system is compared, annually, both with the whole market and the related groups, and revised regularly. The aim is to apply a competitive salary policy. In 2017, we organized meetings with our consultancy firm to brief our employees on business assessment and wage management.

Akenerji's Performance Management System is a process that aims to ensure that individuals adopt our corporate goals and that reinforces our common corporate culture. The outcomes of this process are taken into account in training, development planning, and career & talent management processes. All developments in target setting and performance assessment processes were shared with the employees and training in understanding competencies was organized, in order for employees to better understand and adapt the competency assessments.

Each and every employee is provided with opportunities for personal and professional development, with talent assessment, talent management and performance management processes conducted by Akenerji Human Resources. While we conduct development planning

for our employees, our fundamental goal is to support continuous learning and development, and to ensure that the competencies attained are reflected in work results. Within this scope, all employees are required to attend development programs that are organized by Akenerji in collaboration with Akkök Group.

In 2017, we focused on the development of first level executives, and seven executives attended the multi-dimensional leadership training program. In our executive development course for mid-level executives, one executive attended the program coordinated with Sabancı University, and eight executives attended the market-driven approach course, a prerequisite of the same program.

We participated, with our 28 executives and specialists, in a finance-based simulation program called "Managing Today's Business", and training programs called "Leadership at Trust Pace" and "Working at Trust Pace".

The "HR Cap Executive Program", aiming for executives to focus more on their roles and responsibilities in Human Resources processes, became operational in 2015, and 4 executives successfully attended the program in 2017.

Along with personal development and executive development training, we also organized Persuasion and Negotiation Skills, Finance for Beginners, and Presentation Techniques trainings to improve our employees' professional skills, and 42 employees have attended these trainings.

A mentor program was put into practice in 2015 to support the development of employees who show high potential

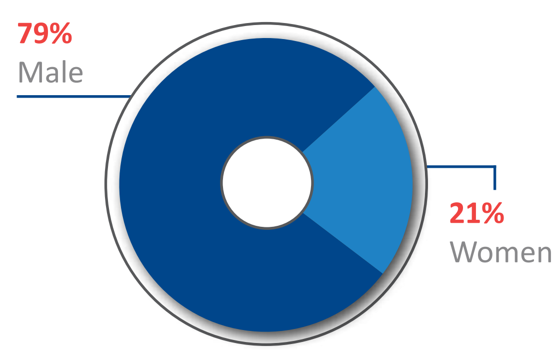
and performance, and this "Our Mentorship Program Philharmonic" was also implemented in 2017. After the mentors, fully composed of senior executives, and the mentees were determined, they received the necessary trainings about the procedures of the program and their roles. Mentees had regular meetings with their matched mentors, and they continue to get further training about business life and add value to our company.

After the developments in the organization of the Trade Directorate, we implemented effective team dynamics training with all our executives and employees at the directorate. The concept was for team members to get to know themselves and others and the transformation process was supported with feedback from this teamwork.

In 2017, software was installed to support and coordinate human resources and this application software was updated for the integration of all processes. Modules of this version, which operates on a cloud, were activated gradually over the year and the modules were introduced to employees with details on utilization.

Meetings on the expectations of human resources were held in all departments throughout the year, and opinions and suggestions were obtained from our employees. The most crucial outcome of these meetings was a presentation that included information on staff performance, career, wage management and development processes. This was shared with our employees and their respective questions were answered.

Gender Distribution

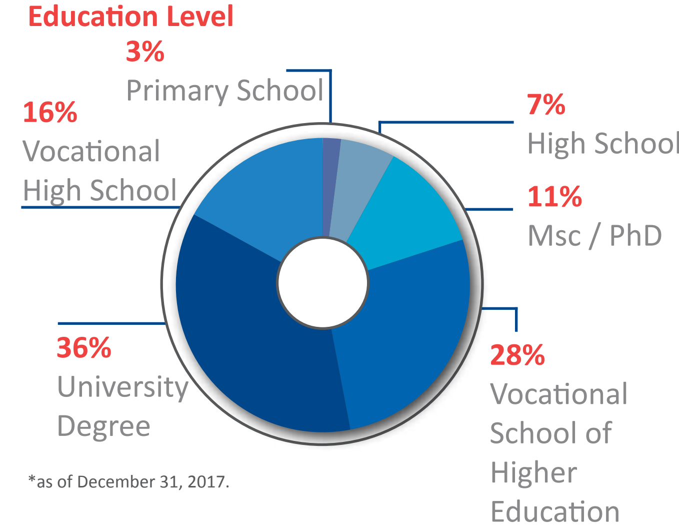


*as of December 31, 2017.

The Akenerjik social committee, made up of volunteer employees, arranges community events in order to create and improve communication among colleagues, and between employees and senior management. Akenerjik organized social gatherings and celebrated birthdays for employees in the headquarters and plants throughout 2017.

Akenerji takes great care to employ well-equipped and creative individuals who can take the initiative and, as of 2017, the Company's total workforce is 202-strong.

Education Level



*as of December 31, 2017.

Board of Directors

Ahmet Cemal Dördüncü
Chairman of the Board of Directors

Born in Istanbul in 1953, Ahmet C. Dördüncü, graduated from Çukurova University, Department of Business Administration. Later, he pursued his postgraduate studies at Mannheim and Hannover Universities. Mr. Dördüncü began his professional career at Claas OHG Company in Germany, and after returning to Turkey, he worked at Mercedes Benz A.Ş. between 1984 and 1987. He joined Sabancı Group in 1987, and assumed several positions at Kordsa A.Ş. until 1998. Mr. Dördüncü served as General Manager/President at DUSA South America, and later at DUSA North America in 1998. After working as Group President of Strategic Planning and Business Development at H.O. Sabancı Holding A.Ş. in 2004, he assumed the position of Chairman of the Executive Board of Sabancı Holding from 2005 to 2010. Mr. Dördüncü has served as Chairman of the Executive Board of Akkök Holding since January 2013. He also serves on the Boards of Directors at various Holding companies, as well as at Anadolu Isuzu Otomotiv Sanayii ve Ticaret A.Ş., Coca-Cola İçecek A.Ş., Anadolu Efes Biracılık ve Malt Sanayii A.Ş., and International Paper Co.

Tomáš Pleskač
Vice Chairman of the Board of Directors

Born in 1966, Tomáš Pleskač graduated from Mendel University of Agriculture and Forestry (Brno), Faculty of Business and Economics in 1989, and received his MBA from Prague University. In 1994, Mr. Pleskač started his career at ČEZ Group and served as senior executive at various positions within the Group. Since 2006, Mr. Pleskač has served as member of the Board of Directors (and Vice-Chairman of the Board since June 26, 2017) at the ČEZ, a. s. He became a Division International Chief Officer (in January 2008) and served as a Division International Chief Officer (until December 2016) while between April 2012 and May 2014 he led Division Distribution and International Affairs. Following the transformation of ČEZ, a. s., Mr. Pleskač has served as the Chief Renewables and Distribution Officer since March 1, 2017. Mr. Pleskač is member of the Board of Directors at Akenerji since May 2009. Currently he holds a position of Deputy Chairman of the Board of Directors at Akenerji.

Özlem Ataünal
Member of the Board of Directors

Born in 1967, Özlem Ataünal graduated from Üsküdar American Academy in 1985, and from Uludağ University in 1989. She worked in various positions, including Branch Manager and Head of the Customer Relations department at İktisat Bankası T.A.Ş. and Körfezbank A.Ş. She has has been working for the Akkök Group since 2000, firstly as Budget and Finance Manager of Akenerji A. Ş., and was promoted to CFO at Akkök Holding A.Ş. in 2005. In 2012, she was appointed Executive Committee Member responsible for Finance while continuing her other duties. In the same year, she acted as a board member for various companies of the group including public companies and companies with foreign partners. Strategy and business development was added to her responsibilities in 2016. Ataünal is a member of the early detection of risk board at Akkök Holding, and since 2017, she has also been the Executive Committee Member responsible for the Energy Group. She became a member of the Board of Directors at Akkök Holding A.Ş. in 2017.

Ahmet Ümit Danışman
Member of the Board of Directors

Born in Ankara in 1958, Mr. Ahmet Ümit Danışman is a graduate of Ankara University, Faculty of Political Sciences, Department of Economics and Public Finance. He received his Masters in International Economics from the University of Lancaster in the UK. Mr. Danışman commenced his career in 1980 at the State Planning Office as an Assistant Specialist. From 1983 until 1987, he served the office as Specialist and Consultant to the Undersecretary at the General Directorate of Incentives, and as Group Head at the General Directorate of European Union Relations. From 1988 until 1992, in the last four years of his public service, he took office in Brussels as Turkey's Permanent Representative in the EU as Planning Consultant. In 1992, he transferred to the private sector and started working as Business Development Manager at the Brussels-based Unit Group known for their international energy investments. Mr. Danışman continued his career as CEO and Member of the Board of Directors at the Company's energy concerns in Turkey, Belgium, the Netherlands and Romania. General Manager of Akenerji Elektrik Üretim A.Ş. from January 2008 to January 2017, Ahmet Ümit Danışman also acted as a member of the Board of Directors at Akenerji and various other group companies between 2008 and 2017, and as Executive Board Member at Akkök Holding A.Ş. between 2011 and 2016. Since January 2017, he has been Assistant Chairman of the European energy systems department at Unit International S.A. and, in addition, is Assistant Chairman of the executive committee and a member of the Board of Directors.

*As of December 31, 2017

Vratislav Domalíp
Member of the Board of Directors

Vratislav Domalíp, born in 1956, received his BSc in Crude Oil Processing and Petro-Chemicals from Prague's University of Chemistry. From 1981 until 2001, he worked in the Czech chemical industry in various positions such as Board member, Audit Committee member, Director of Commerce, Director of Strategy and COO. After a short stint in the private sector, he joined the International Department at the ČEZ Group in 2007 as Director of Country Relations. He served in ČEZ Bulgaria as COO, before being appointed as Akenerji Turkey Country Manager and Deputy General Manager, where he served till the end of 2014.

Petr Dokládal
Member of the Board of Directors
Deputy General Manager

Having graduated from Moscow State University of International Relations in 1983, Petr Dokládal received his postgraduate degree from Charles University Prague, Faculty of Social Sciences, and joined the Diplomatic Training Program at Stanford University in 1994. Mr. Dokládal began his career as civil servant in 1983 in the Czech Republic Ministry of Foreign Affairs, and served as Czech Republic diplomat in Vietnam, Consul General in Canada, and Ambassador to Bulgaria and Romania. In 2010, Mr. Dokládal joined the ČEZ Group and worked as ČEZ Bulgaria Country Manager, while he has also been a Board Member of Eurelectric in Brussels since 2013. Petr Dokládal has been working as Akenerji Deputy General Manager since October 2015 and as Member of Board of Directors of Akenerji since April 2016.

Yahya Mehmet İzzet Özberki
Independent Member of the Board of Directors

In 1979 Mr. Özberki graduated from the Faculty of Political Sciences at Ankara University. During 1979-1984, he gave lectures at Gazi University in the Economics Department. From 1989-1991 he worked at Midland Bank Istanbul Branch at various levels, including Head of the Investment Banking Department. Between 1992 and 2001, he worked as a Corporate Consultant at Arkan & Arkan. In 2001 he joined Akan&Ergin as a partner. He has a Corporate Financier (CF) degree from the Institute of Chartered Accountants of England and Wales.

Jiří Schwarz
Independent Member of the Board of Directors

Dr. Jiri Schwarz is an associate professor in Economics and chairman of the Board of directors of CETA - Center for Economic and Market Analysis in Prague. He was a member of the National Economic Council of the Czech Republic (2009-2013) and he served a dean of the Faculty of Economics, at the University of Economics in Prague (2003-2010). He is a chairman of the Board trustees of the Anglo-American University in Prague, a chairman of the Academic council of the Liberalni Institut, a member of the Strategic committee of L'Institut de Recherches Economiques et Fiscales (IREF). From 2003 to 2010 he was a member of the Advisory board of the Energy Regulatory Agency of the Czech Republic. Since 2011 he is an independent member of the Board of directors of Akenerji and since 2015 he is a member of the Supervisory Board of Expobank, a.s.

*As of December 31, 2017

Executive Management

Serhan Gençer
General Manager

Born in 1975 in Istanbul, Mr. Serhan Gencer graduated from the Department of Mechanical Engineering at Middle East Technical University. Started his professional career in 1998 at Unit Int. SA Company, where he worked in various countries in a variety of roles, such as Project Manager and Project Development Manager, until December 2007. He worked as Project Director at Turcas Power & Gas Group from December 2007 to October 2009. Joining Akenerji as General Manager of Elektrik Üretim A.Ş. in October 2009, Gençer was appointed Assistant General Manager of Akenerji Production at the beginning of 2013. In 2016, he served as the Akenerji Trade Assistant General Manager by proxy, and along with his current duties and responsibilities he was designated as General Manager of Akenerji in early 2017.

Petr Sedlák
CFO

After receiving Engineering training from Prague Technical University, Petr Sedlák obtained his postgraduate degree from Prague Charles University of Economics and completed his academic works. Sedlák worked on Project Management in the ČEZ Group between 2005 and 2006, and served as Head of the Economics and Operations departments between 2006 and 2014. He then worked as Director for International Performance Management. Since January 2015, Petr Sedlák has been Chief Operation Officer of ČEZ in Turkey, while at the same time he has assumed the role of Akenerji Financing and Financial Affairs Assistant General Manager.

Özge Özen AKSOY
Deputy CFO

Born in Muğla in 1975, Özge Özen, graduated from Boğaziçi University Department of Business Administration. Ms. Özen started her career in 1998, at Turkish Industrial Development Bank, in the Financial Analysis Department. Between 2004 and 2007, she worked as Corporate Finance Manager for the same Bank. After serving as Corporate Finance Director in Orion Investment between 2007 and 2009, Ms. Özen joined Akenerji in May 2009 and worked as Finance Group Manager. Since 2014, Özge Özen has been serving as Akenerji Treasury and Finance Manager, and in addition to this post, she has been appointed Deputy Assistant General Manager responsible for Financing and Financial Affairs.

*As of December 31, 2017

Can Gülcan
Power Generation Director

Born in 1979, Can Gülcan graduated from Middle East Technical University in Electric-Electronic Engineering and still continues his graduate studies in the same department. He started his career at ELTEM-TEK A.Ş. in 2002, and from 2004 until his resignation he worked as a commissioning engineer. Until March 2006, he worked in the Sales, Marketing and After-Sales Technical Support department of Özyürek A.Ş. as Technical Sales and Technical Service Manager. In March 2006, he joined GAMA Güç Sistemleri Mühendislik ve Taahhüt A.Ş. and worked consecutively as Tendering Engineer, Tendering Manager and Purchasing and Logistics Director over eight years. In January 2015, he assumed the position of Sales Director at General Electric. He has been the Production Manager at Akenerji since January 2017.

Hakkı Çek
Business Support Director

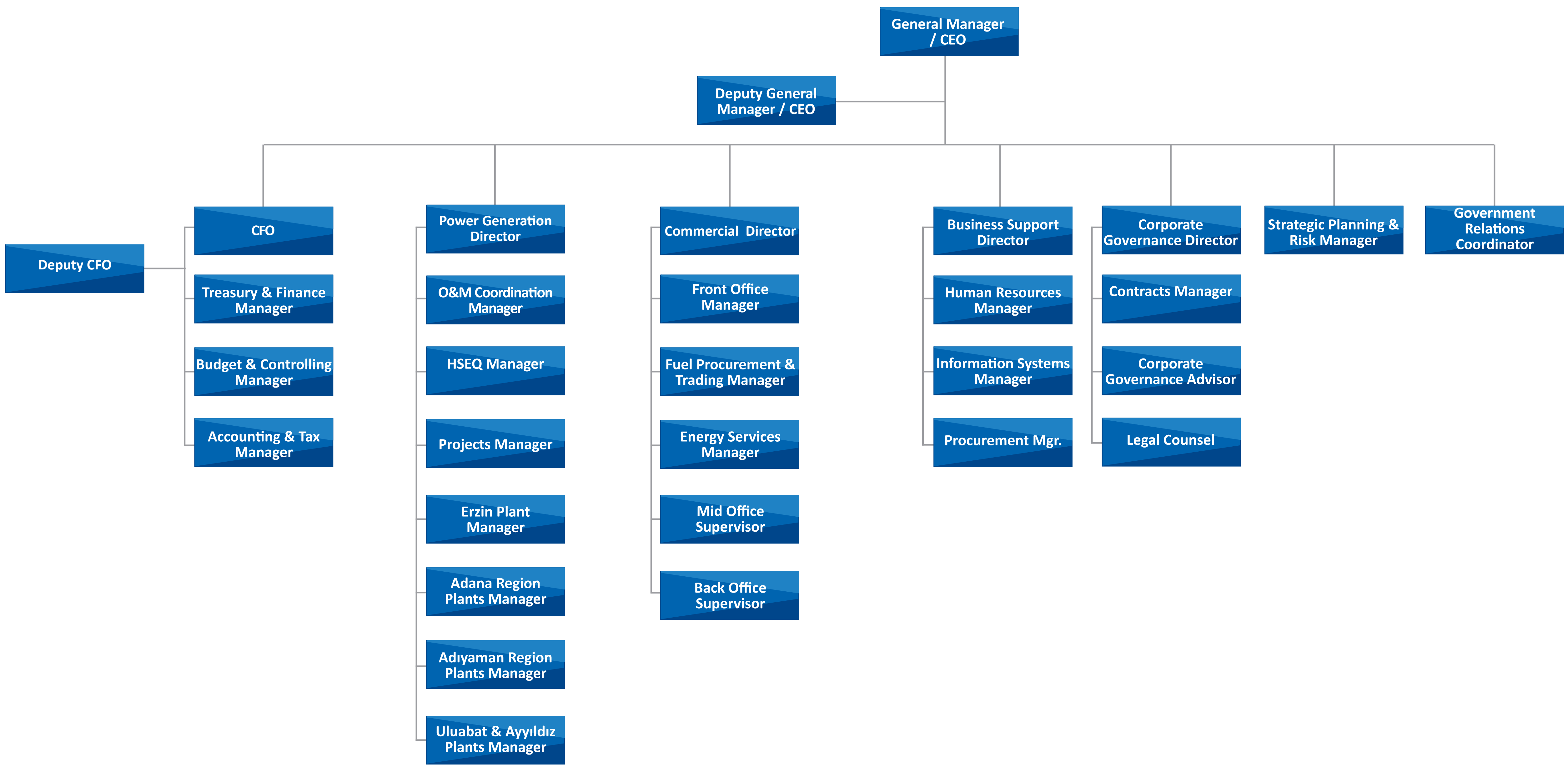
Born in 1962 in Rotterdam, Mr. İ. Hakkı Çek is a graduate of the Department of Economics at Boğaziçi University. Started his career as a consultant at Accenture in 1986. He served as Director of Information Technology at Colgate-Palmolive-Hacı Şakir between 1992 and 1995. Mr. Çek undertook the responsibilities of Director of Information Technology and Vice President - Information Technology at Lafarge Turkey from 1995 to 2002, and of Regional Director of Information Technology at Lafarge Central Europe from 2002 to 2005. He joined Assist Danışmanlık as a Consultant in 2005. Having served as Human Resources Director at Organik Kimya between 2007 and 2009, and as a Consultant at Assist between 2009 and 2011, Mr. Çek joined myTechnic Company as Director of Human Resources in 2011. He started his Akenerji Elektrik Üretim A.Ş. career as Director of Information Systems on June 20, 2013, and was appointed Common Services Director on March 1, 2014.

S. Ergin Baykara
Corporate Governance Director

Born in 1972 in Ankara, Mr. S. Ergin Baykara is a graduate of the Faculty of Law at Marmara University. Started his professional career in 1996. He began providing Legal Consultancy services at the Law Office he founded in 2000. He began serving as Project Controller at the World Bank and the European Investment Bank in 2004 and 2005, respectively. He undertook the position of Legal Director at Mare RE Yatırımlar A.Ş. and Urban Exposure London in 2008. His Akenerji Elektrik Üretim A.Ş. career started on April 2009 as Legal Counsel, and he was appointed Corporate Governance Director on March 2014. S. Ergin Baykara, was appointed Akenerji Trade Manager by proxy, in addition to his current duties and responsibilities.

*As of 31.12.2017

Organizational Structure



Independency Statement For Independent Board Members

AKENERJİ ELEKTRİK ÜRETİM A.Ş. BOARD OF DIRECTORS CHAIRMANSHIP

SUBJECT: **Independency Statement**

DATE: **30.03.2016**

I declare that I am a candidate to assume the role of independent board member of AKENERJİ ELEKTRİK ÜRETİM ANONİM ŞİRKETİ ("Company"), within the scope of the criteria stipulated in the legislations, the Articles of Association, and the Capital Market Board's Communiqué on the Determination and Implementation of Corporate Governance Principles (Serial: II-17.1), accordingly:

- Within the last five years, no executive employment relationship granting important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and the Company, the partnerships in which the Company holds management control as per Turkish Financial Reporting Standards nr. 10, or the partnerships in which the Company holds significant influence as per Turkish Accounting Principles nr. 28, or the subsidiaries of the Company, or shareholders who control the management of the Company or who have significant influence in the Company, or juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares, nor have significant commercial relations,

- Within the last five years, I have not worked as an executive manager holding important duties and responsibilities, nor have I been a member of the Board of Directors or been a shareholder (more than 5%), particularly in the companies that provide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), or in the companies from which the Company procures products and services or sells products and services to, within the framework of the agreements signed during the timeframe of selling/ purchasing of the products and services,

- I do have the professional training, knowledge, and experience that will help me to properly carry out the tasks and duties I will assume as a result of my independent membership in the Board of Directors,

- In accordance with the legislation, I will not be working fulltime in public institutions or organizations except for any work as an academic at a university, after being elected as a member,

- I am considered a resident in Turkey according to the Income Tax Law (n.193) dated 31.12.1960,

- I possess strong ethical standards, professional standing and experience that will help me positively contribute to the activities of the Company, and remain neutral in conflicts of interests between the company's shareholders, and that will help me make decisions freely by taking the rights of the stakeholders into consideration,

- I will be able to spare sufficient time for the business of the Company to an extent that will help me pursue the activities of the Company, and fulfill the requirements of my tasks and duties,

- I have not served as a board member on the Company's board for more than six years over the last decade,

- I have not been an independent member of the Board of Directors in more than three of the companies controlled by the Company, or by the shareholders who control the management of the Company, and in more than five publicly traded companies in total.

Kind regards,

Name Surname: **Yahya Mehmet İzzet Özberki**

AKENERJİ ELEKTRİK ÜRETİM A.Ş. BOARD OF DIRECTORS CHAIRMANSHIP

SUBJECT: **Independency Statement**

DATE: **30.03.2016**

I declare that I am a candidate to assume the role of independent board member of AKENERJİ ELEKTRİK ÜRETİM ANONİM ŞİRKETİ ("Company"), within the scope of the criteria stipulated in the legislations, the Articles of Association, and the Capital Market Board's Communiqué on the Determination and Implementation of Corporate Governance Principles (Serial: II-17.1), accordingly:

- Within the last five years, no executive employment relationship granting important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and the Company, the partnerships in which the Company holds management control as per Turkish Financial Reporting Standards nr. 10, or the partnerships in which the Company holds significant influence as per Turkish Accounting Principles nr. 28, or the subsidiaries of the Company, or shareholders who control the management of the Company or who have significant influence in the Company, or juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares, nor have significant commercial relations,

- Within the last five years, I have not worked as an executive manager holding important duties and responsibilities, nor have I been a member of the Board of Directors or been a shareholder (more than 5%), particularly in the companies that provide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), or in the companies from which the Company procures products and services or sells products and services to, within the framework of the agreements signed during the timeframe of selling/ purchasing of the products and services,

- I do have the professional training, knowledge, and experience that will help me to properly carry out the tasks and duties I will assume as a result of my independent membership in the Board of Directors,

- In accordance with the legislation, I will not be working fulltime in public institutions or organizations except for any work as an academic at a university, after being elected as a member,

- I possess strong ethical standards, professional standing and experience that will help me positively contribute to the activities of the Company, and remain neutral in conflicts of interests between the company's shareholders, and that will help me make decisions freely by taking the rights of the stakeholders into consideration,

- I will be able to spare sufficient time for the business of the Company to an extent that will help me pursue the activities of the Company, and fulfill the requirements of my tasks and duties,

- I have not served as a board member on the Company's board for more than six years over the last decade,

- I have not been an independent member of the Board of Directors in more than three of the companies controlled by the Company, or by the shareholders who control the management of the Company, and in more than five publicly traded companies in total.

Kind regards,

Name Surname: **Jiri Schwarz**

Evaluation of the Board of Directors on Working Principles and Effectiveness of the Committees of the Board of Directors

The Company's Board of Directors has established the Audit Committee, Early Detection of Risk Committee and Corporate Governance Committee in accordance with the Corporate Governance Principles.

Upon the election of the Chairman and members in accordance with Corporate Governance Principles, it was resolved by Board decision that:

- Independent Board Member Yahya Mehmet İzzet ÖZBERKİ shall be assigned as Chairman of the Audit Committee, while our other independent Board Member Jiri SCHWARZ shall be appointed as a member of the said Committee,
- Independent Board Member Jiri SCHWARZ shall be assigned as Chairman of the Corporate Governance Committee, whilst Board Members Yahya Mehmet İzzet ÖZBERKİ, and senior executives from our Company, Petr SEDLAK, Özge ÖZEN AKSOY shall be appointed as the members of the said Committee,
- Independent Board Member Yahya Mehmet İzzet ÖZBERKİ shall be assigned as Chairman of the Early Detection of Risk Committee, while Independent Board Member Jiri SCHWARZ shall be appointed as a member of the said Committee.

The duties and working principles of these committees were identified by the Board of Directors and submitted for the information of the public via the Company's website and the Public Disclosure Platform. In 2017, all of the Board Committees fulfilled the duties and responsibilities they must perform in accordance with the Corporate Governance Principles, and their duties and working principles.

Audit Committee

The Audit Committee is responsible for taking the necessary measures for the sufficient and transparent performance of all kinds of internal and independent audit processes, in addition to the effective implementation of the internal control system. Carrying out its activities in this context, the Committee reported its recommendations on the issues under its responsibility, including its opinions and suggestions regarding the internal audit and internal control system, to the Board of Directors.

The actions taken by the Board of Directors on the following matters were taken on the basis of these reports.

- Making regulations on the independent external audit activities,
- Selection of the independent audit firm,
- Determination of the scope of the audit and consulting services to be received,
- Examination of the financial reports before submission to the Board of Directors,
- Follow-up of the findings of Legal Audits,
- Supervision of the operation and effectiveness of the Company's internal control system

Corporate Governance Committee

Having been established to monitor the compliance of the Company with the Corporate Governance Principles, to undertake improvement work in this regard, and to provide recommendations to the Board of Directors, the Corporate Governance Committee is responsible for observing whether or not the corporate governance principles are applied in the Company. If not, the committee is responsible for identifying the reasons and the conflicts of interest arising due to not fully complying with these principles. In 2017, the committee offered recommendations on optimizing the corporate governance practices, and monitored the works of the Investor Relations unit.

The duties of the Nomination Committee and Remuneration Committee are also carried out by the Corporate Governance Committee. Within the scope of these responsibilities, the Corporate Governance Committee managed to;

- Undertake efforts to create a transparent system to identify, evaluate and train qualified candidates for the Board of Directors and executive management positions, and formulate the relevant policies and strategies,
- Make regular evaluations on the structure and efficiency of the Board of Directors, and to advise the Board on changes that can be made on these issues,
- Express their views in the determination of the recommendations regarding the principles of remuneration of the Board members and senior executives by taking into account the long-term goals of the Company,
- Make determinations regarding the criteria that can be used in the remuneration, depending on the performance of the Company and the Board members.

Early Detection of Risk Committee

Since its establishment, the Early Detection of Risk Committee has been responsible for early detection of risks that jeopardize the existence, development and continuity of the Company, applying the necessary measures and remedies in this regard, and managing the related risks during the year. The Committee reviews the Risk management systems of the Company in accordance with Corporate Governance Principles, as well as the duties and working principles of the Early Detection of Risk Committee.

INVESTOR RELATIONS ANNUAL REPORT

To the Board of Directors of Akenerji Elektrik Üretim A.Ş.
We hereby submit our annual report, which has been prepared as per Article 11 (II-17.1) of the Corporate Governance Communiqué published by the Capital Markets Board.

Respectfully,

Akenerji Elektrik Üretim A.Ş. Investor Relations Department

Investor Relations Department Annual Report

The fundamental duty of the Akenerji Elektrik Üretim A.Ş. Investor Relations Department is a management approach model that is compliant with the legal regulation, and is transparent, accountable, fair and responsible. To attain this target, Akenerji uses and manages the investor relations organ in order to give stakeholders comprehensive and precise information about the course of its stocks.

Included among the basic working principles of the Investor Relations Department are the accessibility of information and its immediate return to shareholders, as well as transparency, consistency and promptness of the said information. For this purpose, it is essential to keep the existing information on the Company's website up-to-date. Accordingly, the Investor Relations Department aims to closely follow-up and fully analyze the Company's activities, and have a good grasp of the Company's strategies and create difference by communicating these strategies through the most efficient methods.

Major Developments in 2017

In 2016, the Investor Relations Department took an active role in the General Assembly and Annual report processes. The aim was to answer, fully and accurately, the questions from the Capital Markets Board, immediately deliver the documents and information requested, and ensure accurate and efficient communication with the Board: The Investor Relations Department's activities were conducted in this scope during 2017.

Moreover, all shareholders received appropriate responses for investors' questions by providing the same information, and preserving the principle of equal treatment. The questions received from investors during 2017 can be categorized as follows; new developments in the energy market, fluctuations in market prices, measures taken against foreign exchange risk, and cash management, plant performance, new investments and share certificate performance. It was ensured that the disclosures made to the public via the Public Disclosure Platform are on time, accurate, complete, comprehensible and interpretable, and care was taken to inform all shareholders about developments in an equitable and simultaneous manner.

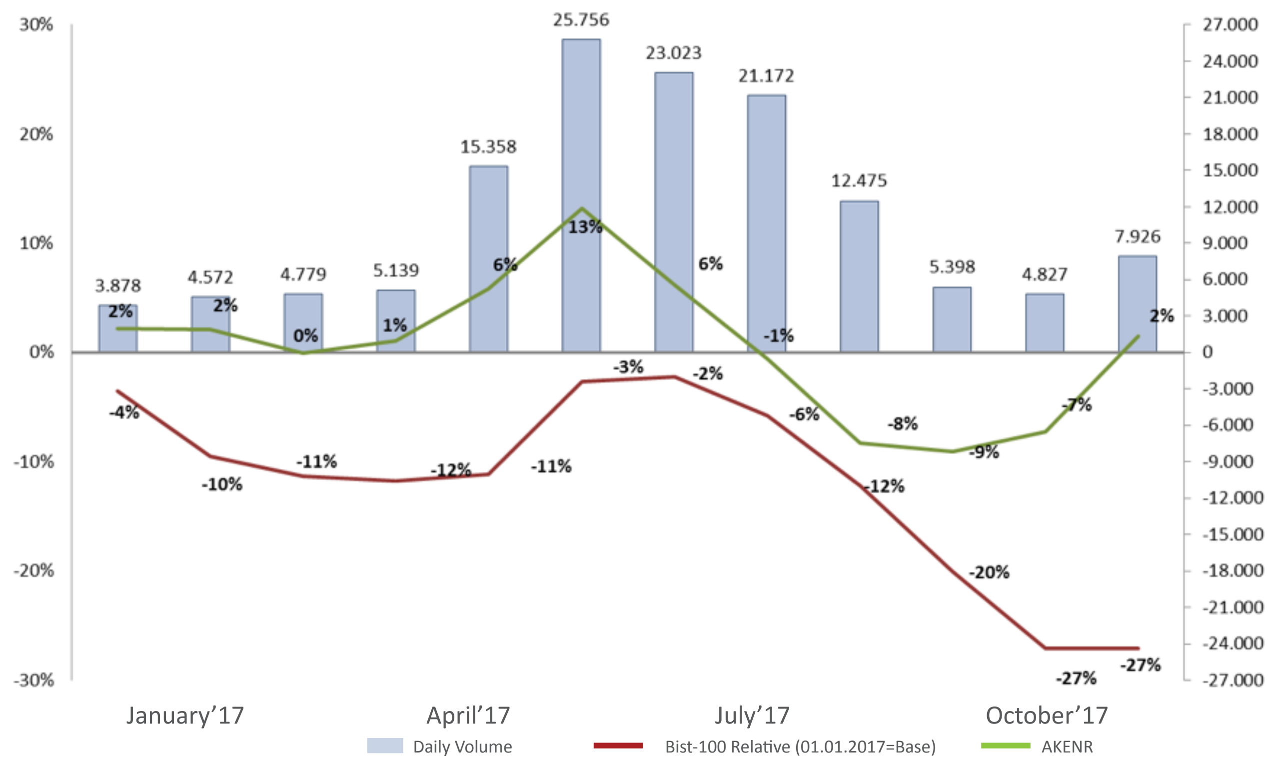
Other activities that the Investor Relations Department conducted within the year are summarized below:

- Twenty four (24) material disclosures on the Public Disclosure Platform,
- Face-to-face meetings with four (4) domestic and foreign investors/analysts,
- Participation as spokesperson and sponsor in various events such as invitations, symposiums, conferences and fairs etc., including the 23rd World Energy Congress, Czech Republic National Day, YASED (International Investors Association Energy Report), ESCO Model in Energy Generation Conference and Workshop,
- 12 (Twelve) press bulletins,
- 25 (Twentyfive) special news works,
- 3 (Three) TV appearances as guest or participant in interviews.
- In total, 4,111 news articles were published about Akenerji in 2017. 278 of these were published in printed media and 3,833 on the Internet.

Share Performance

Our company shares are traded in the following indices on the Borsa İstanbul (BİST) Stock Market, and our share performance is presented in the graph below:

- BIST 100-30
- BIST Electricity
- BIST Services
- BIST Sustainability Index
- BIST All
- BIST Star
- BIST 100
- BIST Istanbul



Company shares have been traded on BIST since 2000. The last 5 (five) year performance of the shares is summarized in the table below:

Share Information	2013	2014	2015	2016	2017
Lowest Price (TRY)	0.95	0.94	0.85	0.77	0.78
Highest Price(TRY)	1.94	1.57	1.35	1.30	1.20
Year-end price (TRY)	1.20	1.28	0.95	0.85	0.91
Paid-in Capital (x1000 TRY)	729,164	729,164	729,164	729,164	729,164
Market Value (x1000 TRY)	874,997	933,330	692,706	619,789	663,539

Investor Relations Department Contact

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Corporate Governance Principles Compliance Report

SECTION I- CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Akenerji Elektrik Üretim Anonim Şirketi ("Akenerji", or "the Company"), targeting continuous creation of value for its customers, employees and shareholders, is well aware that in the current period of high competition and rapid change, the quality of corporate governance practices and financial performance are of equal importance. Corporate governance of a high standard brings about low cost of capital, increases funding opportunities and liquidity, and as a result, enhances competitiveness. Therefore, the Company makes the utmost effort to implement the principles stipulated by the Capital Markets Board (CMB) in its "Corporate Governance Principles."

The Company abides by all obligatory corporate governance principles stipulated under the Capital Markets Board's Corporate Governance Communiqué numbered (II-17.1).

Pursuant to Article 6 of the Capital Markets Board's Corporate Governance Communiqué numbered (II-17.1), the principle that Akenerji is exempt from is defined below:

Within the scope of clause one of the said article, which reads, 'The criteria stated under principle numbered (4.3.4.) regarding the number of independent board members shall not be applied for third group corporations and joint ventures, except for banks, formed of two real persons or legal entities who do not have a capital, management or auditing relationship with respect to a minimum 51% of each other's capital, independent of each other and sharing the management control of the partnership equally with an agreement requiring positive votes by both parties for significant decisions with regard to the corporations, provided that any application made in relation thereto should be accepted by two Independent Board members, shall be sufficient in these corporations.', Akenerji's board includes two independent members, which is also approved by the Capital Markets Board's decision dated 17.04.2012 and numbered B.02.6.SPK.0.13.199-1121, as Akenerji is a joint venture, formed of two legal entities that do not have a capital, management or auditing relationship with respect to a minimum 51% of each other's capital, independent of each other and sharing the management control of the partnership equally with an agreement requiring positive votes by both parties for significant decisions with regard to the corporation.

The reason for not applying the non-obligatory principles that are stipulated under Corporate Governance Communiqué numbered (II-17.1) of the Capital Markets Board are provided below:

- Referring to "Corporate Governance Communiqué" No. 1.3.11, although there are no provisions in this regard in the Articles of Association, General Assembly meetings are held open to the public, as stated in the Company's Internal Guidelines of the General Assembly.

- Referring to "Corporate Governance Communiqué" No. 1.5.2, utmost care is given to the utilization of minority rights, but there is no representative of minority rights on the Board. In addition, minority rights are not recognized for persons possessing less than one-twentieth of the share capital.

- Referring to "Corporate Governance Communiqué" No. 3.1.2, a compensation policy hasn't been created for the Company's employees. The compensation rights of the employees are protected under the relevant legislation.

- Corporate Governance Communiqué Principle numbered 3.2.1: There is no model or mechanism created pertaining to the issue of participation of stakeholders in the management. However, the independent members in the Board of Directors ensure that not only the Company and shareholders, but also all stakeholders are represented in the management. The Company takes into account the opinions and recommendations of employees, suppliers, various NGOs and all other stakeholders, as well as customer satisfaction questionnaires.

- Referring to "Corporate Governance Communiqué" No. 4.2.5, although there are no provisions in this regard in the Articles of Association, the Company's Chairman of the Board of Directors and General Manager are different persons. The duties and authorities of the Chairman of the Board of Directors and the General Manager have been apportioned by the Company, and therefore no single official is able to approve decisions with unlimited authority.

- Referring to "Corporate Governance Communiqué" No. 4.2.8, any possible damages in the Company caused by members of the Board of Directors due to their negligence during the fulfillment of their duties are not insured directly by the Company. However, the liability insurance for any possible damages in the Company caused by members of the Board of Directors due to their negligence during the fulfillment of their duties was underwritten by our main partners, Akkök Holding A.Ş. and ČEZ a.s., covering the relevant executives of the Company. No Material Disclosures have been made in this regard.

- With reference to Corporate Management Notification No. 4.3.9, the only female member of our Board of Directors is Özlem Ataünal.Although there isn't any written policy or target for the ratio of female members on the Board of Directors, the Company aims to include at least 25% (twenty-five percent) female members on the Board, and improvement in the achievement of this target is followed-up by the Board of Directors.

- Referring to "Corporate Governance Communiqué" No. 4.4.5, since the format of the Board of Directors' meetings has already been delineated in detail in the Company's Articles of Association, this format hasn't been put in writing with the Company's internal regulations.

- Referring to "Corporate Governance Communiqué" No. 4.4.7, Members of the Board of Directors spend sufficient time on their responsibilities in the Company. In the event that a member of the Board of Directors serves as a manager or a member of the Board of Directors in another company, the aforementioned situation doesn't lead to a conflict of interest and hinder the responsibility of the member in the Company. Therefore, serving of the Members of the Board of Directors in some other duty

Corporate Governance Principles Compliance Report

or duties outside the Company is not regulated and restricted by certain rules. Duties fulfilled by Members of the Board of Directors outside the Company are recorded in the "Company General Information Form" through the PDP, and the curriculum vitae of the Board members to be elected are shared through the "General Assembly information document" on PDP and the Company website prior to the General Assembly for election.

• Referring to "Corporate Governance Communiqué" No. 4.6.5, wages paid and all other benefits provided to the Members of the Board of Directors and the senior executives are disclosed to the public through the annual report. However, statements are not made on an individual basis, and are provided with the distinction of Members of the Board of Directors and the senior executives. This issue will be revised in the coming periods.

There is no conflict of interest arising from the foregoing non-obligatory principles governed under the Capital Markets Board's Corporate Governance Communiqué numbered (II-17.1). In the future period, the necessary works will be conducted in consideration of the developments and practices in the regulation towards alignment with Corporate Governance Principles.

SECTION II- SHAREHOLDERS

2.1. Investor Relation Department Bölümü

The Investor Relations Department ("Department"), which was established as per obligation, as well as the Company's organs pursuant to the legislation, serves under the Assistant General Manager of Accounting and Finance, and plays an active role in protecting and facilitating the use of shareholder rights, especially the right to obtain and evaluate information. Questions communicated to the Department in this context, except for confidential information and trade secrets, are responded to either by phone or in writing, in consultation with the most authorized person on the relevant issues.

Information regarding the employees responsible for the Company's Investor Relations Department is provided below.

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Ms. Özge Özen Aksoy, Investor Relations Department Manager and Deputy General Manager of Finance and Financial Affairs of the Company, holds the Capital Market Activities Advanced Level (License No: 202048) and the Corporate Governance Rating Expertise (License No: 700538) licenses. She serves on a full-time basis under the Assistant General Manager of Accounting and Finance, and also as a member of the Corporate Governance Committee.

Furthermore, in order to demonstrate an effective approach in relations with shareholders, the Investor Relations Department communicates the messages of the Board, and the management strategies pertaining to the Company, to shareholders, in parallel with public disclosures and material disclosures, through meetings held in the presence of intermediaries.

The Investor Relations Department operates to provide accurate, timely and consistent information to current and potential investors, analysts and 3rd parties on request, to enhance the Company's recognition and credibility, to reduce the Company's cost of capital through the implementation of Corporate Governance principles, and to ensure communications between the Board of Directors and participants of the capital market.

BIn line with this objective, the Company attaches great importance to communication with shareholders and investors, and maintains an active investor relations program. The Company has created an accessible and transparent communication platform that encompasses all of its stakeholders, and accordingly organizes periodic meetings and answers relevant questions via email or meetings, upon demand. The demands of financial intermediaries, corporate investors and individual investors are met by email and/or meetings organized periodically, quarterly or on an ad hoc basis, upon request. All written or verbal information requests by shareholders, potential shareholders, analysts evaluating the Company, or academics and students conducting research on the Company or sector, are met via email, telephone, or at meetings at the earliest possible time, with the exception of any information not revealed to the public, or else classified as confidential and trade secrets. The total number of applications divided by 2017 was114. In 2017, the questions from our individual investors were answered by 62 via e-mail, while 52 of them were answered by phone.

In 2017, one to one meetings were held with 4 intermediaries, with the aim of providing them with detailed information regarding the activities of the Company.

In the framework of the public disclosure and transparency principle, 24 "Material Event Disclosures" were made in 2017 to ensure that stakeholders, mainly shareholders, and other related parties were informed in a timely manner.

The report concerning the activities carried out in 2017, which was prepared by the Investor Relations Department, pursuant to Article 11 of the Capital Markets Board's (CMB) Corporate Governance Communiqué Serial: II-17.1, was submitted to the Company's Board of Directors on 16.02.2018 .

2.2. Exercise of Shareholder's Right to Obtain Information

All shareholders have the right to obtain and analyze any kind of information that is not classified as a trade secret, within the framework of the regulations in effect. The right to obtain and analyze information has neither been removed nor restricted by the Articles of Association, or else by a decision of any corporate body. All shareholders, including minority and foreign shareholders, are treated equally.

Any type of information and explanation that may affect the use of the shareholder rights are regularly presented on the website (www.akenerji.com.tr) of the Company for the use of the shareholders.

Further to the Capital Markets Board's related regulation provisions and the provisions of the Turkish Commercial Code, the Information Policy published on the Company's website determines Akenerji's public disclosure methods and means, as well as practices and principles regarding Akenerji's communication with capital markets participants.

Company information to be disclosed to the public is presented on the "Public Disclosure Platform" (www.kap.gov.tr) and on the Company's website in a timely, accurate, complete, understandable and easily accessible manner, and in a cost effective way, and so as to assist persons and establishments that may benefit from the disclosure to decide. Additionally, the "e-GOVERNANCE: Corporate Governance and Investor Relations Portal" is used for direct and effective informing of the Company's shareholders.

Principles regarding the public disclosure of information related to future issues are included in the information policy. When forward-looking information, assumptions, and data based on assumptions are disclosed, particular attention is paid such that these statements do not include baseless, exaggerated forecasts, and that they are not misleading. Attention is also shown such that these assumptions are in compliance with the financial status and operational results of the Company.

In the event that estimates and the grounds regarding the forward-looking information disclosed to the public do not come to fruition, or when it is understood that they shall not come to pass, the information is updated.

The Company refrains from making transactions which complicate the conduct of private audits. No additional provisions have been included on the right to request the appointment of a private auditor in the Articles of Association. There has been no request for the appointment of a special auditor in 2017.

2.3. General Assembly Meetings

In addition to the procedures stipulated by legislation, the announcement of the 2016 Ordinary General Assembly meeting, held on February 16, 2018, was made at least three weeks prior to the meeting on www.akenerji.com.tr, the Company's corporate website, the Public Disclosure Platform (PDP), and electronic general assembly system, so as to ensure that the maximum number of shareholders would be reached. The announcement was also published in the Turkish Trade Registry Journal and in a widely circulated national daily newspaper. The documents to be submitted for inspection by the shareholders in accordance with Article 437 of the Turkish Commercial Code No. 6102 were made available at the Company's headquarters and branch offices. Additionally, the "General Assembly Information Documents", which have been drawn up to include issues contained in Article 1.3.1 of the Capital Markets Board's (CMB) Corporate Governance Communiqué Serial: II-17.1, are published on the Company's website and Public Disclosure Platform (PDP) prior to the General Assembly, as well as the notice for the meeting and all notifications and explanations that should be made by the Company pursuant to the legislation.

Each proposal was presented explicitly and under a separate title on the General Assembly agenda. There were no subjects regarding the agenda of the Company's 2016 Ordinary General Assembly meeting dated June 02, 2017 communicated in writing by the shareholders to the Company's Investor Relations Department to be included in the agenda.

In 2017, the Company held one Ordinary General Assembly meeting. In order to expand and facilitate the attendance of shareholders to the General Assembly, particular attention was paid to hold the meeting in a central location in Istanbul that would not create inequality among the shareholders, and that would enable the shareholders to attend the meetings at the lowest possible cost. The meeting location was selected based on the estimated number of attendees. No members of the media participated in the meeting.

Our shareholders could participate in the General Assembly meeting not only in person, but also in the electronic medium by means of electronic general assembly. 55,072,584,472 shares out of 72,916,400,000 shares (75.528%), representing the capital of the Company, were represented in the Ordinary General Assembly meeting held on June 02, 2017. The minutes of the General Assembly meeting and the list of attendees were published on the Company website (www.akenerji.com.tr) and in the Public Disclosure Platform (PDP).

During the General Assembly meeting, the Chairman of the Assembly ensured all topics on the agenda were conveyed in an impartial, detailed, and understandable manner, while questions not considered as trade secrets from general assembly attendees were answered. Pending from the General Assembly meeting, in line with principle 1.3.5 of Corporate Governance Notification no. II-17.1 of the Capital Markets Board, there were no questions answered in writing by the Investor Relations Department after the Ordinary General Assembly.

Corporate Governance Principles Compliance Report

Members of the Board of Directors in charge of the agenda items, other related persons, executives who were responsible for preparing the financial statements, and auditors were present at the Company's 2017 Ordinary General Assembly meeting in order to provide the necessary information and to answer questions.

No transactions came into question for which the affirmative vote of a majority of the independent members of the Board of Directors was sought for a resolution in the Board, nor was the relevant resolution left to the General Assembly due to negative votes.

All donations and aids made by the Company were briefed to the shareholders as a separate agenda item during the 2016 Ordinary General Assembly meeting, and information regarding the donations and aids made during the year was included in the annual report.

Although there are no provisions pertaining to this matter in the Articles of Association, General Assembly meetings are held open to the public, as stated in the Company's Internal Guidelines on Working Principles and Procedures of the General Assembly.

The shareholders who held management control in 2017, the members of the Board of Directors, the executive managers, and their first and second degree relatives by blood or by marriage, haven't carried out any significant transactions that may result in conflicts of interest, either with the Company or its subsidiaries. Furthermore, they haven't carried out any transactions in the same line of business as the Company or its subsidiaries, by themselves or on behalf of others, and haven't become partners without limits of liability in a company that is engaged in the same line of business. Likewise, there are no transactions carried out by people who also have access to Company information other than the aforesaid persons, on behalf of themselves, within the scope of the Company's line of business.

No person or organization is privileged to access the Company's information.

2.4. Voting Rights and Minority Rights

The Company avoids implementations that hinder the exercise of voting rights. It offers the opportunity to each shareholder, including those of foreign nationality, to exercise voting rights in the most convenient and suitable manner.

There is one (1) voting right for each share in the Company, and there is no privilege in the Company's Articles of Association for voting rights.

None of the Company's partnerships has a cross shareholding relationship.

There is no representative of minority rights on the Board. The minority rights in the Company are subject to the Turkish Commercial Code, the Capital Markets Law, and relevant legislations, and haven't been determined to be less than one-twentieth of the share capital.

2.5. Dividend Rights

The Company's Dividend Distribution Policy, reorganized by our Board of Directors in line with provisions and principles stated in Dividend Notification article (no. II-19.1) of the Corporate Governance Notification of the Capital Markets Board, was presented to the General Assembly at the 2016 General Assembly Meeting, and approved by the shareholders. This was publicly announced on the Company's website and included in the annual report.

The Company's Dividend Distribution Policy contains clear and minimal information enabling investors to foresee the distribution procedures and principles of the profit to be gained by the Company in future periods. A policy maintaining the balance between the benefits of shareholders and the benefit of the Company is being followed in dividend distribution, as detailed in the Company's Dividend Distribution Policy.

The Company's Dividend Distribution Policy is included in the Annual Report.

There are no privileges for participation in the profit of the Company.

During the 2016 Ordinary General Assembly meeting, it was resolved:

1- Not to distribute any dividend since there is a loss in our consolidated financial statements, prepared within the framework of the provisions of the Tax Procedure Law (TPL) and the Capital Markets Board's (CMB) Communiqué Serial: II-14.1 on "Principles Regarding Financial Reporting in Capital Markets",

2- To reserve the net period loss in the legal records of the Company, prepared according to the provisions of the Tax Procedure Law (TPL), and the net period loss in the financial statements, prepared pursuant to the CMB's Communiqué Serial: II-14.1, in the consolidated financial statements of the Company.

2.6. Transfer of Shares

Article 8 of the Articles of Association pertaining to the transfer of shares is as follows:

"The direct or indirect acquisition, by a real person or legal entity, of shares representing more than five percent of the capital of the Company, and share acquisitions that result in an increase in a shareholder's shares exceeding five percent of the Company's capital, or a transfer of shares that leads to the fall of a shareholder's share below the above-mentioned rate, are subject to the Turkish Energy Market Regulatory Board approval. Such provision is also applicable for obtaining the right to vote and pledging the shares.

Even if there is no transfer of shares, the issuance of a dividend right certificate is subject to approval by the Turkish Energy Market Regulatory Board, regardless of the ratios stated in the first paragraph.

If, within the scope of non-recourse project financing provided to the Company, the establishment of control and/or affiliate relationship between the banks and/or financial institutions and the Company due to loan agreement provisions covering cases such as a default in payments, leads to a violation of the market share limitations imposed by the applicable regulation, such violation shall be amended within the time period granted by the Turkish Energy Market Regulatory Board.

The transfer of the shares shall be binding on the Company upon the registration thereof into the Shareholders' Ledger, based on the approval of the Board of Directors.

Other than those that are traded, shareholders holding registered shares who wish to transfer their shares, which are not being traded, shall apply to the Board of Directors by written petition. The Board may reject the approval request based on one of the significant reasons stated below. Moreover, shareholders holding registered shares that are not traded may freely transfer their shares to shareholders holding the same group of shares, or establish usufruct rights to their benefit.

With regards to shareholders holding registered shares that are not being traded, transfers or establishment of usufruct rights to third parties, except for shareholders with the same group of shares and affiliates, the Company may deem the following as significant reasons, and reject approval requests for transfer of shares or establishment of usufruct rights:

a) If another company or enterprise ("Competitor") competing with the Company and the Competitors' owner, shareholder (including private and venture capital funds and their shareholders), or whatever their title, persons who are managers or employees of such companies, or their spouses and those who are in lineal kinship with them, or companies where the said persons have direct or indirect control, wish to acquire shareholding;

b) With regards to the protection of the Company's scope of business or economic independency, if a person or persons acting together wish to directly or indirectly acquire 5% or more of the Company's shareholding composed of registered shares

Regulations of the Capital Markets Board shall apply to transfers of registered shares that are traded.

Save for the first two paragraph of this Article, transfer of the registered shares of the Company shall be subject to the relevant provisions of the Turkish Commercial Code, the Capital Markets Law and the Electric Market Law."

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and Content

The address of the website is included in the Company letterhead.

The Company's website is designed and updated in accordance with Article 2.1 of the Capital Markets Board's (CMB) Corporate Governance Communiqué Serial: II-17.1, the Turkish commercial Code, and relevant secondary legislation. Any stakeholders who wish to obtain more information on the Company can access Company officers through the e-mail address, info@ akenerji.com.tr, or by filling out the Contact Form on http://www.akenerji.com.tr/iletisim-formu.

The Company's shareholding structure is disclosed and updated on the Company's corporate website in such a way as to show shareholder's names, share amounts and rates.

Basic information contained on the website is also prepared in English for the use of international investors. In addition, international investors who require further information on the Company can access company officers via the info@akenerji.com.tr e-mail address, or by filling out the Contact Form on http://www.akenerji.com.tr/iletisim-formu.

3.2. Annual Report

The Board of Directors of the Company has drawn up the annual report on the basis of the Turkish Commercial Code and Capital Markets Board regulations, providing sufficient detail for the public to acquire complete and accurate information on the Company's operations. The annual report contains all information regulated under Corporate Governance Principles.

SECTION IV - STAKEHOLDERS

4.1. Informing the Stakeholders

The Company stakeholders are persons, institutions and interest groups that are associated with the Company in terms of achieving its goals, or else related to its activities, such as employees, creditors, customers, suppliers, and various non-governmental organizations.

The Company's code of ethics guarantees the rights of stakeholders regulated by legislation and mutual agreements. The stakeholders are informed within the framework of the policy created by the Company in accordance with current legislation and ethical rules. In addition, it is aimed to inform all stakeholders through press releases, annual reports, the corporate website, and applications within the scope of the disclosure policy, based on transparency. Intranet, which is an in-house information sharing medium, and printed documents are used actively, as the "Akenerji E-Bulletin" is published on a quarterly basis, and the bulletin "Akkök Haberler" is published on a monthly basis. While performing their duties,

Corporate Governance Principles Compliance Report

the Company's employees are expected to fulfill their responsibilities by valuing the interests of the Company above the interests of themselves, their families and relatives. Employees shall refrain from any interference that may be construed as benefiting themselves or their relatives. Foreseeable potential conflict of interest situations, and situations defined by the Company management, are shared with the employees, and the Company management takes the necessary measures.

The ethical values of the Company have been established and these values have been announced to the public on the Company's corporate website. Moreover, the Company stakeholders are informed about any issues concerning them, either through meetings or by e-mails and phone calls.

In cases where the rights of stakeholders stipulated in legislation and contracts are expressly violated by the Company within the framework of legislation and contracts, recourse to indemnification is provided by the Company. The Company ensures the convenience necessary for the utilization of mechanisms such as indemnification provided for stakeholders in legislation or contract. The Company does not have a particular indemnification policy regarding its employees, and such employee rights are protected within the scope of relevant legislation.

The stakeholders may communicate any transactions of the Company that are contrary to legislation or ethically inappropriate to the Corporate Governance Committee, or to the Ethics Representative, by e-mailing to etik@akenerji.com.tr. No such notification was made by stakeholders in 2017.

When a conflict of interest arises between stakeholders, or in case a stakeholder is part of more than one interest group, a policy as balanced as possible in terms of the assertion of held rights is pursued, and efforts are made to protect each right individually from one other.

The Company gives priority to customer satisfaction in the sales and marketing of the goods and services and takes the required measures to ensure such satisfaction.

The Company takes the required measures, reviews and updates its processes in order to establish and maintain relationships, which are in accordance with the laws and the provisions of the established agreement with the customers and suppliers, to which it provides goods and services, and to protect the international and sector standards in provision of goods and services.

Information pertaining to suppliers and customers is deemed within the scope of trade secrets, and attention is paid to its confidentiality.

It is essential that demands of the customer in respect of the goods or services purchased by the customer are immediately fulfilled, if any, in accordance with the agreement provisions, otherwise in accordance with the legislation provisions, and customers are informed regarding the delays without waiting for the deadline.

The Company chooses its suppliers in accordance with the Supplier Selection and Evaluation Procedure, and evaluates their performance on an annual basis. In the evaluation process, compliance with the Akenerji specs, delivery time, working in harmony with Akenerji and complaints are evaluated over the Oracle e-business management system. As a result of this evaluation, the Approved Suppliers List is created by the end of the year.

Akenerji specifications, agreements and product specs are included within the information shared by Akenerji with its suppliers.

4.2. Participation of Stakeholders in Management

The mechanisms and models that encourage the participation of stakeholders, particularly Company employees, in the management are developed so as not to hinder the operations of the Company. The participation of stakeholders in the management of the Company is supported by tools such as proposals or surveys, again, in a manner that does not hinder Company operations.

Additionally, the participation of employees in the management of the Company is ensured through annual performance assessment meetings, suggestion systems and annual meetings held within the Company.

It has been decided to obtain the 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety Management System certifications, covering all the power plants of Akenerji in operation. In this context, a Quality Project Team has been serving within the Company for a number of years. The Head of the Quality Project Team works under the Director of Environment, Quality and OHS.

Likewise, ISO 27001 Information Security Management System engagements are carried out by the Information Security Project team for Head Office, Uluabat HPP and Erzin NGCCPP.

This team cooperates with all departments in order to determine the necessary preparation, audit and reporting standards for obtaining relevant certifications, and submits the results for management approval by considering the suggestions received from employees. Since this operation is shaped by the contribution of all Akenerji employees, it plays a significant role in the Company's in-house communications.

In each and every power plant, we have Environment Representatives and Health Security Representatives, who hold Quality, Environment and Occupational Health Safety Management Systems internal auditor certification, and receiving regular trainings in this area. Moreover, employee representatives working as per the Labor Law are assigned in each power plant and our head office. These employee representatives assume duties representing the employees in all sorts of recommendations, complaints and feedbacks.

Furthermore, the presence of independent members on the Board of Directors enables the representation of all stakeholders, as well as the Company and the shareholders. The Company takes into consideration, where necessary, any views and suggestions that are communicated by other stakeholders.

4.3. Human Resources Policy

Factors of Akenerji's Human Resources Policy are as follows:

- We provide equal opportunity to everyone.
- We match the right person with the right job.
- We pay fair wages for work as a result of work assessment.
- We evaluate success with measured performance and proven abilities.
- We enhance efficiency by means of creating motivation and loyalty.
- We recognize and reward each other's accomplishments promptly.
- We work in collaboration, ensuring the continuity of work harmony.
- We inform promptly, accurately, openly and multi-dimensionally.

While the recruitment policies are prepared and career planning is conducted, the principle of giving equal opportunities to persons with equal conditions is adhered to. If it is foreseen that changes in executive positions may cause problems in Company management, succession planning is prepared for the determination of executives to be assigned.

The criteria regarding personnel recruitment are not defined in writing. However, the criteria presented hereunder are abided by in personnel recruitment.

It is our human resource policy to select candidates who have the expertise, skills, experience and capabilities required by the position, are compatible with the culture and values of the Company, and will serve the strategies and targets of the Company. In our employment procedure, most contemporary assessment systems are utilized in order to determine the most objective decision and to employ the finest individuals for the job.

Akenerji's Human Resources Policy aims to ensure equality in terms of learning and development-related opportunities, thereby providing employees the support they need appropriately in helping them to increase their performance.

Akenerji, implements a management system that values humanity and promotes creativity, communication and employee participation. It is aware of the extreme importance of creating an environment of open, close and uninterrupted communications between management and employees in fostering employee motivation and efficiency.

Akenerji, management seeks to implement internationally accepted models and human resources practices that utilize integrated systems. As such, the modern and integrated systems that the Company opts for ensure the generation of business results in all human resources processes ranging from employment to performance management systems, and from development to the remuneration and termination of employees.

Fairness is the key factor in all benefits granted to employees. Training programs to enhance employees' knowledge, skills and manners are organized, and training policies are created.

Provision is made for employee development programs that enhance knowledge, skills and qualities in pursuit of Company targets, and that are based on constant learning, development and the inculcation of the Company's results-oriented philosophy. At the same time, resources are also set aside for programs that contribute to social and cultural development. In development planning, training and development solutions suitable for the situation at hand are employed by taking the needs of the Company and its employees into account.

Job descriptions of Company employees are announced to the employees. Efficiency is taken into consideration while determining salaries and other benefits. Akenerji uses a Performance Assessment and Remuneration model, the validity and reliability of which have been proven worldwide. This is a wage and vested benefits model which is objective, transparent, and one that reflects the reality of the domestic and international business arena, and is based on the equality and equity principles grounded in remuneration specific to the job at hand.Akenerji Salary and Benefits systems are annually compared to the whole market and related groups, and regular revisions are made. Implementation of a competitive salary policy is targeted.

The Performance Management System is a structure that aims to create a sense of shared corporate targets among individuals, thus strengthening the mutually shared corporate culture. Employees working within the system transparently see their personal contributions and the effects of these contributions in the corporate dimension. The output of the Performance Management System is channeled into the development planning, talent management, career and substitute planning, remuneration and rewarding processes of the Human Resources Department; thus a structure is formed that integrates all of these processes in one system, allowing them to feed off each other. Employees are supported in pursuing a common goal through promotions that underpin the high performance culture of the Company. Meanwhile, leadership and the functional competence of the Company are measured through a 360o assessment, in order to gauge precisely how employees achieve work results. By this means, the strengthening and implementation of competences that move the Company forward and serve its corporate reputation and sustainability, are safeguarded within a unified system.

Managing relations with employees is addressed under the responsibility of the Human Resources Department, and no Employee Representatives have been appointed in this regard. The Human Resources Dept. functions as a bridge between the employees and the management, and works together with the Company's management in forwarding the demands and requests of the employees to the management, and producing solutions in line with needs. The Human Resources Dept. is jointly responsible with the management team for the execution of the Labor Law and Human Resources processes, within the scope of staff regulations in a healthy way. In addition to this, Akenerji provides an "open door" policy opportunity to its employees. The open door policy gives every employee the opportunity to reach the General Manager and the other top managers easily about any issues pertaining to their jobs and Akenerji.

Corporate Governance Principles Compliance Report

Occupational health and safety is a prioritized subject at Akenerji. All kinds of measures, including prevention of occupational risks, training and briefing, are taken, events are organized, tools and equipment are provided in order to protect the health and safety of employees, and the employees are informed on this subject by establishing the required procedures and instructions. Continuous improvement and development is in progress to ensure a safe working environment and conditions for the employees. In this regard, duties and authorities of the Employee Representatives, appointed as per the Occupational Health and Safety legislation, are as stated below:

- To participate in the activities of the Akenerji and Akhan Occupational Health and Safety Boards at the Headquarters,

- To be authorized to represent the employees in subjects such as participating in activities pertaining to Occupational Health and Safety, following the activities, requesting for measures to be taken, and making proposals.

- To solicit the opinions and suggestions of employees,

- To counsel the employer for the elimination of source of hazards or for decreasing the risks arising from the hazards and to have the right to request from the employer to take necessary measures.

There are measures in place to prevent any racial, religious, language, and gender discrimination among employees, and to protect them against physical, psychological and emotional abuse. In 2017, there were no complaints from the employees, especially on discrimination.

The Company does not constitute any hindrance against the effective recognition of the freedom of association and the collective bargaining right.

4.4. Ethical Rules and Social Responsibility

The activities of the Company are carried out within the frame of the ethical principles announced to the public via the website of the Company.

Aware of its responsibility to society at large, Akenerji carries out all of its operations in such a way as to prevent environmental pollution and protect natural resources and takes all the necessary precautions to these ends. The Company prioritizes the invention, development, adoption and implementation of innovative and environment friendly technologies by taking environmental impacts into account under the scope of its Environment Policy. In this context, new investments benefiting from state of the art technology is at the forefront and full compliance with environment legislation starts off with the Environmental Impact Assessment (EIA) stage in all innovative projects implemented. The disposal and recovery operations of waste generated at Akenerji power plants are carried out in accordance with the provisions of the regulation issued by the T.R. Ministry of Environment and Urban Planning.

Our Company pays special attention to finding, developing, adopting and implementing innovative and environment friendly technologies that are included in the scope of our Quality Policy. For this reason, our operational power plants and the Headquarters are subject to integrated management systems. Akenerji Integrated Management System includes ISO 9001 Quality Management System Certification, ISO 14001 Environmental Management System Certification and OHSAS 18001 Occupational Health and Safety Management Systems Certification. Our 10 locations (Headquarters and the Ayyıldız, Uluabat, Akocak, Burç, Bulam, Feke I, Feke II, Himmetli, Gökkaya and Erzin Power Plants) hold the Integrated Management Systems certification as of the end of 2016. Upon the revision of the ISO 9001 Quality Management System and ISO 14001 Environment Management System standards in 2015, alignment with standards was completed, and ISO 9001:2015 and ISO 14001:2015 certifications were obtained for all power plants.

Moreover, the level of consciousness has been enhanced by means of engagements on information security, which has gained in importance in recent years, and TS EN/ISO 27001 certification's continuity has been ensured for Head Office, Uluabat HPP and Erzin NGCCPP.

Our policies and documents within the scope of integrated management systems can be accessed through the Company's corporate website under the title of Sustainability.

The Company is aware of the importance of improving social standards as well as its responsibility for providing quality products and services within the scope of Corporate Social Responsibility Principles. The Company is sensitive to the needs of society, without ignoring future generations. In this manner, Akenerji has adopted the principle of making contributions to social enrichment by making donations and social aids in a variety of fields, especially in education, environment, sports, culture and arts, in the regions where it carries out its activities.

Within the scope of our Corporate Social Responsibility Principles, the Company spent a total amount of TL 257,722.42 for donations and aid to various associations and foundations, in 2017.

The Company takes measures against all kinds of corruption, including bribery and extortion. The necessary awareness raising and control activities are coordinated by the Human Resources Department.

SECTION V - BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

The Board of Directors is composed of a total of 8 members, including 2 (two) independent, 2 (two) executive and 4 (four) non-executive members. The CVs (Curriculum Vitae) of the members of the Board of Directors are presented in the Company's annual report. 31.12.2017 tarihi itibariyle Yönetim Kurulu Üyelerimiz aşağıdaki gibidir:

Name Surname	Title	Date of Appointment	Term
Ahmet Cemal DÖRDÜNCÜ	Chairman of the Board (Non-Executive)	26.04.2016	3 Years
Tomas PLESKAC	Vice Chairman of the Board (Non-Executive)	26.04.2016	3 Years
Özlem Ataünal	Board Member /Executive Committee Member (Executive)	05.04.2017	3 Years
Petr DOKLADAL	Board Member / Deputy General Manager (Executive)	26.04.2016	3 Years
Ahmet Ümit DANIŞMAN	Board Member (Non-Executive)	26.04.2016	3 Years
Vratislav DOMALİP	Board Member (Non-Executive)	26.04.2016	3 Years
Yahya Mehmet İzzet ÖZBERKİ	Independent Board Member	26.04.2016	3 Years
Jiri SCHWARZ	Independent Board Member	26.04.2016	2 Years

In the Board of Directors, there are executive and non-executive members. A non-executive member of the Board of Directors is the person who – except his/her Board of Directors' membership – is not in charge of any other administrative task in the Company and who is not involved in the daily work flow and in the ordinary activities of the Company. The majority of the members of the Board of Directors is composed of the non-executive members.

The General Manager of the Company and the Chairman of the Board of Directors are different persons. The Members of the Board of Directors spend sufficient time on their responsibilities in the Company. In the event that a member of the Board of Directors serves as a manager or a member of the Board of Directors in another company, the aforementioned situation doesn't lead to a conflict of interest or hinder the responsibility of the member in the Company. Therefore, serving of the Members of the Board of Directors of some other duty or duties outside the Company is not regulated or restricted by certain rules. Duties fulfilled by the Members of the Board of Directors outside the Company are submitted for the information of the shareholders on the "Company General Information Form" page through the PDP, on the Company website, and in their CVs under the Corporate Governance section of the Annual Report.

During the ordinary general assembly meeting dated 26.04.2016, the Independent Board Member, Jiri SCHWARZ, was elected for 2 years, and other Board Members were elected to their posts for 3 years. Özlem Ataünal temporarily replaced the Board of Directors Member, Raif Ali Dinçkök upon his resignation on April 5, 2017, and was assigned as a member of the Board of Directors. This will be voted on at the next meeting of the General Assembly in line with Article 363 of the Turkish Commercial Code.

Among the members of the Board of Directors, there are independent members who have the capability of performing their duties without being influenced under any circumstances. The term of office of the independent members of the Board of Directors is up to three years and it is possible that they can be elected by being re-nominated. Two independent members are nominated to the Corporate Governance Committee, which also fulfills the duties of the Nomination Committee. The Corporate Governance Committee presented ahya Mehmet İzzet ÖZBERKİ and Jiri SCHWARZ for approval by the Board of Directors as independent board members on 01.04.2016.

The Independency Statements of our independent members of the Board of Directors are included in the Annual Report. In 2017, there was no condition terminating the independency of the Independent Members.

The only female member of our Board of Directors is Özlem Ataünal. The Company aims to include at least 25% (twenty-five percent) female members on the Board of Directors, and improvement on the achievement of this target is followed-up by the Board of Directors.

5.2. Working Principles of the Board of Directors

The Board of Directors is responsible for the Company's achievements, operational and financial performance objectives as determined and disclosed to the public. The Board of Directors carries out its activities in a transparent, accountable, just and responsible manner.

The Chairman and Deputy Chairman were appointed from among the Board Members, and duties were allocated accordingly.

Considering the opinions of related board committees, the Board of Directors establishes the internal control system in such a way as to include risk management and information systems and processes, which will minimize the effects of the risks impacting the Company's stakeholders, mainly the shareholders. The Board of Directors reviews the efficiency of risk management and internal control systems at least once a year.

Corporate Governance Principles Compliance Report

The General Manager of the Company and the Chairman of the Board of Directors are different persons.

Although not included in the Articles of Association, the authorities of the Chairman of the Board of Directors and the General Manager are clearly defined and separated in the Company's organizational chart. No one in the company is entrusted with unlimited authority to decide on an individual basis.

The Board of Directors plays a part in the preservation of effective communication between shareholders and the company, and in settling and resolving any disputes that may arise among them. In this respect, the Board of Directors is in constant contact with the Corporate Governance Committee and the Investor Relations Department.

Any possible damages in the Company caused by the members of the Board of Directors due to their negligence during the fulfillment of their duties are not insured directly by the Company. However, the liability insurance for any possible damages in the Company caused by the members of the Board of Directors due to their negligence during the fulfillment of their duties was underwritten by our main partners, Akkök Holding A.Ş. and ČEZ a.s., covering the relevant executives of the Company. No Material Disclosures have been made in this regard.

The chairman of the Board of Directors, getting in touch with the other members of the Board of Directors and the General Manager, determines the agenda of the Board of Directors' meetings. On the other hand, other members may suggest changing the meeting agenda. In order to ensure equal information flow, information and documents related with the agenda items of the Board of Directors' meeting are submitted to the review of the members of the Board of Directors, prior to the meeting. The members pay special attention to attend every meeting and to state their opinions, by reviewing the related information and documents of the meeting agenda items and by making necessary preparations. The Board meetings can be held through remote access opportunities such as video conferencing, teleconferencing and the internet. The views of members who couldn't attend the meeting but communicated their views in writing to the Board of Directors, are submitted for the information of other members.

In accordance with the Articles of Association of the Company's, the Board of Directors convenes when the in Company's business requires and at least five times a year in any case. Within the 2017 activity year, the Board of Directors convened five times. A total of 36 resolutions were taken by the Board of Directors in 2017. All of these meetings were attended by the majority of the board members, and the resolutions were taken unanimously by the members who attended the meeting.

In the Board of Directors, each member has one right to vote. In accordance with the Company's Articles of Association, in Board of Directors' meetings at least one member more than one-half (½) of the total number of members of the Board of Directors must be present. The decisions of the Board of Directors are made with the affirmative votes of the members who are at least one member more than one-half (½) of the total number of members of the Board of Directors.

Company's Articles of Association and related legislation provisions shall be applied about the issues regarding how to hold the meetings and make invitations for the meetings.

The subjects included in the agenda of the Board of Directors meetings are discussed clearly in all aspects. In 2016 meetings, none of the members of the Board of Directors cast dissenting votes for any resolutions. In 2017, weighted voting rights or negative veto rights were not bestowed to the members of the Board of Directors.

Weighted voting right or negative veto right was not granted to the Board Members.

5.3. Number, Structure and Independency of the Committees Established in the Board of Directors

The Company's Board of Directors revises the structure and activities of the existing committees within the framework of provisions set under the Capital Markets Board's Corporate Governance Communiqué. Hence, the Audit Committee, Early Detection of Risk Committee and Corporate Governance Committee have been established. The duties and responsibilities of the Nomination Committee and the Remuneration Committee are fulfilled by the Corporate Governance Committee.

(As of 31.12.2016)

Committee in Charge of Audit

Name Surname	Title
Yahya Mehmet İzzet ÖZBERKİ	Chairman of the committee (Independent Member)
Jiri SCHWARZ	Member of the committee (Independent Member)

Corporate Governance Committee

Name Surname	Title
Jiri SCHWARZ	Chairman of the committee (Independent Member)
Yahya Mehmet İzzet ÖZBERKİ	Member of the committee (Independent Member)
Petr SEDLAK	Member of the committee
Özge ÖZEN AKSOY	Member of the committee

Early Risk Determination Committee

Name Surname	Title
Yahya Mehmet İzzet ÖZBERKİ	Chairman of the committee (Independent Member)
Jiri SCHWARZ	Member of the committee (Independent Member)

The fields of activity, working principles and members of the committees were determined by the Board of Directors and disclosed to the public via the Public Disclosure Platform and the Company website.

All members of the Committee in Charge of Audit and Early Risk Determination Committee, and Chairman of the Corporate Governance Committee were elected from the independent members of the Board. Yahya Mehmet İzzet ÖZBERKİ, who is one of the members of the Corporate Governance Committee, is an Independent Board member. Petr SEDLAK and Özge Özen AKSOY are experts who are not Board Members. The Investor Relations Department executive, Ms. Özge Özen Aksoy, who holds the licenses required by legislation, also serves as a member of the Corporate Governance Committee.

The General Manager does not participate in any committee.

Special attention is paid not to assign the members of the Board of Directors for more than one committee. Notwithstanding, the Committee in Charge of Audit and the Early Risk Determination Committee are composed of two independent members: one Chairman and one member. The Chairman of the Committee in Charge of Audit is, at the same time, the Chairman of the Early Risk Determination Committee. Moreover, the Chairman of the Corporate Governance Committee is, at the same time, the member of the Committee in Charge of Audit and the Early Risk Determination Committee.

Any kind of support and resource required for the committees to perform their duties are provided by the Board of Directors. The committees can invite any executive deemed necessary to their meetings and can receive their opinions.

The committees benefit from opinions of independent specialists in subjects that they need regarding their activities. Costs of the consultancy services needed by the committees are covered by the Company. No such service was obtained in 2017. The committees keep written records of all activities carried out by them. The committees convene in a frequency, deemed necessary for the effectiveness of their activities and set forth in the working principles. They submit reports containing information regarding their activities and meeting results to the Board of Directors.

Among the members of the Audit Committee within the Company, there are members who have experience in the fields of accounting / auditing and finance. The committee oversees the Company's accounting system, public disclosure of financial information, and independent audit, as well as the functioning and effectiveness of the Company's internal control and internal audit systems. The selection of an independent auditing firm, identification of the services to be received from this firm, preparation of independent audit contracts, initiation of the independent audit process, and the works of the independent auditing firm at every stage, are all carried out under the supervision of the audit committee.

The independent auditing firm that will provide services to the Company, and the services to be received from this firm, are determined by the Audit Committee and then submitted to the Board of Directors for approval.

The methods and criteria to be applied in the issues of investigation and resolution of complaints received by the Company about the accounting and internal control system and independent auditing of the Company, and evaluation of the notifications of employees on accounting and independent auditing of the Company within the context of the confidentiality principle, are also determined by the Audit Committee.

The Audit Committee reports its evaluations concerning the truthfulness and accuracy of the annual and interim financial statements to be disclosed to the public, according to the accounting principles followed by the Company, together with the evaluations of the Company's respective executives and independent auditors, to the Board of Directors in written form. The Audit Committee immediately notifies the Board of Directors in writing about its findings that fall under the Committee's duties and responsibilities, as well as its evaluations and recommendations in respect thereof.

Corporate Governance Principles Compliance Report

The Audit Committee convened 7 times in 2017, and recorded the minutes of the meeting. The resolutions taken were presented to the Board of Directors. The Audit Committee submitted 8 (eight) reports to the Board of Directors within the 2017 accounting period.

The Company's Corporate Governance Committee observes whether or not corporate governance principles are applied in the company and, if not, identifies the reasons and the conflicts of interests arising due to not fully complying with these principles. The committee offers recommendations on optimizing corporate governance practices, and monitors the works of the Investor Relations unit.

The Company's Corporate Governance Committee convened once in 2017.

The Early Detection of Risk Committee's duty is to carry out works for the early detection of any risks that may threaten the Company's existence, development and continuation, and to take the necessary precautions related to the risks identified, and to manage the risk.

Pursuant to the provision under Article 378 of the Turkish Commercial Code, the Boards of Directors in companies, shares of which are traded on the stock exchange, are liable for establishing an expert committee, and running and improving the system, in order to detect early any factors endangering the company's existence, development and continuation, and to apply the necessary precautions and remedies therefor and manage the risk. The Committee evaluates the situation on reports that it will submit to the Board of Directors once every two months, indicates the hazards, if any, and shows the remedies.

Further to the related regulation provisions, the Early Detection of Risk Committee was established by the Board of Directors on 24.09.2013.

The Committee convenes on a bimonthly basis, and it gives suggestions and recommendations to the Board of Directors to detect early and assess any kinds of risks that may affect the Company, such as strategic, financial, operational etc.; calculate the impact and possibilities; manage and report these risks in accordance with the company's corporate risk-taking profile; apply the precautions required for the risks identified; consider such risks in the decision mechanism; and establish and integrate efficient internal control systems accordingly. The efficiency of the Company's risk management and internal control systems are revised at least once a year by the Early Detection of Risk Committee.

The Early Detection of Risk Committee convened 6 (six) times in 2017, and presented its reports, including the results of the meetings held during the year, to the Board of Directors.

All of the Committees conducted operations with respect to their areas of responsibility.

5.4. Risk Management and Control Mechanism

The Board of Directors establishes internal control systems, including risk management and information systems and processes that aim at minimizing the effects of risks that would affect the stakeholders of the Company, particularly the shareholders, by obtaining the suggestions of the related committees of the Board of Directors.

The Company's risk inventory is one of the most important follow-up tools used in Akenerji's risk management activities. The risk inventory includes the operational, financial, reputational and strategic risks of the Company. Risks with high or very high level risk scores are monitored at the level of the Board of Directors. Detailed action plans are created for such risks, and a risk owner is assigned for each of these risks. The risk owner is responsible for managing the related risk within the framework of the agreed action plan. Thus, the risk management philosophy has become a permanent item on the agenda of routine business of Akenerji executives. Updated in line with sectoral and institutional developments, this philosophy has become an integral part of the Company's applications.

The current internal control system, particularly enhancing the efficiency and productivity of Company operations, ensuring reliability in financial reporting, and compliance with applicable law and legislation, is being audited by the Audit Group established within our parent companies, Akkök Holding A.Ş. and ČEZ a.s., in accordance with the annual internal audit plan. The outcome of the audit is reported to the Audit Committee. The efficiency of internal audit operations has been reviewed by the Audit Committee during the year. Opinions of the internal auditor, external auditor, or other Company executives have also been obtained when required.

5.5. Strategic Goals of the Company

The Board of Directors administrates and represents the Company by keeping the risk, growth and return balance of the Company at the most appropriate level with its strategic decisions to be made and protecting the long term interests of the Company primarily with its rational and prudent risk management approach.

The Board of Directors defines the strategic goals of the Company, determines the human and financial resources to be needed by the Company and audits performance of the management. The Board of Directors supervises compliance of the Company operations with the legislation, the Articles of Association, the internal regulations and the established policies.

The Company's short and long-term performances and strategic objectives are evaluated, and the necessary action plans are carried out according to the results obtained in the meetings held on a regular basis, and headed by the General Manager.

The Board of Directors reviews the degree to which the Company achieves its targets, as well as its activities and past performance. Accordingly, the Board of Directors reached the conclusion that the Company attained its operational and financial performance targets in 2017.

5.6. Financial Rights

The Board of Directors is responsible for ensuring that the Company attains its targets. The assessment regarding whether or not the company attains its operational and financial performance targets, as well as the reasons if not attained, are explained in the annual report. The Board of Directors conducts a self-criticism and performance evaluation on the board, members and executives with administrative responsibilities. Accordingly, it rewards or discharges the Board members and executives with administrative responsibilities based on such evaluations.

Remuneration principles for the members of the Board of Directors and senior executives are recorded in writing, and the shareholders were given the opportunity to express their opinions by submitting this for their information as an individual article on the Ordinary General Assembly agenda. The Remuneration Policy for the Board of Directors and Executive Managers prepared for this purpose is published on the Company website.

In the remuneration of the independent members of the Board of Directors, stock options or payment plans based on the Company's performance are not used. The wages of the independent members of the Board of Directors were determined at a level that ensured their independence at the General Assembly.

The Company does not extend loans or credit to any member of the Board of Directors, or to senior executives, and does not give assurances such as warranty in favor of them.

Wages and all other benefits provided to the Members of the Board of Directors and senior executives are disclosed to the public entirely through the annual report, and Note 24 to the financial statements, under the subheading of "Payments to the executive managers of the Group for the January 1 - December 31, 2017 and 2016 accounting periods". These statements are not made on an individual basis, and are provided with the distinction of Members of the Board of Directors and the senior executives.

Major Developments in the Past Year

General Assembly

The Ordinary General Assembly Meeting of the Company for the year 2016 was held on June 02, 2017. Shareholders representing 75.528% of the Company's capital attended the meeting. Shareholders used their right to ask questions and no motion with the exception of the agenda was presented. There were no questions from shareholders answered in writing after the General Assembly in line with principle 1.3.5 of Corporate Governance Notification no. II-17.1 of the Board of Directors that could not be responded to during the meeting.

Amendment of Articles of Association

As the authorization of the Registered Capital Ceiling of the Capital Markets Board expired at the end of 2016, in order to extend the current registered capital ceiling stated in Article 7, titled Capital of the Company, of the Articles of Association for 2017-2021 (for five years) was amended. The amendment text was approved by letter to the Capital Markets Board of the Presidency, Republic of Turkey, dated 04.04.2017 with no. 29833736-110.03.02-E.4230, a letter to the Ministry of Customs and Trade, Republic of Turkey, dated 10.04.2017 and no. 50035491-431.02-E-00024079936, a letter to the Energy Market Regulatory Authority, Republic of Turkey, dated 02.05.2017 77386926-110.01.01.01 E.22770 was registered on 19.06.2017.

Temporary Acceptance of the Project for Enhancement of the Installed Power of Ayyıldız Wind Power Plant

The increase in installed power at Ayyıldız Wind Power Plant, formerly 15 MW, to approximately 28.2 MW via 4 units with installed power of 3.3 MW, was temporarily accepted as of 27.01.2017 by the Ministry of Energy and Natural Resources, Republic of Turkey, and commercial operation was initiated.

Accordingly, the installed power of the Ayyıldız Wind Plant expanded to a commercial capacity of 28.2 MWm / 28.2 MWe.

Election of an Independent Auditor

According to the Notification on Independent Audit Standards in the Capital Market, amended by Notification No: 28 of the Capital Markets Board, with Serial No: X of the Turkish Commercial Code and by Decision of the Energy Market Regulatory Authority dated 03.03.2015 and no. 5507, pertaining to audit by real and judicial persons engaged in the energy market by independent audit institutions, our Company elected Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (a member of Ernst & Young Global Limited), in line with the report of the Audit Committee, for the audit of our financial ledgers and reports for 2017, in the Ordinary General Assembly Meeting held on June 2, 2017.

Kemalpaşa Land Sale

The rights and shares of the immovable property (land) located in Izmir's Kemalpaşa district, Kırovası town, Ulucak quarter, and registered to the title deed registry at section L18-B-03-C-4-A, city block 534, plot 11, were sold to Ve-Ge Hassas Kağıt ve Yapıştırıcı Bant San. ve Tic. A.Ş. for TL 16,937,215.98, and all sale and transfer transactions were completed on May 8, 2017.

Other Statements

Information on the Company's acquisition of its own shares

The Company hasn't acquired any of its own shares.

Information on the private and public audits conducted during the accounting period

During the 2017 accounting period, independent audit was conducted in the Company as required by the legislation and internal audits performed in accordance with internal rules of the Company.

Information on any material lawsuits filed against the Company, which might have material impact on the Company's financial status and activities, and the possible outcomes of such lawsuits, and explanations about administrative or judicial sanctions imposed on the Company and the members of the governing body due to practices in violation of applicable legislation

There are no material lawsuits filed in 2017 against the Company, which might have material impact on the Company's financial status and activities, or administrative or judicial sanctions imposed on the Company and the members of the governing body due to practices in violation of the applicable legislation.

Information and assessments on whether the targets set in the previous periods have been achieved, whether the resolutions of the general assembly have been fulfilled, and the justifications if said targets failed to be achieved or said resolutions failed to be fulfilled

The Company has achieved the targets set, and the resolutions of the General Assembly have been fulfilled.

Information on any legislative changes which might have material impact on the Company's activities

There were no legislative changes that might have material impact on the Company's activities in 2017.

Information on any conflicts of interest between the Company and institutions which provide services in areas such as investment consultancy and rating, and the measures taken by the Company to prevent these conflicts of interest

There were no conflicts of interest between the Company and institutions that provide services in areas such as investment consultancy and rating in 2017.

Research and development activities of the Company

Akenerji does not conduct any R & D activities. Market research and other necessary analyses are carried out by means of organizations providing professional consulting services.

Determination on whether the Company has any unredeemed capital, or the Company is in a debt-choked status, and the evaluations of the management body

The Company has no unredeemed capital, and the Company is not in a debt-choked status.

Information regarding the related party transactions and balances required to be submitted to the partners in accordance with the legislation, and the benefits provided to the Board of Directors and senior executives

Information regarding the related party transactions and balances required to be submitted to the partners in accordance with the legislation, and the benefits provided to the Board of Directors and senior executives is provided in footnote No. 27, named Related Party Disclosures, in the Financial Statements section.

Information regarding the Company's financial resources, and the nature and amount of the capital market instruments issued, if any

Information regarding the Company's financial resources is provided in footnote No. 4, named "Financial Borrowings", in the Financial Statements section. There are no capital market instruments issued during the year or still active.

After 2017

No other issues arose at the Company that may impact the rights of shareholders, creditors or other related individuals and institutions.

Risk Management

Risk Management establishes systems and monitors actions to define and assess risks and opportunities that could impact the Company's targets; it ensures that these are managed according to the policies set by the Board of Directors. The Corporate Risk Management (CRM) project initiated in 2012, was completed in June 2013. Subsequently, a risk inventory was established across the Company, the roles and responsibilities were defined and regular reporting and monitoring activities were initiated. The Company's risk appetite notification, updated in line with sectoral and institutional developments, and approved by the Board of Directors, is used by all business units as a guideline in implementing risk reduction measures.

Due to the alignment with article 378 of the Turkish Commercial Code, which was enacted in July 2012, the Early Detection of Risk Committee was established under the supervision of the Akenerji Board of Directors. The Committee ensures early detection of risk, taking the necessary precautions related to the risks identified, and management of the risk. The Akenerji independent member of the Board of Directors Yahya Mehmet Özberki was appointed president of the Committee and Akenerji independent member of the Board of Directors Jiři Schwarz was appointed member of the Committee. To fulfill its duties and responsibilities, the Committee presents reports to the Board of Directors, every two months.

The Akenerji Strategic Planning and Risk Management Department determines and evaluates the risks in accordance with Company risk procedure and limits, and in coordination with the Unit Risk Responsible persons assigned for each unit. The Management prioritizes reports, and monitors the risks in line with the Risk Appetite.

While the risks are managed within the framework of Corporate Risk Management, the Risk Management Committee was established in March 2015 to take quicker decisions and take immediate actions due to the changing market conditions (more liquid and competitive). The Committee members are composed of the General Manager, Assistant General Managers, Directors, and Strategic Planning and Risk Manager. The Committee convenes on a monthly basis, and it is ensured that the necessary actions are taken by discussing the risks that the company incurs/may incur in the changing market conditions.

Risks in Akenerji are assessed and followed up under 5 main headings:

- Reputational risks
- Compliance risks
- Strategic risks
- Operational risks
- Financial Risks

Considering the macro-economic environment and the political/economic conditions specific to Turkey, as well as volatility, 2017 was a year during which market and economic risks grew in terms of the Turkish electricity market. The fluctuations in electricity prices; low course of electricity demand (which is directly related to economic conditions) due to slowing economic growth and industrial production; changes in natural gas prices; and financing risk driven by the fluctuations in the global economy were analyzed in 2016. The changes were closely followed up and the necessary actions were taken. Within this scope, Akenerji strengthened its financial structure under the current market conditions, based on both the reorganization of our subsidiaries, and the refinancing agreement we executed on September 30, 2015, and our durability was enhanced in the changing market conditions.

Akenerji will continue to monitor economy-oriented risks in the context of risk management processes, with the anticipation that the global economic turmoil may continue in the coming period, and to report and monitor the risk inventory established enterprise-wide, on a regular basis.

Dividend Distribution Policy

Our Company makes dividend distribution in accordance with the Turkish Commercial Code, Capital Market Legislation, Tax Legislation and other applicable legislation and as per provision of Article 27 of our Company's Articles of Association regarding dividend distribution.

As a principle, our Company, in the event that it decides according to the following procedure to distribute dividend, shall make dividend distribution to shareholders and other people participating in the profit at least with a ratio of 30% of the yearly distributable net profit. Dividend distribution is subject to the decision to be adopted at the General Assembly pursuant to the proposal made by the Board of Directors each year in accordance with the regulations stipulated by Capital Market Legislation and Article 27 of our Company's Articles of Association and considering capital requirements, investment and financing policies, profitability and cash positions of our Company, its subsidiaries and affiliates and sector-specific and economic conditions.

The dividend to be paid subject to the resolution to be adopted at the General Assembly as per the proposal of the Board of Directors may be determined as fully in cash dividend or fully as bonus share or partially cash dividend and partially bonus shares.

There are no privileged dividends according to the Company's Articles of Association. In line with our dividend distribution policies, the dividends are distributed equally for all current shares of the Company on the day of dividend distribution, without considering the issuance and acquisition of the shares.

The General Assembly shall decide about the timing of the dividend payment in line with the Board of Directors proposal regarding dividend payment provided that it shall be started at latest as of the end of accounting period in which the General Assembly is held.

Interim dividends may be given to shareholders in line with the Turkish Commercial Code and the legislation of the Capital Market Board and the provisions of Article 27 of our Company's Articles of Association.

This dividend payment policy of our Company may be reviewed every year by the Board of Directors taking aforementioned subjects and conditions into consideration and submitted for approval of the General Assembly in case of an amendment proposal by the Board of Directors.

Dividend Distribution Proposal of the Board of Directors Dividend

Dear Shareholders,

The dividend distribution proposal of the Board of Directors is as follows;

1- Not to distribute any dividend since there is a loss in our consolidated financial statements of 2017 prepared within the framework of the provisions of the Tax Procedure Law (TPL) and the Capital Markets Board's (CMB) Communiqué Serial: II-14.1 on "Principles Regarding Financial Reporting in Capital Markets",

2- To reserve the net period loss in the legal records of the Company, prepared according to the provisions of the Tax Procedure Law (TPL), and the net period loss in the financial statements, prepared pursuant to the CMB's Communiqué Serial: II-14.1, in the consolidated financial statements of the Company,

3- To submit the abovementioned proposal of the Board of Directors for approval of our shareholders at the Ordinary General Assembly meeting for the year of 2017.

Sincerely,

Board of Directors

Statement of Responsibility

STATEMENT OF RESPONSIBILITY AS PER ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUE SERIAL: II-14.1 ON PRINCIPLES REGARDING FINANCIAL REPORTING IN CAPITAL MARKETS

We hereby declare that,

The 2017 annual report, which was prepared pursuant to the provisions of the Capital Markets Board's (CMB) Communiqué Serial: II-14.1 on "Principles Regarding Financial Reporting in Capital Markets" ("Communiqué"), and in compliance with the format and content specified by the CMB and the relevant legislations;

- Was examined by our side;
- Did not include any explanation contrary to the facts with respect to important matters, or any gaps that could be misleading as of the date when the explanation was made, to the extent of the information we have as per our duty and responsibility within the Company;
- To the extent of the information we have as per our duty and responsibility within the Company, the annual report, which was prepared in accordance with the relevant Communiqué, solely reflects the truth regarding the development and performance of the business; and along with those under the scope of consolidation, reflects the truth regarding the Company's financial status, together with the significant risks and uncertainties it faces, and that we are liable for the statement made.

Yours Faithfully,

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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Ticaret Sicil No : 479920

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Board of Directors of Akenerji Elektrik Üretim A.Ş.

1) Opinion

We have audited the annual report of Akenerji Elektrik Üretim Anonim Şirketi ("the Company) and its subsidiaries ("the Group") for the period of January 1, 2017 – December 31, 2017.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards ("InAS") which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Report* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 16, 2018 on the full set consolidated financial statements of the Group for the period of January 1, 2017 – December 31, 2017.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting in Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

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5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Ethem Kutucular.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ethem Kutucular, SMMM
Partner

March 1, 2018
İstanbul, Türkiye

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

Consolidated financial statements
as at 31 December 2017 and

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Güney Bağımsız Denetim ve
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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Akenerji Elektrik Üretim A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Akenerji Elektrik Üretim A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards ("TAS").

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey ("CMB") and Independent Auditing Standards ("InAS") which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company Group in accordance with the *Code of Ethics for Independent Auditors ("Code of Ethics")* as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How key audit matters addressed in the audit
Rotation of auditors and auditing of opening balances	
Initial audit engagements involve a number of considerations not associated with recurring audits. Additional planning activities and considerations necessary to establish an appropriate audit strategy and audit plan include: - Gaining an initial understanding of the Company and its business including its control environment and information systems sufficient to make audit risk assessments and develop the audit plan. - Obtaining sufficient appropriate audit evidence regarding the opening balances including the selection and application of accounting principles. - Communicating with the previous auditors.	A transition plan was implemented for the review of interim financial statements of the Group dated June 30, 2017, at the beginning of May 2017 before starting our limited scope audit work, and this transition plan has been implemented until the audit report sign off date. Our transition plan includes the followings: - Close interaction with the previous auditor, including a process of file reviews and formal hand over procedures as prescribed by our professional standards. - Communicating with the previous auditor including reviews of audit working papers for previous periods. - Interaction with the previous auditor and evaluation of key accounting and audit matters and the uncorrected audit differences. - Conducting various meetings with the management to have a better understanding of the risks, internal controls and key audit findings.

Deferred tax asset related to unused tax loss carry forwards	
According to Turkish tax legislation, fiscal losses shown on the tax return can be deducted from the annual corporate income for not more than 5 years. As of December 31, 2017, the Company has deferred tax assets amounting to TL 50.579.904 calculated on the tax losses carried forward as explained in Note 19 to the consolidated financial statements. The total of the tax losses carried forward is 779.499.600 TL and the deferred tax asset relating to 245.045.520 TL calculated as the recoverable amount, which was estimated by the Group Management based on the assumptions under the existing circumstances. Business plans for the future, the loss amounts incurred in the last 5 years and the expiration dates of unused losses are taken into the consideration during the assessment. There is an uncertainty in estimating the future taxable profit to support the extent to which the mentioned assets will be accounted for. For this reason, this has been considered as the key audit matter.	During our audit, we reviewed the management's assumptions on the recoverability of tax assets by controlling the expiration dates of carry forward tax losses with the projected budgets approved by the management. During the assessment, we have considered the future profit projections, profits or losses incurred in the current period, expiration dates of unused tax losses and other tax assets. To examine the management's assumptions about the subject, we involved tax experts to our audit team from another entity that is a part of the same network. Calculation of related deferred tax assets is presented for the examination and evaluation to tax experts. In addition, the conformity of the disclosures in the financial statements to TAS has been evaluated.
Covenant breach	
According to the Loan Agreement signed at 30 September 2015, the Group is required to comply with the financial covenant, debt service cover ratio, which should be greater than 1,05, which was started to be calculated based on the consolidated financial statements after December 31, 2016. In accordance with the agreement made, financial calculation of the ratio and compliance with related conditions are monitored by the Group management every quarter and reported to the related banks at the year ends. The availability of sufficient funding and whether the Group will be able to continue meeting its obligations under the financing covenants are important for our audit. Given that the compliance with the special conditions in the agreements of the loans used by the Group is part of the going concern assumption, this matter was considered as key audit matter.	The compliance of the commitments being followed by the Group management with the relevant loan agreements has been verified. Detailed explanations about the loans are made in footnote 4. In addition, the calculation of the ratio made by the Group on the consolidated financial statement was tested.

Recognition of property, plant and equipment by revaluation method	
As disclosed in footnote 13, The Group, has chosen the revaluation method by putting among application methods mentioned under TAS 16 for land, land improvements, buildings, machinery and equipments belonging its power plants commencing from 30 September 2015, by replacing the cost model method. Given the complexity of such transactions in the valuation and application of judgments and the assumptions, we determined this significant to our audit and therefore considered as key audit matter.	The audit procedures we implemented includes the audit procedures such as the evaluation of the licenses, competence and independence of the valuation experts, evaluation of the appropriateness of valuation methods used by valuation experts in the valuation report, comparison of the assumptions used by valuation specialists (growth rate, discount rate, etc.) with market data and the Company's historical performance, the utilization of expert work on such valuation calculations by including and incorporating the valuation experts of another entity included in the same network within our organization, assessing whether the high level estimates and judgments used in the valuation report are within the acceptable range of the judgments and the valuation experts of the Group. Furthermore, within the scope of the above mentioned specific accounting, the adequacy and sufficiency of the information included in the financial statements and explanatory notes were inquired. Detailed explanations about the property, plant and equipment are made in footnote 13.

4) Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on February 20, 2017.

5) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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6) **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

In an independent audit, our responsibilities as the auditors are:

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 16, 2018.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – December 31, 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Ethem Kutucular.

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A member firm of Ernst & Young Global Limited

Ethem Kutucular, SMMM
Partner

February 16, 2018
İstanbul, Türkiye

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

AS OF 31 DECEMBER 2017

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

	Notes	Current period (Audited) December 31, 2017	Prior period (Audited) December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents	3	45,241,003	433,746,318
Trade receivables			
- Trade receivables from related parties	5, 27	21,183,928	22,919,594
- Trade receivables from third parties	5	69,064,218	118,793,143
Inventories	10	1,666,918	5,669,202
Other receivables			
- Other receivables from related parties	6, 27	52,962	5,900
- Other receivables from third parties	6	2,395,192	1,988,953
Prepaid expenses	9	11,569,718	11,743,652
Derivative financial instruments	16	497,923	-
Current period income tax assets	19	2,262,033	3,193,413
Other current assets	11	20,995,542	15,271,729
Total current assets		**174,929,437**	**613,331,904**
Assets held for sale		-	16,963,848
Non-current assets			
Trade receivables			
- Trade receivables from third parties	5	15,064,575	16,624,553
Other receivables			
- Other receivables from third parties	6	315,502	295,247
Inventories	10	17,154,844	13,016,604
Financial investments	12	100,000	100,000
Property, plant and equipment	13	5,390,359,318	3,974,599,720
Intangible assets	14	113,308,159	113,364,043
Deferred tax assets	19	16,795,470	212,888,977
Prepaid expenses	9	1,894,505	15,193,847
Other non-current assets	11	67,654,140	68,172,799
Total non-current assets		**5,622,646,513**	**4,414,255,790**
TOTAL ASSETS		**5,797,575,950**	**5,044,551,542**

The consolidated financial statements for the period of 1 January - 31 December 2017 have been approved for issue by the Board of Directors on February 16, 2018 and signed on behalf of the Board of Directors by General Manager Serhat Gencer and Deputy General Manager Petr Dokladal. These consolidated financial statements will be definitive following their approval in the General Assembly.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

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

	Notes	Current year (Audited) December 31, 2017	Prior year (Audited) December 31, 2016
LIABILITIES			
Current liabilities			
Short term portion of long term borrowings			
- Bank loans	4	377,892,651	362,916,443
- Financial leasing payable	4	4,898,505	-
Trade payables			
- Trade payables to related parties	7, 27	11.847.438	36,363,959
- Trade payables to third parties	7	176,033,413	130,275,864
Current income tax liabilities	19	568,374	505,297
Other payables			
- Other payables to third parties	8	1,658,839	4,014,232
Derivative financial instruments	16	15,163,211	11,669,327
Payables for employee benefits	17	935,182	941,079
Short term provisions			
- Short term provisions for employee benefits	17	3,477,185	3,955,147
- Other short term provisions	15	17,552,353	13,051,036
Deferred income		232	2,196,463
Total current liabilities		**610,027,383**	**565,888,847**
Non-current liabilities			
Long term borrowings			
- Bank loans	4	2,783,727,773	2,911,202,076
- Financial leasing payable	4	50,059,418	-
Derivative financial instruments	16	17,585,703	30,927,705
Trade payables			
- Trade payables to third parties	7	200,734,583	184,556,881
Other payables			
- Other payables to third parties	8	15,728	15,627
Long term provisions			
- Long term provisions for employee benefits	17	3,244,119	1,770,806
Deferred tax liabilities	19	328,626,654	250,010,926
Total non-current liabilities		**3,383,993,978**	**3,378,484,021**
EQUITY			
Share capital	18	729,164,000	729,164,000
Adjustment to share capital	18	101,988,910	101,988,910
Share premium		50,220,043	50,220,043
Other comprehensive income/expense to be reclassified under profit or loss			
- Cash flow hedge funds		(15,159,903)	(30,964,517)
Restricted reserves			
- Legal reserves	18	12,053,172	12,053,172
- Other reserves		(4,322,722)	(4,322,722)
Other comprehensive income/expense not to be reclassified under profit or loss			
- Revaluation fund	13	2,526,950,583	1,409,709,068
- Actuarial gain/(loss)		(1,349,827)	-
Retained earnings		(1,090,945,289)	(618,995,310)
Net loss for the year		(505,044,383)	(548,673,970)
Total equity		**1,803,554,589**	**1,100,178,674**
TOTAL LIABILITIES AND EQUITY		**5,797,575,950**	**5,044,551,542**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current period (Audited) January 1, - December 31, 2017	Prior period (Audited) January 1, - December 31, 2016
Revenue	20	1,855,097,831	1,420,842,034
Cost of sales (-)	20	(1,796,560,026)	(1,376,630,683)
Gross profit/(loss)		**58,537,805**	**44,211,351**
General administrative expenses (-)	22	(53,712,941)	(56,959,298)
Other operating income	23	19,935,519	84,449,112
Other operating expense (-)	23	(75,689,470)	(8,167,317)
Operating profit/(loss)		**(50,929,087)**	**63,533,848**
Income from investment activities	24	57,293	-
Expense from investment activities	24	-	(8,977,338)
Operating profit/(loss) before financial iincome/(expense)		**(50,871,794)**	**54,556,510**
Financial income	25	24,146,000	85,378,739
Financial expense (-)	25	(499,501,617)	(785,930,267)
Profit/(loss) before income tax from continuing operations		**(526,227,411)**	**(645,995,018)**
Tax income/(expense) from continuing operations			
- Current income tax expense (-)	19	(2,058,717)	(1,695,364)
- Deferred tax income/(expense)	19	23,241,745	99,016,412
Net profit/(loss) for the period		**(505,044,383)**	**(548,673,970)**
Attributable to:			
Equity holders of the parent		**(505,044,383)**	**(548,673,970)**
Earnings/(losses) per share	26	(0.693)	(0.752)

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current period (Audited) January 1, - December 31, 2017	Prior period (Audited) January 1, - December 31, 2016
Net profit/(loss) of for the period		**(505,044,383)**	**(548,673,970)**
Other comprehensive income/(expense)			
Not to be reclassified to profit or loss			
Revaluation fund	13,19	1,492,456,889	(1,275,000)
Deferred tax income/(expense) effect	19	(298,491,378)	-
Actuarial gain/(loss)	17	(1,687,284)	-
Deferred tax income/(expense) effect	19	337,457	-
OTHER COMPREHENSIVE INCOME/(EXPENSE)		**1,192,615,684**	**(1,275,000)**
TOTAL COMPREHENSIVE INCOME/(EXPENSE)		**687,571,301**	**(549,948,970)**

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

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

				Accumulated other comprehensive income/(expenses) to be reclassified to profit or loss			Accumulated other comprehensive income/(expenses) not to be reclassified to profit or loss				
Audited	Share capital	Adjustment to share capital	Share premium	Cash flow hedge funds	Other reserves(**)	Restricted reserves	Revaluation funds	Actuarial gain/(losses)	Retained earnings	Net loss for the period	Total
January 1, 2016	**729,164,000**	**101,988,910**	**50,220,043**	**(45,977,850)**	**(4,322,722)**	**12,053,172**	**1,476,834,316**	**-**	**(333,383,998)**	**(351,005,560)**	**1,635,114,311**
Transfers	-	-	-	-	-	-	-	-	(351,005,560)	351,005,560	-
Other adjustments(*)	-	-	-	15,013,333	-	-	(65,850,248)	-	65,850,248	-	15,013,333
Total comprehensive income	-	-	-	-	-	-	(1,275,000)	-	-	(548,673,970)	(549,948,970)
December 31, 2016	**729,164,000**	**101,988,910**	**50,220,043**	**(30,964,517)**	**(4,322,722)**	**12,053,172**	**1,409,709,068**	**-**	**(618,995,310)**	**(548,673,970)**	**1,100,178,674**
January 1, 2017	**729,164,000**	**101,988,910**	**50,220,043**	**(30,964,517)**	**(4,322,722)**	**12,053,172**	**1,409,709,068**	**-**	**(618,995,310)**	**(548,673,970)**	**1,100,178,674**
Transfers	-	-	-	-	-	-	-	-	(548,673,970)	548,673,970	-
Other adjustments(*)	-	-	-	15,804,614	-	-	(76,723,996)	-	76,723,996	-	15,804,614
Total comprehensive income	-	-	-	-	-	-	1,193,965,511	(1,349,827)	-	(505,044,383)	687,571,301
December 31, 2017	**729,164,000**	**101,988,910**	**50,220,043**	**(15,159,903)**	**(4,322,722)**	**12,053,172**	**2,526,950,583**	**(1,349,827)**	**(1,090,945,284)**	**(505,044,383)**	**1,803,554,589**

(*) As of December 31, 2017, the difference between the depreciation calculated on the carrying values of the revalued assets and the depreciation calculated on the acquisition cost of these assets amounting to TL 82,266,181 (December 31, 2016: 82,312,810 TL) has been transferred from the revaluation fund to the retained earnings amounting to TL 65,812,945 (December 31, 2016: 65,850,248 TL) after netting off the deferred tax effect. In addition, the difference between net book value of revalued assets and revalued assets related to the sale of revalued assets amounting to TL 13.638.814 (December 31, 2016: None) has been transferred from revaluation funds to retained earnings as TL 10,911,051 (December 31, 2016: None) and net off deferred tax.

(**) Since Group has ceased to apply hedge accounting on September 30, 2015, the "Cash Flow Hedge Funds", which is included in equity, has been recognized in statement of profit or loss during the term of related contracts.

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

	Notes	Current period (Audited) January 1, - December 31, 2017	Prior period (Audited) January 1, - December 31, 2016
A. Cash flows from operating activities		**169,930,371**	**244,789,666**
Net loss before tax		(505,044,383)	(548,673,970)
Adjustments to reconcile net loss		**658,724,854**	**834,305,209**
Depreciation and amortization of property, plant and equipment and intangible assets	21	178,308,441	170,065,690
Adjustment for impairment of receivables	5	599,009	523,614
Adjustments for provisions			
- Adjustments for lawsuit provisions	15	7,944,325	(14,077,302)
- Adjustments for other provisions	15	1,196,434	4,639,442
- Adjustment for provision for employment termination benefits	17	2,761,029	2,250,769
Adjustment for foreign currency translation		193,685,222	493,701,835
Adjustment for tax (income)/expense	19	(21,183,028)	(97,321,048)
Adjustment for gain on sale of property, plant and equipment	24	(57,293)	8,977,338
Gains/losses fair value of derivative instruments		15,804,615	10,995,369
Adjustment for interest income and expenses, net		279,666,009	254,549,502
Changes in working capital		**22,884,983**	**(38,000,958)**
Change in due from related parties		1,735,667	(18,297,001)
Change in receivables from third parties		50,689,803	(11,282,283)
Change in other receivables from related parties		(47,062)	22,802
Change in other receivables from third parties		(426,494)	(262,599)
Change in inventories	10	(135,956)	24,800,049
Change in prepaid expenses	9	14,404,656	(9,341,690)
Change in other assets	11	(5,205,154)	(8,717,080)
Change in due to related parties	27	(24,516,521)	21,130,685
Change in trade payables to third parties	5	4,742,462	(31,071,621)
Change in derivative assets		(497,923)	859,845
Change in derivative liabilities		(9,848,118)	(8,242,322)
Change in deferred income		(5,649,188)	960,260
Change in employee benefits		(5,897)	420,012
Change in other payables to third parties		(2,355,292)	1,019,985
Cash generated from operations		**176,565,453**	**247,630,281**
Payments related to other provisions		(4,639,442)	(1,400,968)
Tax payments		(1,995,640)	(1,439,647)
B. Net cash generated from investing activities		**22,543,328**	**290,478,125**
Cash inflows due to sale of property, plant and equipment		198,462	-
Cash outflows due to purchase of property, plant and equipment		(7,740,330)	(15,731,921)
Cash inflows due to sale of asset held for sale		16.963.848	286.310.427
Interest received		13,121,348	19,899,619
C. Net cash used in financing activities		**(568,940,475)**	**(578,378,679)**
Cash outflows due to repayment of bank borrowings		(299,211,826)	(331,067,140)
Interest paid		(280,087,532)	(248,631,164)
Other cash increase/(decrease)		10,358,883	1,319,625
Net increase/(decrease) in cash and cash equivalents		**(376,466,776)**	**(43,110,888)**
Cash and cash equivalents at the beginning of the period	3	420,637,487	463,748,375
Cash and cash equivalents at the end of the period	**3**	**44,170,711**	**420,637,487**

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 1 - ORGANISATION OF GROUP AND NATURE OF OPERATIONS

Akenerji Elektrik Üretim A.Ş (“the Company” or “Akenerji”) is engaged in the establishing, renting and operating facilities of electrical energy production plant, producing electricity and trading electricity to the customers. The Company was established by Akkök Holding A.Ş. in 1989 (as of May 11, 2014, the title was registered as Akkök Holding A.Ş.). Since 14 May 2009, the Company is a joint venture between Akkök Holding A.Ş and CEZ a.s..

The Company is registered in Turkey and its registered address is as follows;

Miralay Şefik Bey Sokak No:15 Akhan Kat: 3-4 Gümüşsuyu / Istanbul - Turkey

The Company is registered to the Capital Markets Board (“CMB”), and its shares are publicly traded in Borsa Istanbul (“BIST”). As of December 31, 2017, 52.83% of its shares are open for trading (December 31, 2016: 52.83%).

The number of personnel employed within the group in year 2017 is 206 (2016: 242).

The nature of business and registered addresses of the entities included in the consolidation (“Subsidiaries”) are presented below (Akenerji and its subsidiaries are called as “Group”).

Subsidiaries	business	address
Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret A.Ş. (“Akenerji Toptan”)	Electricity trading	Gümüşsuyu / Istanbul
Ak-el Yalova Elektrik Üretim A.Ş. (“Ak-el”)	Electricity production and trading	Gümüşsuyu / Istanbul
Egemer Elektrik Üretim A.Ş. (“Egemer”)	Electricity production and trading	Gümüşsuyu / Istanbul
Akel Kemah Elektrik Üretim ve Ticaret A.Ş. (“Akel Kemah”)	Electricity production and trading	Gümüşsuyu / Istanbul
Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş. (“Akenerji Doğalgaz”)	Natural gas trading	Gümüşsuyu / Istanbul

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”) of Capital Market Board (“CMB”) of Turkey published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards (“TAS”) issued by Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”) and its addendum.

The consolidated financial statements of the Group are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations.

The Group and its Turkish subsidiaries, associates and joint ventures maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code (“TCC”), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

2.2 Basis of consolidation

a) The consolidated financial statements include the accounts of the parent company, Akenerji, and its subsidiaries on the basis set out in sections (b) to (c) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TAS by applying uniform accounting policies and presentation. The results of operations of subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

b) Subsidiaries are companies in which Akenerji has the power to control the financial and operating policies for the benefit of itself, either through the power to exercise more than 50% of voting rights related to shares in the companies as a result of shares owned directly and/or indirectly by itself or although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

The table below sets out all subsidiaries and demonstrates the proportion of ownership interest as of December 31, 2017 and December 31, 2016:

	Direct and indirect ownership interest by the Company and its Subsidiaries (%)	
Subsidiaries	**December 31, 2017**	**December 31, 2016**
Akenerji Toptan	100	100
Ak-el	100	100
Egemer	100	100
Akel Kemah	100	100
Akenerji Doğalgaz	100	100

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are deconsolidated from the date that the control ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Carrying values of the Subsidiaries' shares held by the Company are eliminated against the related equity of subsidiaries. Intercompany transactions and balances between Akenerji and its subsidiaries are eliminated on consolidation. Dividends arising from shares held by the Company in its subsidiaries are eliminated from income for the period and equity, respectively.

c) The minority shareholders' share in the net assets and results of subsidiaries for the period are separately classified as non-controlling interest in the consolidated balance sheets and statements of comprehensive income.

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and Turkey Financial Reporting Interpretations Committee's ("TFRIC") interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows:

- TAS 7 Statement of Cash Flows (Amendments)
- TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)
- Annual Improvements to TFRSs - 2014-2016 Cycle

The new standards, amendments and interpretations will not have an impact on the financial position or performance of the Group.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

ii) Standards, amendments and improvements issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

- TFRS 15 Revenue from Contracts with Customers
- TFRS 9 Financial Instruments
- TFRS 4 Insurance Contracts (Amendments)
- TFRIC 22 Foreign Currency Transactions and Advance Consideration
- TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
- Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)
- TAS 40 Investment Property: Transfers of Investment Property (Amendments)
- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- Annual Improvements to TFRSs - 2014-2016 Cycle

The new standards, amendments and interpretations will not have an impact on the financial position or performance of the Group.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board ("IASB") but not issued by POA

- Annual Improvements - 2010-2012 Cycle
- Annual Improvements - 2011-2013 Cycle
- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 17 - The new Standard for insurance contracts
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Annual Improvements - 2015-2017 Cycle

The new standards, amendments and interpretations will not have an impact on the financial position or performance of the Group.

2.4 Summary of significant accounting policies

a) Revenue Recognition

Revenues are recognized on an accrual basis when the electricity is delivered (risk and rewards are transferred), the amount of the 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 consideration received or receivable. Net sales represent the invoiced value of electricity delivered less sales returns and commission. Transmission revenue is netted off with its related costs in consolidated financial statements.

Interest income is recognized on a time proportion basis that takes into account the effective yield on the asset.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

b) Trade Receivables and Impairment

Trade receivables that are created by the Group by way of providing services (i.e. supplying electricity) directly to a debtor are recognized initially at fair value and subsequently measured using the effective interest method less provision for impairment. Short term receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for impairment of trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

c) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

ç) Related Parties

If one of the below listed criteria exists the party is regarded as related with the Group:

a) Directly, or indirectly through one or more intermediaries, the party:
i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
ii) has an interest in the Group that gives it significant influence over the Group; or
iii) has joint control over the Group;

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

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the normal course of business (Note 27).

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

d) Inventories

Inventories are valued at the lower of cost or net realizable value less costs to sell. Cost of inventories is comprised of the purchase cost and the cost of bringing inventories into their present location and condition. Inventories comprise of spare parts, lubricants and chemical materials required for the maintenance of the machines and equipments, and expensed as they are used. The cost of inventories is determined using the moving weighted average method.

e) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in TL, which are the functional currency of Akenerji and the presentation currency of the Group.

f) Property, Plant and Equipment

Group, has chosen the revaluation method among application methods mentioned under IAS 16 for lands, land improvements, buildings, machinery and equipments belonging its power plants commencing from 30 September 2015. As at December 31, 2017, the Group used as a base fair value determined an independent valuation company licensed by CMB for lands, land improvements, buildings, machinery and equipments. Motor vehicles are presented on consolidated financial statements at their carrying amounts. Fair value of land, land improvements, buildings, machinery and equipments are subjected to valuation is determined by using "Income Approach - discounted cash flow analysis".

Increase in property, plant and equipments due to the revaluation in question are credited after netting of the deferred tax effect on revaluation fund account under shareholders' equity in the balance sheet. The difference between amortization (reflected in income statement) calculated by the carried amounts of revalued assets and amortization calculated by the acquisition costs of these assets is transferred to accumulated deficit from revaluation fund after netting of the deferred tax effect on a yearly basis. The same method is also applicable for tangible asset disposal.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation is provided on restated costs of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets. The mentioned asset's useful lives are presented below:

	Years
Buildings	10 - 50
Land improvements	5 - 40
Machinery and equipment	4 - 40
Motor vehicles	4 - 10
Furniture and fixtures	3 - 50
Leasehold improvements	5 - 46

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Expenses for the repair of property, plant and equipment are normally charged as expense. They are, however, capitalized if they result in an enlargement or substantial improvement of the respective assets.

Gains or losses on disposals of property, plant and equipment which are calculated as the difference between net carrying value and the collections made are included in the related income and expense accounts, as appropriate.

g) Non-current Assets Held for Sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

ğ) Intangible Assets

Intangible assets are carried at restated cost less accumulated depreciation and impairment losses. Intangible assets are carried at cost less accumulated depreciation and impairment losses. Intangible assets comprise licenses and computer softwares.

Commercial business licenses

Commercial business licenses which obtained separately are recorded as cost values. Licenses are amortized on a straight-line basis over their estimated useful lives of 15- 49 years. Commercial business licenses have a limited useful life and are followed up with their future values accumulated amortization from cost is deducted.

Computer softwares

Computer softwares are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives of 3- 15 years. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

h) Impairment of Non-financial Assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets 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 carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognized in the statement of comprehensive income.

Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

ı) Borrowing Costs and Financial Liabilities

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

In the case of a financial liability modification, any costs or fees occurred regarding these liabilities is deducted from the carrying amount of the liability and amortized during the terms of the modificated loan agreement by being.

If financing costs arising from the loans are associated with acquisition or construction of qualifying assets, they are included in cost value of qualifying assets. Qualifying assets refer to assets which require a long time to be available for use or sales as intended. Other borrowing costs are accounted in statement of profit or loss in the period they occur.

i) Trade Payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

j) Provisions, Contingent Liabilities, Contingent Assets

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

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial tables and are treated as contingent assets or liabilities.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized. A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

k) Provisions for employee benefits

Employment Termination Benefits

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

Under the Turkish Labor Law, 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.

l) Earnings/(losses) Per Share

Earnings per share are determined by dividing net gain by the weighted average number of shares that have been outstanding during the related year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and allowable reserves. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

m) Current and Deferred Income Tax

Taxes include current period income taxes and deferred income taxes. Current year tax liability consists tax liability on period income calculated based on currently enacted tax rates as of balance sheet date and according to tax legislation in force and includes adjustments related to previous years’ tax liabilities.

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will impact taxable income in future periods based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred income tax assets will be utilized or deferred income tax liabilities will be settled, are used to determine deferred income tax.

Deferred income tax assets and liabilities are recognized to the extent that they will impact taxes to be paid in the periods that temporary differences will disappear. Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Carrying value of deferred income tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilize deferred income tax assets partially or fully.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

n) Reporting of Cash Flows

In the consolidated statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Group’s operations.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment.

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than 3 months and which are subject to an insignificant risk of changes in value.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

o) Subsequent Events

Subsequent events consist of all events between balance sheet date and date of authorization for validity, even if they have been existed after public explanation of an announcement about profit or other financial information. In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the financial statements.

ö) Capital and Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are calculated by reducing retained earnings in the period in which they are declared.

p) Share Premium

Share premium represents differences resulting from the sale of the Group’s Subsidiaries’ and Associates’ shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies.

r) Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The derivative instruments of the Group consists of interest rate swap and foreign currency forward contracts.

The fair value of forward contracts calculated by calculating forward exchange rate, for remainder of agreement related foreign currency’s prevailed market interest rate, and comparing it to reporting date forward exchange rate.

Forward exchange contracts are recorded as assets or liabilities in the balance sheet, respectively, depends on whether their fair values are positive or negative. Gains and losses arising from changes in the fair value of forward exchange contracts are recognized as income and expense in the income statement.

The Group presents gains and losses related to effective hedge accounting as "hedge funds" in equity. The gain or loss related to these transactions, which are accounted for as equity items if the commitment to be protected from financial liability or future probable transaction becomes an asset or liability, is included in the cost or book value of the related asset or liability. Profit/loss that are included in the carrying amount of the hedging instrument or in the carrying amount of the hedging instrument are reflected in the consolidated profit or loss statement.

The Group, hedge instruments gains and losses that identified as effective, were presented in equity as “hedge fund gain /loss”. The gain or loss related to these transactions, which are accounted for as equity items when the commitments or forecasted transaction becomes an asset or liability, is added in the cost or book value of the related asset or liability. Gains and losses included in the carrying amount or book value of the hedging instrument are reflected in the consolidated statement of profit or loss if they affect the net profit / loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a stipulated transaction or a transaction that will possibly be executed in the future is realized, it is accounted in the profit or loss statement, or if it is foreseen that it will not be realized, accumulated income and expense regarding the transaction are accounted in the financial statements by amortizing over the terms of the interest rate swap agreement.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

s) Offsetting

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

ş) Financial Assets

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

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Loans and Receivables

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

2.5 Comparatives and restatement of prior year financial statements

The Group prepares comparative consolidated financial statements, to enable readers to determine financial position and performance trends. For the purposes of effective comparison, comparative financial statements can be reclassified when deemed necessary by the Group, where descriptions on significant differences are disclosed.

Prepaid expenses amounting to TL 4,390,229 in the statement of financial position at December 31, 2016, which shown in the non-current assets account group are classified in long term trade receivables account group.

Interest accrual of derivative transactions in the statement of financial position as at December 31, 2016 amounting to TL 2,598,123, which is presented in the short term borrowings account group, is classified in the derivative instrument account group.

2.6 Critical accounting estimates and judgments

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

Deferred tax assets for the carry forward tax losses

Deferred tax assets are accounted for only where it is likely that related temporary differences and accumulated losses will be recovered through expected future profits when accounting for deferred tax assets it is necessary to make critical estimations and evaluations with regard to taxable profits in the future periods. As of December 31, 2017, the Group has carry forward tax losses amounting to TL 245,045,520 (December 31, 2016: TL 420,455,061) which are expected to be deducted from future profits and did not recognize deferred tax assets for the carry forward tax losses amounting to TL 534,454,080 (December 31, 2016: TL 161,807,962) for which the Group believes it will not utilize in the future. If the net income projections which are explained in Note 19 are not realized, related deferred tax assets for the carry forward tax losses will be accounted as an expense in the consolidated statements of income.

Fair value of derivative financial instruments contracts

Derivative financial instruments contracts are determined using valuation techniques of fair value. Each balance sheet date, Group predicts the future changes of swap majorly based on market data.

Explanations for revaluation method and fair value measurement

Group has chosen revaluation method as an accounting policy among application methods mentioned under IAS 16 for lands, land improvements, buildings, machinery and equipments belonging its power plants commencing from 30 September 2015.

As at December 31, 2017, the Group used as a base fair value determined by Lotus Gayrimenkul Değerleme Danışmanlık A.Ş. that is an independent valuation company licensed by CMB for lands, land improvements, buildings, machinery and equipments.

Revaluation studies for Uluabat Hydroelectric Power Plant (HEP), Ayyıldız Wind Farm Power Plant (WFP), Burç HEP, Feke I HEP, Feke II HEP, Bulam HEP, Gökkaya HEP, Himmetli HEP have been prepared by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. and they have used “income approach - discounted cash flow analysis” (fair value measurement carried out by using unobservable inputs- Level 3) to determine fair market value in the revaluation report dated December 31, 2017.

The fair value of land, land improvements, buildings, machinery and equipments of Erzin Natural Gas Combined Cycle Plant which recognized under Egemer Elektrik Üretim A.Ş., is determined by using “income approach - discounted cash flow analysis” in the revaluation report dated December 31, 2017.

Long-term electricity market price is the most important factor for income approach, so the Group has worked with an independent consultant and technology firm for its estimation. While determining long term electricity price, the most important factors are; demand forecasting, activation of new power plants, deactivation of existed power plants, renewable energy and its progress, price of natural gas and coal, development of export and import and progress of efficiency of thermic power plants. The increase in the forward price of electricity used in the model will lead to an increase in production at plant and increase in the plant's fair value. The discount rate used in the valuation models prepared on the basis of USD is 8.8%, for the renewable power plants is 8.4%. The increase of the discount rate, however, will have a negative impact on the fair values of the plants.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

According to the report, valuation increase of land, land improvements, buildings, and machinery and equipment amounts to TL 1,492,456,889 as of December 31, 2017. As a result of valuation, TL 1,193,965,511 net value increase is accounted on revaluation fund by offsetting its deferred tax effect. As of December 31, 2017, movement of the revaluation fund increase is presented in Note 13.

2.7. Going concern

The Group has prepared its consolidated financial statements on a going concern basis in a foreseeable future. In 2017, cash and cash equivalents of the Group, which generated operating profit before depreciation and amortization, was met by debts arising from the loans. Because of the effect of sales in USD the Group made as part of the Renewable Energy Resources Support Mechanism (YEKDEM) the relevant cash amount is 70% in foreign currency. As of September 30, 2015, the Group signed the loan refinancing agreement that was provide total period of 12 years, without advance payment in 1 year and this affected to positive impact on the Group's cash flows. The fact that a portion of the refinancing loan was used in TL has reduced the exchange rate exposure. Akenerji which is conscious of all of its short term and long term liabilities, take necessary actions with a proactive approach in order to maintain its operations in a healthy financial structure.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 3 - CASH AND CASH EQUIVALENTS

The details of the cash and cash equivalents in the cash flow statement as of December 31, 2017 and 2016 are as follow:

	December 31, 2017	December 31, 2016
Cash	68,960	85,392
Banks		
- Demand deposits	1,999,649	20,440,470
- Time deposits	43,172,394	413,220,456
	45,241,003	**433,746,318**
Restricted cash	(1,060,833)	(11,419,717)
Interest Accrual	(9,459)	(1,689,114)
Total cash and cash equivalents in the cash flow statement	**44,170,711**	**420,637,487**

The details of cash and cash equivalents included in the cash flow statements as of December 31, 2017 and 2016 are as above.

As of December 31, 2017, the average effective interest rate for TL time deposits of 13% (2016: 10.25%), for USD time deposits 3.08% (2016: 3.03%) and for EURO time deposits 1.39% (2016: 1.20%).

The remaining day to maturity of time deposits as of December 31, 2017 is shorter than one year.

As of December 31, 2017 the Group's restricted cash is amounting to TL 1,060,833 (2016: TL 11,419,717) and is related purchase and sale of electricity by Group.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 4 - FINANCIAL LIABILITIES

The details of financial liabilities as of December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
Short-term portion of long term financial liabilities		
- Bank loans(*)	377,892,651	362,916,443
- Payables from financial leasing(**)	4,898,505	-
Total short-term portion of long term bank liabilities	**382,791,156**	**362,916,443**
Long term financial liabilities		
- Bank loans(*)	2,783,727,773	2,911,202,076
- Payables from financial leasing(**)	50,059,418	-
Total long term financial liabilities	**2,833,787,191**	**2,911,202,076**
Total short term and long term financial liabilities	**3,216,578,347**	**3,274,118,519**

The interest accruals amount for short and long term bank borrowings as of December 31, 2017 is TL 59,357,881 (December 31, 2016: TL 66,302,740).

(*) The loan obtained pursuant to the loan agreement ("Loan Agreement") signed with Yapı Kredi Bankası A.Ş. on 30 September 2015 amounts to TL 3,174,601,739 (TL 452,173,913 and USD 721,739,130). Commissions amounting to TL 73,323,792, including loan arrangement commission of TL 29,273,239 arrangement commission of TL 16,697,218 for paid-off loans and early payment commission at the amount of TL 27,353,335, regarding the aforementioned loan were deducted from the total loan amount. Such commission amount will be amortized during the term of loans. As the loan agreement signed on 30 September 2015 is the modification of the loan agreement signed with the bank consortium consisting of T. Garanti Bankası A.Ş., Yapı Kredi Bankası A.Ş. and T. Vakıflar Bankası T.A.O. on October 11, 2011, commission paid for the loans used pursuant to this agreement is also deducted from the loan amount as of December 31, 2017.

(**) Financial leasing is related to machinery and equipment with leasing period of 12 years. The ownership of the machines and devices will transfer to the Group at the end of the 12-year leasing term. The Group's financial lease liabilities are secured by the lessor's ownership interest on the leased asset.

Letters of guarantee given, pledges and mortgages related to financial liabilities are explained in Note 15.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

As at December 31, 2017 and December 31, 2016, the original currencies and weighted average interest rates for short and long-term financial liabilities are as follows:

	Currency	Effective Interest rate %	Original Amount	December 31, 2017 Amount in TL
Short-term portions of long-term bank loans	USD	6.23	84,150,304	317,406,533
Short-term portions of long-term bank loans	TL	11.95	60,486,119	60,486,119
Short-term finance lease payables	EURO	3.40	1,310,016	5,915,377
Cost of short-term finance lease payables (-)	EURO	3.40	(225,196)	(1,016,873)
Total short-term financial liabilities				**382,791,156**
Long term bank loans	USD	6.23	649,565,217	2,384,457,791
Long term bank loans	TL	11.95	406,956,522	399,269,982
Long-term finance lease payables	EURO	3.40	13,775,173	62,201,795
Cost of long-term finance lease payables (-)	EURO	3.40	(2,689,044)	(12,142,377)
Total long-term financial liabilities				**2,833,787,191**

	Currency	Effective Interest rate %	Original Amount	December 31, 2016 Amount in TL
Short-term portions of long-term bank loans	USD	6.23	85,743,858	301,749,785
Short-term portions of long-term bank loans	TL	11.95	61,166,658	61,166,658
Total short-term financial liabilities				**362,916,443**
Long term bank loans	USD	6.23	721,739,130	2,467,858,656
Long term bank loans	TL	11.95	452,173,913	443,343,420
Total long-term financial liabilities				**2,911,202,076**

The details of redemption schedule of the long term bank borrowings as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Up to 1 - 2 years	309,303,086	291,120,207
Up to 2 - 3 years	309,303,086	291,120,207
Up to 3 - 4 years	309,303,086	291,120,207
Up to 4 - 5 years	309,303,086	291,120,207
More than 5 years	1,546,515,429	1,746,721,248
	2,783,727,773	**2,911,202,076**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

The fair value of long-term financial liabilities is based on the cash flows discounted with the current debt ratio. Financial liabilities have been classified as the Level 3 in the fair value hierarchy since it has unobservable inputs including its own credit risk. The details of the carrying values and fair value of the long term bank borrowings as of December 31, 2017 and 2016 are as follows:

	2017 Carrying Value	Fair Value	2016 Carrying Value	Fair Value
USD borrowings	2,384,457,791	2,133,610,777	2,467,858,656	3,266,322,635
TL	399,269,982	574,382,254	443,343,420	360,925,742
	2,783,727,773	**2,707,993,031**	**2,911,202,076**	**3,627,248,377**

The fair value of short-term borrowings is considered to be equal to its carrying amount.

Compliance with the financial covenants

According to the Loan Agreement signed at September 30, 2015, under the terms of the borrowing facilities, the Group is required to comply with the financial covenant included in the Loan Agreement. In accordance with the Loan Agreement, debt service cover ratio, which will be started to be calculated based on the consolidated financial statements after December 31, 2017, should be greater than 1.05. Group has committed to this contract throughout the reporting period.

The principal repayment schedule of the Group's long-term financial leasing obligations as at December 31, 2017 and 2016 is as follows:

	Minimum lease payments December 31, 2017	Minimum lease payments December 31, 2016	Present value of debts from financial leasing December 31, 2017	Present value of debts from financial leasing December 31, 2016
Up to 1-2 years	5,915,379	-	4,251,557	-
Up to 2-3 years	5,915,379	-	4,397,128	-
Up to 3-4 years	5,915,379	-	4,547,683	-
Up to 4-5 years	5,915,379	-	4,703,395	-
Up to 5-6 years	5,915,379	-	4,864,438	-
Up to 6-7 years	5,915,379	-	5,030,996	-
Up to 7-8 years	5,915,379	-	5,203,257	-
Up to 8-9 years	5,915,379	-	5,381,417	-
Up to 9-10 years	5,915,379	-	5,565,678	-
More than 10 years	8,963,387	-	6,113,869	-
	62,201,798		**50,059,418**	

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 5 - TRADE RECEIVABLES

a) Short term trade receivables:

	December 31, 2017	December 31, 2016
-Trade receivables from related parties	21,183,928	22,919,594
-Trade receivables from third parties	80,896,439	130,039,945
	102,080,367	**152,959,539**
Provision for doubtful receivables	(11,832,221)	(11,246,802)
Short term trade receivables, net	**90,248,146**	**141,712,737**

As of December 31, 2017, trade receivable maturities which less than 1 months and unearned finance income from credit sales does not exist (December 31, 2016: None).

The movement for provision for doubtful receivables is as follows:

	January 1, - December 31, 2017	January 1, - December 31, 2016
Beginning of the period	**11,246,802**	**11,080,160**
Current year charges	599,099	523,614
Provisions no longer required	(13,680)	(356,972)
End of the period	**11,832,221**	**11,246,802**

As of December 31, 2017 the amount of receivables which are overdue and impaired TL 11,832,221 (December 31, 2016: TL 11,246,802). The aging list of these receivables as of December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
1 to 3 months	186,339	478
3 to 12 months	412,760	523,186
More than 12 months	11,233,122	10.723,138
	11,832,221	**11,246,802**

Past experience of the Group at collecting its receivables are considered in providing doubtful receivable provisions, The Group believes that no other trade receivable collection risk is present.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

The amount of trade receivables that are past due but not impaired is TL 392,930 as of December 31, 2017 (December 31, 2016: TL 64,201). The aging list of these receivables as of December 31, 2017 and 2016 is as follows:

	2017	2016
Up to 1 month	229,133	1,221
1 to 3 months	161,211	7,355
3 to 12 months and over	2,586	55,625
	392,930	**64,201**

b) Long term trade receivables:

	December 31, 2017	December 31, 2016
- Trade receivables from third parties (*)	15,064,575	16,624,553
Long term trade receivables, net	**15,064,575**	**16,624,553**

(*) TL 4,665,263 (December 31, 2016: 5,764,255) of long-term trade receivables consists of 154KW electricity transmission values that it will net with Türkiye Elektrik Üretim A.Ş. ("TEİAŞ") with electricity sales for the future periods and TL 7,009,505 (December 31, 2016: 6,470,069) of it consists of the sales value of Kemalpaşa power plant gas turbine.

The balance of the gas turbine, one of the long-term trade receivables, has 723 days of maturity on average and its unaccrued financial expense for 2017 is TL 223,114 (December 31, 2016: TL 277,997).

NOTE 6 - OTHER RECEIVABLES

	December 31, 2017	December 31, 2016
Short term other receivables		
- Other receivables from third parties	2,395,192	1,988,953
- Other receivables from related parties	52,962	5,900
Total short term other receivables	**2,448,154**	**1,994,853**
Long term other receivables		
- Other receivables from third parties	315,502	295,247
Total long term other receivables	**315,502**	**295,247**

As of December 31, 2017 and 2016, the details of short-term receivables of the Group from third parties are as follows:

	December 31, 2017	December 31, 2016
Receivables from tax office	590,693	234,468
Short term other receivables	1,804,499	1,754,485
	2,395,192	**1,988,953**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 7 - TRADE PAYABLES

	December 31, 2017	December 31, 2016
Short term trade payables		
- Trade payables to related parties	176,033,413	130,275,864
- Trade payables to third parties	11,847,438	36,363,959
Total short term trade payables	**187,880,851**	**166,639,823**
Short term trade payables		
- Trade payables to third parties	200,734,583	184,556,881
Total long term trade payables	**200,734,583**	**184,556,881**

The details of long-term trade payables of the Group at December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Payables to DSİ(*)	112,046,259	113,331,249
Other long-term trade payables(**)	88,688,324	71,225,632
	200,734,583	**184,556,881**

(*) The Group signed an agreement with the General Directorate of State Hydraulic Works (DSİ) Department of Investigation and Planning for the Water Usage of Ulubat Power Tunnel and Hydroelectric Energy Power Plant within the scope of the Emet-Orhaneli Çınarcık Dam Project on June 6, 2005. Even though the responsibility relating to the Energy Share Contribution Fee to be paid for the project, whose construction is ongoing and which has been taken over by the Group from DSİ according to this agreement, arises as the project starts operation, payments relating to this responsibility will start five years after the start of operations. According to the agreement, the obligations are recalculated in accordance with the Wholesale Price Index and payments will be made in 10 equal installments. As of the balance sheet date, this project has been completed and the first installment fee was paid in 2015. The second installment amount of TL 15,269,111 was paid in 2016, the third installment amount of TL 17,755,055 was paid in 2017. The fourth installment amount of TL 18,674,376 was debited under short-term trade payables to third parties, and the remaining balance of TL 112,046,259 (December 31, 2016: TL 113,331,249) was debited under the Group's long-term trade payables to third parties.

(**) Other long-term trade payable balance is related to the maintenance work of Egemer Erzin Combined Cycle Natural Gas Plant, with 723 days of maturity on average. Its unaccrued financial income for 2017 is TL 3,679,640 (December 31, 2016: TL 2,750,426).

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

NOTE 8 - OTHER PAYABLES

	December 31, 2017	December 31, 2016
Short term other payables		
- Other payables to third parties	1,658,839	4,014,232
Total short term other payables	**1,658,839**	**4,014,232**
Long term other payables		
- Other payables to third parties	15,728	15,627
Total long term other payables	**15,728**	**15,627**

As at December 31, 2017 and 2016, the Group's short-term other payables to third parties are as follows:

	December 31, 2017	December 31, 2016
Taxes and funds payable	1,532,050	3,852,340
Deposit and guarantees taken	63,912	88,912
Other payables	62,877	72,980
	1,658,839	**4,014,232**

NOTE 9 - PREPAID EXPENSES

Prepaid expenses as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Short-term prepaid expenses		
Prepaid expenses for following years	9,099,474	10,011,184
Advances given for purchases	2,470,244	1,732,468
	11,569,718	**11,743,652**
Long-term prepaid expenses		
Advances given for property, plant, equipment and intangible assets(*)	1,367,560	12,646,890
Prepaid expenses for following years	526,945	2,546,957
	1,894,505	**15,193,847**

(*) As of December 31, 2016, the advances given amounts that consist within the scope of Bandırma Ayyıldız wind power plant capacity increase project.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

NOTE 10 - INVENTORIES

	December 31, 2017	December 31, 2016
Short-term inventories		
Spare parts	1,660,677	5,662,718
Other raw materials	1,373	1,280
Operating supplies	4,868	5,204
Total	**1,666,918**	**5,669,202**
Long-term inventories		
Spare parts(*)	17,154,844	13,016,604
Total	**17,154,844**	**13,016,604**

(*) Spare parts amounting to TL 12.511.578 in Hatay Erzin Natural Gaz Cycle Power Plant, have been classified as long term inventories due to the long-term maintenance contracts signed, and the evaluation of the useful life of these spare parts (2-10 years). The remaining TL 4,643,266 spare parts that belong to other power plants is classified as long cycle stock by considering the usage period interval (2-10 years).

NOTE 11 - OTHER ASSETS

	December 31, 2017	December 31, 2016
Other current assets		
Deferred VAT	20,589,533	15,145,189
Personnel advances	40,071	106,760
Job advances	365,938	19,780
Total	**20,995,542**	**15,271,729**
Other non-current assets:		
Deferred VAT deductible in following years	67,654,140	68,172,799
Total	**67,654,140**	**68,172,799**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

NOTE 12 - FINANCIAL INVESTMENTS

The Group, has participated to Enerji Piyasaları İşletme Anonim Şirketi'ne ("EPİAŞ") by 0.16% with 100,000 C Type shares. (December 31, 2016: 100.000 TL).

	December 31, 2017	December 31, 2016
Long-term securities	100,000	100,000
Total	**100,000**	**100,000**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	January, 1 2017	Additions	Transfers(***)	Disposals	Revaluation fund	December 31, 2017
Cost:						
Lands	147,481	-	-	-	11,859	159,340
Land improvements(****)	2,061,004,601	648,641	15,719,677	-	285,871,225	2,363,244,144
Buildings	412,844,609	37,000	1,133,336	-	238,603,321	652,618,266
Machinery and equipment(***)	1,652,477,010	49,368,891	45,207,927	(187,693)	967,970,484	2,714,836,619
Motor vehicles	927,308	258,950	-	(137,329)	-	1,048,929
Furnitures and fixtures	9,837,999	438,858	-	-	-	10,276,857
Construction in progress(*)	42,083,278	50,627,116	(63,867,287)	-	-	28,843,107
Other tangible assets	999,432	83,346	-	-	-	1,082,778
	4,180,321,718	**101,462,802**	**(1,806,347)**	**(325,022)**	**1,492,456,889**	**5,772,110,040**
Accumulated depreciation:						
Land improvements	86,979,607	69,320,069	-	-	-	156,299,676
Buildings	13,596,792	11,054,632	-	-	-	24,651,424
Machinery and equipment	97,546,617	94,762,644	-	(20,096)	-	192,289,165
Motor vehicles	779,136	103,717	-	(137,125)	-	745,728
Furnitures and fixtures	6,160,069	849,425	-	-	-	7,009,494
Other tangible assets	659,777	95,458	-	-	-	755,235
	205,721,998	**176,185,945**	**-**	**(157,221)**	**-**	**381,750,722**
Net book value	**3,974,599,720**					**5,390,359,318**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

	January, 1 2016	Additions	Transfers (**)	Disposals	Revaluation fund	December 31, 2016
Cost:						
Lands	16,747,481	-	(15,325,000)	-	(1,275,000)	147,481
Land improvements	2,060,772,203	232,398	-	-	-	2,061,004,601
Buildings	412,799,096	45,513	-	-	-	412,844,609
Machinery and equipment	1,557,880,299	16,032	94,580,679	-	-	1,652,477,010
Motor vehicles	927,308	-	-	-	-	927,308
Furnitures and fixtures	9,350,745	487,254	-	-	-	9,837,999
Construction in progress (*)	27,755,130	108,908,827	(94,580,679)	-	-	42,083,278
Leasehold improvements	873,912	125,520	-	-	-	999,432
	4,087,106,174	**109,815,544**	**(15,325,000)**	**-**	**(1,275,000)**	**4,180,321,718**
Accumulated depreciation:						
Land improvements	17,997,530	68,982,077	-	-	-	86,979,607
Buildings	2,546,581	11,050,211	-	-	-	13,596,792
Machinery and equipment	10,628,004	86,918,613	-	-	-	97,546,617
Motor vehicles	658,829	120,307	-	-	-	779,136
Furnitures and fixtures	5,338,745	821,324	-	-	-	6,160,069
Leasehold improvements	578,686	81,091	-	-	-	659,777
	37,748,375	**167,973,623**	**-**	**-**	**-**	**205,721,998**
Net book value	**4,049,357,799**					**3,974,599,720**

(*) Construction in progress mainly consist of Egemer Natural Gas Combined Power Plant's additional cost.

(**) Transferred amount to intangible asset consist of investment expenditures made within the scope of the Bandırma Ayyıldız wind power plant capacity expansion project and the additional investments made for Egemer Erzin combined cycle natural gas power plant.

(***) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through financial leasing as of 27.01.2017 is amounting to TL 49,219,854. As of December 31, 2017, the amount of accumulated depreciation of the related machinery and equipment acquired through finance lease is TL 4,921,986.

(****) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through financial leasing as of 27.01.2017 is amount of TL 495,485. As of December 31, 2017, the amount of accumulated depreciation of the related land improvement acquired through finance lease is TL 13,039.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

As explained in explanations for revaluation method and fair value measurement in Note 2.4, as at December 31, 2017, the fair value of lands, land improvements, buildings, machinery and equipments are determined according to TAS 16 "Property Plant and Equipment" the revaluation model is reflected the Group's consolidated financial statements.

As of December 31, 2017 and 2016 the movement for revaluation fund of land, land improvements, buildings, machinery and equipment is as follows:

	December 31, 2017	December 31, 2016
1 January	**1,409,709,068**	**1,476,834,316**
Revaluation of lands	11,859	-
Revaluation of land improvements	285,871,225	-
Revaluation of buildings	238,603,321	-
Revaluation of machinery and equipments	967,970,484	-
Total	**2,902,165,957**	**1,476,834,316**
Deferred tax liability from revaluation fund	(298,491,378)	-
Disposal from the revaluation fund	(10,911,051)	(1,275,000)
Amortization transfer	(65,812,945)	(65,850,248)
Total	**2,526,950,583**	**1,409,709,068**

Depreciation expense of TL 175,667,614 has been charged to cost of sales (December 31, 2016: TL 167,465,164) and TL 518,326 to general administrative expenses (December 31, 2016: TL 508,459).

There are no capitalized borrowing costs for the period ended December 31, 2017 (December 31, 2016: None).

Details of the guarantees, pledges and mortgages on property, plant and equipments as of December 31, 2017 and 2016 are explained in Note 15.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 14 - INTANGIBLE ASSETS

As of December 31, 2017 and 2016, the movement of intangible assets are as follow:

	January 1, 2017	Additions	Transfers(*)	Disposals	December 31, 2017
Cost					
Rights	5,326,229	207,209	1,806,347	-	7,339,785
Licenses	125,878,527	53,056	-	-	125,931,583
	131,204,756	**260,265**	**1,806,347**	**-**	**133,271,368**
Accumulated amortization					
Rights	3,136,815	335,447	-	-	3,472,262
Licenses	14,703,898	1,787,049	-	-	16,490,947
	17,840,713	**2,122,496**	**-**	**-**	**19,963,209**
Net book value	**113,364,043**				**113,308,159**

(*) Transferred from property, plant and equipment.

	January 1, 2016	Additions	Transfers	Disposals	December 31, 2016
Cost:					
Rights	5,977,498	85,538	-	(736,807)	5,326,229
Licenses	125,985,122	17,299	-	(123,894)	125,878,527
	131,962,620	**102,837**	**-**	**(860,701)**	**131,204,756**
Accumulated amortization:					
Rights	3,130,078	292,110	-	(285,373)	3,136,815
Licenses	13,023,828	1,799,957	-	(119,887)	14,703,898
	16,153,906	**2,092,067**	**-**	**(405,260)**	**17,840,713**
Net book value	**115,808,714**				**113,364,043**

Depreciation expense of TL 138,387 (December 31, 2016: TL 153,104) has been charged to cost of sales, remaining TL 1,984,109 (December 31, 2016: TL 1,938,963) is charged to general administrative expenses.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 15 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

15.1 Other short term provisions

There are various ongoing lawsuits against or in favor of the Group. Group management estimates the outcomes of these lawsuits and the financial effects thereof, and the required provisions are accounted for based on these estimates. The amount of provisions for the lawsuits as of December 31, 2017 is TL16,355,919 (December 31, 2016: TL 8,411,594).

	December 31, 2017	December 31, 2016
Provisions for lawsuits	16,355,919	8,411,594
Other provisions(*)	111,376	3,679,425
Expense accruals(**)	1,085,058	960,017
	17,552,353	**13,051,036**

(*) Provisions for the BSMV liability related to the interest rate swap transactions.
(**) Provision for cost expenses consists of periodical maintenance provisions.

The movement of provision for lawsuits is as follows:

	December 31, 2017	December 31, 2016
Opening balances of lawsuit provision	8,411,594	22,488,896
Current year charges	8,214,472	154,510
Released provisions	(6,233,007)	(14,231,812)
Interest cost of provision for lawsuits	5,962,860	-
	16,355,919	**8,411,594**

15.2 Contingent Liabilities

a) Letters of guarantee given

The commitments and contingent liabilities of the Group that are not expected to result in material loss or liability is summarized as follows:

		December 31, 2017		December 31, 2016	
	Currency	Original currency	TL equivalent	Original currency	TL equivalent
Letters of guarantee given	TL	330,676,117	330,676,117	135,339,091	135,339,091
Letters of guarantee given	Euro	200,000	903,100	300,000	1,112,970
Letters of guarantee given	USD	-	-	53,991,518	190,006,949
			331,579,217		**326,459,010**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Letters of guarantee given generally consists of letters given to government agencies for the electricity transmission and distribution (mainly to EMRA and government agencies providing electricity transmission and distribution) and natural gas suppliers for the procurement of natural gas.

As a result of the law suits brought for the Kemah Dam & Hydroelectric Plant Project, a positive Environmental Impact Assessment ("EIA") report was received for the revised EIA prepared on 10 February 2016. Subsequently, the lawsuit requesting the cancellation of the positive EIA report from the Ministry of Environment and Urban Planning in 2014 was finalized and the previous positive EIA report was cancelled. The positive EIA of the revised EIA received in February, 2016 is in force as of December 31, 2017.

Another annulment lawsuit was brought against the revised positive EIA report in February 2016. It is expected that the lawsuit will be resolved in favor of the Group considering that all matters contested in the lawsuit concern the revised EIA and are supported with additional reports. There is no existing stay of execution decision.

b) Purchase commitments

Electricity purchase and sales commitments:

Within the framework of the electricity energy sales agreement made with energy companies on December 31, 2017, the Group committed to sell 4,510,716 MWh of electricity in 2017 and 2,893,923 MWh of electricity in 2018. The whole 4,510,716 MWh electricity committed was sold December 31, 2017.

As of December 31, 2017, the Group has signed for electricity purchase in the total amount of 2,707,682 MWh within the year 2017 and 933,769 MWh within the year 2018. In this context, as of December 31, 2017, all committed electricity has already been supplied.

As of December 31, 2017, the Group has signed for risk sharing agreements in the total amount of 5,190,496 MWh within the year 2017. In this context, as of December 31, 2017, all pledged risk sharing has already been supplied. The Group has a commitment for the risk sharing transaction in the total amount of 1,534,680 MWh for 2018.

Natural gas purchase commitments:

The purchase amount of the Group's contract with natural gas suppliers in 2017 is 950,000,000 Sm³.
In addition to that, the Group's minimum purchase commitment is 807,500,000 Sm3 and maximum purchase amount is 950,000,000 Sm3. In this context, as of December 31, 2017, 925,750,604 Sm3 natural gas has already been supplied. As of December 31, 2017, Group has no obligation related to underdrawal.

15.3 Contingent assets

		December 31, 2017		December 31, 2016	
	Currency	Original currency	TL Equivalent	Original currency	TL Equivalent
Guarantee letters obtained	TL	124,055,090	124,055,090	119,058,168	119,058,168
Guarantee letters obtained	Euro	16,009,229	72,289,674	16,026,399	59,456,338
Guarantee letters obtained	USD	4,760,582	17,956,439	7,714,376	27,148,432
Guarantee letters obtained	GBP	5,675	28,831	5,675	24,510
			214,330,034		**205,687,448**

Guarantee letters received consist of the letters received from customers in relation to Group operations.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

15.4 Guarantees, pledges and mortgages given by the Group

The Group's guarantees, pledges and mortgage ("GPM") positions in TL as of December 31, 2017 and 2016 are as follows:

		December 31, 2017		December 31, 2016	
	Currency	Original currency	TL equivalent	Original currency	TL equivalent
A. GPM's given					
for companies' own legal entity	TL	5,940,676,117	5,940,676,117	5,745,339,091	5,745,339,091
	USD	-	-	53,991,518	190,006,949
	EURO	200,000	200,000	300,000	1,112,970
B. Total amount of GPM given for the subsidiaries and associates in the scope of consolidation		-	-	-	-
C. Total amount of GPM given for the purpose of maintaining operating activities		-	-	-	-
D. Total other GPM's given		-	-	-	-
i) Total amount of CPMB's given on behalf of the majority shareholder		-	-	-	-
i) Total amount of CPMB's given to on behalf of other which are not in scope of B and C.		-	-	-	-
ii) Total amount of CPMB's given on behalf of third parties which are not in scope of C.		-	-	-	-
			5,941,579,217		**5,936,459,010**

Details of the guarantees which are given by Akenerji as of December 31, 2017 are as follows:

On September 30, 2015, a Refinancing Loan Agreement of USD 1.1 billion was concluded by and between Yapı Kredi Bankası A.Ş. ("Bank") and Akenerji and Egemer (collectively "Borrowers") for a total period of 12 years, 1 year of which is nonrefundable, in order to ensure refinancing and extension of term for all current debts of our the Group. In addition to the related Loan Agreement to provide guarantees for the loans that it has used under the loan contract. Akenerji has signed the following agreements: Loan Settlement (Trade receivables including EPİAŞ, insurance, shareholder receivables, etc.), Account Pledge, Share Pledge (Only for Egemer shares in Akenerji) and Mortgage Agreements. In accordance with the Commercial Business Pledge Agreements signed between Akenerji and Egemer and the Bank, a commercial enterprise pledge amounting to TL 5.610.000.000 has been established in order to create an upper limit together for Akenerji and Egemer.

In order to constitute guarantee of credit card repayments amounting to US Dollars 633.000.000 used within the scope of the contract of the Egemer contract, Pledge (Shares, accounts and pledges of commercial enterprises), Receivables and Mortgage Agreements between Yapı Kredi Bank and Egemer have been signed.

Akenerji and Egemer stood a guarantor for each other regarding the repayment of the loan borrowed and in this context, they have given the necessary commitments to the bank to pay debt service and debt. In addition, Yapı Kredi Bankası A.Ş. It is defined as a pledge creditor in insurance policies of power plants.

Ratio of GPMs given by the Group to equity is 329% (December 31, 2016: %540).

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

NOTE 16 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments held for hedging:

	December 31, 2017		December 31, 2016	
	Contract amount	Fair value	Contract amount	Fair value
Forward contracts	33,947,100	497,923	-	-
Derivative financial assets	**33,947,100**	**497,923**	**-**	**-**
Interest rate swaps				
- Short term	386,071,336	15,163,211	1,460,286,856	11,669,327
- Long term	447,750,536	17,585,703	749,366,131	30,927,705
Derivative financial liabilities	**833,821,872**	**32,748,914**	**2,209,652,987**	**42,597,032**

On the date a derivative contract is entered into, the Group designates certain derivatives as either a fair value hedge of a recognized asset or liability ("fair value hedge"), or a hedge of a forecasted transaction or a firm commitment ("cash flow hedge").

Interest rate swap transactions that provide effective economic hedges under the Group risk management position and carrying the necessary conditions for hedge accounting, were accounted as hedging derivative financial instruments in the consolidated financial statements. The Group, hedge instruments gains and losses that identified as effective, were presented in equity as "hedge fund gain/loss". Due to the change in principle amount and repayment dates of Group's financial liabilities in accordance with the Loan Agreement signed on September 30, 2015, Group ceased the hedge accounting for interest rate swap contracts.

When a hedging instrument sold, expired or when hedge no longer met the criteria for hedge accounting or when a pledged or forecasted transaction is no longer expected to occur, the Group continues to be classified separately within equity as far as the commitments or possible future transactions will realized.

The realization of promised or probable future transactions are recorded in the income statement, if not realized, accumulated gains or losses are recognized as income or loss in the consolidated financial statements. Since Group has ceased to apply hedge accounting on September 30, 2015, the "Hedge Funds", which is included in equity, has been recorded in the profit or loss statement for the duration of related contracts.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 17 - PROVISION FOR EMPLOYMENT BENEFITS

Liabilities due to employment benefits

	2017	2016
Social security payment	896,725	897,115
Due to personnel	38,457	43,964
	935,182	**941,079**

Short-term provisions due to employment benefits

	2017	2016
Bonus provisions	2.975,000	3,236,250
Vacation provisions	502,185	718,897
	3,477,185	**3,955,147**

The movement of employment benefits in short term is as follows:

	2017	2016
Opening	3,955,147	1,982,465
Current year charges	3,033,011	3,371,769
Paid provisions	(2,606,550)	(1,309,482)
Released provisions	(904,423)	(89,605)
	3,477,185	**3,955,147**

Employment benefits long term provisions

	2017	2016
Employment termination benefits	3,244,119	1,770,806
	3,244,119	**1,770,806**

Under the Turkish Labor Law, companies are required to pay 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 amount payable consists of one month's salary limited to a maximum of TL 4,732.48 for each year of service as of December 31, 2017 (December 31, 2016: TL 4,297.21).

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Termination benefits liability is not dependent on any funding legally and any funding requirement does not exist.

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

According to Turkish Labor Law regulates laws of current work life in Turkey, Group, completed at least one year of service, to leave the job voluntarily or inappropriate behavior are dismissed for reasons other than termination of the results of the work contract, which called for military service, dies or the retirement obligation is obliged to pay severance pay collectively to each staff member who is separated. The defined provision for the present value of the defined benefit obligation is calculated using the prescribed liability method. All actuarial gains and losses are under accounted in the consolidated income statement.

The TAS, defined actuarial valuation assumptions to be developed to estimate the probable compensation under defined benefit plans. In the Consolidated Financial Statements, the Group based on applied to estimated liability method and based on its experiences in the past years, calculated severance liability which is entitled as of the date the terminates service period. This provision is based on estimating the present value of the future obligations arising from the retirement of employees.

Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2017	2016
Discount rate (%)	4.67	4.23
Probability of retirement (%)	95.24	98.45

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The amount payable consists of one month’s salary limited to a maximum of TL 5.001,76 for each period of service as of January 1, 2017 (January 1, 2016: of TL 4.426,16). The maximum liability is revised semiannually.

The movement of employment termination benefits is as follows:

	2017	2016
Beginning of the period	**1,770,806**	**1,492,719**
Service cost	725,886	1,383,092
Interest cost	152,490	63,072
Reversal of provision	-	(242,816)
Actuarial losses	1,687,284	450,162
Paid compensation	(1,092,347)	(1,375,423)
End of the period	**3,244,119**	**1,770,806**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

NOTE 18 - EQUITY

Share capital

Akenerji adopted the registered capital system applicable to the companies registered on the CMB which defines limitations to registered capital for shares whose nominal value is TL1 (“One Turkish Lira”), As of December 31, 2017 and 2016 the share capital held is as follows:

	December 31, 2017	December 31, 2016
Limit on registered share capital (historical)	1,500,000,000	1,500,000,000
Issued capital	729,164,000	729,164,000

The Company’s shareholders and shareholding structure as of December 31, 2017 and 2016 are as follows:

	December 31, 2017 Share (%)	Amount	Share (%)	December 31, 2016 Amount
CEZ a.s.	37.36	272,425,943	37.36	272,425,943
Akkök Holding A.Ş.	20.43	148,989,090	20.43	148,989,090
Akarsu Enerji Yatırımları San. ve Ticaret A.Ş. (“Akarsu”)	16.93	123,436,853	16.93	123,436,853
Publicly held	25.28	184,312,114	25.28	184,312,114
		729,164,000		**729,164,000**
Adjustment to share capital		101,988,910		101,988,910
Total paid-in capital		**831,152,910**		**831,152,910**

Share Premium

Share premiums presented in the consolidated financial statements represent the proceeds from the excess of the amount of shares compared to their nominal values.

Reserves

	December 31, 2017	December 31, 2016
Legal reserves	12,053,172	12,053,172
	12,053,172	**12,053,172**

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of a company’s 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, Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. Under the CMB, those amounts are required to be classified in “Reserves on retained earnings”.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Dividend distribution

Dividends are distributed according to Communiqué Serial: IV, No: 27 on "Principles Regarding Distribution of Interim Dividends for quoted entities subject to Capital Market Board Law", principles on corporate articles and dividend distribution policy which is declared by Companies.

In addition to the CMB, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué II-14,1 that sufficient reserves exists in the unconsolidated statutory books.

The remaining current year income and the reserves of the Group that can be subject to the dividend distribution is zero (December 31, 2016: None).

NOTE 19 - TAX ASSETS AND LIABILITIES

	December 31, 2017	December 31, 2016
Prepaid taxes	2,262,033	3,193,413
Current income tax assets	**2,262,033**	**3,193,413**
Current income tax	2,058,717	1,695,364
Prepaid taxes	(1,490,343)	(1,190,067)
Current income tax liabilities, net	**568,374**	**505,297**

Corporation Tax

The Group is subject to corporate income tax effective in Turkey. Provisions are made in the accompanying financial statements for the estimated tax liabilities related to the Company's results for the current period.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Losses can be carried for a maximum 5 years for deducted from the taxable profit to be incurred in future years. However, the losses cannot be deducted retrospectively from the retained earnings.

In Turkey, there is no application with the tax authorities about the tax reconciliation. The corporation tax declaration is declared until the evening of the 25th day of the fourth month following the end of the accounting period and paid until the end of the month.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income (22% for the taxation periods 2018, 2019 and 2020). Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to offset against other liabilities to the government.

Income tax withholding

Limited taxpayer that earn income through by a permanent establishment or permanent representative and paid to companies (dividends) resident in Turkey not subject to withholding tax. Dividend payments made to persons other than these are subject to 15% withholding tax. The profit included to the capital is not a profit distribution.

Deferred tax assets and liabilities

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising from its financial statements prepared in compliance with Turkish Financial Reporting Standards and its statutory tax financial statements. The temporary differences usually result from the recognition of revenue and expenses in different reporting periods according to TAS and Tax Laws.

The tax rate is 20% which is used in calculation of deferred tax asset and liabilities (22% for the taxation periods 2018, 2019 and 2020) (2016: %20).

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities are as follows:

		Temporary differences		Deferred tax assets / (liabilities)
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Carry forward losses	(779,499,600)	(582,263,023)	157,470,720	116,452,605
Derivative financial instruments	(28,914,130)	(39,998,909)	5,782,826	7,999,782
Investment incentive(*)	(78,906,675)	(68,335,218)	15,781,335	13,667,044
Provisions for lawsuits	(16,355,919)	(8,411,594)	3,271,184	1,682,319
Provision for employment termination benefit	(3,244,119)	(1,770,806)	648,824	354,161
Provision for unused vacations	(502,185)	(718,897)	107,533	143,779
Other provisions	(111,376)	(3,679,425)	22,275	735,885
Loan commissions	31,593,508	38,074,856	(6,318,702)	(7,614,971)
Property, plant and equipment	1,906,166,416	692,944,170	(381,676,492)	(138,588,834)
Unrecognized credit finance expense	(223,114)	(277,997)	44,623	55,599
Unrecognized credit finance revenue	3,679,640	2,750,619	(731,534)	(550,124)
Provision premium	(2,975,000)	(3,236,250)	640,745	647,250
Other	(81,475)	(1,275,747)	16,295	255,149
			(204,940,368)	**(4,760,356)**
Provision for deferred tax (**)			**(106,890,816)**	**(32,361,593)**
Deferred tax (liabilities)/ assets, net			**(311,831,184)**	**(37,121,949)**

(*) In the scope of Article 19 of GVK Mülga, the amount of depreciated investment is mainly due to investment expenditures of Uluabat Hes.
(**) The amount consist of provision for deferred tax asset calculated on deductible financial loss which is TL 534,454,080.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

The details of taxation on income for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Current income tax expense	(2,058,717)	(1,695,364)
Deferred tax income	23,241,745	99,016,412
Total tax income/(expense)	**21,183,028**	**97,321,048**

	January 1, - December 31, 2017	January 1, - December 31, 2016
Deferred tax assets	16,795,470	212,888,977
Deferred tax liabilities	(328,626,654)	(250,010,926)
Deferred tax assets, net	**(311,831,184)**	**(37,121,949)**

The movement of deferred tax assets and liabilities as of December 31, 2017 and 2016 are as follows:

	January 1, - December 31, 2017	January 1, - December 31, 2016
Beginning of the period	(37,121,949)	(136,138,361)
Related to statement of profit or loss	23,241,745	99,016,412
Related to other comprehensive income	(298,153,921)	-
End of the period	**(311,831,184)**	**(37,121,949)**

Analysis deferred tax assets and liabilities are as follows:

	December 31, 2017	December 31, 2016
Deferred tax assets:		
- Deferred tax assets to be recovered after 12 months	16,030,898	210,061,467
- Deferred tax asset to be recovered within 12 months	764,572	2,827,510
	16,795,470	**212,888,977**

	December 31, 2017	December 31, 2016
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after 12 months	(328,626,654)	(250,010,926)
- Deferred tax liabilities to be recovered within 12 months	-	-
	(328,626,654)	**(250,010,926)**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

As of December 31, 2017 and 2016 the reconciliation of tax income stated in consolidated income statements is as follows:

	2017	2016
Profit/(loss) before tax	**(505,044,383)**	**(645,995,018)**
Tax rate (%)	20%	20%
Tax calculated at domestic tax rate	101,008,877	129,199,004
Tax exemptions	2,450,562	3,496,234
Expenses not deductible for tax purposes	(3,373,850)	-
Reversal of the unused portion of the tax losses on which deferred tax was recognized in prior years	(48,273,012)	-
Losses not subject to deferred tax calculation	(31,166,363)	(36,021,341)
Utilized carry forward tax losses	-	1,577,854
Other	536,814	(930,703)
Current year tax income/(expense)	**21,183,028**	**97,321,048**

Group has recognized deferred tax asset for carry forward tax losses amounting to TL 779,499,600 as of December 31, 2017 (December 31, 2016: TL 245,045,520).

The expiration dates of recognized carry forward tax losses are as follows:

	December 31, 2017	December 31, 2016
2017	-	39,058,162
2018	-	66,172,903
2019	-	89,965,355
2020	78,540,000	120,240,102
2021	100,550,000	105,018,539
2022	65,955,520	-
	245,045,520	**420,455,061**

The expiration dates of unrecognized carry forward tax losses are as follows:

	December 31, 2017	December 31, 2016
2018	74,805,541	66,966,822
2019	235,153,357	94,841,140
2020	4,934,047	-
2021	63,729,320	-
2022	155,831,815	-
	534,454,080	**161,807,962**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 20 - REVENUE AND COST OF SALES

	January 1, - December 31, 2017	January 1, - December 31, 2016
Sales	1,855,103,800	1,420,987,781
Sales returns (-)	(5,969)	(145,747)
Sales (net)	**1,855,097,831**	**1,420,842,034**
Cost of electricity (-)	(1,796,560,026)	(1,376,630,683)
Gross Profit	**58,537,805**	**44,211,351**

NOTE 21 - EXPENSES BY NATURE

	December 31, 2017	December 31, 2016
Direct raw material expenses	1,568,140,170	1,157,327,384
Depreciation and amortization expenses(*)	178,308,441	170,065,690
Personnel expenses(**)	33,470,004	37,174,915
General production expenses	23,227,049	22,310,203
Consultancy expenses	12,557,451	10,474,913
Insurance expenses(***)	11,838,869	13,331,294
Tax expenses	5,264,077	3,156,465
Other raw materials, spare parts and operating supplies expenses	3,049,489	2,570,142
IT expenses	1,833,430	1,911,485
Office expenses	1,719,579	1,933,718
Rent expenses(****)	1,665,814	1,590,223
Vehicle expenses	1,339,948	1,270,343
Travel expenses	944,703	1,075,490
Advertising expenses	453,487	386,257
Other expenses	6,460,456	9,011,459
Total	**1,850,272,967**	**1,433,589,981**

(*) Depreciation and amortization expense amounting to TL 175,806,006 (December 31, 2016: TL 167,618,266) has been charged to cost of sales and TL 2,502,435 (December 31, 2016: TL 2,447,424) has been charged to general and administrative expenses.
(**) Personnel expenses amounting to, TL 14,191,565 (December 31, 2016: TL 13,310,541) has been charged to cost of sales, TL 19,278,439 TL (December 31, 2016: TL 23,864,374) has been charged to general and administrative expenses.
(***) Insurance expense amounting to TL 11,612,640 (December 31, 2016: TL 13,198,828) has been charged to cost of sales, TL 226,229 (December 31, 2016: TL 132,466) has been charged to general and administrative expenses.
(****) Rent expense amounting to TL 30,147 (December 31, 2016: TL 132,074) has been charged to cost of sales TL1,635,667 (December 31, 2016: TL 1,458,149) has been charged to general and administrative expenses.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOT 22. GENERAL ADMINISTRATIVE EXPENSES

	January 1, - December 31, 2017	January 1, - December 31, 2016
Personnel expenses	19,278,439	23,864,375
Consultancy expenses	12,557,451	10,474,913
Tax expenses	5,264,077	3,156,465
Letter of guarantee expenses	2,740,910	3,530,035
Depreciation and amortization expenses	2,502,435	2,447,424
IT expenses	1,833,430	1,911,485
Office expenses	1,719,579	1,933,718
Rent expenses	1,635,667	1,458,149
Vehicle expenses	1,339,948	1,270,343
Travel expenses	944,703	1,075,490
Advertising expenses	453,487	386,257
Insurance expenses	226,229	132,466
Other expenses	3,216,586	5,318,178
Total	**53,712,941**	**56,959,298**

NOTE 23 - OTHER OPERATING INCOME AND EXPENSE

a) Other operating income

	January 1, - December 31, 2017	January 1, - December 31, 2016
Released provisions(*)	9,527,024	14,719,990
Risk sharing income(**)	-	13,649,777
Foreign exchange gain from trading activities	3,275,457	6,736,098
Option premiums	1,004,280	1,939,463
Energy system income	1,272,820	-
Rediscount incomes from trading activities	989,234	2,828,492
Insurance income	904,492	9,456
Project income	233,121	1,989,959
Carbon certificate sales income	228,651	154,011
Due date differences	75,434	269,286
Compensation revenue(***)	-	40,475,795
Other income and profits	2,425,006	1,676,785
Total	**19,935,519**	**84,449,112**

(*) As of December 31, 2017, released provisions of TL 9,527,024 (December 31, 2016: TL14,719,990) consists of lawsuit provisions amounting to TL 6,233,007 (December 31, 2016: TL14,231,812), provision for severance payment amounting to TL 138,837 (December 31, 2016: TL 242,816), provision for unused vacation amounting to TL 274,723 (December 31, 2016: TL 89,605), collection for doubtful trade receivables amounting to TL 13,680 (December 31, 2016: 130,899), provision for prim amounting to TL 629.699 (December 31, 2016: None) and other released provisions amounting to TL 2,237,078.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

(**) Risk sharing income consists of the incomes incurred under the "Risk Sharing Agreements", Risk sharing agreements are the agreements signed between parties based on electricity Market Clearance Price. In these agreements, the difference between the contract price and the simple average of Market Clearance Price is invoiced as settlement price in cash between the parties depending on the direction of current position. The purpose of these agreements is to compensate financial losses to occur due to daily Market Clearance Price fluctuations.
(***) Based on the Group's insurance policies, which protect the enterprise, and all risks such as breakdown of machinery, loss of profit, fire, etc., compensation for damages amounting to TL38,939,181 was received for the loss of profit during the period when production was suspended as a result of technical problems at Erzin Natural Gas Cycle Plant, which is owned by the Group's affiliate Egemer Elektrik Üretim A.Ş.

b) Other operating expenses

	January 1, - December 31, 2017	January 1, - December 31, 2016
Risk sharing income(*)	52,121,005	-
Provision for lawsuits	8,214,472	154,510
Compensation expenses(**)	5,000,000	279,750
Foreign exchange loss from trading activities	3,755,632	1,667,613
Discontinued plant expenses	675,309	1,323,185
Provision for doubtful receivables	599,099	523,614
Energy transmission line claim	-	1,722,606
Rediscount expenses on trading activities	-	283,134
Other expenses	5,323,953	2,212,905
Total	**75,689,470**	**8,167,317**

(*) Risk sharing income consists of the incomes incurred under the "Risk Sharing Agreements", Risk sharing agreements are the agreements signed between parties based on electricity Market Clearance Price, In these agreements, the difference between the contract price and the simple average of Market Clearance Price is invoiced as settlement price in cash between the parties depending on the direction of current position. The purpose of these agreements is to compensate financial losses to occur due to daily Market Clearance Price fluctuations.
(**) The amount is worth of compensation which is related to energy contract.

NOTE 24 - INCOME AND EXPENSE FROM INVESTING ACTIVITIES

	January 1, - December 31, 2017	January 1, - December 31, 2016
Income on fixed asset on sales	117,556	-
Loss on fixed asset on sales(*)	(60,263)	(8,977,338)
Total	**57,293**	**(8,977,338)**

(*) In 2016, it was about mainly the sale of equipment of Kemalpaşa Natural Gas Combined Cycle Power Plant.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 25 - FINANCIAL INCOME AND EXPENSES

a) Financial income

	January 1, - December 31, 2017	January 1, - December 31, 2016
Foreign exchange gains from financing activities	12,704,307	64,069,516
Interest income from financing activities	11,441,693	21,309,223
Total	**24,146,000**	**85,378,739**

b)Financial expense

	January 1, - December 31, 2017	January 1, - December 31, 2016
Foreign exchange losses from financing activities	201,894,711	507,607,822
Interest expense from financing activities	273,142,673	260,893,084
Expense from derivative instruments	5,509,970	5,009,078
Other financial expense(*)	18,954,263	12,420,283
Total	**499,501,617**	**785,930,267**

(*) The amount is related to the indexation difference of the liability due to Uluabat DSİ Water Use Agreement calculated by WPT as of the balance sheet date (Note 7).

NOTE 26 - EARNINGS/(LOSS) PER SHARE

	December 31, 2017	December 31, 2016
Weighted average number of issued shares	729,164,000	729,164,000
Net loss for the period	(505,044,383)	(548,673,970)
Losses per share	**(0.693)**	**(0.752)**

Nominal value of each of the issued share as of December 31, 2017 and 2016 is 1 Kr.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Group’s subsidiaries and joint ventures and related party balances with other related parties are as follows:

								December 31, 2017
				Receivables				Payables
		Short term		Long term		Short term		Long term
		Trading		Trading		Trading		Trading
Transactions with related parties	Trading	Non-	Trading	Non-	Trading	Non-	Trading	Non-
Sakarya Elektrik Perakende Satış A.Ş. (“Sepaş”)(*)	20,679,510	-	-	-	6,560,640	-	-	-
Dinkal Sigorta Acenteliği A.Ş. (“Dinkal”)(**)	-	-	-	-	1,994,545	-	-	-
Akkök(***)	-	-	-	-	1,626,409	-	-	-
CEZ a.s. Turkey Daimi Temsilciliği(****)	-	9,385	-	-	891,789	-	-	-
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş. (“Aktek”)(*****)	-	-	-	-	412,012	-	-	-
Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş. (“Ak-Han”)	-	-	-	-	236,080	-	-	-
Cez a.s	-	-	-	-	101,336	-	-	-
Aksa Akrilik Kimya Sanayi A.Ş. (“Aksa”)	431,346	-	-	-	-	-	-	-
Other	73,072	43,577	-	-	24,627	-	-	-
	21,183,928	**52,962**			**11,847,438**	**-**		

(*) Consist of the Group’s risk sharing from electricity purchases.
(**) Consists of the Group’s debts from the insurances.
(***) Consists of the purchases of consultancy services of the Group.
(****) Consists of the purchases of consultancy services of the Group.
(*****) The balance is about the IT services received.

Maturity of trade receivables from related parties is approximately 20 days and there isn’t any unearned financial income in 2017 (December 31, 2016: None).

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

	January 1, - December 31, 2017		
Transactions with related parties	Purchases	Sales	Rent income
Sakarya Elektrik Perakende Satış A.Ş. (“Sepaş”)(*)(**)	76.549.786	186.653.769	-
Dinkal(***)	7.170.862	-	-
Akkök(****)	5.804.547	-	-
Cez a.s. Turkey Daimi Tem.(*****)	4.923.947	-	30.906
Aktek(******)	3.229.279	195.000	-
Akhan Bakım(*******)	1.821.122	-	-
Aksa Akrilik Kimya Sanayi A.Ş.(********)	501.706	1.290.109	12.770
Ak-pa Tekstil İhracat Pazarlama A.Ş.	117.207	-	-
Ak Havacılık ve Ulaştırma Hiz. A.Ş.	114.341	-	-
Cez a.s.	102.984	-	-
Akiş Gayrimenkul Yatırım A.Ş.	-	120.000	-
Akcez	-	57.621	-
Other	5.976	1.268	-
	100.341.757	**188.317.767**	**43.676**

(*) Related to risk sharement.
(**) Sales to Sepaş consist of electiricity sales.
(***) Consists of the general insurance expenses of the Group.
(****) Group’s received consulting costs and rent reimbursements.
(*****) Consists Group’s obtained consulting services.
(******) Consists of IT services which the Group has taken.
(*******) Reimbursement invoices to Group for maintanence and other sevices.
(********) Consist of sharing the instability saving.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

December 31, 2016	Receivables				Payables			
	Short term		Long term		Short term		Long term	
Transactions with related parties	Trading	Non-Trading	Trading	Non-Trading	Trading	Non-Trading	Trading	Non-Trading
Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş")	22,909,976	-	-	-	24,425,086	-	-	-
Dinkal Sigorta Acenteliği A.Ş. ("Dinkal")	-	-	-	-	10,204,493	-	-	-
CEZ a.s. Turkey Daimi Temsilciliği	-	5,900	-	-	550,662	-	-	-
Akkök	-	-	-	-	380,076	-	-	-
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş. ("Aktek")	-	-	-	-	321,503	-	-	-
Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş. ("Ak-Han")	-	-	-	-	267,569	-	-	-
Cez a.s	-	-	-	-	105,004	-	-	-
Aksa	-	-	-	-	93,832	-	-	-
Other	9,618	-	-	-	15,734	-	-	-
	22,919,594	**5,900**	**-**		**36,363,959**			

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Transactions with related parties	Purchases	Sales	Rent income
Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş")	32,279,085	145,721,470	-
Dinkal	14,563,709	-	-
Akkök	6,026,229	-	-
Cez a.s. Turkey Daimi Tem.	4,008,797	-	30,000
Aktek	2,334,013	-	-
Akhan Bakım	1,674,763	-	-
Cez Trade Bulgaria EAD	1,329,751	-	-
Ak Havacılık ve Ulaştırma Hiz. A.Ş.	319,199	-	-
Ak-pa	115,543	-	-
Cez a.s.	113,360	-	-
Aksa	-	19,220	3,000
Akiş	-	4,284,076	-
Saf Gayrimenkul	-	3,031,962	-
Üçgen	-	2,018,385	-
Akcez	-	60,403	-
Other	4,498	105,579	-
	62,768,947	**155,241,095**	**33,000**

The compensation to the key management, the shareholders of the Group (including Board of Directors, General Manager, Assistant General Managers and directors) has been included for the presentation of financial statements.

	December 31, 2017	December 31, 2016
Wages and related benefits	2,020,674	2,695,432
Bonus premium	1,345,149	1,472,392
Attendance fee	747,583	1,011,554
	4,113,406	**5,179,378**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

NOTE 28 - FINANCIAL RISK MANAGEMENT

Financial risk management

Financial Risk Factors

The Group’s activities expose it to a variety of financial risks. These risks are liquidity risk, market risk (exchange rates, interest rates), credit risk and funding risks.

Management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. The Group uses financial instruments to hedge certain risk exposures.

Risk management is carried out by a Finance Department where policies are approved by the Board of Directors, Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units.

(a) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions, Due to the dynamic nature of business, the group aims to maintain flexibility in funding by keeping committed credit lines available.

The following tables detail the Group’s contractual maturities for its non-derivative financial liabilities. The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes both interest and principal amounts.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

The analysis of the financial liabilities according to their maturities as of December 31, 2017 and 2016 is as follows:

December 31, 2017

Maturities in accordance with contract	Carrying value	Total contractua cash outflow (I-II-III-IV)	Demand or up to 3 months (I)	3 months - 1 year (II)	1 - 5 years (III)	5 years and over (IV)
Non-derivative financial liabilities						
Borrowings	3,216,578,347	4,357,191,332	121,013,919	436,881,816	1,921,985,763	1,877,309,834
Trade payables	388,615,434	392,295,074	143,058,689	44,822,162	167,065,470	37,348,753
Other payables	1,674,567	1,674,567	1,658,839	-	15,728	-
Derivative financial liabilities						
Financial borrowings	32,748,914	32,748,914	-	15,163,211	16,555,801	1,029,902
Total liabilities	**3,639,617,262**	**4,783,909,887**	**265,731,447**	**496,867,189**	**2,105,622,762**	**1,915,688,489**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

December 31, 2016

Maturities in accordance with contract	Carrying value	Total contractual cash outflow (I-II-III-IV)	Demand or up to 3 months (I)	3 months - 1 year (II	1 - 5 years (III)	5 years and over (IV)
Non-derivative financial liabilities						
Borrowings	3,276,716,642	5,375,152,847	123,198,085	439,690,552	1,908,959,865	2,903,304,345
Trade payables	351,196,704	353,947,130	150,449,645	16,190,178	154,926,950	32,380,357
Other payables	4,029,859	4,029,859	4,014,232	-	15,627	
Derivative financial liabilities						
Financial borrowings	39,998,909	39,998,909	-	9,071,204	26,660,739	4,266,966
Total liabilities	**3,671,942,114**	**5,773,128,745**	**277,661,962**	**464,951,934**	**2,090,563,181**	**2,939,951,668**

Maturity analysis was applied only to financial instruments. Legal obligations are not included in the maturity analysis. These amounts are contractual undiscounted cash flows. Balances with maturities less than 3 months are equal to their carrying values due to the negligible discounting effect.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

(b) Market Risk

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed using interest rate swaps and natural hedges that arise from offsetting interest rate sensitive assets and liabilities. To decrease the interest rate risk, the cash equivalents which are not used, are invested to the time deposits by the Group.

The table of the interest position of the Group as of December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
Financial instruments with fixed interest rates		
Cash and cash equivalents	43,172,394	413,220,456
Trade receivables	105,312,721	158,337,290
Other receivables	2,763,656	2,290,100
Financial liabilities	2,217,091,347	2,278,248,590
Trade payables	139,379,049	129,521,428
Financial instruments with floating interest rates		
Financial liabilities	999,487,000	998,468,052
Trade payables	249,236,385	221,675,276

The Group has analyzed various scenarios including refinancing the existing situation alternative financing options and to avoid the hedging risk. According to these scenarios, if annual interests of floating interest rated loans were 100 basis point high/low with all the other parameters are constant, current year income before tax have been TL 193,487,274 lower/higher as a result of interest expense of floating interest rated loans and swap transactions (2016: TL127,656,727).

Foreign exchange risk

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated assets and liabilities to local currency. Foreign exchange risk arises from future obligations as well as foreign currency denominated assets and liabilities. These risks are monitored and limited by the monitoring of the foreign currency position. The management limits the foreign currency position of the Group through analyzing it.

The details of the foreign currency assets and liabilities as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Assets	49,895,211	398,432,533
Liabilities	2,954,371,050	2,958,307,449
	(2,904,475,839)	**(2,559,874,916)**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Assets and liabilities denominated in foreign currency held by the Group at December 31, 2017 and 2016 and their TL equivalent are as follows:

	December 31, 2017				December 31, 2016			
	TL Equivalent	USD	Euro	Other	TL Equivalent	USD	Euro	Other
Cash and cash equivalents	40,324,426	8,358,837	1,947,897	-	389,744,142	107,036,104	3,293,875	195,128
Trade receivables from third parties	83,047	13,751	6,905	-	759,844	5,034	200,040	-
Prepaid expenses	2,239,467	327,617	222,285	-	1,165,876	326,773	4,285	-
Current Assets	**42,646,940**	**8,700,205**	**2,177,087**	**-**	**391,669,862**	**107,367,911**	**3,498,200**	**195,128**
Other receivables from third parties	15,653	4,150	-	-	14,605	4,150	-	-
Trade receivables from third parties	7,232,618	1,917,500	-	-	6,748,066	1,917,500	-	-
Prepaid expenses	-	-	-	-	-	-	-	-
Non-current Assets	**15,653**	**4,150**	**-**	**-**	**14,605**	**4,150**	**-**	**-**
Total Assets	**49,895,211**	**10,621,855**	**2,177,087**	**-**	**398,432,533**	**109,289,561**	**3,498,200**	**195,128**
Short-term portion of long term financial liabilities	317,406,533	84,150,304	-	-	303,263,312	86,173,935	-	-
Due to related parties	2,851,128	227,879	441,056	-	10,004,680	2,568,022	260,734	-
Due to third parties	31,285,644	8,001,360	244,743	35	24,624,369	6,706,745	275,477	-
Deferred income	-	-	-	-	1,853,834	526,777	-	-
Financial leasing payables	4,898,505	-	1,084,820	-	-	-	-	-
Other short-term provisions	5,405,305	1,433,046	-	-	4,639,442	1,287,993	28,771	-
Current Liabilities	**361,847,115**	**93,812,589**	**1,770,619**	**35**	**344,385,637**	**97,263,472**	**564,982**	**-**
Financial liabilities	2,450,095,044	649,565,217	-	-	2,539,944,346	721,739,130	-	-
Financial leasing payables	50,059,418	-	11,086,130	-	-	-	-	-
Other trade payables	92,367,964	24,488,445	-	-	73,976,058	21,020,703	-	-
Other payables	1,509	400	-	-	1,408	400	-	-
Non-current Liabilities	**2,592,523,935**	**674,054,062**	**11,086,130**	**-**	**2,613,921,812**	**742,760,233**	**-**	**-**
Total Liabilities	**2,954,371,050**	**767,866,651**	**12,856,749**	**35**	**2,958,307,449**	**840,023,705**	**564,982**	**-**
Net Foreign Currency								

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and Euro. The following table details the Group's sensitivity to a 10% increase and decrease in the TL against relevant foreign currencies, all other variables held constant.

	December 31, 2017			
	Profit /Loss		Equity	
	Appreciation of Foreign Currency	Appreciation of Foreign Currency	Appreciation of Foreign Currency	Appreciation of Foreign Currency
+/-10% fluctuation of USD rate				
1- USD net asset/liability	(285,625,165)	285,625,165	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(285,625,165)**	**285,625,165**	**-**	**-**
+/-10% fluctuation of EUR rate				
1- EUR net asset/liability	(4,822,401)	4,822,401	-	-
2- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (1+2)	**(4,822,401)**	**4,822,401**	**-**	**-**
+/-10% fluctuation of other currencies rate against to TL				
7- Other currencies net asset/liability	(18)	18	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	**(18)**	**18**	**-**	**-**
Total (3+6+9)	**(290,447,584)**	**290,447,584**	**-**	**-**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

	December 31, 2016			
		Profit /Loss		Equity
	Appreciation of Foreign Currency	Appreciation of Foreign Currency	Appreciation of Foreign Currency	Appreciation of Foreign Currency
+/-10% fluctuation of USD rate				
1- USD net asset/liability	(257,159,960)	257,159,960	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(257,159,960)**	**257,159,960**	**-**	**-**
+/-10% fluctuation of EUR rate				
1- EUR net asset/liability	1,088,195	(1,088,195)	-	-
2- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (1+2)	**1,088,195**	**(1,088,195)**	**-**	**-**
+/-10% fluctuation of other currencies rate against to TL				
7- Other currencies net asset/liability	84,274	(84,274)	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	**84,274**	**(84,274)**	**-**	**-**
Total (3+6+9)	**(255,987,492)**	**255,987,492**	**-**	**-**

(c) Funding risk

The funding risk of the current and future debt requirements is managed through rendering the availability of the qualified lenders. The Group's bank loans are provided by various financially strong financial institutions (Note 2.6).

(d) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Group monitors capital on the basis of the ratio of net debt to total equity. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total equity is calculated as the difference between assets and liabilities.

Additionally, the Group calculates the total equity/total assets ratio. Group's construction in progress is financed by miscellaneous potential financial institutions as mentioned in the funding risk. Completion periods and cash outflows of investments are assessed and valorized within capital risk management by the Group. The periods after the completion of investments expect a significant reduction in the ratio of net debt/total capital.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Net debt/total equity ratio as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Trade payables and due to related parties	388,615,434	351,196,704
Total financial liabilities	3,216,578,347	3,276,716,642
Other liabilities	1,674,567	4,029,859
Total debt	**3,606,868,348**	**3,631,943,205**
Less: Cash and Cash Equivalents (Note 3)	**(45,241,003)**	**(433,746,318)**
Net debt	**3,561,627,345**	**3,198,196,887**
Total equity	**1,803,554,589**	**1,100,178,674**
Net debt/total equity ratio	**197%**	**291%**

Credit Risk

The Group is exposed to credit risks due to its open receivable position with future collection dates and time deposits. If counterparties fail on the fulfillment of the agreement, the Group is exposed to the risk upon holding the financial instruments. Management covers the risk by limiting the average risk of counterparties (except for related parties) on agreements and by obtaining guarantees if necessary.

The Group has internal credit procedures, the credit rating system and internal policies for credit risk management related with the trade receivables from its customers. According to these procedures, the Group separately approves, increase or decrease the credit limits for customers with significant balances. The credit limits are determined in accordance with the historical payment performances, financial strengths, commercial relations, commercial growth potential, and management styles. Credit limits are reviewed every year and the group use bank guarantees, marketable securities and other guarantees for the customers which considered as high risk.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

The exposure of the Group to credit risk as of December 31, 2017 based on types of financial instruments is as follows:

	Receivables						
	Trade receivables	Other receivables					
December 31, 2017	Related party	Third party	Related party	Third party	Cash on Bank	Derivative financial	Other
Maximum exposure to credit risk as of reporting date(*) (A+B+C+D+E)	21,183,928	84,128,793	52,962	2,710,694	45,241,003	497,923	-
- Secured with guarantees maximum risk	-	69,292,459	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets(*)	21,182,003	83,737,788	52,962	2,710,694	45,241,003	497,923	-
- Secured with guarantees	-	69,292,459	-	-	-	-	-
B. Net book value of restructured financial assets	-	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-	-
C. Net book value of past due but not impaired financial assets	1,925	391,005	-	-	-	-	-
- Secured with guarantees	-	-					
D. Net book value of impaired assets							
- Past due (gross net book value)	-	11,832,221	-	-	-	-	-
- Impairment (-)	-	(11,832,221)	-	-	-	-	-
- Secured with guarantees of net amount	-	-	-	-	-	-	-
- Not past due (gross net book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured with guarantees of net amount	-	-	-	-	-	-	-

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Receivables						
	Trade receivables	Other receivables					
December 31, 2016	Related party	Third party	Related party	Third party	Cash on Bank	Derivative financial	Other
Maximum exposure to credit risk as of reporting date(*) (A+B+C+D+E)	22,919,594	131,027,467	5,900	2,284,200	433,660,926	-	-
- Secured with guarantees maximum risk	-	64,410,721	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets(*)						-	-
- Secured with guarantees	22,919,594	130,963,266	5,900	2,284,200	433,660,926	-	-
	-	-	-	-	-		
B. Net book value of restructured financial assets						-	-
- Secured with guarantees						-	-
C. Net book value of past due but not impaired financial assets	-	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-		
	-	64,201	-	-	-		
D. Net book value of impaired assets	-	1,002	-	-	-		
- Past due (gross net book value)						-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured with guarantees of net amount	-	11,246,802	-	-	-	-	-
- Not past due (gross net book value)	-	(11,246,802)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured with guarantees of net amount	-	-	-	-	-	-	-
	-	-	-	-	-		
E. Collective provision for impairment (-)	-	-	-	-	-	-	-

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial assets

The carrying values of financial assets including cash and cash equivalents which are accounted with their costs are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectability are estimated to be their fair values.

Financial liabilities

The fair values of financial liabilities and other financial liabilities are estimated to be their fair values.

Fair value hierarchy table

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

As of December 31, 2017, the Group has short-term and long-term derivative financial instruments amounting to TL 15,163,211 TL (December 31, 2016: 11,669,327 TL) and 17,585,703 TL (December 31, 2016: 30,927,705 TL), respectively, which are categorized as level 2.

Fair value of the lands, land improvements, buildings, machinery and equipment of the Group's power plants were measured by a professional independent valuation company on December 31, 2017 through other valuation techniques involving direct and indirect observable inputs (Level 3) (Note 13).

NOTE 29 - SUBSEQUENT EVENTS

None.

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