akenerji
Elektrik Üretim A.Ş.

Annual Report 2014

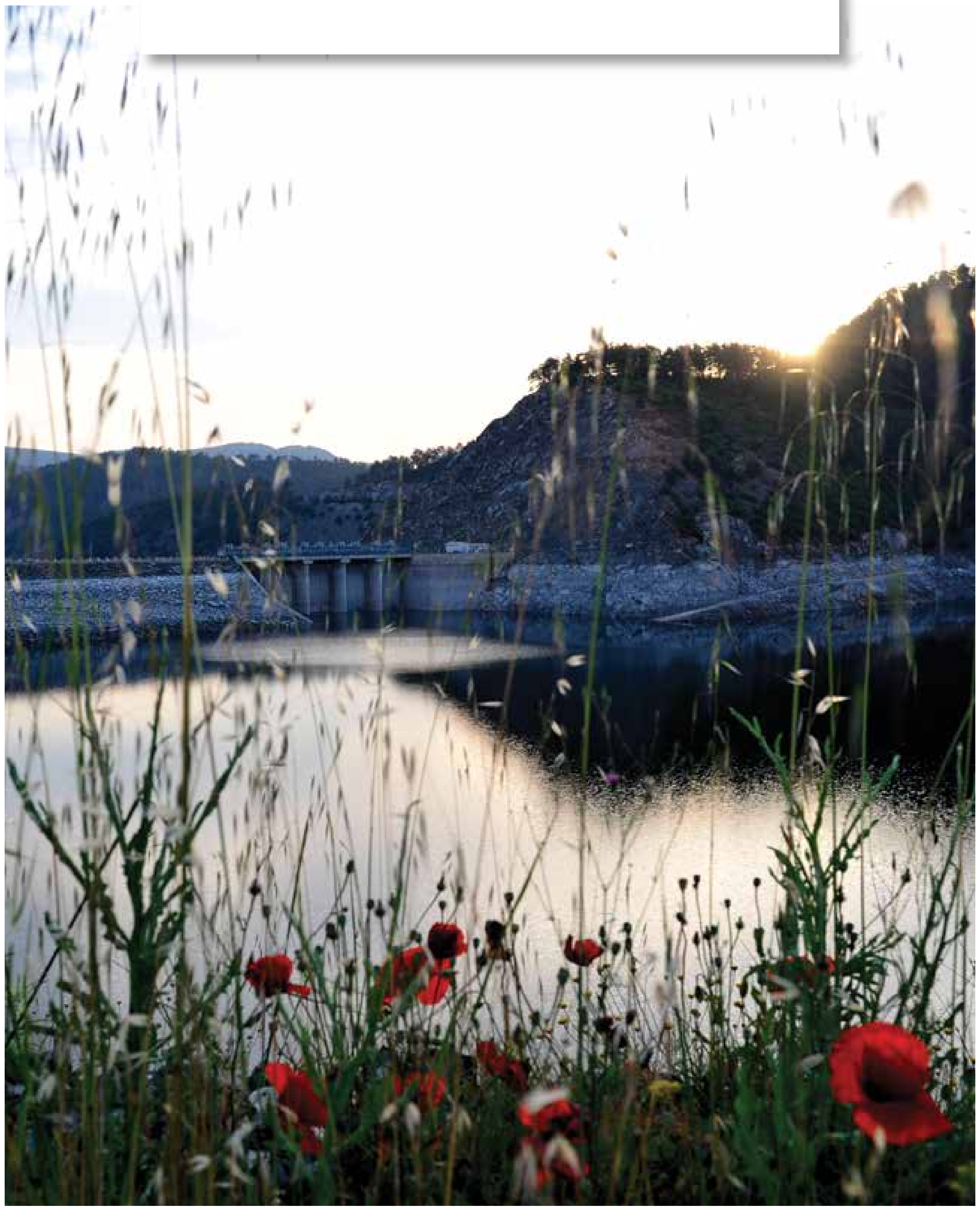
AKKÖK

CEZ GROUP

CONTENTS

Akenerji has continued to take bold and sturdy steps in a period when the global economy is still quite turbulent. Having created a great resource in meeting Turkey's energy needs by implementing the Egemer project, Akenerji boosted its installed capacity to 1292 MW in 2014.

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 01.01.2014 – 31.12.2014, 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
Akocak Şubesi Adres:	Kayaiçi Köyü, Araklı, Trabzon
Uluabat Branch Address:	Akçalar Fadıllı Köyü Yolu 5 Km, Nilüfer, Bursa
Bandırma Branch Address:	Edincik Beldesi Aldede ve Delikliktaş Mevkii, Bandırma, Balıkesir

AKENERJİ IN BRIEF

Today and tomorrow, the most innovative ideas and the most accurate solutions on energy are here...

Generation Capacity

Electricity	1292 MW
Steam	273 Ton/s

Operations

Electricity Generation and Sale
Electricity Import, Export and Wholesale
Electricity Retail Sale and Distribution
Steam Generation and Sale
Natural Gas Import, Export and Wholesale

Power Plants

Bozüyük NGPP	132 MW
Kemalpaşa NGPP	127 MW
Erzin NGPP	904 MW
Ayyıldız RES	15 MW
Uluabat HEPP	100 MW
Akocak HEPP	81 MW
Feke II HEPP	70 MW
Gökkaya HEPP	30 MW
Feke I HEPP	30 MW
Burç Bendi HEPP	28 MW
Himmetli HEPP	27 MW
Bulam HEPP	7 MW

Number of Employees as of the End of 2014

255

2014 Turnover

TRY 1,125 Million

A stronger and safer future awaits us, thanks to renewable energy sources...

High performance with accurate market analyses

As one of the most established energy generation and trade companies in Turkey, with over 20 years of experience, Akenerji successfully traded electric energy generated by its own power plants, as well as energy supplied from other market players in 2014.

Akenerji has consolidated its leading position by achieving a wholesale electricity trading volume of 9.1 TWh, up by 1.5 TWh compared to 2013.

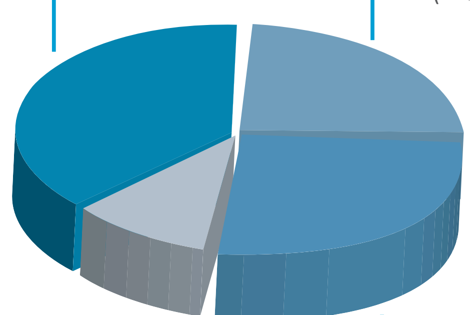
Akenerji's expert staff offer accurate analyses, products and services tailored to the needs of customers in the retail sector by identifying the respective sectors of its customers. Known as a specialized, innovative and reliable company, Akenerji aims to strengthen its leading position in the power sector, and to add value for all stakeholders. This is achieved by maintaining friendship with nature through the products and services of Energy Efficiency Consulting, Reactive Penalty Management and Carbon-Neutral Electricity, which have been developed and customized to the needs of existing and potential customers, and presented alongside the motto of "Smart Power".

Subsidiaries and Affiliates

Akenerji's share as of December 31, 2014:

	Share
Ak-El Yalova Elektrik Üretim A.Ş.	100%
Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A.Ş.	100%
Akkur Enerji Üretim Tic. ve San. A.Ş.	100%
Egemer Elektrik Üretim A.Ş.(*)	100%
Mem Enerji Elektrik Üretim San. ve Tic. A.Ş.	100%
Ak-El Kemah Elektrik Üretim A.Ş.	100%
Akenerji Doğal Gaz İthalat İhracat ve Toptan Tic. A.Ş.	100%

(*) Akenerji has become the sole owner of Egemer Elektrik Üretim A.Ş. and raised its share to 100% as of February 13, 2015.



Akenerji has accepted and adopted the registered capital system pursuant to the provisions of the Capital Markets Law numbered 2499, and the authorization of the CMB dated May 31, 2000 and numbered 61/922. To be valid from 2013 to 2018, the registered capital ceiling of the Company is TL 1.5 billion and, the paid-in capital is TL 729,164,000.

Well-established and leading company of the energy sector

Having started power generation in 1989 as an auto-producer under the umbrella of the Akkök Group of Companies, today Akenerji is a leading player in the Turkish energy sector. Changing its auto-producer status in 2005, the Company has been operating as an independent production company since that date.

Akenerji is the epitome of foresight and stability in the industry, especially thanks to its remarkable pioneering in the field of renewable energy. The Company reached a total renewable electricity capacity of 388 MW with the successive activation of three hydroelectric power plants in 2012. The breakthroughs achieved by Akenerji, through efficient monitoring of market conditions, set an example in the power generation sector.

Since its foundation, Akenerji has stood out within the respective platforms thanks to its flexible and dynamic structure, which enables rapid adaptation to global competition, visionary strategy, and adherence to international standards in business processes. These characteristics have consolidated Akenerji's pioneering position in the industry, and have seen the Company continually on the list of "Turkey's Top 500 Industrial Enterprises", released by the Istanbul Chamber of Industry (ICI) since 1993.

Appreciated for its appropriate investment decisions steering the future, the Company also displays the same stability in the energy trade. Enjoying one of the largest customer portfolios in the sector, Akenerji takes decisive steps towards the goal of becoming the country's leading energy trading company. The Company demonstrates superior performance, beyond its existing capacity, in the management and sale of energy through additional capacity agreements signed with other power generation companies as a result of this commitment. Keeping a close watch on international marketing opportunities in 2014 as well, the Company continued cross-border energy trading through the European interconnected system, which commenced in 2011.

Guarantee of the future: renewable energy resources

Cognizant of the responsibility that befalls power companies in the creation of a secure future, Akenerji shapes its objectives with this awareness. Having taken all of its steps with due consideration of its environmental and social responsibilities during its 25 years of experience, the Company also exemplifies the sensitivity of modern manufacturing solutions in the industry. In this context, Akenerji supports clean and sustainable energy resources, and opts for eco-friendly and highly efficient technologies in production. In addition to its production based on natural gas, the Company also makes major investments in renewable energy sources. By doing so, the Company aims to achieve a well-balanced portfolio structure, and to manage the fuel supply risk by diversifying energy resources.

Akenerji initiated its investments in renewable energy sources by participating in the first hydroelectric power plant tenders held by the Energy Market Regulatory Authority (EMRA) in 2005. The Ayyıldız Wind Power Plant went into operation in 2009 as the Company's first renewable energy generation plant. Subsequently, the Akocak, Bulam, Burç Bendi, Feke II and Uluabat hydroelectric power plants were activated in 2010, while the Himmetli Regulator and the Hydroelectric Power Plant (HEPP) in Adana, the Feke I Regulator and HEPP, and the Gökkaya Dam and HEPP successfully became operational in 2012. Thus, the share of renewables in the total capacity of the Akenerji portfolio stands at 30% as of the end of 2014.

Akenerji steadily continues its renewable energy projects. İçkale Enerji Elektrik Üretim ve Tic. A.Ş. (İçkale Energy Power Generation and Trade Co.) purchased by the Company in 2010, which holds the license for the Kemah Dam and Hydroelectric Power Plant with an installed capacity of 160 MW, constitutes one of the most critical investments of the Company in this area. The Kemah Dam and HEPP project is the largest HEPP project in the Akenerji portfolio. The installed capacity of the Kemah HEPP Project was boosted from 160 MW to 198 MW, and its project works continued in 2014, too.

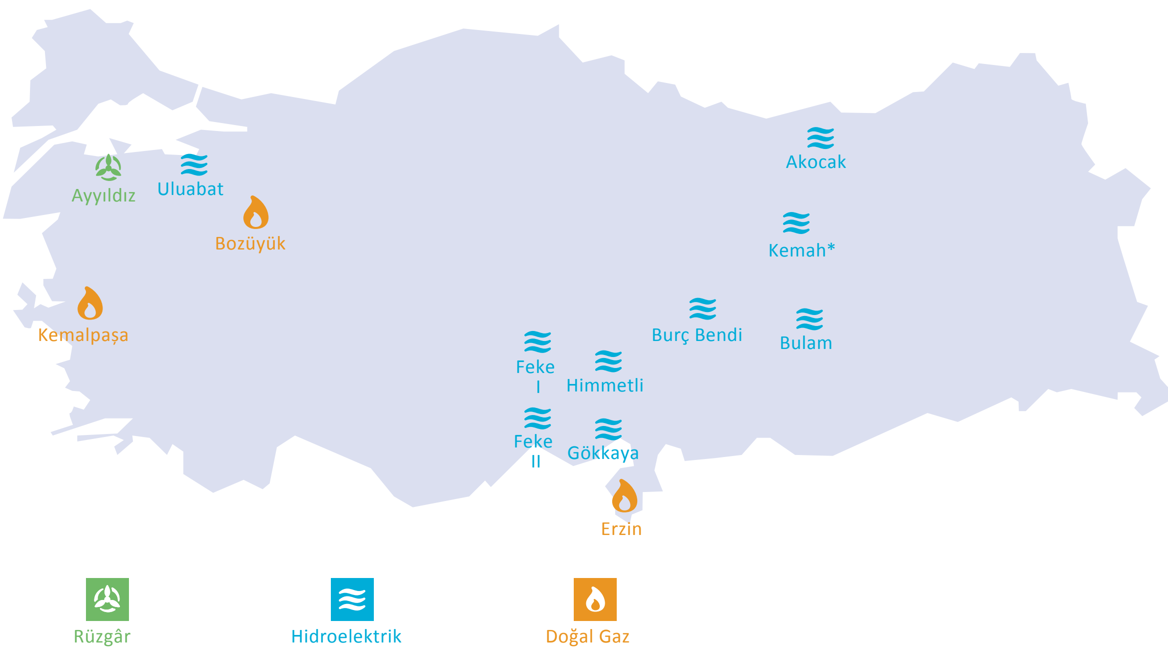
Contributing to the Turkish energy industry through pioneering and modern manufacturing solutions, Akenerji continues its renewable energy investments to reach its target of a safe and bright future.

Strong partnership, appropriate investments

The partnership between Akkök and the Czech power company ČEZ evolved into an equally-participated strategic joint venture in Akenerji by means of the agreement signed in October 2008. The first investment of this robust partnership has been the 900 MW-capacity Erzin Natural Gas Combined Cycle Power Plant Project, located in Erzin, Hatay. Considered a brave and robust step in the face of a quite turbulent global economy, the Erzin Natural Gas Combined Cycle Power Plant became operational in the third quarter of 2014. Having doubled its installed capacity with this investment, and taking the current market conditions into consideration, Akenerji deactivated the lower-yielding Kemalpaşa and Bözüyük natural gas plants, after the Çerkezköy plant.

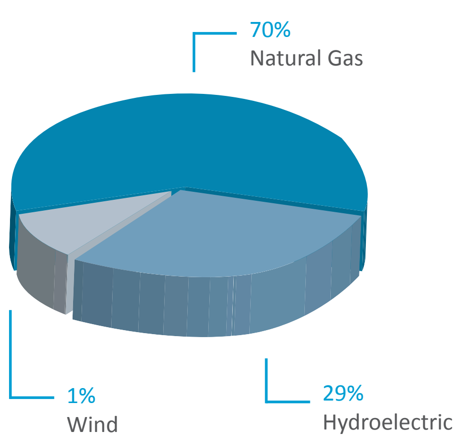
OPERATIONS MAP

Erzin Natural Gas Combined Cycle Power Plant is the first fruit of Akenerji's future-oriented vision and a fruitful partnership.



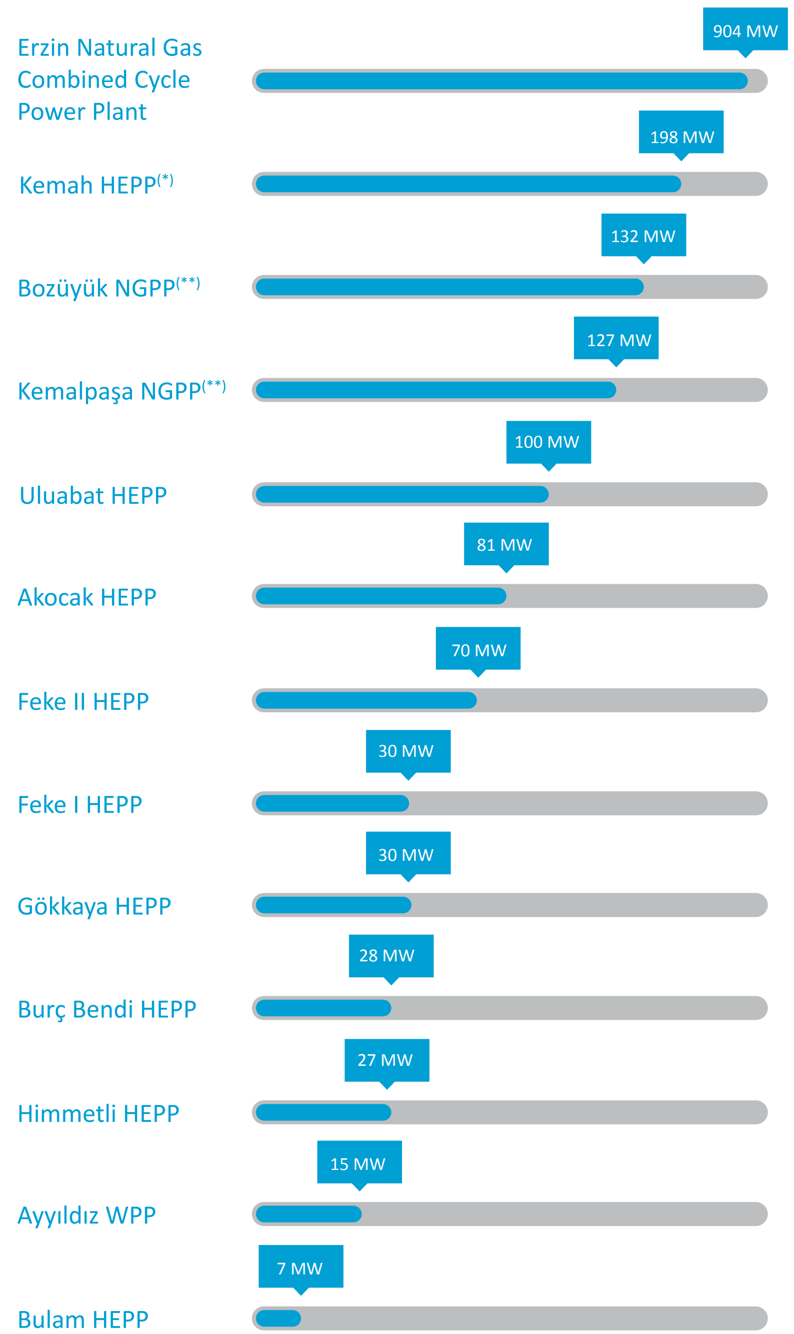
* Kemah is in the project phase.

Akenerji Breakdown of Installed Capacity by Source



Total Installed Capacity as of the End of 2014: 1292 MW

INSTALLED CAPACITY



Current Installed Capacity (End of the year 2014)

- 1292 MW (Natural Gas, Hydroelectric and Wind)

Investments in Project Phase

- 198 MW ((Hydroelectric)

(*) Investments in project phase.

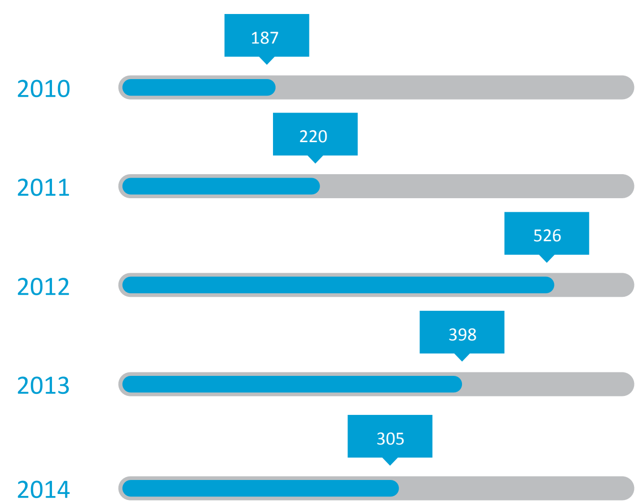
(**) The plants deactivated in 2014.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

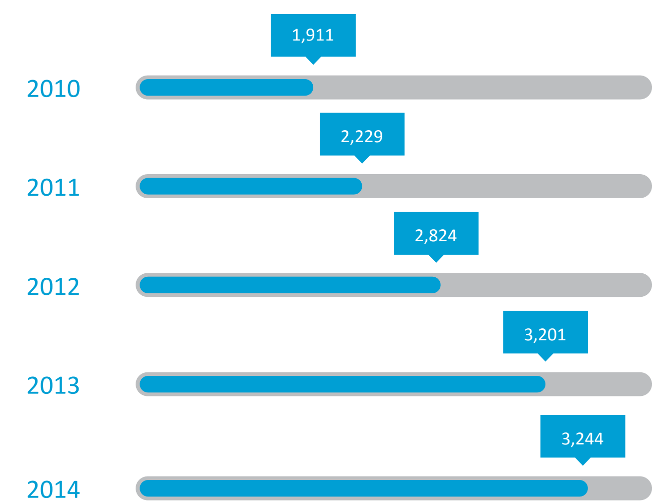
Consolidated Financial Indicators (TL million)	2010	2011	2012	2013	2014
Net Sales	428	560	802	771	1,125
Gross Profit from Sales	43	110	139	149	-11
Operating Profit	8	59	82	76	-75
Profit before Interest, Taxes, Depreciation and Amortization	36	106	136	136	26
Net Profit / (Loss)	-26	-213	81	-127	-321
Total Current Assets	187	220	526	398	305
Short Term Liabilities	471	612	485	382	614
Working Capital	9	-3	11	-12	70
Tangible and Intangible Assets	1,353	1,539	1,720	2,514	2,617
Total Financial Liabilities	926	1,419	1,459	2,052	2,476
Total Assets	1,911	2,229	2,824	3,201	3,244
Total Liabilities	1,146	1,705	1,879	2,373	2,736
Total Shareholders' Equity	765	524	941	828	508
Cash and Cash Equivalents at the End of the Period	40	85	174	243	82
Capital Expenditures	465	267	239	900	233
Market Capitalization at the End of the Period - BIST	1,357	691	1,196	875	933
Average Number of Employees	289	315	314	310	288

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

A perpetual success story...

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

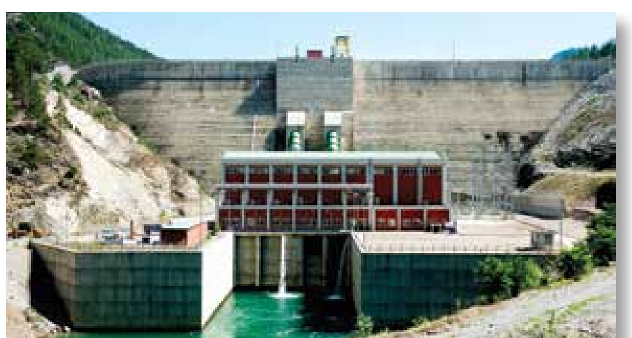
- Çerkezköy Power Plant with an installed capacity of 98 MW progressively became operational.
- Alaplı Power Plant with an installed capacity of 6.3 MW was activated.

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

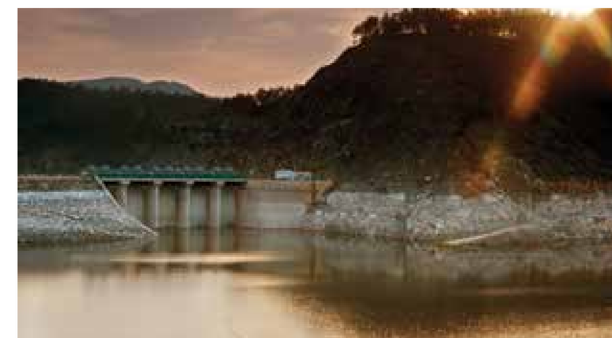
- Batıçim Power Plant was sold to Batıçim Enerji Elektrik Üretim A.Ş. and the license was transferred accordingly.
- The license of Alaplı Power Plant was terminated as a result of market developments.
- Akenerji won the SEDAŞ tender with the AkČEZ consortium that was formed with the participation of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

2009

- SEDAŞ management was handed over to AkČEZ consortium with a ceremony held in Ankara on February 11, 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.

AKKÖK HOLDING IN BRIEF

Akkök Holding aims to catch up with the global competition, and achieve world-class standards together with all the companies under its roof.

Founded in 1952 by the late Raif Dinçkök, and with deep know-how spanning 62 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 17 commercial and industrial enterprises, one of which is overseas, and with 18 production plants. By closely following the trends in the world's markets and in its operating industries, Akkök Holding aims to catch up with the global competition, and achieve world-class standards together with all the companies under its roof.

With an annual installed production capacity of 308,000 tons, Aksa is the only domestic acrylic fiber manufacturer in Turkey. The Company holds a 17% global market share in acrylic fiber production, and supplies the textile and industrial textile industries in more than 50 countries across five continents. In 2009, after improving its technology infrastructure, Aksa commenced production of carbon fiber, which is considered one of the most vital raw materials of the 21st century.

As of 2012, the Company started to carry out carbon fiber production under the roof of DowAksa İleri Kompozit Malzemeler Sanayi Limited, which was established as a 50:50 joint venture with the Dow Chemical Company. With this joint venture, collaboration was initiated for the production and worldwide marketing of carbon fiber and carbon fiber based products. DowAksa mainly focuses on areas such as providing solutions for infrastructure development, reinforcing buildings for sturdiness and durability, boosting the energy generation of wind turbines, and reducing automobile fuel consumption. With its technical expertise and advanced production capabilities, the Company aims to provide innovative solutions to some of the most challenging problems, both in Turkey and the rest of the world.

Ak-Kim stands out as a model company in the chemicals industry with its world-class manufacturing facilities and an annual production capacity of 600,000 tons. The Company's product portfolio caters to diverse industrial groups, including textiles, metals, food, cleaning, water treatment, and the prevention of corrosion and crusting, as well as the paper, pharmaceutical and construction industries. Thanks to a rich product portfolio of more than 500 assorted chemicals, Ak-Kim continuously consolidates its competitive strength in international markets. The Company exports to about 55 countries across five continents, and aims to reach a minimum turnover of USD 1 billion in 2023. It acquired Gizem Frit, one of the world's biggest enamel and ceramic frit producers, opening upto a new market. With this acquisition Ak-Kim adds enamel and ceramic frit production, used in the coating of many products in our daily life such as white goods, kitchenware, ceramic, aluminum and glass bottles, to its product portfolio. Ak-Kim achieved another inorganic expansion in 2013 within the structure of Akferal, established along with Feralco, and acquired the water refining chemicals division of Dostel Group.

Akiş REIT, the real estate investment company operating under Akkök Holding, continues to develop projects that help improve quality of life in the regions where it operates. The projects successfully managed by the Company include Akbatı Shopping and Lifestyle Centre, as well as Akasya Acıbadem, in which Akiş holds shares at a rate of 6.56%, and which was developed by SAF REIT. Moreover, street merchandising projects are developed on Bağdat Street as a new business model.

With their steadily improving structures, and activities that add value to society as a whole, SAF REIT and Akmerkez shopping mall also help reinforce Akkök Holding's reputation in the real estate industry. Akasya Acıbadem, opened in the first quarter of 2014, bringing a breath of fresh air to the Anatolian Side, and the KidZania Children's Republic is a vital social platform to teach children, while also entertaining them.

One of the leading power generation companies in Turkey, Akenerji is a model for the sector, with 25 years of knowhow and leading investments. Akenerji, the 50/50 joint venture between one of Turkey's leading industrial groups, the Akkök Holding, and Europe's leading power company, the ČEZ Group, is one of the biggest private sector power generation companies in Turkey, with a total installed capacity of 1292 MW. Standing out with its energy-related investments, particularly in renewables, Akenerji's renewable energy capacity of 388 MW accounts for 30% of its total installed capacity.

Project design works for Kemah Hydroelectric Power Plant, with an installed capacity of 198 MW, established in Erzincan, have beenfinalized. Erzin Natural Gas Combined Cycle Power Plant, with an installed capacity of 904 MW established in Hatay Erzin, was completed and activated during Q3 2014. The largest one-off investment by Akenerji, Erzin Natural Gas Combined Cycle Power Plant doubled Akenerji's total generation capacity. Today, Akenerji efficiently manages an energy portfolio way above its generation capacity. In 2011, Akenerji headed for the global market, and commenced import and export activities. The company expands and maintains its operations in this area.

Sepaş Enerji, which develops and grows by the day as a new player in the electricity sales sector, serves under the AkCez joint venture established by Akkök Holding and ČEZ Group. Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) has been rendering its power distribution services successfully in Sakarya, Kocaeli, Bolu and Düzce, covering a total area of 19,421 square kilometers across 4 provinces, 45 districts, 66 municipalities, 1,441 villages, and a population of 3,228,580.

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

Akkök Holding achieved a combined turnover amounting to USD 3 billion in 2014, with its sterling employees numbering more than 4,600. USD 407 million of this amount came from exports to more than 50 countries.

ČEZ IN BRIEF

It is ČEZ Group's mission to provide safe, reliable, and positive energy to its customers and society as a whole.

Headquartered in the Czech Republic, ČEZ Group is an established, integrated energy group with operations in a number of Central and Southeastern 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, and coal extraction. ČEZ Group has 26,000 employees.

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 June 20, 2014). 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 companies in the Czech Republic extract and sell coal, generate and distribute electricity and heat, trade in electricity and other commodities, sell electricity, heat, and natural gas to end customers, and provide other services. Their power generation portfolio consists of nuclear, coal-fired, gas, hydroelectric, and other renewable sources. 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, and distribution networks are upgraded and developed.

Abroad, ČEZ Group focuses mainly on Central and Southeastern European markets. Its main activities there include electricity distribution, generation, trading, and sales. ČEZ Group's subsidiaries in the Netherlands and Ireland are holding companies and companies providing financing.

ČEZ Group is the owner or co-owner of production and distribution assets in Poland, Romania, Bulgaria, Hungary, Slovakia and Turkey. 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 is involved in the generation of electricity from renewable sources as well as 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. ČEZ Group sells electricity or natural gas to end customers in the Czech Republic as well as Romania, Bulgaria, Turkey, Hungary, Poland, and Slovakia, in particular.

At the same time, ČEZ Group's business activities are governed by strict ethical standards that include responsible behavior 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. In its strategy, ČEZ Group reacts to new trends in the energy sector. It enters new business fields and offers its customers innovative products and services tailored to their needs.

It is ČEZ Group's mission to provide safe, reliable, and positive energy to its customers and society as a whole. ČEZ Group's vision is to bring innovation to resolve energy needs and help improve the quality of life. Its corporate culture emphasizes safety, continuous growth in internal efficiency, and the promotion of business segments' and employees' initiative in order to grow ČEZ Group's value.

For more information you may visit ČEZ Group web-site www.cez.cz.

MISSION, CORPORATE VISION, 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 understandable 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.

Shared 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

"Having become the dynamic power of the industry, with robust investment decisions in the face of quite a turbulent global economy, Akenerji has strengthened its efficiency-oriented approach, supported by modern technology, with the implementation of the Egemer project in 2014."

Mehmet Ali Berkman
Message from the Chairman of the Board of Directors

Dear Shareholders,

As the impact of the global economic crisis continued, 2014 has been a difficult year for Turkey and the rest of the world. Despite tentative signs of recovery observed in Europe, the era of plenty of money and low interest rates has begun to come to an end, due to the continuation of the recession and the FED's termination of bond purchases. Looking at oil, which has been experiencing excess supply at the global level, prices completed 2014 with a decline of 46%, witnessing the harshest move of the last 6 years, since neither the USA nor OPEC would take a backward step.

When worldwide political turmoil, particularly in the Middle East, was added to this picture on the economic front, developing countries such as Turkey have been adversely affected by the emerging developments.

2014 was a rather inefficient year for hydroelectric power plants, due to climate change and drought. Thanks to the heavy rain at the beginning of 2015, the capacity rates in dams have exceeded expectations, and this is promising for the energy sector.

On the other hand, economic growth lost its momentum in 2014, while construction industry-oriented growth and the challenges of creating added value overshadowed the outlook for the future. The industry-led growth has remained below expectations, and this has disrupted the supply-demand balance in energy.

Turkey's Energy Market is a regulated sector, the structure and functioning of which is determined and bounded by legislation. However, it is still a multivariate business environment, in which liberalization has not yet been completed, fair competitive conditions have not been adequately settled, and costs cannot be reflected in prices, due to the social dimension of the work executed.

We firmly believe that farsighted companies with strong visions, and who protect their long-term approaches, will be successful as a result of forbearing policies in the energy sector, which is sensitive to cyclical ups and downs, as well as critical variables such as growth figures, fluctuations in exchange rates, natural gas costs, and precipitation, because of its structure.

Reaching a level of 69,500 MW as of the end of 2014 with additional plant investments, Turkey's total installed capacity has resulted in a negative outlook on the demand side, as industrial production also remained below expectations.

The approach of energy saving and efficiency has come to the fore in this atmosphere, in which natural gas prices remained high. This is among the factors that reduce demand on a periodic basis. The growth in supply despite low demand leads to difficulties in recouping investments, by creating pressure on electricity prices.

Turkey has protected its growth potential in electricity consumption per capita, despite all these challenges. We are of the belief that the government should also support the energy sector by avoiding applications that could impair the competitive environment. We have great hope that the balance, which is currently weighted on the supply side, will improve, along with the acceleration of industrialization.

Based on these facts, the main priority and effort of Akenerji, one of the leading companies in Turkey's Energy Market, has been geared to strengthen resistance with rational decisions, and to take the right steps without compromising market share.

Akenerji commissioned the Erzin Natural Gas Combined Cycle Power Plant with an approximate capacity of 904 MW, in 2014. Having reached a total installed capacity of 1,292 MW, Akenerji created a great source in meeting Turkey's energy needs by implementing the Egemer project, which is considered a bold and sturdy step in the face of quite a turbulent global economy. The Erzin Natural Gas Combined Cycle Plant bears the distinction of being the largest one-off investment of its kind by Akenerji, which has doubled its existing installed capacity, and it is one of the most significant projects of the Akkök-ČEZ strategic partnership. With its new generation, highly efficient turbine technology, the Erzin Natural Gas Combined Cycle Power Plant has an annual electricity production capacity of 7.4 TWh.

Akenerji has reached a total installed capacity of 388 MW in the renewable energy field, with eight hydroelectric power plants and a wind park in operation. Upon activation of the 198 MW Kemah Hydroelectric Plant, currently under construction, and which is the largest renewable source investment project of our Company, the share of renewables in our portfolio will be enhanced substantially.

At Akenerji, we closely follow investment opportunities in solar and wind energy, which have become more economical with the support of new technologies.

Akenerji included the production of other manufacturing companies into its own product portfolio and raised its trade volume significantly in 2014. Added value was provided through the sale of approximately 1.5 billion KWh of energy supplied from third parties, in addition to the existing production.

Implementing the austerity measures for 2015, which is projected to be a tough year, and protecting the optimum operating philosophy with its competent staff, Akenerji will continue to maintain its efficiency-oriented approach, ably supported by modern technology.

All of the activities that we conduct, with the principle of respect for nature, and our sense of social responsibility, will continue adding value to Turkey's economy in 2015.

I extend my thanks to all members of the Akenerji Family, who always work devotedly, our shareholders, customers, financers, and all of our stakeholders, who support us under all circumstances.

Sincerely,

Mehmet Ali Berkman
Chairman of the Board of Directors

MESSAGE FROM THE CEO

"Our existing installed capacity has been doubled with the activation of the Erzin Natural Gas Combined Cycle Plant, which has an installed capacity of 904 MW, and bears the distinction of being the largest one-off investment of its kind by Akenerji."

Ahmet Ümit Danışman
Message from the CEO

In parallel with the ongoing global economic turmoil, 2014 was a difficult year for developing countries, and Turkey in particular. Fluctuating exchange rates, natural gas cuts and current subsidies, as well as the common occurrence of adverse factors such as drought and falling electricity demand, have all impacted the energy sector adversely. This has placed the power plants, which have just completed their investment and bear a huge debt repayment burden, in a difficult position.

As economic activity, a key determinant in electricity demand, lost impetus, it also exerted downward pressure on prices in 2014. The surplus resulting from high capacity investments that became operational emerges as one of the factors affecting the investment plans of sector players.

The energy sector was heavily influenced by changes in exchange rates in 2014, due to the fact that the majority of investments are based on imported technologies, loans are borrowed in foreign currency, and sales incomes are in TL. Moreover, the exchange rate sensitivity of the energy sector was further exacerbated by the higher than expected fluctuations in foreign currency, and alterations in the FED's bond tapering policies throughout the year.

The amount of power generation obtained from hydroelectric power plants demonstrated a considerable slump Turkey-wide, on the back of above the norm 2014 seasonal temperatures and inadequate precipitation.

In spite of these adverse conditions over the previous year, the industry's contribution to economic growth will be a determinant for the electricity sector in 2015. Turkey still maintains its potential in demand owing to its dynamic structure, which has not yet reached the level of OECD and EU economies, in electricity consumption per capita.

In order to sustain its robust position in the sector, and to stabilize its electricity supply, Akenerji aims to maintain a balanced portfolio structure. Within this scope, Erzin Natural Gas Combined Cycle Power Plant, with a total capacity of 904 MW, construction of which was commenced by the end of 2011 in Hatay, was completed and became operational in Q3 2014. With annual generation capacity of 7.4 TWh, Egemer is one of the key projects of the Akkök-ČEZ strategic partnership. Akenerji created a huge resource towards meeting Turkey's power need after Erzin Natural Gas Combined Cycle Power Plant, the biggest one-off investment by our company to date, became operational. Akenerji doubled its installed power with a major investment, and disabled its lower-efficient power plants such as Kemalpaşa and Bozüyük, in light of current market conditions.

Akenerji's transaction volume in bulk electricity trade grew by 1.5 TWh compared to 2013, reaching 9.1 TWh, and our Company consolidated its leading position in 2014.

Project design works for Kemah Hydroelectricity Power Plant, planned for Erzincan, with a capacity of 198 MW, continue. Kemah is also Akenerji's biggest renewable resource investment.

While it is envisaged that 2015 will be a challenging year for Turkey and the global economy, Akenerji will efficiently conduct the optimization operations that it started in 2014, and risk management in order to work more effectively. This will help to adapt easily to the changing conditions with its rising trade volume and costs appropriate for the current competitive conditions.

EPİAŞ, which is slated to become operational in 2015, will be one of the flagships of the electricity market by enhancing both transparency and liquidity. As one of the Group C stakeholders of EPİAŞ, Akenerji will reinforce its presence in the Turkish electricity market.

Akenerji's expert staff recognizes the sectors in which its customers operate, understands their needs, and offers the most innovative and appropriate products and services, with the right analyses and strategies. As well as new power generation plants, we aim to boost sales volume in 2015, and consolidate our leading position in the power sector, within the scope of purchase agreements signed with various power companies. As a Company, we updated our Sales and Marketing strategy, and developed our processes in accordance with intensifying competition, and abruptly changing market conditions. We designed new products and services oriented to economic and correct energy consumption, thanks to our Smart Electricity approach. Accordingly, Akenerji aspires to build up the profitability of our customers by reducing their energy consumption costs, which makes up a major part of their expenses.

Akenerji commenced agency selection and development works by creating an agency network infrastructure in order to reach more loyal and profitable customers, and to expand the market share.

As of end 2014, we crowned the sustainability of our certifications obtained for Ayyıldız, Uluabat, Akocak, Burç, Bulam and Feke II with zero non-compliance in external audit, within the scope of ISO 9001, ISO 14001, OHSAS 18001 Management Systems. Moreover, our Feke I, Himmetli and Gökkaya Hydroelectricity Power Plants were included in the certification.

For the last two years, we have published our practices and performance in the environmental, social, ethical and economic areas as a Sustainability Report, as per the Global Reporting Initiative, within the scope of sustainability.

Akenerji supports its customers' sustainability activities, thanks to its Carbon Neutral Electricity product, with which it presents emission reduction certifications zeroing carbon footprints occurring through electricity usage.

Participating voluntarily in Turkey's report in the Carbon Disclosure Project since 2011, we report our climate strategy and carbon emission performance to international investors.

Our company continued its social responsibility projects in 2014, throughout all the regions it operates in. In order to provide information about hydroelectric power plants, and to answer locals' questions about the possible dangers, meetings were organized in Trabzon and Adıyaman, and a total of 673 students and 38 teachers were helped to understand the issue.

At Akenerji, we will continue our social responsibility and informative engagements in 2015 to the same high standards we maintained in 2014.

I express my sincere gratitude to all of our employees, who endeavor with determination, discipline and self-devotion throughout the year, in the face of challenging market conditions. Akenerji will continue to consider innovative and profitable investment options in 2015, and to reinforce its reliable, leadership position in the industry by enhancing its competitive edge at every step of the way. I would also like to thank all our shareholders, suppliers, customers, financers and social stakeholders, who encourage and motivate us greatly in this journey with their support and commitment.

Sincerely,

Ahmet Ümit Danışman
Chief Executive Officer

ENERGY SECTOR IN TURKEY AND THE WORLD

"While growth of 2.8% was observed in Turkey's economy during the first three quarters of 2014, electricity demand rose by 4.6% over the same period, and by 3.7% when compared to 2013, up to a level of approximately 256 TWh by the end of the year."

Vratislav Domalip
Deputy General Manager

World

According to data from the International Energy Agency, global energy demand is projected to grow by 1.1% annually on average, and by a total of 37% by 2040. While energy consumption in Europe, Japan, Korea and North America remain static, the rise in consumption is mainly intensified in the rest of Asia, which consumes 60% of global energy, Africa, the Middle East and Latin America.

The most rapid growth among fossil fuels was recorded in global natural gas demand, with over 50%. Global coal demand is expected to rise 15% by 2040. Global energy demand is anticipated to be shared almost equally by oil, natural gas, coal and low carbon energy sources in 2040.

The shale gas revolution in the United States continued to be one of the main substances of discussions in the global energy sector in 2014. Australia, Canada and China followed the USA, and sparked off efforts to expand the ratio of shale gas in energy production. The balance in the energy market is expected to change with this new source of energy. Also, a boost in the number of natural gas exporting countries is anticipated.

Renewable energy technologies, quite a significant part of the low carbon side of global energy supplies, motor along with the help of support, which reached USD 120 billion worldwide in 2013. Thanks to special policies and incentives, renewable energy sources will cover almost half of the growth that will take place in total electricity production by 2040. Worldwide, the largest share of renewable energy-driven growth will be in wind energy, with a boost of 34%, followed by hydroelectric energy with 30%, and solar energy with 18%.

In the wake of the nuclear disaster in Fukushima, an intense debate is taking place about the future of nuclear energy. However, the rising cost of energy imports creates pressure on countries that have reduced their share of nuclear energy after the disaster. Numerous countries, especially in Europe, seem to be making a return to nuclear energy to defend against price fluctuations and adapt to intense global competition.

The effects of the slowdown in the world economy continued during 2014, and made themselves apparent in electricity demand. High incentives provided to renewable energy sources during a period of low electricity demand led to a financially difficult period for power distribution and generation companies in Europe. Excess production in peak hours by the new wind and solar power plants commissioned in many countries, particularly Germany, negatively affected gas and coal power plants. Some natural gas power plants decided to terminate their operations in the face of these challenges.

The efforts made in 2014, by both governments and private companies, in the campaign against climate change, which is one of the most essential agenda items for the future of the planet, remained inadequate as in previous years. The new global roadmap, which is expected to be converted into an international treaty, and to replace the Kyoto Protocol in the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, to be held in Paris in 2015, will be decisive in the climate change process and in the policies to be implemented.

Turkey

While growth of 2.8% was observed in Turkey's economy during the first three quarters of 2014, electricity demand rose by 4.6% over the same period, and by 3.7% when compared to 2013, up to a level of approximately 256,000 GWh by the end of the year.

Manufacturing companies in the private sector enhanced their share in total electricity generation from 41% in 2013 to 48% in 2014. Approximately 49% of total power generation was met by natural gas power plants, followed by coal power plants with 29%, and hydroelectric power plants with 16%, in 2014.

Turkey's total installed capacity has reached 69,500 MW with the addition of 5,509 MW installed capacity that came into operation in 2014.

Privatization in power generation continued in 2014, with the privatization tenders of Kemerköy, Yeniköy, Yatağan, Çatalağzı, Orhaneli and Tunçbilek lignite power plants.

Along with the establishment of the Energy Stock-Exchange Market (EPİAŞ), organized under the Electricity Market Law which took effect in the Official Gazette dated March 30, 2013, a considerable rise is expected in derivative transactions, and in the number of contracts in the Organized Wholesale Market. It is anticipated that liquidity will expand in the electricity market, and the market will start processing more efficiently and transparently as soon as EPİAŞ gains functionality. A call was made to market participants wishing to own Group C shares in EPİAŞ, and the relevant demands were collected in 2014. The foundation process of EPİAŞ is projected for completion after the trade register entry at the beginning of 2015.

Turkey's total installed capacity has reached 69,500 MW, with the addition of 5,509 MW installed capacity that came into operation in 2014.

ENERGY SECTOR IN TURKEY AND THE WORLD

"The energy sector was influenced to a large extent by fluctuations in exchange rates in 2014, since investment-oriented loans were received in foreign currency, while sales revenues were obtained in TL."

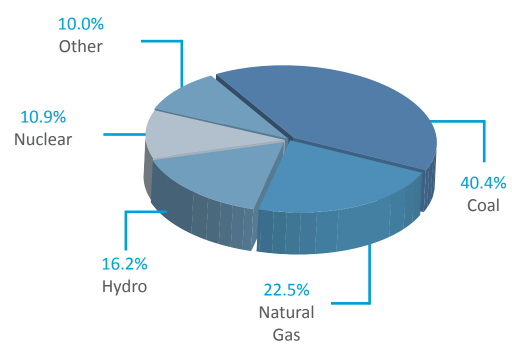
Jindrich Weiss
Assistant General Manager - Accounting and Finance

Average Per Capita Electricity Consumption* (MWh)

USA	13.2
Japan	7.8
Germany	7.1
Netherlands	7.0
Czech Republic	6.3
Spain	5.6
Greece	5.3
Portugal	4.9
Hungary	3.9
Italy	3.3
Turkey	2.7

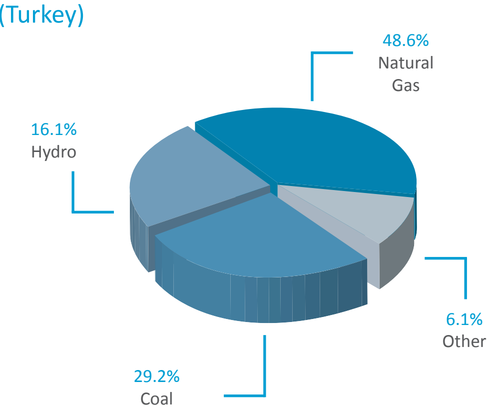
2012 data. Source: International Energy Agency, Key World Energy Statistics, 2014.

Breakdown of Sources in Electricity Generation (World)

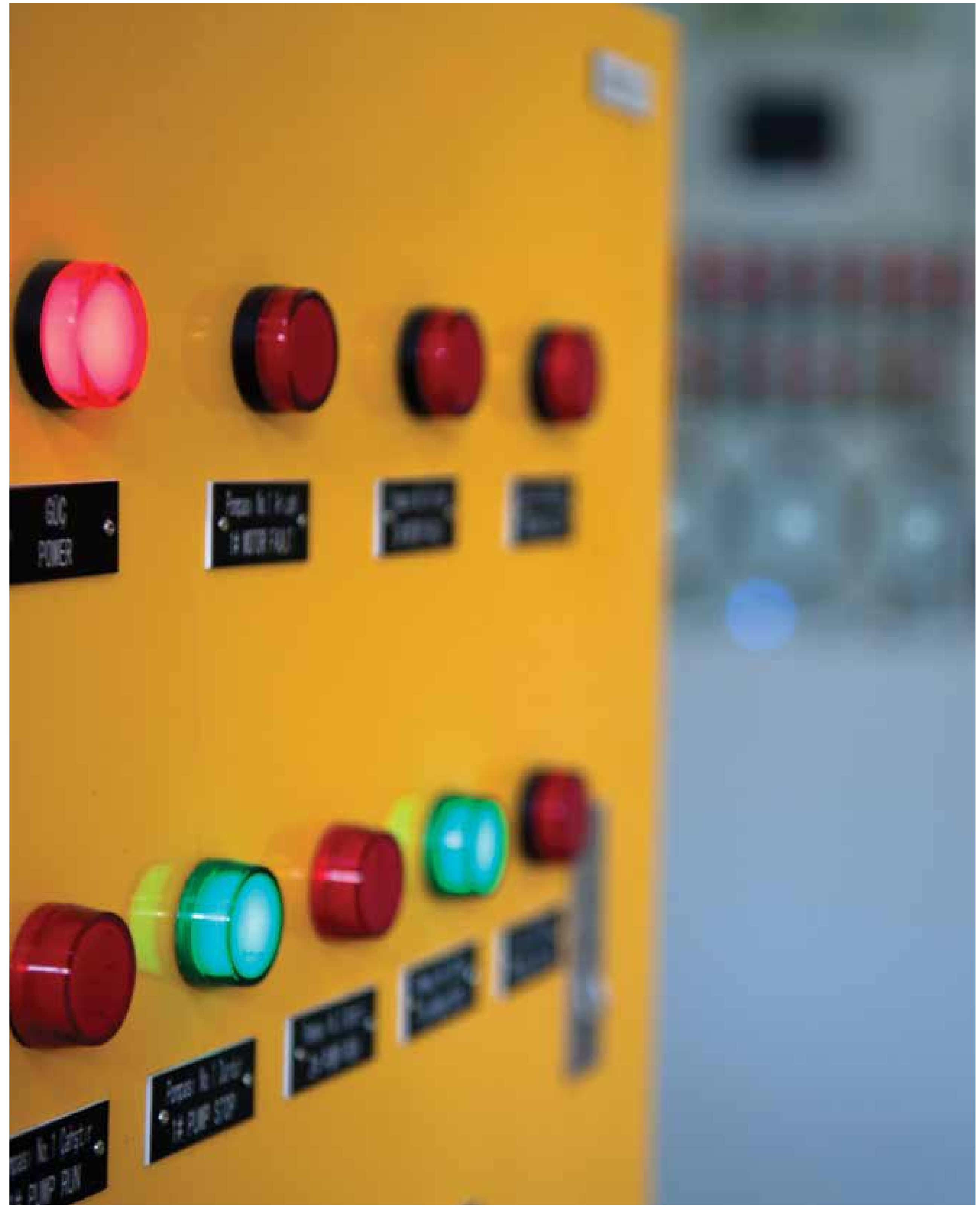


2012 data. Source: International Energy Agency, Key World Energy Statistics, 2014.

Breakdown of Sources in Electricity Generation (Turkey)



2014 data. Source: TEİAŞ



OPERATIONS IN 2014
GENERATION

"Akenerji conducted power generation of 2.74 Billion KWh as of the end of 2014, by means of running the power plants in operation with high efficiency and availability percentages."

Serhan Gencer
Assistant General Manager - Production

Thanks to its policy of keeping production costs low by expanding the resource diversity initiated in 2005, Akenerji is taking firm steps towards becoming the most competitive private sector power generation company.

In this context, having completed the investments of 8 hydroelectric and 1 wind and 1 natural gas power plants, Akenerji advanced its total installed capacity to 1292 MW, and annual production capacity to 8.5 TWh by the end of 2014.

Akenerji commenced its activities in the renewable energy field in 2005, and has boosted the number of alternative energy resource power plants over the years by carrying out many projects simultaneously.

The Uluabat Hydroelectric Power Plant, which has the longest power tunnel bored by the TBM tunneling method, the Hydroelectric Power Plant, which has one of the highest heads of its period, and the 4 hydroelectric power plants established in the Feke Region, which allow production under the most efficient conditions, having all been built on the same river, have all encouraged and pioneered the energy sector and our investors.

The construction of the 904 MW Erzin Natural Gas Combined Cycle Power Plant Project, which is one of the largest natural gas power plant investments in Turkey, was completed in the third quarter of 2014. Akenerji has doubled its installed capacity with the activation of this power plant. The Erzin Natural Gas Combined Cycle Power Plant is considered one of most crucial investments in our country in terms of maximizing resource efficiency, enhancing competition in a manner that will please consumers, and contributing significantly to regional employment.

Aware of the importance of renewable energy sources in the campaign against climate change, Akenerji will maintain its stable position in this field in 2015.

Wind
The Ayyıldız Wind Power Plant, Akenerji's first renewable energy generation plant, is involved in the Wind Power Monitoring and Forecast Center Project, which is of great significance for production facilities based on wind energy, and was launched by the Ministry of Energy and Natural Resources. Akenerji was the first company to support the project in terms of location. At the current point, like all other production plants, we have started to benefit from the estimated results obtained from the projects.

Hydroelectric Power
Setting out to meet Turkey's electricity demand, Akenerji invested about US$ 740 million in eight hydroelectric power plants, proving its strength in and commitment to this area.

As a result of concomitant projects, Akocak, Bulam, Burç Bendi, Feke II and Uluabat hydroelectric power plants were activated in 2010, followed two years later by Feke I Regulator and Hydroelectric Power Plant with 30 MW of installed capacity and 117 GWh of annual electricity generation. Other plants started operating in 2012: Himmetli HEPP - with 27 MW installed capacity - and Gökkaya HEPP - with 30 MW installed capacity.

Natural Gas
Akenerji completed construction of the Erzin Natural Gas Combined Cycle Power Plant located in Hatay's Erzin district in 2014.

The plant, which became operational in the third quarter of 2014, is one of the key projects of the Akkök-ČEZ strategic partnership. The 904 MW Erzin Natural Gas Combined Cycle Power Plant, which is composed of two gas turbines and one steam turbine, has an annual generation capacity of approximately 7.4 TWh. The power plant supplies the cooling water required for the operations from seawater. The water used in high-pressure steam boilers and turbines is supplied by the reverse osmosis method from seawater, by means of the high-tech treatment plant. The flue gas emission values and outlet temperatures are far below the upper limits allowed by regulations. Emission values are measured over 24 hours, and disclosed to the whole of Turkey, with a transparent management approach, through the website of the Ministry of Environment and Urbanization.

The activities of the 132 MW Bilecik - Bozüyük Power Plant and the 127 MW Izmir - Kemalpaşa Power Plant were ceased in light of current market conditions.

Investments
Adding value to Turkey's economy and energy sector with its investments, Akenerji has continued to bring solutions to the country's growing energy demands, with production strategies targeting the highest possible production yield.

Akenerji continued work on the Kemah HEPP project, the largest hydroelectric plant in its portfolio, in 2014.

Having added value to Turkey's economy and energy sector by activating nine power plant investments within five years, Akenerji continued the engineering works for its Kemah HEPP Project in 2014. The construction Project works of the Kemah HEPP Project have been finalized, and will be submitted for approval by the State Hydraulic Works (DSI) in 2015. Preparations of Technical Specifications and other documentations for the Construction and Electromechanical works continued in 2014. Studies for the Resettlement Plan were initiated within the scope of the project in the last quarter of the year.

Akenerji is one of Turkey's largest private sector power producers, with a total installed capacity of 1292 MW.

OPERATIONS IN 2014

WHOLESALE ELECTRICITY SALES

"Akenerji created added value through the sales of approximately 1.5 billion KWh of energy supplied from the third parties, in addition to its own production in 2014. The trading volume that we have created in OTC markets has reached a level of 2.9 billion kWh."

Selim Güven
Assistant General Manager - Trading

Akenerji moved up its total installed capacity to 1292 MW by means of its renewable energy investments, conducted to achieve resource diversity in production, and the 904 MW Erzin Natural Gas Combined Cycle Power Plant, which became operational in July 2014.

With the contribution of its balanced production portfolio, Akenerji is one of Turkey's largest private energy companies today. Akenerji comes to the forefront of the market in the fields of wholesale and retail electricity sales, with the support of its high production capacity.

Marching from strength to strength in wholesale electricity sales, the Company now manages a portfolio far larger than its production capacity.

Akenerji, one of the pioneers of the sector in energy production, focused on marketing activities that will consolidate its leading position in energy sales in 2014. For this purpose, as in 2013, the Company included the capacity supplied by other manufacturing companies to its own product portfolio, and raised its trade volume significantly. The Company created added value through sales of approximately 1.5 billion KWh of energy supplied from third parties, in addition to its own production in 2014.

The volume generated by purchases and sales with other market participants in Over-The-Counter markets, previously targeted by the Trading department of Akenerji, reached approximately 2.9 TWh in 2014. As a result, these markets have become a major sales, arbitrage and risk management channel. In other words, this volume corresponds to a production capacity of approximately 370 MW Natural Gas Combined Cycle Power Plant. Reaching this volume, particularly in 2014, a year in which liquidity in the market remained below expectations due to drought and gas supply restrictions, is just one of the indicators of the high figures that Akenerji will achieve in the coming years.

Thanks to its strong financial structure, existing know-how and market power, Akenerji will continue to provide efficiency-oriented solutions to eligible consumers and supply and production companies, by effectively launching other manufacturers' production sources as well as its own sources to the market in 2015.

Taking accurate and timely decisions, with the long-established know-how of many years, Akenerji signed a total of 47 different wholesale energy trading contracts in 2014. Some 197 transactions were carried out within the scope of these contracts. The Company aims to maintain and improve this performance in 2015, through the activation of the Erzin Natural Gas Combined Cycle Power Plant, expansion of liquidity in the market, and development of new products.

Boosted Productivity and Reduced Costs with Effective Process Management

Akenerji continued to stick to its profit optimization oriented strategy with regard to production and trade activities in 2014. As an extension of this strategy, it is

WHOLESALE ELECTRICITY SALES

aimed that each unit of energy generated at Akenerji facilities is utilized in the most efficient manner possible. In this context, the Company boosted its productivity in 2014 by optimizing its power plants based on prices emerging in the Day-Ahead Market and Balancing Power Market, with the contribution of efficient trade processes and ancillary services.

In order to ensure the most effective functioning of business processes, Akenerji closely monitors every single process. To avoid the negative effects that may result from price fluctuations in the market, the Company keeps a close watch on the balance of production, supply and sales, as well as changes in free market prices, and takes the necessary measures.

Loan and pricing risks sharpen due to trade volume, number of participants, and diversified products growing with the development of the electricity trading market. With this awareness, 2014 was a year in which we focused on our studies for active risk management. We obtained consulting services and then identified the critical processes and units. We also identified and designed the processes, technological infrastructure and trained human resource needs required to actively monitor the various risks, and to intervene promptly.

New Products, New Services

Subsequent to the adaptation of the Contracts for Difference, used in Europe, to the Turkish market, and the implementation of these contracts in 2012 for the first time in Turkey by Akenerji, these contracts became widespread both in Akenerji's implementations and in the markets in 2013 and 2014. Akenerji has once more played a leading role in the market by introducing such contracts, which are essential in terms of both cost reduction and execution of financial risk management, to other organizations in the energy sector. Having conducted wholesale energy trading by signing such contracts with 5 different companies in 2013, the Company raised this to 15 companies in 2014. Furthermore, options trading, performed for the first time in 2013, was continued in 2014.

Active Portfolio Management

Fully aware that reducing costs arising from energy imbalance boosts the Company's profitability, Akenerji continued to expend efforts in this area during 2014. For this purpose, since it is permitted by the legislation, Akenerji has included different production and wholesale companies, together with their productions and consumptions, in the group responsible for energy balance under its leadership to augment its positive impact, and thus reached a portfolio of approximately 1.4 TWh in size. In this way, the cost of energy imbalance has been reduced by approximately 16%. In 2015, with a view to expanding this group's volume and efficiency, Akenerji will focus on including only imbalances in the group.

In early 2013, Akenerji initiated the "Close Monitoring System Project" to effectively manage imbalances arising from production at its power plants. Implemented in late 2013, the system allowed online supervision of such imbalances, and immediate intervention for their minimization in 2014. Thus, the Company has taken one more step toward its goal of maximum efficiency.

Having made a major contribution to enhancing the quality of Turkey's electricity grid frequency, Akenerji continued to provide "Secondary Frequency Control" services in 2014. "Primary Frequency Control" is another service that the Company is required to provide within the scope of Ancillary Services. By signing Primary Frequency Transfer Contracts with other power generation companies, Akenerji minimizes the adverse impact of said requirement, and also helps other players in the energy market to improve the efficiency of their production portfolios.

As one of the leading Turkish energy companies, with invaluable know-how, Akenerji has further strengthened its position in the industry by serving as a Founding Member of the Energy Trade Association. Cognizant of its responsibilities towards the industry, the Company supported the establishment of Turkey's Energy Exchange, and studies concerning the implementation of relevant energy legislation, most effectively in the sector during 2014. In this regard, the Company has been in constant contact with private sector representatives, public sector participants and regulatory government agencies.

OPERATIONS IN 2014

RETAIL ELECTRICITY SALES

Akenerji, one of Turkey's largest private power companies, developed its customer portfolio with products and services offered under the "Smart Power" approach, in 2014.

New Opportunities in International Energy Trading

Akenerji continued its bilateral foreign trade operations with Greece and Bulgaria during 2013. A part of 1.5TWh, procured from third parties in 2014, was imported through these two countries. Akenerji aims to closely monitor trade opportunities and establish trade relations with Georgia and Iran in 2015.

Akenerji Retailing Continues Innovative Projects

While performing electricity sales to eligible consumers consisting of industrial and commercial customers, Akenerji Retailing leads the industry with effective solutions and services created by taking into account the rapidly changing market dynamics.

The Company closely monitors its customers' needs, and supports activities in their respective businesses with the help of strategies created by means of customer-specific analyses. It develops its customer portfolio with products and services offered within the scope of the "Smart Power" approach, created as a result of said analyses. In 2014, total sales volume and turnover grew by 42% and 35%, respectively.

Thanks to new business and solution partnerships established in 2014, Akenerji began marketing new products and services for the economical and accurate consumption of energy, in order to help its existing and potential customers enhance their competitiveness in their respective industries. Works are in progress to add new solutions to our existing ones, which were presented in this context and attracted the attention of industry players, such as Reactive Energy Monitoring and Management, Energy Efficiency Consulting and Carbon-Neutral Electricity.

Akenerji, one of the leading companies in the energy sector, aims to support its customers and the country with projects in the field of sustainability, by means of the innovations it has brought to the industry with its reliable and specialized identity.

On the other hand, Akenerji decided to establish the Akenerji Authorized Agency Network to enhance awareness and market share of the Akenerji brand, and to access loyal enterprises with high profitability rates, through a more efficient and cost-effective structure. Infrastructure works have been completed in accordance with the relevant sales and marketing strategies. Research, selection and training activities for the agencies, which were started by the end of 2014, will be accelerated in 2015. Marketing projects, designed to ensure the effectiveness of the Akenerji Authorized Agency Network in the market in compliance with the Akenerji brand, image and the targets of the Company, have already been initiated.

Although price is thought to be the key factor in electricity supply, the supplier's market experience, know-how and pre-and-after-sales services are also of great significance. In this respect, Akenerji carries out an annual customer satisfaction survey to get a better grasp of customer demands and expectations. Akenerji continuously improves its customer management processes by taking into account the developments in the sector, and any feedback or detailed projections of the future from customers.

CARBON MANAGEMENT

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. In addition, the Company provides carbon-neutral electricity to customers while aiming to reduce or neutralize their own carbon emissions.

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 have been registered according to the "Gold Standard" criteria. The certification process for Uluabat, Burç, Akocak, 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.

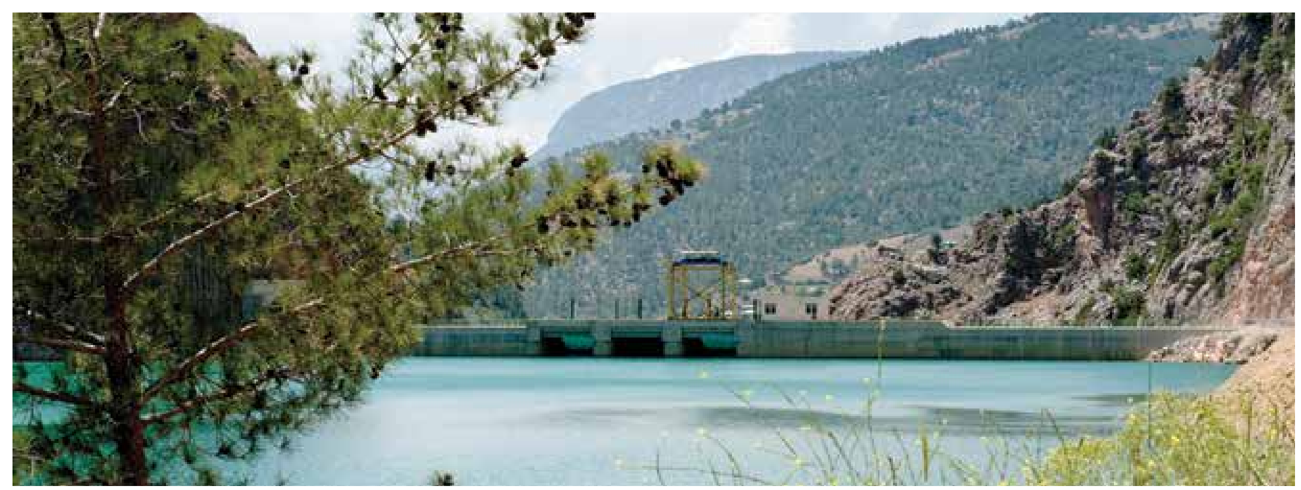
Akenerji has set an example for other Turkish energy companies with its emission trade activities.The Company actively traded carbon emission reduction certifications obtained for the Ayyıldız Wind Power Plant, Akocak, Uluabat and Feke II Hydroelectric Power Plants in the market in 2014.

Carbon Disclosure Project

In order to share its efforts in reducing carbon emissions with the public, Akenerji participated in the Carbon Disclosure Project organized by Sabancı University's Corporate Governance Forum in 2011. 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. Akenerji raised its reporting grade, announced within the scope of the Carbon Disclosure Project for the 2014 period, to 85.

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.



SUSTAINABILITY

While assessing its environmental impact, Akenerji is particularly alert to major problems that might affect nature. The Company is fully aware of its responsibilities in the struggle against climate change. The Company capitalizes on its technological competence to mitigate environmental and public risks carried by its operations. Akenerji pays attention to preserve natural life and prevent environmental pollution in all business processes with the principle of efficiency in generation provides a solution to this issue. Akenerji's advanced technology applications provide the highest possible amount of energy production with the minimum use of resources.

Renewable Energy, Clean Investments

Akenerji continued its works in the field of renewable energy sources to combat climate change, which is a global problem, in 2014. The Company initiated its relevant investments by participating in the tenders of the first hydroelectric power plant opened by the Energy Market Regulatory Authority (EMRA) in 2005. Thus, it has become one of the first energy companies among private sector power producers to invest in renewable energy.

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 42.2 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 efficient generation processes. Raised awareness among consumers and new legislation are other factors that reinforce Akenerji's resolve in this area.

ISO 14064 (Monitoring of Greenhouse Gas Emissions)

The Greenhouse Gas Monitoring Plan 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. The plan was approved through the Ministry's online system. In this way, it will be possible to monitor greenhouse gases after 2015. Turkey will obtain measurable, reportable and verifiable emissions data as the monitoring, verification and reporting of greenhouse gas emissions become functional in the enterprises as of 2015.

Verification of greenhouse gases in the ISO 14064 framework will be conducted in later years.

Akenerji also conducts operations for the reduction of nitrogen oxide levels in flue gas emissions of natural gas power plants. Steam injection systems or Dry Low NOx systems are used in the turbines for this purpose. The data of online emission monitoring system of the flue gases in Bozüyük and Kemalpaşa Power Plants remains within the limit values set out in the Large Combustion Plants Directive (LCPD).

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. The relevant service procurement was conducted and studies were initiated towards the end of 2014 for connection to the online system of the Ministry of Environment and Urbanization.

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). The Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), which is the foremost guideline in the world, was used in the preparation of sustainability reports.

As an indicator of the fact that we prioritize solutions that minimize environmental and social risks in all our operations, the Sustainability Report level for the 2013 period was raised to B. The report for the 2014 period will be published in accordance with GRI-G4 Principles.

Investing with environmental consciousness, Akenerji raised its 2013 "Sustainability Report" level to B.

Integrated Management Systems

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

- ISO 9001: 2008 Quality Management System Certificate
- ISO 14001: 2004 Environmental Management System Certificate
- OHSAS 18001: 2007 Occupational Health and Safety Management System Certificate

The Bozüyük and Kemalpaşa Power Plants were excluded from the scope of certification since they were closed in 2014 due to current market conditions. "Zero non-compliance" was achieved in the Quality, Environmental and OHS External Audit performed in 2014. The Feke I, Himmetli and Gökkaya Power Plants, which became operational at the end of 2012, were involved in the certification auditing, and then included in the scope of certification. As a result, our 10 locations (Headquarters and the Ayyıldız, Uluabat, Akocak, Burç, Bulam, Feke 2, Feke I, Himmetli, Gökkaya Power Plants) hold the Integrated Management Systems certification as of the end of 2014, and their sustainability continues.

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

Headquarters, Ayyıldız Wind Power Plant, Uluabat Hydroelectric Power Plant, Akocak Hydroelectric Power Plant

Locations with Certification within Akkur Enerji Üretim Tic. ve San. A.Ş.:

Burç Bendi Hydroelectric Power Plant, Feke II Hydroelectric Power Plant, Feke I Power Plant

Locations with Certification within Mem Enerji Elektrik Üretim San. ve Tic. A.Ş.:

Bulam Hydroelectric Power Plant, Himmetli Hydroelectric Power Plant, Gökkaya Hydroelectric 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.

Considering their total generation capacity, Akenerji's current renewable energy power plants could create a benefit equivalent to the clean air produced by approximately 42.2 million trees.

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.

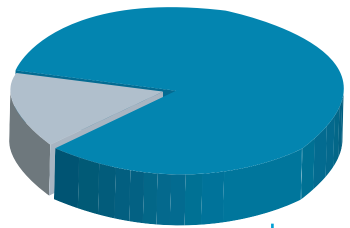
In 2014, as a result of Akenerji's waste management efforts, over 200 tons of waste was recycled or disposed of.

As in previous years, waste batteries were collected separately from other waste at Akhan, the Company's headquarters, in 2014. All employees of Akenerji and its subsidiaries lent their full support to the collection of waste batteries. As a result, a total of 19 kg of waste batteries were collected from Akhan and the plants, and sent to the Portable Battery Manufacturers and Importers Association (TAP) in 2014.

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 2014, too. During the last year, approximately 1,100 kg of waste paper and packaging was collected from all Akenerji plants and 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 2014. 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. This company also plants saplings in the name of the Company with the assistance of TEMA. By the end of 2014, approximately 27 kg of electronic waste was recycled from Akhan and Akenerji Power Plants, 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, the Akenerji Environmental Management Unit organizes various training programs on environmental legislation and waste management at the Headquarters and onsite. Several seminars took place at all work sites in 2014, with the purpose of informing and awareness raising through training on Reporting Environmental Incidents and Complaints, about what should be done in the event of a possible environmental incident. Subsequent to these training sessions, Environmental Incident Drills were conducted within the scope of ISO 14001 at all sites. Thus, employee intervention in the event of any environmental incident was observed, and the adequacy of the intervention methods was reported.

Hazardous and Non-hazardous Waste



The graphs' data are collected from Çerkezköy, Bozüyük, Kemalpaşa, Ayyıldız, Uluabat, Akocak, Burç, Bulam, Feke II, Himmetli, Feke I, Gökkaya plants and Central Office Akhan.

Social Responsibility

In all of its activities, Akenerji is committed to the social, cultural and economic wealth of the public. Akenerji's nationwide corporate social responsibility projects set an example for its subsidiaries and inspires them to create a brighter future. The Company's subsidiaries participate to a great extent in education, environment and culture & arts projects organized by Akenerji.

Following the signing of the United Nations Global Compact by the Akkök Holding in 2007, Akenerji was included in the first Global Compact Progress Report, covering the period 2008 to 2009. Thus, the Company, performing its activities in accordance with openness, honesty and transparency in addition to the activities organized for the employees, had the chance to share its social responsibility projects throughout Turkey.

Educational Support from Egemer to Erzin

In 2013, Egemer Elektrik Üretim A.Ş. completed construction of the Egemer Elektrik Üretim A.Ş. Şehit Uğur Ekiz Technical High School in Erzin, Hatay; TL 2.7 million was invested for the construction of the school designed according to European Union standards. The building covers an area of 40,000 square meters; it was finished in time for the 2013-2014 academic year.

Video Training Project for Visitors to Akenerji

The Video Training Project was initiated in 2011 to inform interns, contractors or other visitors to the power plants about electricity generation, environmental legislation and OHS regulations. With the completion of this project in 2012, visitors to hydroelectric, natural gas and wind power plants have the opportunity to watch videos about all of these issues. The Video Training Project continued into 2014. This project received third prize in Environment in the Corporate Social Responsibility category at the competition organized by the Aegean Region Chamber of Industry (EBSO).

Projects Initiated with an Environmental Consciousness

With an attentive, responsive, and trust-based management approach, Akenerji has implemented some practices for raising awareness among the local people, and protecting them from potential hazards in the regions where the power plants are established. Booklets and posters including potential hazards pertaining to the HEPPs and preventive measures have been prepared in this context.

These booklets and posters were distributed to public places such as the local mukhtars' offices, schools, municipalities, teahouses and aviation facilities around the HEPPs. Approximately 1,700 booklets and 400 posters have been delivered to communities in Trabzon, Adıyaman, Bursa and Adana in recent years. Akenerji plans to distribute more of these materials to a larger number of provinces in the coming years.

HEPP Informative Presentations were organized in primary and secondary schools located around our power plants in Adana, in order to raise the awareness of the local people in the region around the HEPPs as of the end of December 2013. The functioning of the hydroelectric power plants, and the personal security measures students should take in their daily lives, were explained in these meetings, attended by 353 students and 23 teachers.

In 2014, the same presentations were organized in June for Akocak HEPP, attended by 450 students and 20 teachers, and in November for Bulam Hydroelectric Power Plant in Adıyaman, with 68 students and 8 teachers, in addition to the presentation held with 155 students and 10 teachers for Burç Hydroelectric Power Plant.

Creating environmental consciousness and social awareness in the projects implemented is a priority task, and an indispensable responsibility for Akenerji.

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 in terms of performance and competence, and enhance efficiency by generating 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.*

Akenerji believes that personal and professional development should be a lifelong undertaking, and supports its employees in this regard.

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.

Akenerji believes that personal and professional development should be a lifelong undertaking, and supports its employees in this regard. Each employee of the Akenerji family works in an environment where he/she can develop him/herself in a personal and professional sense, and can enrich the organization with his/her ideas.

Employees' training and development needs are identified through talent assessment and management, and performance evaluation processes carried out by Akenerji's Human Resources Department. Thus, opportunities are provided for the personal and professional development of each employee. Employees are also encouraged to participate in training programs, symposiums, panel discussions, conferences, seminars, exhibitions, fairs and industrial meetings. Thanks to the emphasis placed on education, Akenerji gathers under its umbrella individuals who can take initiative, express their thoughts explicitly and clearly, and add value to the organization with their creativity.

With the aim of serving our strategy and goals, during the employee selection and recruitment process we focus on recruiting candidates who are eligible in terms of conformity 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 processes, we use contemporary assessment systems to support taking the most objective decisions, and thus recruiting the right person for the right job.

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.

Our aim in employee development planning is to achieve continuous learning, development, and business results. The results of the 360-degree feedback process, which was applied by the end of 2013 and is a significant opportunity for measuring the competencies of our employees, was shared with the employees during 2014. The feedback meetings are planned to continue in 2015.

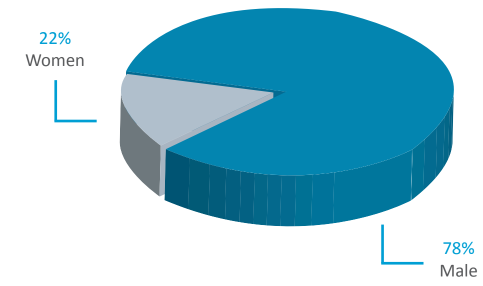
The Company focused on the development of middle managers in 2014, and 10 of our managers were involved in the development program, organized with the collaboration of Sabancı University, within the framework of the Executive Development Program. Similarly, we participated at management and specialist level in the finance-oriented simulation program, Managing Today's Enterprises.

Employee training began to be provided on Akenerji's Code of Ethics in the second half of 2014. A total of 110 employees in all Akenerji sites have been included in these training sessions. Informative training to be provided to the Headquarters staff is scheduled for completion during 2015.

Another of the activities carried out in 2014 was the Employee Satisfaction Survey. It was aimed to measure the expectations and requirements of our employees about the Company through the survey, which was conducted with a considerable proportion of the employees. New action plans, to be extended to the following periods, are being prepared regarding the expectations and requirements analyzed as a result of the survey.

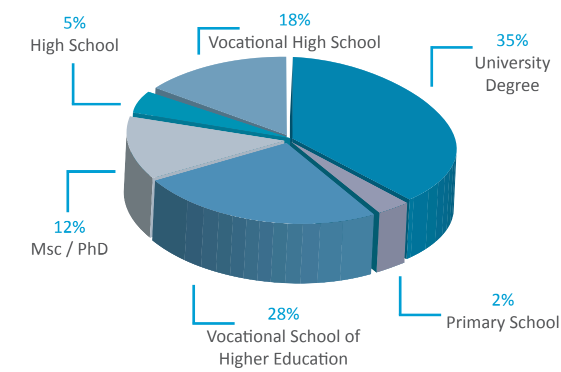
Showing ultimate attention to recruit equipped and creative individuals, who can take initiative, Akenerji employs 255 people as of the end of 2014. Employee distribution in terms of gender and education level are detailed in the attached charts.

Gender Distribution



*as of December 31, 2014

Education Level



*as of December 31, 2014

CORPORATE GOVERNANCE
BOARD OF DIRECTORS

Mehmet Ali Berkman
Chairman of the Board of Directors

Born in Malatya in 1943, Mehmet Ali Berkman graduated from Middle East Technical University, Faculty of Administrative Sciences, Department of Industrial Management. After wards, he obtained an MBA in Operations Research from Syracuse University (USA). Mr. Berkman joined Koç Group in 1972, and assumed the role of General Manager in MAKO, Uniroyal, DÖKTAŞ and Arçelik respectively. Subsequently he worked as Head of Strategic Planning, Human Resources and Industrial Relations, and left the Group on December 31, 2003 due to the Group's retirement policy. In September 2005, he assumed the position of Member of the Board of Directors and Chairman of the Executive Board of Akkök Holding A.Ş. He also served as Member and Chairman of the Boards of Directors of other Group companies. On January 1, 2013, Mr. Berkman stepped down from his position as Chairman of the Executive Board, and he continues to serve as Advisor to the Executive Board of Akkök Holding. Mr. Berkman is also Member and Chairman of the Boards of Directors of other Group companies.

Tomáš Pleskač
Vice Chairman of the Board of Directors

Born in 1966, Tomaš 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 at the ČEZ, a. s. He became a Division International Chief Officer (in January 2008) and Division Distribution and International Affairs Chief Officer (in April 2012). Following to transformation Mr. Pleskač leads Division International since May 1, 2014.

Mr. Pleskač is member of the Board of Directors at Akenerji since May 2009. Currently his holds a position of Deputy Chairman of the Board of Directors at Akenerji.

Raif Ali Dinçkök
Member of the Board of Directors

Born in Istanbul in 1971, Raif Ali Dinçkök graduated from Boston University (USA), Department of Business Administration in 1993, and subsequently started working at Akkök Holding. He worked in the Purchasing Department of Ak-Al Tekstil San. A.Ş. between 1994 and 2000, and later served as Coordinator at Akenerji Elektrik Üretim A.Ş. from 2000 to 2003. Mr. Dinçkök is currently a Member of the Board of Directors and the Executive Board of Akkök Holding A.Ş. He also serves on the Boards of Directors at various Akkök Holding companies.

The Board of Directors of Akenerji was selected at the 2012 Ordinary General Assembly Meeting held on June 27, 2013, pursuant to the Turkish Commercial Code and the Capital Market Legislation, to serve for three years.

Ahmet Cemal Dördüncü
Member 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.

Martin Pacovský
Member of the Board of Directors

Martin Pacovský graduated from Prague Economics University, Department of Finance and Accounting and received his Master's degree from Rochester Technology Institute. Mr. Pacovský served as Senior Executive and CFO at Laufen CZ, s.r.o. between 2000 and 2002 and as a Member of the Board of Directors and CFO at NKT Cables, a.s. between 2002 and 2005. Since 2005, Mr. Pacovský has assumed various senior executive positions at the ČEZ Group where he was holding a position of the Head of the International Operations Department between February 2010 and December 2013. Mr. Pacovský is a member of the Board of Directors of Akenerji since January 1, 2012.

Peter Bodnár
Member of the Board of Directors

Peter Bodnár was born in 1960 and graduated from the Mechanical Engineering Department at the Slovak University of Technology in Bratislava in 1984. After 1992, he served as senior executive in companies such as Istroenergo Group, Alstom and Skoda Holding and in June 2007 was appointed as Manager of Quality and Processes Enhancement Section and managed the restructuring of CEZ. In January 2008, Mr. Bodnár became Chief Investment Officer at the ČEZ Group and has served as a Member of the Board of Directors between August 2009 and November 2013. Mr. Bodnár is General Manager and Chairman of the Board of Directors of Škoda Praha a.s. since May, 2014.

CORPORATE GOVERNANCE
BOARD OF DIRECTORS

Petr Štulc
Member of the Board of Directors

Petr Štulc joined ČEZ in 2004. He worked in multiple positions, since 2014 as Director of Corporate Development. Petr is member of Supevisory Boards of Veolia Energie ČR, a.s., JESS, a.s. and ČEZ Distribuce, a.s., acts as Vice-chair of OECD BIAC Energy Committee and member of Energy Policy & Generation Committee in Eurelectric. Prior to joining ČEZ, he worked as consultant in McKinsey and researcher in the Czech Academy of Sciences and University of Utah. Petr completed PhD in 1995 and master's degree in 1992, both in geophysics at Charles University in Prague.

H. Yaman Akar
Member of the Board of Directors

H. Yaman Akar was born in 1952 in Istanbul, graduated from Robert College, and earned undergraduate and MSc degrees from Middle East Technical University, Department of Mechanical Engineering. Having started his career as Chief Engineer at the Turkish Electricity Administration in 1975, Mr. Akar joined Çukurova Elektrik A.Ş. (ÇEAŞ) in 1981 and assumed the position of Assistant General Manager at Enerjisa between 1997 and 1999 and General Manager at the same Company between 1999 and 2004. Mr. Akar has served as the partner and executive of Yaman Enerji Danışmanlık Ltd. Şti, a company providing consultancy and project management support related to strategy, portfolio, agreements and similar topics to energy companies, including Anadolu Holding, Borusan Holding, Zorlu Enerji, Sanko Holding and Akçansa since 2004.

Ahmet Ümit Danışman
Member of the Board of Directors /
General Manager

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. Since January 2008, he has served Akenerji Elektrik Üretim A.Ş. as General Manager, and a Member of the Boards of Directors of subsidiary companies. He has also been a member of the Executive Board at Akkök Sanayi Yatırım ve Geliştirme A.Ş. since December 2011.

Vratislav Domalíp
Member of the Board of Directors /
Deputy General Manager

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 ČEZ Bulgaria as COO, before being appointed as Akenerji Turkey Country Manager and Deputy General Manager, where he served till the end of 2014.

Hakan Akbaş
Independent Member of the Board
of Directors

Hakan Akbaş graduated from Galatasaray High School, followed by the Department of Industrial Engineering at Boğaziçi University and completed his MBA with scholarship at Simon School of Rochester University, USA. In 1995, he began his career at Xerox Corporation, USA, served as executive at many international companies and then joined Sabancı Holding as head of the Strategy & Business development Group and Member of the Executive Board of the Holding Company. Mr. Akbaş assumed the position of Head of the Insurance Services Group and Chairman of the Board of Directors and served as a member of Board of Directors at 10 different companies of the Group. Mr. Akbaş founded the Global Dealings Group Company in the USA in 2011. Besides being the Company's Founder and Managing Partner, Mr. Akbaş has served as Chief Consultant at Albright Stonebridge Group since January 2011.

Jiří Schwarz
Independent Member of the Board
of Directors

Jiři Schwarz earned his PhD degree from Prague Economics University in 1993 and was appointed as a member of the Board of Directors of the Economics and Tax Surveys Institute at Luxembourg in 2006. Between 2003 and 2010, Mr. Schwarz served as a member of the Advisory Board of the Energy Regulatory Agency of the Czech Republic and also as the dean of the Economics and Public Administration at Prague University. He was appointed as a member of the National Economics Board of the Czech Republic during the Czech Presidency of the European Union. Being re-elected for the latter position to serve between 2010 and 2014, Mr. Schwarz has assumed the position as the Chairman of the Foreign Affairs Committee of the Investment Companies and Funds Association of the Czech Republic since 1995. He is currently serving as a member of the Board of Directors at Rybařstvi Přerov a.s., S.p.M.B. a.s. and Ustav pro vyzkum a využiti paliv a.s. joint stock companies and as Associate Professor in the Department of Economics at Prague University.

CORPORATE GOVERNANCE
EXECUTIVE MANAGEMENT

Jindrich Weiss
Assistant General Manager - Accounting and Finance

Born in 1960 in the Czech Republic, Mr. Jindrich Weiss started his professional career as an analyst in 1992. After working as a production analyst and consultant, he was involved in banking at Živnostenská Bank, where he specialized in investments, until 2001. Having served as a consultant in the energy sector as of 2001, Mr. Jindrich Weiss served as Head of Tariff and Analysis Department at the ČEZ Group from 2004 to 2010, and then as Assistant General Manager of Accounting and Finance at Akenerji Elektrik Üretim A.Ş. from September 2010 to December 2014. He earned an undergraduate degree in Mathematics at Charles University, and then he studied Chemistry at the Czechoslovak Academy of Sciences and Banking at Sweden Banking School. He completed his academic studies with an MBA at the University of Pittsburg.

M. Selim Güven
Assistant General Manager - Trading

Born in 1972 in Izmir, Mr. M. Selim Güven started his career in 1998 at American Ref-Fuel Company, where he served in various roles until 2004. He worked as Business Development Manager for one year at Teknoloji Holding, and then as Project Manager at Doğuş Holding between 2006 and 2008. Having started his Akenerji Elektrik Üretim A.Ş. career as Director of Strategic Planning and Business Development in 2008, Mr. Güven was then appointed Director of Energy Trading and Strategic Planning in 2011. He served as Assistant General Manager of Energy Trading and Strategic Planning from 2012 to March 2014, and he has been serving as Assistant General Manager of Trading since that time. Mr. Güven graduated from the Department of Mechanical Engineering at Istanbul Technical University, and received his Masters with an MBA at Hofstra University.

Serhan Gencer
Assistant General Manager - Production

Born in 1975 in Istanbul, Mr. Serhan Gencer 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. Having started his Akenerji Elektrik Üretim A.Ş. career as Hatay Project Manager in 2009, Mr. Gencer served as Assistant General Manager of Power Plants Operation and Maintenance from 2013 to March 2014. He has been serving as Assistant General Manager of Production since then. Mr. Gencer also served as General Manager of Egemer Elektrik Üretim A.Ş. from 2011 until the project was completed. Mr. Gencer graduated from the Department of Mechanical Engineering at Middle East Technical University.

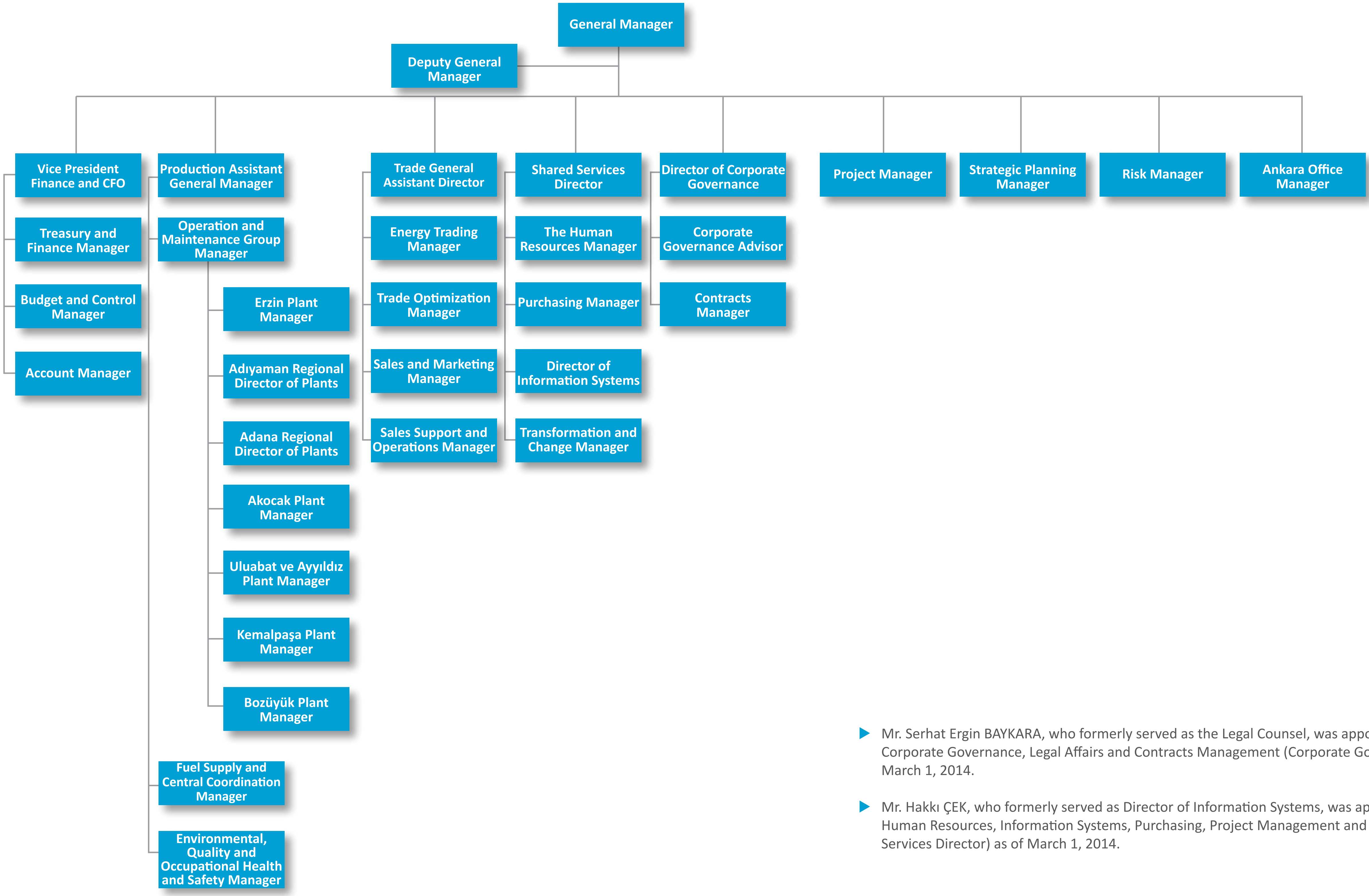
İ. Hakkı Çek
Common Services Director

Born in 1962 in Rotterdam, Mr. İ. Hakkı Çek 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. Mr. Çek is a graduate of the Department of Economics at Boğaziçi University.

S. Ergin Baykara
Corporate Governance Director

Born in 1972 in Ankara, Mr. S. Ergin Baykara 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 2, 2009 as Legal Counsel, and he was appointed Corporate Governance Director on March 1, 2014. Mr. Baykara is a graduate of the Faculty of Law at Marmara University.

ORGANIZATIONAL STRUCTURE



- Mr. Serhat Ergin BAYKARA, who formerly served as the Legal Counsel, was appointed Director in charge of Corporate Governance, Legal Affairs and Contracts Management (Corporate Governance Director) as of March 1, 2014.
- Mr. Hakkı ÇEK, who formerly served as Director of Information Systems, was appointed Director in charge of Human Resources, Information Systems, Purchasing, Project Management and Process Development (Common Services Director) as of March 1, 2014.

CORPORATE GOVERNANCE
INDEPENDENCY STATEMENT FOR INDEPENDENT BOARD MEMBERS

AKENERJİ ELEKTRİK ÜRETİM A.Ş. BOARD OF DIRECTORS CHAIRMANSHIP
SUBJECT: Independency Statement
DATE: June 14, 2013

Within the framework of the Capital Market Board's Communiqué on the Determination and Implementation of Corporate Governance Principles (Serial: IV, No: 56), the Articles of Association of Akenerji Elektrik Üretim Anonim Şirketi and the principles stipulated in other relevant legislation, I hereby acknowledge and declare that:

- No relationship of direct or indirect interest has been established in the last five years between Akenerji Elektrik Üretim Anonim Şirketi or its affiliate, subsidiary or intra-group companies and myself, my spouse and my relatives by blood and marriage up to the third degree with regard to employment, capital or business – with the exception of my stint as Independent Member of the Board of Directors of Akenerji Elektrik Üretim Anonim Şirketi since June 20, 2012,

- I do not represent a certain share group,

- I have not worked for the companies that act as an auditor and consultant of or which execute any or all parts of business and organization of Akenerji Elektrik Üretim Anonim Şirketi and assumed management positions in the organizations and entities of this nature in the last five years,

- I have not been employed by the organizations that performed the independent audit of Akenerji Elektrik Üretim Anonim Şirketi and participated in the independent audit process in the last five years,

- I have not been previously employed by, or hold a managerial position of a firm providing significant amounts of services and products to Akenerji Elektrik Üretim Anonim Şirketi within the last five years,

- My spouse and none of my relatives by blood and marriage up to the third degree have acted as manager and shareholder of more than 5% of the total capital of or any manager that otherwise controls the management of and that has influence over the control of Akenerji Elektrik Üretim Anonim Şirketi,

- I do not earn any income other than the fee for membership on the Board of Directors of and the benefits from Akenerji Elektrik Üretim Anonim Şirketi as permitted in accordance with the provisions of the Articles of Association and also if I am a shareholder due to my membership on Board of Directors, I do not possess more than 1% share and such share is not privileged,

- I am considered a resident in Turkey in terms of the Income Tax Law,

- I do not work full-time in a public entity or organization on the date of my candidacy and I will not work for them during my tenure if I am appointed,

- I possess strong ethical standards, professional reputation and experience that can positively contribute to the activities of the Company to protect my objectivity in case of conflicts of interest between shareholders of the Company and make free decisions by taking into consideration the rights of stakeholders.

And therefore, I affirm that I am a candidate to assume the role of Independent Member of the Board of Directors of Akenerji Elektrik Uretim Anonim Şirketi and that I will inform the Board of Directors of any possible change that might eradicate my objectivity so that such change can be publicly disclosed in accordance with the relevant legislation and that I will principally resume from my duty in such case.

Kind regards,

Name Surname: **Hakan Akbaş**

AKENERJİ ELEKTRİK ÜRETİM A.Ş. BOARD OF DIRECTORS CHAIRMANSHIP
SUBJECT: Independency Statement
DATE: June 14, 2013

Within the framework of the Capital Market Board's Communiqué on the Determination and Implementation of Corporate Governance Principles (Serial: IV, No: 56), the Articles of Association of Akenerji Elektrik Üretim Anonim Şirketi and the principles stipulated in other relevant legislation, I hereby acknowledge and declare that:

- No relationship of direct or indirect interest has been established in the last five years between Akenerji Elektrik Üretim Anonim Şirketi or its affiliate, subsidiary or intra-group companies and myself, my spouse and my relatives by blood and marriage up to the third degree with regard to employment, capital or business – with the exception of my stint as Independent Member of the Board of Directors of Akenerji Elektrik Üretim Anonim Şirketi since June 20, 2012,

- I do not represent a certain share group,

- I have not worked for the companies that act as an auditor and consultant of or which execute any or all parts of business and organization of Akenerji Elektrik Üretim Anonim Şirketi and assumed management positions in the organizations and entities of this nature in the last five years,

- I have not been employed by the organizations that performed the independent audit of Akenerji Elektrik Üretim Anonim Şirketi and participated in the independent audit process in the last five years,

- I have not been previously employed by, or hold a managerial position of a firm providing significant amounts of services and products to Akenerji Elektrik Üretim Anonim Şirketi within the last five years,

- My spouse and none of my relatives by blood and marriage up to the third degree have acted as manager and shareholder of more than 5% of the total capital of or any manager that otherwise controls the management of and that has influence over the control of Akenerji Elektrik Üretim Anonim Şirketi,

- I do not earn any income other than the fee for membership on the Board of Directors of and the benefits from Akenerji Elektrik Üretim Anonim Şirketi as permitted in accordance with the provisions of the Articles of Association and also if I am a shareholder due to my membership on Board of Directors, I do not possess more than 1% share and such share is not privileged,

- I do not work full-time in a public entity or organization on the date of my candidacy and I will not work for them during my tenure if I am appointed,

- I possess strong ethical standards, professional reputation and experience that can positively contribute to the activities of the Company to protect my objectivity in case of conflicts of interest between shareholders of the Company and make free decisions by taking into consideration the rights of stakeholders.

And therefore, I affirm that I am a candidate to assume the role of Independent Member of the Board of Directors of Akenerji Elektrik Uretim Anonim Şirketi and that I will inform the Board of Directors of any possible change that might eradicate my objectivity so that such change can be publicly disclosed in accordance with the relevant legislation and that I will principally resume from my duty in such case.

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. 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 2014, 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.

In 2014, the Committee reported 6 (six) times to the Board of Directors within the scope of all these responsibilities. 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 2014, 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 is 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. Having submitted its reports prepared on a bimonthly basis to the Board of Directors, the Committee reviews the risk management systems at least once a year.

CORPORATE GOVERNANCE

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."

Justifications for the unimplemented advisory Corporate Governance Principles:

The Company's Corporate Governance Committee continues its efforts to improve corporate governance practices. Apart from the currently implemented ones, the unimplemented principles haven't caused any conflict of interest among the stakeholders so far, and the Company conducts meticulous studies on adaptation.

• Referring to "Corporate Governance Principle" 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 Principle" 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 Principle" 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.

• Referring to "Corporate Governance Principle" 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 General Manager serves as a Member of the Board of Directors at the same time. Duties and powers of the Chairman of the Board of Directors and the General Manager are separated by being defined clearly in the company's organizational chart. No one in the Company is entrusted with unlimited authority to decide on an individual basis.

• Referring to "Corporate Governance Principle" 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.

• Referring to "Corporate Governance Principle" No. 4.3.9, no female candidate was nominated at the Company's General Assembly by the Company shareholders for membership of the Board of Directors. As such, there is no female member on our Board of Directors. 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 Principle" 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 Principle" 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 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 Principle" 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.

SECTION II- SHAREHOLDERS

2.1. Investor Relation Department

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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.

Özge Özen
Treasury and Financial Manager
Phone: +90 212 249 82 82/21109
e-mail: oozen@akenerji.com.tr

Nilüfer Aydoğan
Budget and Control Manager
Phone: +90 212 249 82 82/21130
e-mail: naltintasi@akenerji.com.tr

Investor Relations Department
Phone: +90 212 249 82 82
Fax: +90 212 249 73 55
e-mail: info@akenerji.com.tr

Ms. Özge Özen, Investor Relations Department executive and Treasury and Finance Manager 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.

In 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.

In 2014, 30 of the questions from our individual investors were answered via e-mail, while 57 of them were answered by phone. 121 of the questions posed by the analysts were answered via e-mail, while 56 were answered by phone.

In 2014, one to one meetings were held with 9 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, 35 "Material Event Disclosures" were made in 2014 to ensure that stakeholders, mainly shareholders, and other related parties were informed in a timely manner.

The report concerning the activities carried out in 2014, 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 February 26, 2015.

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.

The Information Policy published on the Company's website includes information to be disclosed to the public other than that stipulated by legislation, as well as how, at what frequency, and in what ways this information shall be disclosed to the public, how often the Board of Directors or managers should meet with the press, how often meetings should be held in order to inform the public, what method should be followed in replying to questions directed to the Company, and similar issues.

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 2014.

2.3. General Assembly Meetings

In addition to the procedures stipulated by legislation, the announcement of the 2013 Ordinary General Assembly meeting, held on March 31, 2014, 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. On the Company website, all notifications and explanations required by legislation were announced, together with the announcement of the Ordinary General Assembly meeting for the year 2012, dated 27 June 2013, and of the Extraordinary General Assembly meeting dated 13 December 2013. 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 2013 Ordinary General Assembly meeting dated March 31, 2014 communicated in writing by the shareholders to the Company's Investor Relations Department to be included in the agenda.

In 2014, 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. 56,154,051,512 shares out of 72,916,400,000 shares (77.011%), representing the capital of the Company, were represented in the Ordinary General Assembly meeting held on March 31, 2014. 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. Due to the fact that some of the questions posed were not related to the agenda or were too extensive to be answered immediately, the questions of the relevant investors were answered, pursuant to Article 1.3.5 of the Capital Markets Board's (CMB) Corporate Governance Communiqué Serial: II-17.1, in written form by the Investor Relations Department on April 14, 2014. All the questions posed during the General Assembly meeting, and the answers given to these questions, were announced to the public on April 29, 2014 by the Investor Relations Department on the Company's website, www.akenerji.com.tr, and in the Public Disclosure Platform (PDP).

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

CORPORATE GOVERNANCE
CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

present at the Company's 2013 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 2013 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 2014, 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 was submitted for the information of the General Assembly and was approved by the shareholders at the 2013 General Assembly meeting. The Policy was announced to the public on the corporate website and was 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.

The Company's consolidated financial statements, which have been prepared in accordance with the provisions of the Capital Market legislation, reflect net period loss amounting to TL 127,081,836.00, and the unconsolidated financial statement, which has been presented in accordance with the provisions of the Tax Procedure Law, reflects net period profit amounting to TL 55,210,178.97.

It was decided;

1- To reserve in accounts net period loss amounting to TL 127,081,836.00 reflected in the consolidated financial statements, which have been prepared in accordance with the provisions of the Capital Market legislation,

2- Not to distribute net period profit amounting to TL 55,210,178.97 (profit after tax) reflected in the unconsolidated financial statement, which has been presented in accordance with the provisions of the Tax Procedure Law, and set off against the losses of previous years.

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 www.akenerji.com.tr website is actively used to inform the public. The address of the website is included in the Company letterhead.

The Company's website is designed and updated in accordance with Article 2.1.1 of the Capital Markets Board's (CMB) Corporate Governance Communiqué Serial: II-17.1, the Turkish commercial Code, and relevant secondary legislation. Also, any stakeholders who wish to obtain more information on the Company can access Company officers through the e-mail address, info@akenerji.com.tr.

The shareholding structure of the Company and the names of shareholders are disclosed on the Company website in a manner that displays their respective amount and rate of shares held.

Basic information contained on the website is also prepared in English for the use of international investors. In addition, those international investors who require further information on the Company can access company officers via the info@akenerji.com.tr electronic mail address.

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.

In addition to the matters specified in the legislation and the other sections of the Corporate Governance Principles, the annual reports include information on;

a) Duties undertaken by the members and executives of the Board of Directors outside of the Company, and statements of independence of the independent Board members,

b) Operating principles of the committees formed within the Board of Directors, including committee members, meeting frequency, and the activities they carry out, as well as the Board of Directors' assessment on the effectiveness of the committees,

c) Number of meetings of the Board of Directors, and the attendance performance of the members of the Board of Directors at the aforementioned meetings,

d) Amendments to legislation that might materially affect the Company's operations,

e) Material lawsuits brought against the Company, and the possible results,

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f) Conflicts of interest between the Company and institutions which provide services concerning subjects such as investment consultancy and rating, and the measures taken by the Company to prevent such conflicts,

g) Reciprocal shareholdings with a direct capital participation rate exceeding 5%,

g) Corporate social responsibility activities regarding Company activities that have social and environmental results, such as social rights and vocational training for employees.

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, 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 2014.

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 ISO 9001: 2008 Quality Management System, ISO 14001: 2004 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. 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.

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:

- Organizational development,
- Equal opportunities for everyone,
- Selection and placement,
- Recruiting and assigning the right person for the right job,
- Wage management,
- Paying the same wage for the same job/the impact of performance and competence,
- Performance management,
- Making assessments based on achievements,
- Awarding,
- Recognizing and appreciating on a timely basis,
- Industrial relations,
- Increasing efficiency ensuring the continuity of the labor peace,
- Communication,
- Punctually providing correct information, introducing business processes and making necessary organizations.

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.

During the employment and assignment of employees, the human resources policy is geared at bringing into the Company those candidates likely to move the Company forward, who are suitable for the Company culture and values, and who have the knowledge, skills, experience and qualities required for the job/position, thereby serving the strategies and targets of the Company. The policy follows the principle of selecting the right employee for the right job through contemporary evaluation systems that support objectivity in employment and assignment processes.

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.

Performance and reward criteria of the Company's employees are announced to the staff together with the job descriptions and distribution.

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.

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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.

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.

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.

There have not been any complaints made by the Company employees on the issue of discrimination.

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.

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 Power Plants) hold the Integrated Management Systems certification as of the end of 2014. The certification processes were initiated within the scope of Integrated Management Systems, and internal audits were conducted at the Erzin Natural Gas Combined Cycle Power Plant, which became operational towards the end of 2014. In 2015, the Erzin NGCCPP will be audited for certification.

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

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 680,552.00 for donations and aid to various associations and foundations, in 2014.

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 12 members, including 2 (two) independent, 2 (two) executive and 8 (eight) non-executive members. The CVs (Curriculum Vitae) of the members of the Board of Directors are presented in the Company's annual report.

Board of Directors (as of December 31, 2014)

Name Surname	Title	Date of Appointment	Term
Mehmet Ali BERKMAN	Chairman of the Board (Non-Executive)	27.06.2013	3 Year
Tomas PLESKAC	Vice Chairman of the Board (Non-Executive)	27.06.2013	3 Year
Ahmet Cemal DÖRDÜNCÜ	Board Member(Non-Executive)	27.06.2013	3 Year
Petr STULC	Board Member (Non-Executive)	27.06.2013	3 Year
Hamdi Yaman AKAR	Board Member (Non-Executive)	27.06.2013	3 Year
Peter BODNAR	Board Member (Non-Executive)	27.06.2013	3 Year
Raif Ali DİNÇKÖK	Board Member (Non-Executive)	27.06.2013	3 Year
Martin PACOVSKY	Board Member (Non-Executive)	27.06.2013	3 Year
Ahmet Ümit DANIŞMAN	Board Member/General Manager	27.06.2013	3 Year
Vratislav DOMALİP	Board Member/Deputy General Manager	27.06.2013	3 Year
Hakan AKBAŞ	Independent Board Member	27.06.2013	3 Year
Jiri SCHWARZ	Independent Board Member	27.06.2013	3 Year

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 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.

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.

The Corporate Governance Committee, acting as the Nomination Committee, submitted Hakan Akbaş and Jiři Schwarz for the approval of the Board of Directors as Independent Members of the Board of Directors on June 5, 2013, with the report dated June 4, 2013, which was prepared upon their assessments by taking into consideration whether these persons satisfy the independency criteria or not.

The Independency Statements of our independent members of the Board of Directors are included in the Annual Report. In 2014, there was no condition terminating the independency of the Independent Members.

No female candidates were nominated at the Company's General Assembly, at which the members of the Board of Directors were elected, by the shareholders of the Company for membership of the Board of Directors. Thus, there is no female member on our Board of Directors. 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 General Manager of the Company and the Chairman of the Board of Directors are different persons. The General Manager is also a Member of the Board of Directors.

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.

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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 four times a year in any case. Within the 2014 activity year, the Board of Directors convened five times.A total of 48 resolutions were taken by the Board of Directors in 2014. 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 2013 meetings, none of the members of the Board of Directors cast dissenting votes for any resolutions.

In 2013, weighted voting rights or negative veto rights were not bestowed to the members of the Board of Directors.

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

Committee in Charge of Audit

Name Surname	Title
Hakan AKBAŞ	Chairman of the committee
Jiri SCHWARZ	Member of the committee

Corporate Governance Committee

Name Surname	Title
Jiri SCHWARZ	Chairman of the committee
Hamdi Yaman AKAR	Member of the committee
Jindřich WEISS	Member of the committee
Serhat Ergin BAYKARA	Member of the committee
Özge ÖZEN	Member of the committee
Vakhtang DARCHIASHVILI	Member of the committee

Early Risk Determination Committee

Name Surname	Title
Hakan AKBAŞ	Chairman of the committee
Jiri SCHWARZ	Member of the committee

The Company's Board of Directors has reviewed the structures and activities of the existing committees in the framework of the provisions of the Corporate Governance Communiqué of the Capital Markets Board, and has established the Audit Committee, Early Detection of Risk Committee and Corporate Governance Committee. The duties and responsibilities of the Nomination Committee and Remuneration Committee are carried out by the Corporate Governance Committee.

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. The Investor Relations Department executive, Ms. Özge Özen, 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.

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 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 Early Detection of Risk Committee is 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. The Committee reviews the risk management systems once a year. In 2014, the Company's Audit Committee convened 6 times, the Corporate Governance Committee convened once and the Early Detection of Risk Committee convened 6 times. The Committees carried out their activities on issues related to their duties.

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.

A Risk Management Committee was established on October 24, 2013 pursuant to Article 378 of the Turkish Commercial Code No. 6102, to ensure the effective functioning of the committees within the Board of Directors, for the purposes of 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.

The Committee holds meetings every 2 (two) months and offers advice and recommendations to the Board of Directors upon early detection of any kind of strategic, financial, operational, etc. risks that may affect the Company, assessment of these risks, evaluation of their impact and probability, management and reporting of these risks in accordance with the Company's corporate risk-taking profile, implementation of the necessary measures in relation to the risks identified, consideration of these risks in decision-making mechanisms, and establishment and integration of effective internal control systems in this regard. The effectiveness of risk management and internal control systems of the Company is reviewed at least once a year by the Early Detection of Risk Committee.

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

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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.

The Internal Audit team comes into contact with the independent auditors when necessary within the scope of audit activities, and occasionally performs common process controls with independent auditors.

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.

5.6. Financial Rights

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, 2014 and 2013 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. In 2014, the total amount of allowances including travel, lodging and representation expenses, benefits in-kind and in cash, insurance and similar payments provided to the senior executives and the members of the Board of Directors was TL 245,476.

CORPORATE GOVERNANCE
MAJOR DEVELOPMENTS IN THE PAST YEAR

General Assembly

The Ordinary General Assembly Meeting of the Company for the year 2013 was held on March 31, 2014. Shareholders representing 77.011% of the Company's capital attended the meeting. Shareholders exercised their right to pose questions to the Company management and no motion outside the agenda was presented.

Launching of the Erzin Natural Gas Combined Cycle Power Plant

Provisional acceptance of the 904 MW-installed capacity Erzin Natural Gas Combined Cycle Power Plant, construction of which began in October 2011, by the Republic of Turkey Ministry of Energy and Natural Resources has been completed in all units, and the plant started business operations at full capacity as of June 5, 2014.

Shutdown of the Kemalpaşa Natural Gas Combined Cycle Power Plant

It has been decided to halt the activities of the Natural Gas Combined Cycle Power Plant located in the Kemalpaşa District of Izmir Province and operating with electricity generation license No. EÜ 468-4/527 granted by the Republic of Turkey Energy Market Regulatory Authority (EMRA), in 2014, in light of current and expected market conditions.

Shutdown of the Bozüyük Natural Gas Combined Cycle Power Plant

It has been decided to halt the activities of the Natural Gas Combined Cycle Power Plant located in the Bozüyük District of Bilecik Province and operating with electricity generation license No. EÜ 468-3/526 granted by the Republic of Turkey Energy Market Regulatory Authority (EMRA), in 2014 in light of current and expected market conditions.

Land Sales in Çerkezköy

The Company's real estate property, located in the Fevzipaşa Neighborhood in Çerkezköy District in Tekirdağ Province, and registered in Section 29K2D, Block 956 and Parcel 11, was sold.

CORPORATE GOVERNANCE
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

No private and public audits were conducted in the Company during the 2014 accounting period.

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 2014 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 2014.

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 2014.

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. 24, 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 2014

Disclosures regarding any events of particular importance that occurred in the Company after the end of the operating year, and that might affect the rights of the shareholders, creditors and other interested persons and organizations, are provided below:

The sale of the Bozüyük Natural Gas Combined Cycle Power Plant, located in the Bozüyük District of Bilecik Province, and its equipment to Asiatech Energy PTE LTD, founded in Singapore, has been completed for a price of USD 15 million (VAT excluded), and a profit of TL 21,837,083.00 (TL 16,339,583 of this amount was included in the financial statements dated December 31, 2014. The rest of the profit was estimated approximately and it will be included in the first quarter financial statements of 2015 after being finalized) has been earned from this sale.

CORPORATE GOVERNANCE
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.

Until the establishment of the Early Risk Determination Committee following a resolution by the Board of Directors on September 24, 2013, the Corporate Governance Committee was responsible for the early determination of risk, implementation of the risks identified and management of risk in general. Since that time, these duties have been the responsibility of the Early Risk Determination Committee. The Akenerji independent member of the Board of Directors Hakan Akbaş 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.

For Turkey's electricity market, immersed in the process of liberalization efforts, 2014 was a year in which market and economic risks swelled with the impact of the changes experienced in global energy prices and the turbulent global economy, as well as the intensifying competitive environment. In particular, electricity price fluctuations, the low trend in electricity demand, which is directly related to economic growth, due to slowing economic growth and industrial production, changes in natural gas prices, and financial risks arising from fluctuations in the global economy, were all analyzed in 2014, and the necessary actions were taken by closely monitoring the changes. 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ON THE EARLY RISK IDENTIFICATION SYSTEM AND COMMITTEE
ORIGINALLY ISSUED IN TURKISH

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

1. We have audited the early risk identification system and committee established by Akenerji Elektrik Üretim A.Ş. (the "Company").

Board of Directors' Responsibility

2. Pursuant to subparagraph 1 of Article 378 of Turkish Commercial Code ("TCC") No. 6102; Board of Directors is required to form an expert committee, and to run and to develop the necessary system for the purposes of early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and managing the related risks.

Auditor's responsibility

3. Our responsibility is to reach a conclusion on the early risk identification system and committee based on our audit. Our audit was conducted in accordance with TCC and "Principles on Independent Auditor's Report on the Early Risk Identification System and Committee" issued by the Public Oversight Accounting and Auditing Standards Authority. Those principles require us to identify whether the Company established the early risk identification system and committee or not and, if established requires us to assess whether the system and committee is operating or not within the framework of Article 378 of TCC. Our audit does not include evaluating the adequacy of the operations carried out by the management of the Company in order to manage these risks.

Information on the Early Risk Identification System and Committee
4. The Company established the early risk identification system and committee and it is comprised of 2 members. The Committee has submitted the relevant reports for the period 1 January – 31 December 2014 to the Board of Directors that had been prepared for the purpose of early identification of risks that jeopardize the existence of the Company and its development, applying necessary measures and remedies in this regard, and managing the risks.

Conclusion

5. Based on our audit, it has been concluded that Akenerji Elektrik Üretim A.Ş.'s early risk identification system and committee is sufficient, in all material respects, in accordance with Article 378 of TCC.

ORIGINAL TURKISH VERSION WAS SIGNED OFF

Çağlar Sürücü, SMMM
Partner

Istanbul, 20 February 2015

CORPORATE GOVERNANCE
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.

The dividend shall be distributed as equal to all of the existing shares as of the related accounting period in accordance with the Dividend Distribution Policy.

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

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 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 2014.

Sincerely,

Board of Directors

CORPORATE GOVERNANCE
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 2014 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

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

Auditor's Report on the Board of Directors' Annual Report

1. We have audited the annual report of Akenerji Elektrik Üretim A.Ş. (the "Company") and its Subsidiaries (collectively referred to as the "Group") for the period ended 31 December 2014.

Board of Directors' responsibility for the Annual Report

2. The Group's management is responsible for the fair preparation of the annual report and its consistency with the consolidated financial statements in accordance with Article 514 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and for such internal control as management determines is necessary to enable the preparation of the annual report.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on the Group's annual report based on the independent audit conducted pursuant to Article 397 of TCC and the Communiqué, whether or not the financial information included in this annual report is consistent with the Group's consolidated financial statements that are subject to independent auditor's report dated 20 February 2015 and presented fairly.

Our independent audit was conducted in accordance with Independent Auditing Standards that are part of the Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is fairly presented and consistent with the consolidated financial statements.

An independent audit requires applying audit procedures to obtain audit evidence on the historical financial information. The procedures selected depend on the professional judgement of the independent auditor.

We believe that the independent audit evidences we have obtained during our independent audit, are sufficient and appropriate to provide a basis for our opinion.

Opinion
4. Based on our opinion, the financial information in the annual report of Board of Directors of Akenerji Elektrik Üretim A.Ş. is consistent with the audited consolidated financial statements and presented fairly, in all material respects.

Other Responsibilities Arising From Regulatory Requirements

5. Pursuant to subparagraph 3 of Article 402 of the TCC No. 6102, within the context of ISA 570 "Going Concern", we have not encountered any significant issue which we are required to be reported with regard to the inability of Group to continue its operations for the foreseeable future.

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

ORIGINAL TURKISH VERSION WAS SIGNED OFF

Çağlar Sürücü, SMMM
Partner

Istanbul, 9 March 2015

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Consolidated Financial Statements

1. We have audited the accompanying consolidated balance sheet of Akenerji Elektrik Üretim A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2014 and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and in accordance with the auditing standards that are part of Turkish Auditing Standards ("TAS") issued by POA. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Group's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Akenerji Elektrik Üretim A.Ş. and its subsidiaries as at 31 December 2014 and their performance and cash flows for the year then ended in accordance with Turkish Accounting Standards (Note 2).

Reports on Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

5. Auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 20 February 2015.

6. In accordance with Article 402 of the Turkish Commercial Code ("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 - 31 December 2014 is not in compliance with the Code and provisions of the Company's articles of association in relation to financial reporting.

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

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

ORIGINAL TURKISH VERSION WAS SIGNED OFF

Çağlar Sürücü, SMMM
Partner

Istanbul, 20 February 2015

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2014 AND 2013
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2014	31 December 2013
ASSETS			
Cash and cash equivalents	3	82,229,586	242,897,506
Trade receivables			
- Other trade receivables	5	121,773,693	85,066,252
- Due from related parties	24	3,555,821	6,994,363
Inventories	8	21,839,480	15,195,862
Other receivables			
- Other receivables	6	7,547,465	7,042,641
- Due from related parties	24	-	343,721
Prepaid expenses	7	25,627,979	12,511,677
Current period income tax assets		1,042,354	5,805,264
Derivative financial instruments	15	2,420,140	4,483,255
Other current assets	9	35,423,202	17,923,489
		301,459,720	**398,264,030**
Assets held for sale	11	3,049,092	-
Current Assets		**304,508,812**	**398,264,030**
Trade receivables	5	23,172,747	17,575,895
Other receivables		457,937	336,094
Inventories	8	25,954,366	-
Financial assets	10	100,000	1,988,942
Property, plant and equipment	12	2,498,864,172	2,392,396,882
Intangible assets			
-Other intangible assets	13	118,567,643	121,186,496
Deferred tax asset	18	114,480,523	93,346,269
Prepaid expenses	7	28,075,484	52,774,780
Other non-current assets	9	129,929,030	123,513,256
Non-Current Assets		**2,939,601,902**	**2,803,118,614**
TOTAL ASSETS		**3,244,110,714**	**3,201,382,644**

The consolidated financial statements as of and for the year ended 31 December 2014 have been approved for issue by the Board of Directors ("BOD") on 20 Februaray 2015 and signed on behalf of the BOD by General Manager Ahmet Ümit Danışman and Deputy General Manager Martin Pacovsky. These consolidated financial statements will be definitive following their approval in the General Assembly.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2014 AND 2013
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2014	31 December 2013
LIABILITIES			
Short-term financial liabilities	4	31,863,964	4,868
Short-term portion of long term financial liabilities	4	463,146,041	206,444,281
Trade payables			
- Other trade payables	5	57,237,877	106,953,168
- Due to related parties	24	19,855,712	12,312,651
Current income tax liabilities	18	229,809	498,855
Other payables			
- Other payables	6	3,656,511	12,718,343
- Due to related parties	24	-	2,936,500
Derivative financial instruments	15	17,472,415	23,238,520
Liabilities related to employee benefits	16	1,082,247	1,128,065
Short term provisions			
- Short-term provisions related to employee benefits	16	625,434	2,721,933
- Other short term provisions	14	13,243,284	11,161,807
Deferred income		5,268,242	1,809,354
Current Liabilities		**613,681,536**	**381,928,345**
Financial liabilities	4	1,980,847,630	1,845,729,285
Derivative financial instruments	15	21,163,450	20,041,630
Other trade payables	5	118,683,597	123,975,785
Other payables		15,147	216,118
Deferred tax liabilities	18	62,021	52,215
Provisions for employment benefits	16	1,565,946	1,411,684
Non-Current Liabilities		**2,122,337,791**	**1,991,426,717**
Total Liabilities		**2,736,019,327**	**2,373,355,062**
EQUITY			
Share capital	17	729,164,000	729,164,000
Adjustment to share capital	17	101,988,910	101,988,910
Share premium	17	50,220,043	50,220,043
Hedge funds		(30,701,689)	(32,017,080)
Restricted reserves	17	11,803,700	11,803,700
Other funds		(4,322,722)	(4,322,722)
Retained earnings		(28,809,269)	98,272,567
Net loss for the year		(321,251,586)	(127,081,836)
Total Equity		508,091,387	828,027,582
TOTAL LIABILITIES AND EQUITY		3,244,110,714	3,201,382,644
Provisions, Contingent Assets and Liabilities	14		

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

	Notes	31 December 2014	31 December 2013
CONTINUING OPERATIONS			
Revenue	19	1,124,671,014	771,028,564
Cost of sales (-)	19	(1,135,271,969)	(621,594,161)
GROSS (LOSS)/ PROFIT		(10,600,955)	149,434,403
General administrative expenses (-)	20	(44,030,642)	(43,861,348)
Other operating income	21	7,839,355	19,040,898
Other operating expense (-)	21	(28,493,068)	(48,931,219)
OPERATING (LOSS)/ PROFIT		(75,285,310)	75,682,734
Other income from investing activities	22	25,544,304	13,997,768
OPERATING (LOSS)/ PROFIT BEFORE FINANCIAL EXPENSE		(49,741,006)	89,680,502
Financial income	23	30,288,120	45,847,463
Financial expenses (-)	23	(322,170,990)	(326,344,899)
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS		(341,623,876)	(190,816,934)
Tax income from continuing operations			
Current income tax expense	18	(1,032,531)	(1,666,905)
Deferred tax income	18	21,404,821	42,726,800
NET LOSS FROM CONTINUING OPERATIONS		(321,251,586)	(149,757,039)
DISCONTINUING OPERATIONS			
Profit after tax from discontinued operations		-	22,675,203
NET LOSS FOR THE YEAR		(321,251,586)	(127,081,836)
Loss per 1,000 shares	25	(441)	(174)
Loss from continuing operations per share		(441)	(205)
Income from discontinued operations per share		-	31

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

	Notes	31 December 2014	31 December 2013
Loss for the year		(321,251,586)	(127,081,836)
Amounts that will be reclassified to income statement			
Changes in hedge funds	15	1,644,238	16,357,753
Income tax on other comprehensive income			
Deferred tax expense		(328,847)	(3,271,551)
Other comprehensive income (after tax)		1,315,391	13,086,202
Total comprehensive loss		(319,936,195)	(113,995,634)

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

	Share Capital	Capital Advances	Adjustment to Share capital	Share Premium	Hedge funds	Other reserves	Restricted reserves	Retained earnings	Net income/(loss)	Equity attributable to equity holders of the parents	Non-Controlling interest	Total equity
1 January 2013	**375,814,000**	**353,035,872**	**101,988,910**	**49,955,227**	**(45,103,282)**	**(4,322,722)**	**11,803,700**	**19,258,262**	**79,014,305**	**941,444,272**	**2,989,877**	**944,434,149**
Transfers	-	-	-	-	-	-	-	79,014,305	(79,014,305)	-	-	-
Total comprehensive loss	-	-	-	-	13,086,202	-	-	-	(127,081,836)	(113,995,634)		(113,995,634)
Capital increase	353,350,000	(353,035,872)	-	-	-	-	-	-	-	314,128	-	314,128
Capital advance	-	-	-	-	-	-	-	-	-	-	-	-
Share premium increase	-	-	-	264,816	-	-	-	-	-	264,816	-	264,816
Changes in minority shares	-	-	-	-	-	-	-	-	-	-	(2,989,877)	(2,989,877)
31 December 2013	**729,164,000**	**-**	**101,988,910**	**50,220,043**	**(32,017,080)**	**(4,322,722)**	**11,803,700**	**98,272,567**	**(127,081,836)**	**828,027,582**	**-**	**828,027,582**

	Share Capital	Adjustment to share capital	Share Premium	Hedge funds	Other reserves	Restrcited reserves	Retained earnings	Net loss	Total equity
1 January 2014	**729,164,000**	**101,988,910**	**50,220,043**	**(32,017,080)**	**(4,322,722)**	**11,803,700**	**98,272,567**	**(127,081,836)**	**828,027,582**
Transfers	-	-	-	-	-	-	(127,081,836)	127,081,836	-
Total comprehensive loss	-	-	-	1,315,391	-	-	-	(321,251,586)	(319,936,195)
31 December 2014	**729,164,000**	**101,988,910**	**50,220,043**	**(30,701,689)**	**(4,322,722)**	**11,803,700**	**(28,809,269)**	**(321,251,586)**	**508,091,387**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014 AND 2013

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

	Notes	31 December 2014	31 December 2013
A. Cash flows from operating activities		**(141,447,487)**	**462,309,417**
Net loss		(321,251,586)	(127,081,836)
Adjustments to reconcile net loss		**215,370,216**	**352,028,161**
Depreciation and amortization of property, plant and equipment and intangible assets	12,13	100,908,823	60,182,620
DSİ interest expense	23	7,894,879	8,081,217
Provision for employment termination benefits		154,262	(262,191)
Provision for doubtful receivables	5	57,176	1,732,463
Provisions for impairment of property, plant and equipment	12	-	35,533,970
Tax income		(20,372,290)	(41,059,895)
Provision for vacation		67,527	9,252
Unrealized foreign exchange losses / (gains)		147,577,038	301,762,268
Provisions	14	6,806,540	4,684,237
Profit from discontinued operations		-	(22,675,203)
Income from the sales of non-current assets held for sale		(3,049,092)	(6,702,460)
Unearned credit finance income		-	36,510
Changes of shares of minority interests		-	(2,989,877)
Gain on sale of property, plant and equipment		(24,674,647)	13,695,250
Changes in working capital		**(148,264,164)**	**197,435,910**
Change in trade receivables		(33,326,075)	(9,995,997)
Change in other receivables		(282,945)	(56,467)
Change in inventories	8	(32,597,984)	(3,301,233)
Change in other current assets and prepaid expenses	7,9	(25,853,105)	(9,920,285)
Change in long-term trade receivables	5	(5,596,852)	2,873,601
Change in other non-current assets and prepaid expenses	7,9	18,283,522	324,468,838
Change in trade payables	5,24	(55,359,296)	34,108,687
Change in derivative financial instruments	15	(2,581,170)	(22,295,019)
Change in short-term other liabilities		1,294,862	(128,440,841)
Change in other liabilities	6,16	(12,044,150)	10,054,449
Change in long-term other liabilities		(200,971)	(59,823)
Cash generated from operations		**(254,145,534)**	**422,382,235**
Provisions paid	14	(4,725,064)	(7,661,967)
Taxes paid		(1,301,577)	(3,158,904)
Interest income	21,23	(7,524,107)	(5,450,556)
Interest expense	23	126,248,795	56,198,609
B. Net cash used in investing activities		**(170,750,590)**	**(645,395,540)**
Proceeds from sales of subsidiaries	10	1,988,942	-
Purchase of financial investments	10	(100,000)	-
Purchase of property, plant and equipment and intangible assets	12,13	(235,956,763)	(901,675,406)
Transfers from property, plant and equipment	12	6,434,712	-
Proceeds from sale of property, plant and equipment and intangible assets		49,439,439	(879,280)
Cash generated from the sales of non-current assets held for sale		-	251,860,000
Interest received		7,443,080	5,299,146
C. Net cash generated from financing activities		**151,449,130**	**252,281,125**
Proceeds from bank borrowings		617,965,646	494,098,627
Repayment of bank borrowings		(346,998,520)	(214,920,954)
Hedge funds		1,644,238	16,357,753
Capital increase		-	314,128
Interest paid		(121,162,234)	(43,833,245)
Cash generated from the purchase of the shares		-	264,816
Net (decrease)/ increase in cash and cash equivalents		(160,748,947)	69,195,002
Restricted cash		(46,252,668)	14,206,537
Cash and cash equivalents at the beginning of the year	**3**	**230,166,592**	**146,765,053**
Cash and cash equivalents at the end of the year	**3**	**23,164,977**	**230,166,592**

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1 - ORGANISATION 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 Sanayi Yatırım ve Geliştirme A.Ş. in 1989. (Akkök Sanayi Yatırım ve Geliştirme A.Ş. is registered as Akkök Holding A.Ş. on 13 May 2014.) Since 14 May 2009, the Company is a joint venture between Akkök Sanayi Yatırım ve Geliştirme 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 Istanbul Stock Exchange ("ISE"). As of 31 December 2014, 52,83% of its shares are open for trading (31 December 2013: 52.82%).

The consolidated financial statements as of and for the year ended 31 December 2014 have been approved for issue by the Board of Directors ("BOD") on 20 February 2015.

The subsidiaries of the Company, their nature of business and registered addresses are presented below (Akenerji and its subsidiaries are called as "Group").

Subsidiaries	Nature of business	Registered 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
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Mem Enerji")	Electricity production and trading	Gümüşsuyu / Istanbul
Akkur Enerji Üretim Ticaret A.Ş. ("Akkur Enerji")	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.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF 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") 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 ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC").

The consolidated financial statements of the Group are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's consolidated financial statements.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the consolidated financial statements of the Group have been prepared accordingly.

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 foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements have been prepared under historical cost conventions except for financial assets and financial liabilities which are carried at fair value. 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 TFRS 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 (1) 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 (2) 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.

The table below sets out all subsidiaries and demonstrates the proportion of ownership interest as of 31 December 2014 and 2013:

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(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 31 December 2014 and 2013:

	Direct and indirect ownership interest by the Company and its Subsidiaries (%)	
Subsidiaries	**31 December 2014**	**31 December 2013**
Akenerji Toptan[1]	100,00	100,00
Ak-el[1]	100,00	100,00
Mem Enerji[1]	100,00	100,00
Akkur Enerji[1]	100,00	100,00
Egemer[1]	100,00	100,00
Akel Kemah[1]	100,00	100,00
Akenerji Doğalgaz[1]	100,00	100,00
Aken BV[2]	-	100,00

[1] The financial statements of subsidiaries are consolidated on a line-by-line basis.
[2] Aken BV was liquidated as of 24 July 2014.

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.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2.3 Amendments in Turkish Financial Reporting Standards

(a) Standards, amendments and interpretations effective from 1 January 2014 that are relevant and applied to the consolidated financial statements of the Group:

- Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting, effective from annual periods beginning on or after 1 January 2014. These narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

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

(b) Standards, amendments and interpretations effective from 1 January 2014 that are not relevant and applied to the consolidated financial statements of the Group:

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

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

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
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(c) Not yet entered into force by the Group and not early adopted the standards to existing standards, amendments and interpretations

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

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

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

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

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

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
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- IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

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

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

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

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

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 recognised on a time proportion basis that takes into account the effective yield on the asset.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(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 recognised 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 (Note 3).

d) 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 24).

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

e) Inventories

Inventories are valued at the lower of cost or net realisable 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 (Note 8).

f) 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.

g) Property, plant and equipment

Property, plant and equipment acquired before 1 January 2005 are carried at restated cost in purchasing power of TL as at 31 December 2004 less accumulated depreciation and impairment losses. Property, plant and equipment acquired after 1 January 2005 are carried at cost less accumulated depreciation and impairment losses (Note 12). 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.

Expenses for the repair of property, plant and equipment are normally charged as expense. They are, however, capitalised 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.

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
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h) Intangible Assets

Intangible assets acquired before 1 January 2005 are carried at restated cost in purchasing power of TL as at 31 December 2004 less accumulated depreciation and impairment losses. Intangible assets acquired after 1 January 2005 are carried at cost less accumulated depreciation and impairment losses. Intangible assets comprise licenses and computer softwares (Note 13).

Licenses

Licenses are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives of 15- 49 years. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

Computer softwares

Computer softwares are recorded at acquisition cost and amortised 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.

i) 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 recognised 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 recognised 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.

j) Borrowing costs and financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. The long-term portion of the borrowing of the Group can be included in the short-term liabilities unless the necessary covenants, which cause the recall of the borrowing given by the related financial institute (event of default exercises), are not met about the borrowing taken on and before the balance sheet date.

The Group capitalizes borrowing costs as part of the cost of the qualifying asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the statement of comprehensive income when they are incurred.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

k) Trade payables

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

l) 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 (Note 14).

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.

m) Employment termination benefits

Under the Turkish Labour 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).

Under the Turkish Labour 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
(Note 16).

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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n) Earnings 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 (Note 25).

o) 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 utilised or deferred income tax liabilities will be settled, are used to determine deferred income tax.

Deferred income tax assets and liabilities are recognised to the extent that they will impact taxes to be paid in the periods that temporary differences will disappear. Deferred income tax liabilities are recognised for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. 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 (Note 18).

p) 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 (Note 3).

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r) 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 (Note 27).

s) 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 (Note 17).

t) 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 (Note 17).

u) Derivative financial instruments

The derivative financial instruments are firstly recorded at their acquisition costs. But in subsequent periods, they are recorded at their fair values. The derivative financial liabilities of the Group comprise of interest rate swaps and forward foreign exchange contracts.

The fair value of over-the-counter forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated in reference to the market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2014. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The changes in fair value of the forward foreign exchange contracts are recognized in income statement. Group has recognized TL11,624,819 in financial income and TL20,072,075 in financial expense due to changes in fair value of forward contracts (31 December 2014: TL5,731,738 expense and TL 8,049,715 income).

The effective portion of changes in the fair value of derivative financial instruments is recognized in other comprehensive income.

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 (Note 15).

v) 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 recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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y) 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 recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

Loans and Receivables

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

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.

Where necessary, comparative figures are reclassified to conform to changes in presentation in the current period and material differences are disclosed.

2.6 Critical accounting estimates and judgements

The preparation of financial statements necessitates the use of estimates and judgements that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income judgements 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 judgements that are material to the carrying values of assets and liabilities are outlined below:

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 31 December 2014, the Group has carry forward tax losses amounting to TL264,567,578 (31 December 2012: TL220,269,635) which are expected to be deducted from future profits and did not recognize deferred tax assets for the carry forward tax losses amounting to TL328,871,007 (31 December 2012: TL26,721,553) for which the Group believes it will not utilize in the future (Note 18).

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Fair value of interest rate swap contracts

Interest rate swap 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.

Fair-Value of 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.

2.7 Going concern

The Group has prepared its consolidated financial statements on a going concern basis in the foreseeable future. The Group has retained earnings amounting to TL28,809,269 (31 December 2013 TL98,272,567) and net loss amounting toTL321,251,586 for the year ending 31 December 2014. In addition, the Group's short-term liabilities exceed current assets by TL309,172,724 and it has an operating loss of TL75,285,310.

In considerations of the current market circumstances, The Group has ceased in operations of its low performance natural-gas plant Çerkezköy in 2012 and also Kemalpaşa and Bozüyük Natural Gas Plants has ceased their operations in 2014, to maintain Group's competitive edge in the market and optimization of portfolio.

The renewable energy sources represent 30% of the total installed power of Akenerji, which is a great advantage due to the diversification of energy sources. Such diversification reduces the impact of the negative changes that occur in natural gas prices. Akenerji hydroelectric power production, which amounted to 1,048 GWh in 2013, fell by 52% in 2014 to a level of 515 GWh as a consequence of a drought year. In 2015 as the rainfall is expected to reach to long-term average of rainfell, hydroelectric power plants are expected to reach their previous years production levels.

In order to maintain its competitive position in a changing market conditions and improve the ability to operate more efficiently and to be more adaptable to changing conditions, during 2014 Akenerji has set a new operating model and the necessary organizational changes in this context has been implemented. The new operation model is expected to create advantages in terms of productivity growth, as well as costs.

As 2014 was a drought year, it caused the Group to create a limited fund. In the upcoming period, with the expectation of hydro-electric plants reaching to its optimum performance level and, Egemer Natural Gaz Plant's ability to contribute a full year performance will increase profits; also the restructuring of existing loans will cause a positive effect on the Group's consolidated financial statements.

Akenerji is reviewing the redemption schedule of the debt arising from the maturity of the loan in the coming period by evaluating various alternatives in order to relieve the cash flow. In this context, the restructuring of existing debt by extending the maturity of the loan companies are among the possible alternatives.

Akenerji is fully aware of its long and short term obligations, it dose it in proactive perspective and strong financial structure to aim to take necessary actions. In this sense the creditors of the Group coordinate the process of plans and of any risk to keep safe and gets the rightest directions to take the risk away.

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NOTE 3 - CASH AND CASH EQUIVALENTS

	2014	2013
Cash	74,135	83,743
Banks		
- time deposits	70,452,580	225,815,921
- demand deposits	11,702,871	16,997,842
	82,229,586	**242,897,506**

As of 31 December 2014, the average effective interest rate for TL time deposits of 7,78% (2013: 8,37 %), for USD time deposits 1,71% (2013: 2,95%) and for EURO time deposits 1,83% (2013: 1,40%).

The remaining day to maturity of time deposits as of 31 December 2014 is shorter than one year.

The details of cash and cash equivalents include the following for the purpose of the statements of cash flows as of 31 December 2014 and 2013:

	2014	2013
Cash and banks	82,229,586	242,897,506
Restricted cash (-)	(58,797,965)	(12,545,297)
Interest accruals (-)	(266,644)	(185,617)
Cash and cash equivalents	**23,164,977**	**230,166,592**

As of 31 December 2014 the Group's restricted cash is amounting to TL58,797,965 (2013: TL12,545,297) and is related with the loans borrowed by Group.

NOTE 4 - FINANCIAL LIABILITIES

The details of financial liabilities as of 31 December 2014 and 2013 are as follows:

	2014	2013
Short term bank borrowings	31,863,964	4,868
Short term portion of long term bank borrowings	463,146,041	206,444,281
Total short term financial liabilities	**495,010,005**	**206,449,149**
Long term bank borrowings	1,980,847,630	1,845,729,285
Total financial liabilities	**2,475,857,635**	**2,052,178,434**

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The details of the short term bank borrowings as of 31 December 2014 and 2013 are as follows:

	Original Currency		Weighted average effective interest rate (%)		TL equivalent	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
TL	31,863,964	4,868	9,20	-	31,863,964	4,868
					31,863,964	**4,868**

The interest accruals amount for short and long term bank borrowings as of 31 December 2014 is TL37,023,987 (2013: TL26,888,950).

The details of the short term portion of the long term bank borrowings as of 31 December 2014 and 2013 are as follows:

	Original Currency		Weighted average effective interest rate (%)		TL equivalent	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
USD	168,337,437	78,833,987	5,45	4,29	390,357,682	168,255,379
EURO	11,575,733	12,138,806	3,68	3,75	32,651,671	35,645,602
TL	40,136,688	2,543,300	12,07	12,05	40,136,688	2,543,300
					463,146,041	**206,444,281**

The details of long term bank borrowings as of 31 December 2014 and 2013 are as follows:

	Original Currency		Weighted average effective interest rate (%)		TL equivalent	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
USD (*)	721,038,038	761,444,661	5,33	5,48	1,650,351,655	1,602,959,511
EURO (**)	38,371,289	32,455,398	3,92	3,71	106,120,975	92,769,774
TL	224,375,000	150,000,000	12,05	12,05	224,375,000	150,000,000
					1,980,847,630	**1,845,729,285**

(*) The amount of the loan obtained from consortium of T. Garanti Bankası A.Ş., Yapı Kredi Bankası A.Ş. and T. Vakıflar Bankası T.A.O is TL1,455,517,012 (USD627,675,627). The commission of TL21,663,452 has been deducted from the original amount. This amount is amortised through the life of the agreement.

(**) The amount of the loan obtained from HSBC PLC is TL27,468,798 (EUR9,738,291). The commission of TL2,112,919 has been deducted from the original amount. This amount is amortised through the life of the agreement.

Letters of guarantee given, pledges and mortgages related to financial liabilities are explained in Note 14.

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The details of redemption schedule of the long term bank borrowings as of 31 December 2014 and 2013 are as follows:

	2014	2013
Up to 1-2 years	439,421,681	365,659,693
Up to 2-3 years	312,338,398	377,431,782
Up to 3-4 years	319,578,326	192,187,365
Up to 4-5 years	163,493,105	277,421,482
More than 5 years	746,016,120	633,028,963
	1,980,847,630	**1,845,729,285**

The details of the carrying values and fair value of the long term bank borrowings as of 31 December 2014 and 2013 are as follows:

	2014		2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
USD borrowings	1,650,351,655	1,970,399,215	1,602,959,511	1,889,822,374
Euro borrowings	106,120,975	118,291,687	92,769,774	104,688,016
TL	224,375,000	233,425,729	150,000,000	145,505,889
	1,980,847,630	**2,322,116,631**	**1,845,729,285**	**2,140,016,279**

The fair value of short-term borrowings equals their carrying amount, as the impact of discounting is not significant.

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

a) Short term trade receivables:

	2014	2013
Trade receivables	128,951,516	88,521,959
Other short term trade receivables	394,170	4,068,523
Provision for doubtful receivables (-)	(7,571,993)	(7,524,230)
	121,773,693	**85,066,252**

As of 31 December 2014, trade receivable maturities which less than 1 months and unearned finance income from credit sales does not exist. (2013: Not exist)

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The movement for provision for doubtful receivables is as follows;

	2014	2013
Balance at 1 January	**7,524,230**	**6,835,997**
Current year charges	57,176	1,732,463
Released provisions	-	(925,147)
Current year released provisions	(9,413)	(119,083)
Balance at 31 December	**7,571,993**	**7,524,230**

As of 31 December 2014 the amount of receivables which are overdue and impaired is TL7,571,993 (31 December 2013: TL7,524,230). The aging list of these receivables as of 31 December 2014 and 2013 is as follows:

	2014	2013
1 to 3 months	-	163,459
3 to 12 months	47,763	620,852
More than 12 months	7,524,230	6,739,919
	7,571,993	**7,524,230**

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.

The amount of trade receivables that are past due but not impaired is TL5,425,119 as of 31 December 2014 (2013: TL2.187.957). The aging list of these receivables as of 31 December 2014 and 2013 is as follows:

	2014	2013
Up to 1 month	5,164,846	1,519,731
1 to 3 months	223,385	193,818
3 to 12 months	36,888	474,408
	5,425,119	**2,187,957**

b) Long term trade receivables:

	2014	2013
Long term other trade receivables(*)	23,172,747	17,575,895

(*) Long term trade receivables consists of 154KW power transmission line cost which will be netted-off from TEİAŞ payable balance by the Group.

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c) Short term trade payables:

	2014	2013
Suppliers	57,237,877	106,953,168
	57,237,877	**106,953,168**

d) Long term trade payables:

	2014	2013
Payables to DSİ(*)	118,683,597	123,975,785

(*) 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. 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. The project has been completed as of the balance sheet date and TL118,683,597 (2013: TL123,975,785) has been accounted under long-term trade payables of the Group; the first installment is to be paid in 2015 at the amount of TL13,187,066 which is accounted unde short-term trade payables (Note 23.b).

NOTE 6 - OTHER RECEIVABLES AND PAYABLES

a) Other receivables:

	2014	2013
Receivables from tax office	7,424,631	6,677,213
Short term other receivables	122,834	365,428
	7,547,465	**7,042,641**

b) Other payables:

	2014	2013
Taxes, fees and other charges	3,519,514	12,565,293
Received deposit and guarantees	128,912	130,912
Other payables	8,085	22,138
	3,656,511	**12,718,343**

NOTE 7 - PREPAID EXPENSES

a) Short-term prepaid expenses

	2014	2013
Prepaid expenses	14,931,238	7,311,469
Advances given for purchases	10,696,741	5,200,208
	25,627,979	**12,511,677**

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b) Long-term prepaid expenses

	2014	2013
Advances given for property, plant, equipment and intangible assets(*)	28,032,121	50,978,170
Prepaid expenses	43,363	1,796,610
	28,075,484	**52,774,780**

(*) Consists of Egemer İskenderun Erzin Natural Combined Cycle Plants given advances related to construction in progress.

NOTE 8 - INVENTORIES

a) Short-Term Inventories:

	2014	2013
Spare parts(*)	21,751,697	15,017,550
Other raw materials	67,996	132,905
Operating supplies	19,787	45,407
	21,839,480	**15,195,862**

b) Long-Term Inventories:

	2014	2013
Spare parts(*)	25,954,366	-
	25,954,366	**-**

(*) Spare parts amounting to TL25,954,366 in Hatay Erzin Natural Gaz Cycle Power Plant, have been classified as long term inventories due to the long-term maintenance contracts signed with GE Energy and Gama Ltd. and the evaluation of the useful life of these spare parts (2-10 years).

Costs of inventories recognized as an expense and included in the cost of sales amounted to TL853,911 (2013: TL969,099).

NOTE 9 - OTHER ASSETS

a) Other current assets:

	2014	2013
Deferred VAT	35,383,127	17,847,420
Personnel advances	35,235	39,600
Work advances	4,840	36,469
	35,423,202	**17,923,489**

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b) Other non-current assets:

	2014	2013
Deferred VAT	129,929,030	123,513,256
	129,929,030	**123,513,256**

NOTE 10 - FINANCIAL ASSETS

	2014	2013
Enerji Piyasaları İşletme A.Ş.(*)	100,000	-
Liquidation-Aken BV (**)	-	1,988,942
	100,000	**1,988,9**

(*) 100% subsidiary of the Group, Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret A.Ş., has participated to Enerji Piyasaları İşletme Anonim Şirketi'ne (EPİAŞ) by 0.16% with 100.000 C Type shares which will be established with TL61.572.770 capital
(**) Aken BV's legal liquidation was completed at 24 July.2014.

NOTE 11 - NON-CURRENT ASSETS HELD FOR SALE

The Group has decided to stop the activity of Bozüyük Natural Gas Combined Power Plant at 30 September 2014, the property, plant and equipment and inventories amounting to TL8,047,409 have been sold for TL24,386,991 as of 31 October 2014, the rest of the property, plant and equipment (TL 551,779) and inventories (TL 2,497,313) have been classified under non-current assets held for sale.

Details of non-current asset held for sale are as below:

Inventories	Net Book Value
Spare Parts	2,497,313

Fixed Asset	Accumulated Cost	Depreciation	Net Book Value
Land improvements	25,205	25,205	-
Machinery and equipment	37,858,684	37,310,435	548,249
Furniture and fixtures	26,795	23,265	3,530
Special Costs	1,760	1,760	-
			551,779
Total non-current assets held for sale			**3,049,092**

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2014	Additions	Transfers (****)	Disposals (****)	31 December 2014
Cost:					
Lands(*)	3,719,977	-	-	(1,218,051)	2,501,926
Land improvements(**)	990,122,396	463,658	139,514,077	(4,513,440)	1,125,586,691
Buildings	75,329,935	38,007	237,922,379	(61,932)	313,228,389
Machinery and equipment(**)	542,415,733	822,709	914,548,477	(101,920,316)	1,355,866,603
Motor vehicles	1,003,308	283,702	-	(240,601)	1,046,409
Furnitures and fixtures	8,008,630	1,313,096	442,946	(211,608)	9,553,064
Leasehold improvements	13,149,887	63,850	(1,760)	(36,608)	13,175,369
Construction in progress(***)	1,140,659,967	232,850,095	(1,336,221,496)	(9,176,898)	28,111,668
	2,774,409,833	**235,835,117**	**(43,795,377)**	**(117,379,454)**	**2,849,070,119**
Accumulated depreciation:					
Land improvements	75,547,808	31,081,390	(25,205)	-	106,603,993
Buildings	5,448,637	4,628,016	-	(16,252)	10,060,401
Machinery and equipment	294,042,320	61,698,165	(37,310,435)	(92,793,912)	225,636,138
Motor vehicles	626,351	158,648	-	(195,779)	589,220
Furnitures and fixtures	4,579,733	715,988	(23,265)	(123,762)	5,148,694
Leasehold improvements	1,768,102	406,662	(1,760)	(5,503)	2,167,501
	382,012,951	**98,688,869**	**(37,360,665)**	**(93, 135,208)**	**350,205,947**
Net Book Value	**2,392,396,882**				**2,498,864,172**

(*) In accordance with the Valuation Report prepared by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş on 3 June 2014, the Group has sold lands in Çerkezköy on 23 July 2014.
(**) Disposal from land improvements amounting toTL4,513,441, machinery and equipment amounting toTL1,553,945 TL is related to the reflection of the expropriation payments to TEİAŞ.
(***) Provisional acceptance of two natural gas turbine units and one steam turbine unit of Erzin Natural Gas Cycle Plant were completed and the commercial power generation started at these units respectively on 13 April 2014, 29 April 2014 and 5 June 2014. The power generation costs that occurred during the testing period starting from the above-mentioned dates to the reporting date were recognised by adding to the investment cost. The revenue was recognised by deducting from the investment cost. Construction in progress is mainly comprised of the Group's additional investments on Egemer Erzin Combined Cycle Natural Gas Plant and project costs of Kemah Hydroelectric Power Plant. The balance of transfers from the construction in progress, TL5,882,933, is related to the spare parts transferred to inventories account. Of the construction in progress, TL8,879,397, is related to charging the fee of 380 KW power transmission line to TEİAŞ under the connection agreement.
(****) The Group has decided to stop the activity of Bozüyük Natural Gas Combined Power Plant at 30 September 2014, the property, plant and equipment and inventories amounting to TL8,047,409 have been sold as of 31 October 2014, the rest of the property, plant and equipment (TL551,779) has been classified under non-current assets held for sale.

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2013	Additions	Transfers	Disposals	Provision for Impairment	31 December 2013
Cost:						
Lands	3,719,977	-	-	-	-	3,719,977
Land improvements	986,710,994	329,414	5,675,751	(2,593,763)	-	990,122,396
Buildings	73,663,624	193,150	1,754,276	(281,115)	-	75,329,935
Machinery and equipment (***) (****)	663,204,368	130,492	1,394,236	(86,779,393)	(35,533,970)	542,415,733
Motor vehicles	1,020,143	124,886	-	(141,721)	-	1,003,308
Furnitures and fixtures	8,149,863	923,929	-	(1,065,162)	-	8,008,630
Leasehold improvements	13,772,214	251,870	-	(874,197)	-	13,149,887
Construction in progress (*) (**)	249,923,854	899,560,376	(8,824,263)	-	-	1,140,659,967
	2,000,165,037	**901,514,117**	**-**	**(91,735,351)**	**35,533,970**	**2,774,409,833**
Accumulated depreciation:						
Land improvements	50,092,501	27,923,745	-	(2,468,438)	-	75,547,808
Buildings	3,657,125	1,867,579	-	(76,067)	-	5,448,637
Machinery and equipment	342,210,395	26,962,504	-	(75,130,579)	-	294,042,320
Motor vehicles	585,469	141,688	-	(100,806)	-	626,351
Furnitures and fixtures	4,974,499	588,214	-	(982,980)	-	4,579,733
Leasehold improvements	2,274,002	368,297	-	(874,197)	-	1,768,102
	403,793,991	**57,852,027**	**-**	**(79,633,067)**	**-**	**382,012,951**
Net Book Value	**1,596,371,046**					**2,392,396,882**

(*) Construction in progress consists of the hydroelectricity terminals of Feke 1, Gökkaya, Himmetli, Kemah and combined natural gas terminals of Egemer Iskenderun Erzin.
(**) Hydroelectricity plants of the group, Himmetli, Feke1 and Gökkaya have been completed and capitalized. Furthermore, development project costs of Kemalpaşa plant have been capitalized.
(***) Group has sold Çerkezköy Natural Gaz Plant in December 2013 which Group had already stopped operations on 31 December 2012.
(****) Group has decided to shut down the production facility of Kemalpaşa Doğalgaz KÇ Plant due to the current and expected market conditions at 28 February 2014. Impairment provision is provided for TL35,533,970 for the Kemalpaşa steam turbine which is valued at TL56,898,313 (Note 21).

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Depreciation expense of TL98,019,955 has been charged to cost of sales (31 December 2013: TL57,273,035) and TL668,914 to general administrative expenses (31 December 2013: TL578,992).

The amount of capitalized borrowing costs for the year ended 31 December 2014 amounted to TL37,466,698 (31 December 2013: TL123,424,171).

Details of the guarantees, pledges and mortgages on property, plant and equipments as of 31 December 2014 and 2013 are explained in Note 14.

NOTE 13 - INTANGIBLE ASSETS

	1 January 2014	Additions	Transfers	31 December 2014
Cost				
Rights	6,736,680	121,647	(738,863)	6,119,464
Licenses	127,171,431	-	-	127,171,431
	133,908,111	**121,647**	**(738,863)**	**133,290,895**
Accumulated amortisation				
Rights	2,688,374	483,549	(218,317)	2,953,606
Licenses	10,033,241	1,736,405	-	11,769,646
	12,721,615	**2,219,954**	**(218,317)**	**14,723,252**
Net book value	**121,186,496**			**118,567,643**

	1 January 2013	Additions	Transfers	31 December 2013
Cost				
Rights	7,593,118	161,289	(1,017,727)	6,736,680
Licenses	127,283,452	-	(112,021)	127,171,431
	134,876,570	**161,289**	**(1,129,748)**	**133,908,111**
Accumulated amortisation				
Rights	2,398,477	593,939	(304,042)	2,688,374
Licenses	8,408,607	1,736,654	(112,020)	10,033,241
	10,807,084	**2,330,593**	**(416,062)**	**12,721,615**
Net book value	**124,069,486**			**121,186,496**

Depreciation expense of TL239,701 (31 December 2013: TL320,903) has been charged to cost of sales. Remaining TL1,980,253 (31 December 2013: TL2,009,690) is charged to general administrative expenses.

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NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

14.1 Provisions

There are various lawsuits against or in favour of the Group. The majority of these lawsuits constitutes expropriation or labour lawsuits. 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 31 December 2014 is TL12,876,039 (31 December 2013 TL11,106,365).

	2014	2013
Provisions for lawsuits(**)	12,876,039	11,106,365
Expense accruals(*)	367,245	55,442
	13,243,284	**11,161,807**

(*) Expense accruals consist of periodical maintenance expenses.

(**) Provisions for law-suits are generally due to Group's joint liability from lawsuits regarding labor, expropriation and return of loss and theft.

The movement of expense accruals is as follows:

	2014	2013
1 January	**55,442**	**134,805**
Current year charges	3,392,860	2,198,491
Released provisions	(32,495)	-
Payments	(3,048,562)	(2,277,854)
31 December	**367,245**	**55,442**

The movement of provision for lawsuits is as follows:

	2014	2013
1 January	**11,106,365**	**12,654,676**
Current year charges	3,413,680	535,802
Released provisions (Note 21)	(1,644,006)	(2,084,113)
31 December	**12,876,039**	**11,106,365**

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14.2 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:

		2014		2013	
	Currency	Original currency	Local currency (TL)	Original currency	Local currency (TL)
Letters of guarantee given	TL	132,236,303	132,236,303	150,382,680	150,382,680
Letters of guarantee given	Euro	400,000	1,128,280	400,000	1,174,600
Letters of guarantee given	USD	91,053,798	211,144,652	91,053,798	194,336,122
			344,509,235		**345,893,402**

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.

b. Purchase Commitments

The Group has signed an agreement with energy companies, for the energy supply of 1,138,189,000 kWh on 2014. The Group has supplied all the energy committed in 2014. Group has also 43800MWh purchase option contract for 2015.

The amount of the purchase agreement that the Group has signed with natural gas vendors is 745,686,397 Sm^3in 2014. Actual purchase amount in 2014 is 445,342,780 Sm3 and Group has 2 years for redemption of the shortage due to commitment.

Group has not accrued a provision due to shortage of purchases from commitment as Group thinks that this shortage amount will be redempted in 2014.

14.3 Contingent Assets

		2014		2013	
	Currency	Original currency	Local currency (TL)	Original currency	Local currency (TL)
Guarantee letters obtained	TL	182,472,333	182,472,333	106,618,002	106,618,002
Guarantee letters obtained	USD	8,208,944	19,035,720	13,950,958	29,775,529
Guarantee letters obtained	Euro	24,037,532	67,802,667	77,599,873	227,872,026
Guarantee letters obtained	GBP	535,259	1,924,845	535,259	1,879,510
			271,235,565		**366,145,067**

Guarantee letters received consist of the letters received from customers in relation to Group operations.

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Based on the Group's insurance policies which protect the enterprise and items from all risks such as breakdown of machinery, loss of profit, fire, etc., a damage compensation is expected to be 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 one of the subsidiaries, Egemer Elektrik Üretim A.Ş..Amount of the damage compensation will become definite after the discussions with insurance companies are completed.

14.4 Guarantees, pledges and mortgages given by the Group

The Group's guarantees, pledges and mortgage ("GPM") positions in TL as of 31 December 2014 and 2013 are as follows:

	Currency	2014 Original currency	2014 Local currency (TL)	2013 Original currency	2013 Local currency (TL)
A. GPM's given for companies' own legal entity[*]	USD	91,053,798	211,144,652	291,053,798	621,196,122
	TL	192,236,303	192,236,303	150,382,680	150,382,680
	Euro	19,876,583	56,065,878	19,876,583	58,367,586
B. Total amount of GPM given for the subsidiaries and associates in the scope of consolidation[**]	USD	884,000,000	2,049,907,600	884,000,000	1,886,721,200
	Euro	56,000,000	157,959,200	56,000,000	164,444,000
C. Total amount of GPM given for the purpose of maintaining operating activities		-	-	-	-
D. Total other GPM's given	USD	-	-	-	-
			2,667,313,633		2,881,111,588

[*] Details of the guarantees which are given by Akenerji as of 31 December 2014 are as follows (TL):

The machinery and equipment pledge is given in favor of HSBC for the loan with 10 years of maturity amounting to EUR 19,476,582.97 to finance Ayyıldız Wind Plant of Akenerji in accordance with the "Loan Agreement" between Akenerji and HSBC plc.

Group has vouched for Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.'s TL for the loan amounting to TL60 million which dues to 8 January 2015.

The rest of the letter of guarantees in the amount of TL344,509,235 consist of the guarantees given to the suppliers and customs offices.

[**] Details of the guarantees which are given on behalf of the associations of Akenerji that are included within the scope of consolidation as of 31 December 2014 are as follows (TL):

The loan agreement with seven years maturity for financing "Burç Bendi" and "Feke 1" HEP projects was signed between Akkur Enerji, which holds 100% of the shares of Akenerji, and the National Bank of Greece S.A. London branch. The loan is a two year non- refundable credit and is valued at USD75,000,000. To guarantee repayment, Akkur Enerji has become a guarantor of the repayment of the loan and has provided the necessary guaranty to the bank.

Additionally, National Bank of Greece S.A. London Branch is assigned to act as a "loss payee" in insurance policies of Burç Bendi and Feke 1 Elektrik plants.

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The loan agreement with eight years maturity for financing the Himmetli, Gökkaya and Bulam HEP projects was signed between MEM Enerji, which holds 99% of the shares of Akenerji, and Türkiye Sınai Kalkınma Bankası A.Ş. The loan is a three year non-refundable credit and is valued at EUR28,000,000 and USD79,000,000. To guarantee the payback and absorb any costs arising during the investment, Akenerji has become a guarantor of the repayment of the loan and coverage of costs that arise during the investment, and has provided the necessary guaranty to the bank. In accordance with the agreement, Türkiye Sınai Kalkınma Bankası A.Ş. and Mem Enerji has signed "Share Pledge Agreement" (It is put lien on all shares which represents the equity of MemEnerji amounting to USD158,000,000 and EUR56,000,000), "Account Pledge Agreement" and "Assignment of Claim Agreement". Besides, "Business Pledge Agreement", "Mortgage of Surface Right" and "Mortgage Agreement" will be established after condemnation is finished.

Additionally, Türkiye Sınai Kalkınma Bankası A.Ş. is assigned to act as a "loss payee" in insurance policies of the projects.

On 11 October 2011, a loan for USD651 million with a maturity of 12 years was granted to the Egemer-Erzin Natural Gas Power Plant project as financing by a consortium of banks comprising T. Garanti Bankası A.Ş., Yapı Kredi Bankası A.Ş. and T. Vakıflar Bankası T.A.O. and relevant agreements were signed. The Egemer-Erzin plant, which is owned by Egemer Elektrik Üretim Anonim Şirketi, will have an installed capacity of approximately 900 MWm/882MWe. Egemer Elektrik is a subsidiary of Akenerji, which holds 99% of shares. In the scope of this project financing, the Group acted as the guarantor for Egemer Elektrik in order to contribute capital during the loan term to cover the increasing project costs until the project's completion date and complete the project. The Group also agreed to cover the increased costs of accrued debt liabilities after the completion of the project. As such, related assurance was given to the banks in this respect; a supplement to the related loan agreement, a "Share Pledge Agreement", "Account Pledge Agreement" and "Assignment of Claim Agreement" were signed with Garanti Bankası A.Ş., Yapı Kredi Bankası A.Ş. and T. Vakıflar Bankası T.A.O., thereby pledging the shares of Egemer to Garanti Bankası A.Ş., Yapı Kredi Bankası A.Ş. and T. Vakıflar Bankası T.A.O. until the loan repayment is completed. "Mortgage of Surface Right" will be established after condemnation is finished. Yapı Kredi Bankası A.Ş. is assigned to act as a "loss payee" in insurance policies of the project.

Ratio of GPMs given by the Group to equity is 525% as of 31 December 2014 (31 December 2013: 348%).

NOTE 15 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments held for hedging:

	2014 Contract amount	2014 Fair value	2013 Contract amount	2013 Fair value
Interest rate swaps	1,956,962,312	38,377,110	1,524,408,373	43,100,260
Forward Contracts	225,596,830	(2,161,385)	172,044,390	(4,303,365)
	2,182,559,142	36,215,725	1,696,452,763	38,796,895

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

On the date a derivative contract is entered into, the Group designates certain derivatives as either a fair value hedge of a recognised asset or liability ("fair value hedge"), or a hedge of a forecasted transaction or a firm commitment ("cash flow hedge").

These derivative transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for hedging. Changes in the fair value of derivatives that qualify as cash flow hedges and are highly effective are recognised in equity as "hedging reserve".

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

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.

As of 31 December 2014 Group has commitment to buy EUR13,160,000 and USD81,500,000 and sell TL225,596,830.

The movement of interest rate swap&forward transactions during the period is as follows:

	2014	2013
1 January	**43,100,260**	**61,091,914**
Charged to income statement		
- financial income/(expense)	(3,078,912)	1,076,036
Charged to comprehensive income statement		
- hedge funds	(1,644,238)	(16,357,753)
Charged to balance sheet		
- constructions in progress	-	(2,709,937)
31 December	**38,377,110**	**43,100,260**

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NOTE 16 - PROVISION FOR EMPLOYMENT BENEFITS

Liabilities due to employment benefits

	2014	2013
Personel Taxes	600,480	607,423
Social Security Payment	448,783	497,306
Due to Personel	32,984	23,336
	1,082,247	**1,128,065**

Short-Term Provisions due to employment benefits

	2014	2013
Bonus Provisions	-	2,087,346
Vacation Provisions	625,434	634,587
	625,434	**2,721,933**

The movement of employment benefits in short term is as follows:

	2014	2013
Employment benefits short term provisions	2,721,933	2,412,255
Current year charges	67,527	2,201,635
Paid provisions	(2,087,346)	(1,764,167)
Released provisions	(76,680)	(127,790)
	625,434	**2,721,933**

Employment benefits long term provisions

	2014	2013
Employment termination benefits	1,565,946	1,411,684
	1,565,946	**1,411,684**

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The movement of employment termination benefits is as follows:

	2014	2013
At 1 January	**1,411,684**	**1,673,875**
Service Cost	1,475,805	292,135
Reversal of provision	(152,575)	(458,485)
Interest Cost	35,292	61,431
Paid compensation	(1,233,105)	(359,764)
Actuarial losses	28,845	202,492
At 31 December	**1,565,946**	**1,411,684**

Provisions for employment termination benefits are allocated in accordance with the disclosures given below:

Under the Turkish Labour 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). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to the length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL3,438,22 for each year of service as of 31 December 2014 (31 December 2013: TL3,254.44).

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.

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2014	2013
Discount rate (%)	2,50	3,67
Probability of retirement (%)	93,50	93,00

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 TL3,541,37 for each period of service as of 31 December 2014 (31 December 2013 2014: TL3,438.22). The maximum liability is revised semi annually.

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NOTE 17 - EQUITY

Share capital

Akenerji adopted the registered capital system applicable to the companies registered on the Capital Markets Board (CMB) which defines limitations to registered capital for shares whose nominal value is TL1 ("One Turkish Lira"). As of 31 December 2014 and 2013 the share capital held is as follows:

	2014	2013
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 share holding structure as of 31 December 2014 and 2013 are as follows:

	Share %	2014	Share %	2013
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
	100	**729,164,000**	**100**	**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.

Retained Earnings and Legal Reserves

	31 December 2014	31 December 2013
Legal reserves	11,803,700	11,803,700
	11,803,700	**11,803,700**

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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".

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 (31 December 2013: Zero).

NOTE 18 - TAX ASSETS AND LIABILITIES

	2014	2013
Corporate and income taxes payable	1,032,531	1,666,905
Prepaid taxes (-)	(802,722)	(1,168,050)
Taxes on Income	**229,809**	**498,855**

Turkish tax legislation does not allow for the submission of tax returns over consolidated financial statements prepared by the parent company, which includes its subsidiaries and affiliates. Accordingly tax considerations reflected in these consolidated financial statements are calculated separately for each of the companies in the scope of the consolidation.

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In Turkey, the effective rate of tax in 2014 and 2013 is 20%.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. 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.

The details of taxation on income for the years ended 31 December 2014 and 2013 is as follows:

	2014	2013
Current income tax expense	(1,032,531)	(1,666,905)
Deferred tax income	21,404,821	2,726,800
Total Tax	**20,372,290**	**41,059,895**

The reconciliation of tax expenses stated in consolidated income statements is as follows:

	2014	2013
Loss before tax	(341,623,876)	(190,816,934)
Tax calculated by using effective tax rate	68,324,775	38,163,387
Tax effect of exemptions	4,129,996	(1,014,016)
Losses not subject to tax(*)	(49,849,982)	(5,694,107
Utilized carry forward tax losses	446,299	9,029,157
Other	(2,678,798)	575,474
Current year tax income	**20,372,290**	**41,059,895**

(*) The effect of the losses of subsidiaries in the scope of consolidation which do not have tax bases as of 31 December 2014 and 2013 in accordance with Turkish Tax Law.

Deferred Taxes

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising from its financial statements prepared in compliance with CMB Financial Reporting Standards and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for CMB financial statements and statutory tax financial statements.

The rate applied in the calculation of deferred tax assets and liabilities is 20% (2013: %20)

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	2014	2013
Deferred tax assets	114,480,523	93,346,269
Deferred tax liabilities	(62,021)	(52,215)
Deferred tax assets, net	**114,418,502**	**93,294,054**

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2014 and 2013 are as follows:

	Temporary Differences		Deferred tax assets / (liabilities)	
	2014	2013	2014	2013
Carry forward tax losses	(264,567,578)	(220,269,635)	52,913,516	44,053,927
Derivative financial instruments	(36,215,725)	(38,796,895)	7,243,145	7,759,379
Investment incentive	(58,799,384)	(55,283,362)	11,759,877	11,056,672
Provisions for lawsuits	(12,876,039)	(11,106,365)	2,575,208	2,221,273
Provision for project cancelation	-	(6,479,445)	-	1,295,889
Provision for employment termination benefits	(1,565,946)	(1,411,684)	313,189	282,337
Provision for doubtful receivables	-	(163,459)	-	32,692
Provision for unused vacations	(625,434)	(634,587)	125,086	126,917
Property, plant and equipment	(199,025,574)	(131,124,417)	39,805,114	26,224,883
Loan commissions	1,584,542	2,535,503	(316,908)	(507,101)
Provision for EMRA charge	-	(1,648,586)	-	329,717
Unrecognised credit finance expense	(1,373)	-	275	-
Provision for bonus payments	-	(2,087,346)	-	417,469
Deferred tax assets, net			**114,418,502**	**93,294,054**

The movement of deferred tax assets as of 31 December 2014 and 2013 are as follows:

	2014	2013
1 January	**93,294,054**	**53,889,974**
Charged to statement of income	21,404,821	42,726,800
Charged to equity	(280,373)	(3,322,720)
31 December	**114,418,502**	**93,294,054**

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Analysis deferred tax assets and liabilities are as follows:

	2014	2013
Deferred tax assets:		
- Deferred tax assets to be recovered after 12 months	108,441,605	78,886,420
- Deferred tax asset to be recovered within 12 months	6,038,918	14,459,849
	114,480,523	**93,346,269**
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after 12 months	(62,021)	(52,215)
- Deferred tax liabilities to be recovered within 12 months	-	-
	(62,021)	**(52,215)**

Group has recognized deferred tax asset for carryforward tax losses amounting to TL264,567,578, as of 31 December 2014 (31 December 2013: TL220,269,635). Group did not recognize deferred tax assets for the remaining carryforward losses amounting to TL328,871,007 (31 December 2013: TL26,721,553).

The expiration dates of recognized carry-forward tax losses are as follows:

Due Date	Losses
2015	14,817,065
2016	48,038,391
2017	59,089,197
2018	73,111,177
2019	69,511,748
	264,567,578

The expiration dates of unrecognized carry-forward tax losses are as follows:

Due Date	Losses
2015	4,310,944
2016	83,650,439
2017	1,321,553
2018	39,446,754
2019	200,141,317
	328,871,007

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NOTE 19 - REVENUE AND COST OF SALES

	2014	2013
Sales	1,125,461,741	771,837,927
Sales returns (-)	(790,727)	(809,363)
Sales (Net)	1,124,671,014	771,028,564
Cost of sales (-)	(1,135,271,969)	(621,594,161)
Gross (Loss)/ Profit	(10,600,955)	149,434,403

NOTE 20 - EXPENSES BY NATURE

	2014	2013
Direct raw material expenses(*)	997,057,553	528,422,613
Depreciation and amortization expenses(**) (Note12,13)	100,908,823	60,182,620
Personnel expenses(***)	26,900,384	25,977,001
General production expenses	16,557,190	14,707,057
Insurance expenses(****)	9,723,084	7,103,147
Consultancy expenses	8,095,103	7,288,961
Other raw materials, spare parts and operating supplies expenses	2,480,959	2,475,554
Tax expenses	2,040,031	3,712,593
IT expenses	1,995,992	1,861,108
Rent expenses(*****)	1,788,904	1,922,360
Office expenses	1,755,446	1,803,098
Vehicle expenses	1,674,400	1,783,440
Travel expenses	1,064,712	1,024,210
Advertising expenses	749,565	552,151
EMRA license expenses	370,322	187,780
Other expenses	6,140,143	6,451,816
Total	**1,179,302,611**	**665,455,509**

(*) In comparison to previous year, rain level is lower and production is decreased as 52% in hydroelectricity plant. And also due to Egemer's glitch, the planned production hasn't occurred during the last quarter of 2014. Therefore, Group's energy purchases from third parties have been increased for meet the sales commitments.

(**) Depreciation and amortization expense amounting to TL98,259,656 (31 December 2013: TL57,593,938) has been charged to cost of sales and TL2,649,167 (31 Decemeber 2013: TL2,588,682) has been charged to general and administrative expenses.

(***) Personnel expense amounting to TL11,091,041 (31 December 2013: TL11,283,145) has been charged to cost of sales, TL15,809,343 (31 December 2013: TL14,693,856) has been charged to general and administrative expenses.

(****) Insurance expense amounting to TL9,562,417 (31 December 2013: TL: 6,896,892) has been charged to cost of sales, TL160,667 (31 December 2013: TL 206,255) has been charged to general and administrative expenses.

(*****) Rent expense amounting to TL263,152 (31 December 2013: TL214,963) has been charged to cost of sales, TL1,525,752 (31 December 2013: TL1,707,397) has been charged to general and administrative expenses.

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NOTE 21 - OTHER OPERATING INCOME AND EXPENSE

a) Other operating income

	2014	2013
Foreign exchange gain from trading activities	2,183,651	1,234,112
Released provisions(*)	1,906,304	7,291,188
Previous year income	1,281,221	524,988
Project income(**)	1,088,579	-
Due date differences(***)	528,734	618,641
Carbon certificate income	215,349	95,519
Income from insurance reimbursements	206,201	416,531
Scrap sales	106,396	310,111
Profit from the subsidiary sale	-	6,702,460
Compensation revenue	-	368,370
Risk sharing income	-	136,418
Other income and profits	322,920	1,342,560
Total	**7,839,355**	**19,040,898**

(*) As of 31 December 2014, released provisions consists of lawsuit provisions amounting to TL1,644,007, provision for severance payment amounting to TL152,575, provision for unused vacation amounting to TL76,679 and other released provisions amounting ot TL33,043.
(**) Project income mainly consists of Akenerji's operating income derived from construction management related to moving plants to new locations and installing the plant; and the operating income derived from Operating & Maintenance management during operation as well as the income derived from other projects.
(***) It consists of interest income for overdue trade receivables. Applied monthly interest rate is 1.40% as of 31 December 2014 (31 December 2013: 1.40%).

b) Other operating expenses

	2014	2013
Risk sharing loss(*)	19,715,003	-
Provision for lawsuits for condemnation (Note 14)	3,413,680	535,802
Discontinued plant expenses(**)	2,614,279	3,525,278
Foreign exchange loss from trading activities	1,880,276	4,002,466
Compensation expenses	376,452	-
Previous years losses	187,521	769,314
Provision for doubtful receivables (Note 5)	57,176	1,732,463
Provision for steam turbine impairment (Note 12)	-	35,533,970
Project expenses	-	819,585
Other expenses	248,681	2,012,341
Total	**28,493,068**	**48,931,219**

(* Risk sharing loss consists of the expenses incurred under the "Risk Sharing Agreements". Risk sharing agreements are financial assets 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.
(**) It consists of the expenses related to Kemalpaşa Natural Gas Combined Cycle Plant, Bozüyük Natural Gas Combined Cycle Plant and Çerkezköy Natural Gas Combined Cycle Plant.

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NOTE 22 - OTHER INCOME AND EXPENSE FROM INVESTING ACTIVITIES

	2014	2013
Fixed asset sales income	24,674,647	13,695,250
Other income from financial investments	869,657	302,518
Total	**25,544,304**	**13,997,768**

(*) TL16,339,582 of the fixed asset sale income is related to the sales of the machinery and equipment in Bozüyük Natural Gas Combined Cycle Plant in 31 October 2014. TL8,081,949 of the fixed asset sales income is related to the sales of the land in Çerkezköy Natural Gas Combined Cycle Plant on 23 July 2014.

NOTE 23 - FINANCIAL INCOME AND EXPENSES

a) Financial income:

	2014	2013
Foreign exchange gains from financing activities	23,292,747	40,396,907
Interest income from financing activities	6,995,373	5,450,556
Total	**30,288,120**	**45,847,463**

b) Financial expense:

	2014	2013
Foreign exchange losses from financing activities	188,027,316	262,065,073
Interest expense from financing activities	126,248,795	56,198,609
Other financial expense(*)	7,894,879	8,081,217
Total	**322,170,990**	**326,344,899**

(*) 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 5.d).

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NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Related party balances:

a) Receivables from related parties

	2014	2013
Saf Gayrimenkul Yatırım Ortaklığı A.Ş.("Saf Gayrimenkul")(*)	1,302,706	104,822
Sakarya Elektrik Perakende Satış A.Ş.("Sepaş")(**)	889,518	5,615,800
Akiş Gayrimenkul Yatırım A.Ş.("Akiş")(*)	843,303	783,357
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.("Üçgen")(*)	402,544	466,341
Ak-Pa Tekstil İhracat Pazarlama A.Ş.("Akpa")	12,667	-
Akkök Holding A.Ş.("Akkök")	7,474	-
Aksa Akrilik Kimya San. A.Ş. ("Aksa")	3,800	-
Other	93,809	24,043
	3,555,821	**6,994,363**

(*) Group sells electricity to Sepaş,Akiş, Üçgen and Saf Gayrimenkul. This amount is collected in subsequent period.

Maturity of trade receivables from related parties is approximately 20 days and there isn't any unearned financial income (2013: None)

b) Other financial receivables from related parties

	2014	2013
Sakarya Elektrik Dağıtım A,Ş, ("Sedaş")	-	343,721
	-	343,721

c) Payables to related parties

	2014	2013
Aksa(*)	7,512,031	8,677,148
Sepaş(**)	4,923,931	-
Dinkal Sigorta Acenteliği A.Ş. ("Dinkal")(***)	4,628,322	656,957
Akkök(****)	660,793	474,844
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş. ("Aktek")(*****)	484,146	581,699
CEZ a.s. Turkey Daimi Temsilciliği(****)	470,494	809,566
CEZ Trade Bulgaria EAD(*)	418,987	-
Sedaş(*)	398,702	363,228
Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş. ("Ak-Han")	180,997	159,416
Cez a.s	163,927	535,239
Other	13,382	54,554
	19,855,712	**12,312,651**

(*) Due to Group's electricity purchases.
(**) Due to risk sharement of electricity trade.
(***) Insurance expenses for Group's ongoing and completed projects.
(****) Due to consulting service obtained.
(*****) Due to Group's obtained IT services.

Maturity of trade payables to related parties is 30 days and there is not any accrued financial expense (31 December 2013: none).

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d) Other financial payables to related parties

	2014	2013
AKEN B.V. (*)	-	2,936,500
	-	2,936,500

(*) This balance is related to the amount sent for the liquidated AKEN BV's share capital. In 2014 after the completion of liquidation, this amount is netted off with the investment in financial statements.

ii) Transactions with related parties:

a) Sales to related parties

	2014	2013
Sepaş(*)	22,735,936	39,481,395
Saf Gayrimenkul(**)	10,162,213	538,951
Akiş(**)	7,993,089	8,359,689
Üçgen(**)	4,395,089	4,938,396
Sedaş	682,725	44,289
Akkök	398,514	-
Aksa	274,409	53,729
Akcez	72,295	5,578
Akkim Kimya San. ve Tic. A.Ş. ("Akkim")	1,620	210,888
Other	458,359	327,588
	47,174,249	**53,960,503**

(*) Due to risk sharement of electricity trade.
(**) The sales to related parties mainly consist of electricity sales.

b) Other transactions made for related parties

	2014	2013
Akkök(*)	-	125,930,000
Cez a.s.(*)	-	125,930,000
	-	251,860,000

(*) Half of the Akcez shares held by the Group was sold to Akkök in exchange for 70 million U.S. dollars, other half of shares was sold for the same amount to CEZ a.s. on 26 April 2013.

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c) Purchases from related parties

	2014	2013
Aksa(*)	52,898,373	48,530,669
Sepaş(**)	39,092,446	9,897,903
Dinkal(***)	14,962,615	7,670,404
Akkök(****)	5,358,067	5,307,388
Cez a.s. Turkey Daimi Tem.(*****)	4,869,844	6,859,318
Aktek(******)	3,307,392	3,192,449
Akhan Bakım(*******)	1,703,782	1,724,591
Cez a.s.(****)	628,276	440,905
Cez Trade Bulgaria EAD(*)	577,685	3,361,303
Ak Havacılık ve Ulaştırma Hiz.A.Ş.	216,308	123,911
Ak-pa	91,100	217,281
Akkim	67,449	136,554
Sedaş	45,095	3,134
Akcez	1,955	-
Other	1,489	2,565
	123,821,876	**87,468,375**

(*) Consists of Group's energy purchases.
(**) Due to risk sharement of electricity trade.
(***) Group's insurance costs.
(****) Group's received consulting costs and rent reimbursements.
(*****) Consists Group's obtainedconsulting services.
(******) Group's IT service purchases.
(*******) Reimbursement invoices to Group for maintanence and other sevices.

iii) Key management compensation as of 31 December 2014 and 2013:

The compensation to the key management, the shareholders of the Group (including General Manager, Assistant General Managers and directors) has been included for the presentation of financial statements.

	2014	2013
Salaries and wages	3,069,812	2,811,845
Bonus premium	1,429,757	1,993,755
Attendance fee	1,215,113	1,073,899
	5,714,682	**5,879,499**

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NOTE 25 - EARNINGS PER SHARE

Earnings per share disclosed in the accompanying statement of income are determined by dividing net income by the weighted average number of shares in existence during the year concerned.

	2014	2013
Net loss	(321,251,586)	(127,081,836)
Weighted average number of issued shares	729,164,000	729,164,000
(Losses)/ income per 1,000 shares	(441)	(174)

Nominal value of each of the issued share as of 31 December 2014 and 2013 is 1 Kr.

NOTE 26 - 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.

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The analysis of the financial liabilities according to their maturities as of 31 December 2014 and 2013 is as follows:

Non-derivative financial liabilities [(1)(2)]:

2014	Carrying value	Total contractual cash outflow	3 months or less	3 - 12 months	1 - 5 years	5 year and more
Financial liabilities	2,475,857,635	3,334,696,738	82,160,624	503,655,835	1,757,007,603	991,872,676
Trade payables	195,777,186	195,777,186	63,906,523	13,187,066	52,748,265	65,935,332
Other non current liabilities	3,671,658	3,671,658	3,527,599	-	144,059	-
	2,675,306,479	**3,534,145,582**	**149,594,746**	**516,842,901**	**1,809,899,927**	**1,057,808,008**

2013	Carrying value	Total contractual cash outflow	3 months or less	3 - 12 months	1 - 5 years	5 year and more
Financial liabilities	2,052,178,434	2,602,079,664	51,978,990	247,138,725	1,550,205,328	752,756,621
Trade payables	243,241,604	243,241,604	117,617,233	1,648,586	49,590,314	74,385,471
Other non current liabilities	15,870,961	15,870,961	15,521,901	132,942	216,118	-
	2,311,290,999	**2,861,192,229**	**185,118,124**	**248,920,253**	**1,600,011,760**	**827,142,092**

(1) Maturity analysis was applied only to financial instruments. Legal obligations are not included in the maturity analysis.

(2) 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.

Derivative financial liabilities:

2014	Carrying value	3 months or less	3 - 12 months	1 - 5 years	5 year and more
Financial liabilities	38,377,110	287,796	18,409,420	19,679,894	-
Forward contracts	(2,161,385)	(2,161,385)	-	-	-
	36,215,725	**(1,873,589)**	**18,409,420**	**19,679,894**	**-**

2013	Carrying value	3 months or less	3 - 12 months	1 - 5 years	5 year and more
Financial liabilities	43,100,260	426,492	22,812,028	19,861,740	-
Forward contracts	(4,303,365)	(4,303,365)	-	-	-
	38,796,895	**(3,876,873)**	**22,812,028**	**19,861,740**	**-**

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(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 31 December 2014 and 2013 is as follows:

Financial instruments with fixed interest rates	2014	2013
Cash and cash equivalents	70,452,580	225,815,921
Trade receivables	148,502,261	109,636,510
Other receivables	8,005,402	7,722,456
Financial liabilities	409,480,676	168,679,993
Trade payables	63,906,522	119,265,819
Financial instruments with floating interest rates		
Financial liabilities	2,066,376,959	1,883,498,441
Trade payables	131,870,664	123,975,785

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 1 basis point high/low with all the other parameters are constant, current year income before tax have been TL1,225,813 lower/higher as a result of interest expense of floating interest rated loans and swap transactions (2013: TL564,889).

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 assests and liabilities. These risks are monitored and limited by the monitoring of the foreign currency position.

The details of the foreign currency assets and liabilities as of 31 December 2014 and 2013 are as follows:

	2014	2013
Assets	66,814,193	194,518,694
Liabilities	2,229,574,393	1,955,621,212
Net foreign currency position	**(2,162,760,200)**	**(1,761,102,518)**

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Assets and liabilities denominated in foreign currency held by the Group at 31 December 2014 and 2013 and their TL equivalent are as follows:

	2014				2013			
	TL Equivalent	USD	Euro	Other	TL Equivalent	USD	Euro	Other
Cash and cash equivalants	40,291,814	15,413,149	1,613,164	3	133,340,045	59,142,420	2,407,598	12,094
Other trade receivables	609,033	16,190	202,606	-	979,126	67,228	284,570	-
Due from related parties	-	-	-	-	343,721	-	117,051	-
Other receivables	36,419	4,150	9,500	-	79,436	24,150	9,499	-
Prepaid expenses	771,154	326,737	4,780	-	60,772	15,900	9,139	-
Current Assets	41,708,420	15,760,226	1,830,050	3	134,803,100	59,249,698	2,827,857	12,094
Prerpaid expenses	25,105,773	1,237,155	7,883,481	-	59,715,594	9,571,762	13,378,710	-
Non-current Assets	25,105,773	1,237,155	7,883,481	-	59,715,594	9,571,762	13,378,710	-
Total Assets	66,814,193	16,997,381	9,713,531	3	194,518,694	68,821,460	16,206,567	12,094
Short-term portion of long term financial liabilities	423,009,353	168,337,437	11,575,733	-	203,900,981	78,833,987	12,138,806	-
Due to related parties	2,820,700	-	1,000,000	-	2,936,500	-	1,000,000	-
Other trade payables	18,024,880	3,418,360	3,577,263	2,130	28,255,802	1,672,149	8,059,923	290,189
Deferred income	5,251,735	2,264,753	-	-	15,017	7,036	-	-
Other short-term provisions	217,796	93,922	-	-	55,442	-	18,880	-
Current Liabilities	449,324,464	174,114,472	16,152,996	2,130	235,163,742	80,513,172	21,217,609	290,189
Financial liabilities	1,780,249,001	721,038,038	38,371,289	-	1,720,456,616	761,444,661	32,455,398	-
Other payables	928	400	-	-	854	400	-	-
Non-current Liabilities	1,780,249,929	721,038,438	38,371,289	-	1,720,457,470	761,445,061	32,455,398	-
Total Liabilities	2,229,574,393	895,152,910	54,524,285	2,130	1,955,621,212	841,958,233	53,673,007	290,189
Net Foreign Currency Assets/(Liabilities) Position	(2,162,760,200)	(878,155,529)	(44,810,754)	(2,127)	(1,761,102,518)	(773,136,773)	(37,466,440)	**(278,095)**

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The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar 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.

	31 December 2014	
	Profit / Loss	
	Appreciation of Foreign currency	Depreciation of Foreign currency
10% increase / decrease in US Dollar exchange rate		
(Expense)/income	(203,635,486)	203,635,486
US Dollar Net Effect	**(203,635,486)**	**203,635,486**
10% increase / decrease in Euro exchange rate		
Income/(expense)	(12,639,769)	12,639,769
Euro Net Effect	**(12,639,769)**	**12,639,769**
10% increase/decrease in other exchange rates		
Income/(expense)	**(765)**	**765**
Other currencies net effect	**(765)**	**765**
Total Net Effect	**(216,276,020)**	**216,276,020**

	31 December 2013	
	Profit / Loss	
	Appreciation of Foreign currency	Depreciation of Foreign currency
10% increase / decrease in US Dollar exchange rate		
(Expense)/income	(165,010,582)	165,010,582
US Dollar Net Effect	**(165,010,582)**	**165,010,582**
10% increase / decrease in Euro exchange rate		
Income/(expense)	(11,002,020)	11,002,020
Euro Net Effect	**(11,002,020)**	**11,002,020**
10% increase/decrease in other exchange rates		
Income/(expense)	(97,650)	97,650
Other currencies net effect	**(97,650)**	**97,650**
Total Net Effect	**(176,110,252)**	**176,110,252**

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(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 (Note2.7).

(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.

Net debt/total equity ratio as of 31 December 2014 and 2013 are as follows:

	2014	2013
Trade payables and due to related parties	195,777,186	243,241,604
Total financial liabilities	2,475,857,635	2,052,178,434
Other liabilities	3,671,658	15,870,961
Total debt	**2,675,306,479**	**2,311,290,999**
Less: Cash and Cash Equivalents (Note 3)	(82,229,586)	(242,897,506)
Net debt	2,593,076,893	2,068,393,493
Total equity	**508,091,387**	**828,027,582**
Net debt/total equity ratio	**%510**	**%250**

(e) 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.

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The exposure of the Group to credit risk as of 31 December 2014 based on types of financial instruments is as follows:

2014	Trade Receivables		Other Receivables		Bank deposits	
	Related Party	Other	Related Party	Other	Related Party	Other
Maximum credit risk exposure as of the reporting date	**3,555,821**	**144,946,440**	-	**8,005,402**	-	**82,155,451**
- Secured portion of the maximum risk by guarantees	**23,757**	**122,674,331**	-	-	-	-
Not due /not impaired Financial asset's carrying value	3,555,821	139,521,321	-	8,005,402	-	82,155,451
Overdue but not impaired Financial asset's carrying value	-	5,425,119	-	-	-	-
- Secured portion by guarantees	23,757	446,716	-	-	-	-
Net carrying value of Impaired assets	-	-	-	-	-	-
- Overdue (gross)	-	7,571,993	-	-	-	-
- Impairment (-)	-	(7,571,993)	-	-	-	-
- Secured portion by guarantees	-	-	-	-	-	-

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The exposure of the Group to credit risk as of 31 December 2013 based on types financial instruments is as follows:

2013	Trade Receivables		Other Receivables		Bank deposits	
	Related Party	Other	Related Party	Other	Related Party	Other
Maximum credit risk exposure as of the reporting date	**6,994,363**	**102,642,147**	**343,721**	**7,378,735**	-	**242,813,763**
- Secured portion of the maximum risk by guarantees	**22,727**	**65,399,659**	-	-	-	-
Not due /not impaired Financial asset's carrying value	6,994,363	100,454,190	343,721	7,378,735		242,813,763
Overdue but not impaired Financial asset's carrying value	-	2,187,957	-	-		
- Secured portion by guarantees	-	584,114	-	-	-	
Net carrying value of Impaired assets	-	-	-	-	-	-
- Overdue (gross)	-	7,524,230	-	-	-	-
- Impairment (-)	-	(7,524,230)	-	-	-	-
- Secured portion by guarantees	-	-	-	-	-	-

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

The fair values of financial instruments that are not traded in an active market 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 fair value. Accordingly, the estimates presented herein may differ from the amounts the Group could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

Foreign currency denominated balances are translated into Turkish Lira with the rates at the balance sheet date. The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate their carrying values.

The fair values of certain financial assets carried at cost, including cash and cash equivalents are considered to approximate to their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to approximate to their fair values.

Monetary liabilities

The fair values of short term bank borrowings and other monetary liabilities are considered to approximate to their respective carrying values due to their short-term nature.

Since long term foreign currency loans generally have floating interest rate fair value is close to their book value. Fair value of long term bank loans are discounted amounts of contractual cash flows with the market interest rate (Note 4).

Fair value estimation:

Effective from 1 January 2009, the Group adopted the amendment to TFRS 7 for financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

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Trade receivables and payables are valued at amortized cost using the effective interest method. Trade receivables and payables are considered to approximate to their fair values (level 2).

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

Derivative financial liabilities	2014	2013
Level 1	-	-
Level 2	36,215,725	38,796,895
Level 3	-	-
	36,215,725	38,796,895

NOTE 27 - SUBSEQUENT EVENTS

Following the technical investigation of Erzin's Natural Gas Combined Cycle Power Plant, which is owned by Egemer Elektrik Üretim A.Ş., a subsidiary of Akenerji, a study was conducted with the purpose of eliminating any identified technical problems which would prevent operations at the power plant. As a result of the findings in the study, the power plant started its commercial operations at full capacity as of 10pm on 28 January 2015.

Akenerji Elektrik Üretim A.Ş.

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