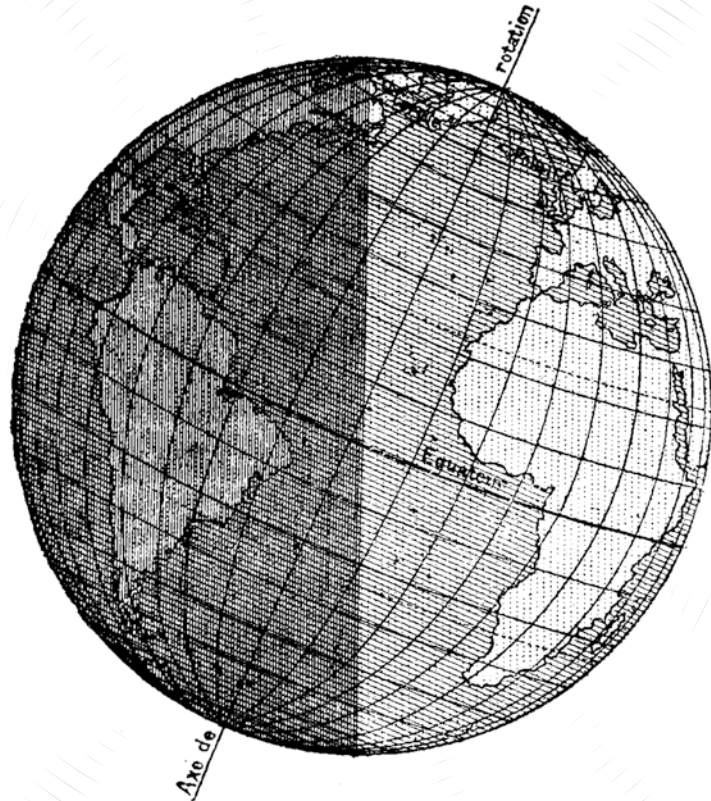


# THINK BIG



**KAZANCI HOLDING**

ANNUAL REPORT 2017

## **CONTENTS**

---

### **INTRODUCTION**

- 08 About Kazancı Holding
- 10 Our Values
- 12 Milestones
- 14 Key Financial Indicators

### **FROM MANAGEMENT**

- 16 Message from the Chairman
- 18 Board of Directors
- 20 Message from the CEO
- 24 Senior Management
- 26 Organizational Chart

### **OPERATIONS**

- 31 Natural Gas Distribution and Sales**
- 31 Aksa Natural Gas
- 41 Electricity Distribution and Sales**
- 42 Aksa Electricity Sales
- 42 Çoruh and Firat Electricity Retail Sales Companies
- 46 Çoruh Electricity Distribution
- 48 Firat Electricity Distribution
- 55 Electricity Generation**
- 55 Aksa Energy
- 67 Generator Manufacturing and Sales**
- 67 Aksa Power Generation
- 72 Aksa Service and Rental
- 77 Agriculture**
- 78 İnanlı Enterprise
- 80 Gelemen Enterprise
- 87 Tourism**
- 88 Mirada Del Mar Hotel
- 88 Mirada Del Lago Hotel
- 88 Mirada Del Monte Hotel

### **SUSTAINABILITY**

- 94 Human Resources
- 98 Environment
- 106 Social Responsibility Projects

### **CORPORATE GOVERNANCE PRACTICES**

- 111 Internal Audit, Control and Risk Management
- 112 Kazancı Holding's Strategy
- 113 Ethical Principles
- 118 Information Security Policy

### **FINANCIAL INFORMATION**

- 120 Independent Auditor's Report
- 122 Consolidated Financial Statements

# FORESIGHT IS THE GREATEST STRENGTH

Being able to foresee the present half a century ago has allowed us to become one of the leading groups of the energy sector today, generating energy, distributing natural gas, distributing and selling electricity, and manufacturing generators; as well as spearheading the agriculture and tourism sectors with our efforts in those fields.

We are inspired by those who think big, and with our visionary identity we now set our sights on a greater future.





**ALİ**

**METİN**

**KAZANCI**

Kazancı Holding  
Chairman



# *leadership*

At Kazancı Holding, we have been working relentlessly since the 1950s to always provide quality products and dependable services. All the companies under our corporate roof provide customer-oriented solutions with this awareness in mind, and strive for constant improvement. The trust placed on our AKSA brand by all our customers who choose our products and services is our biggest motivation for climbing ever greater heights of standards in every respect.

We continue to be leaders in the field thanks to our entrepreneurial spirit. We are carrying the Turkish brand AKSA into the future, with a vision to turn it into a global brand. The bold steps we are taking will make KAZANCI Holding a household name not just in Turkey but all around the world.

# THE WORLD'S GAIN

PRODUCTION ON **4** CONTINENTS

---

OPERATIONS IN **21** COUNTRIES

---








EXPORTS TO OVER **160** COUNTRIES

---

EMPLOYEES **7,538**

FROM **74** NATIONS

United States

-  NATURAL GAS DISTRIBUTION
-  ELECTRICITY GENERATION
-  ELECTRICITY DISTRIBUTION AND SALES
-  GENERATOR MANUFACTURING AND SALES
-  GENERATOR SALES
-  AGRICULTURE
-  TOURISM





# TURKEY'S GAIN

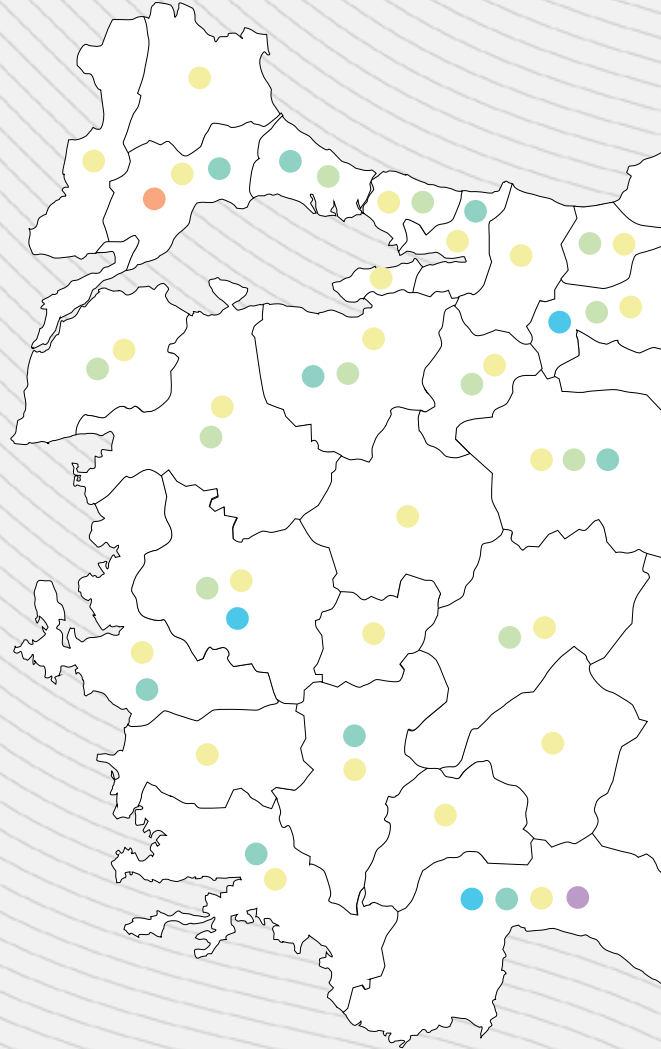
TRY **1.2** BILLION  
INVESTMENT

---

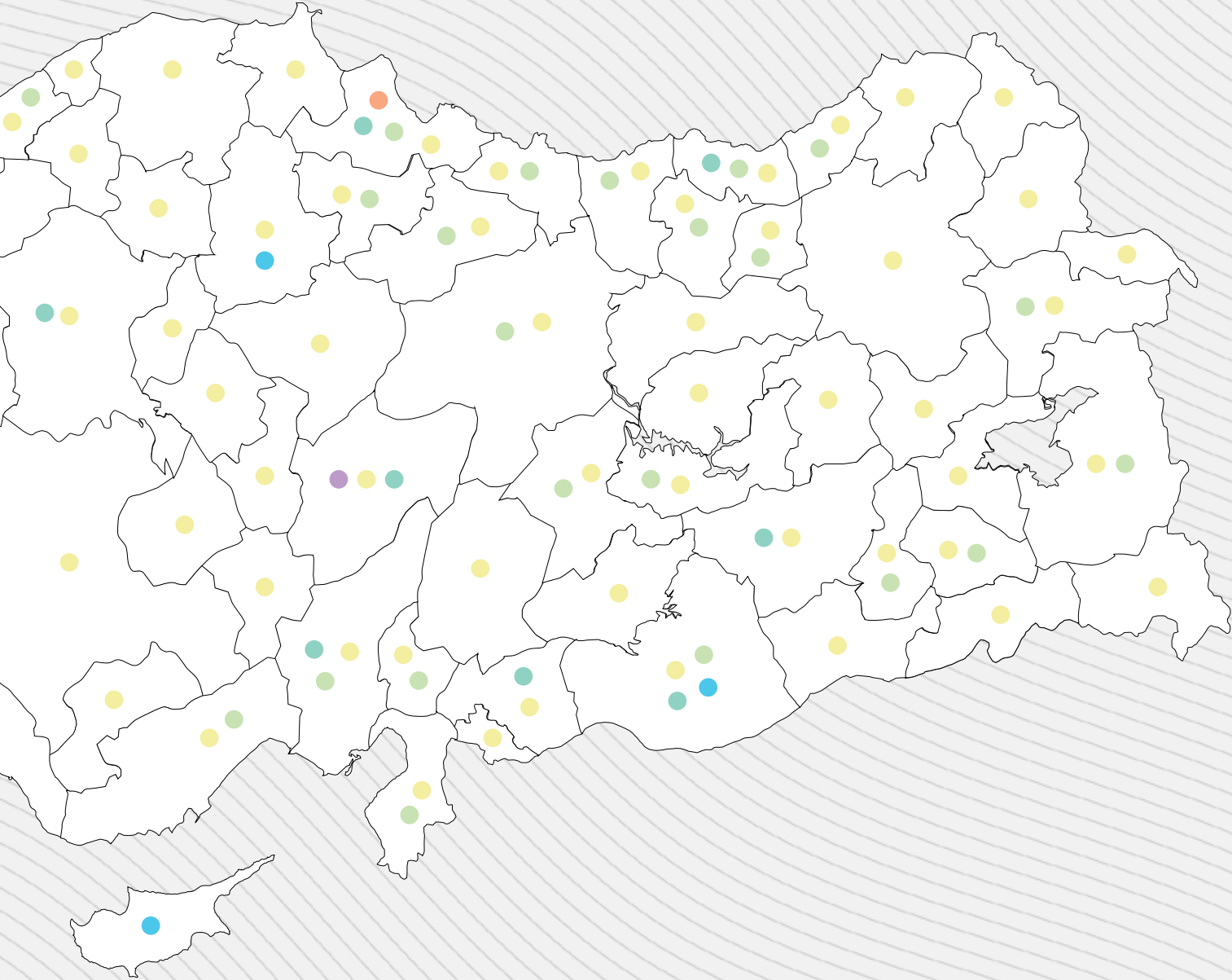
TRY **9.7** BILLION  
REVENUES

---

TRY **423** MILLION  
NET PROFIT



**Founded in the 1950s, throughout its journey of more than half a century Kazancı Holding has always been focused on customer satisfaction and trust, becoming one of the leading groups in the energy sector engaged in generator manufacturing, natural gas distribution, energy generation, and electricity distribution and sales, as well as spearheading the agriculture and tourism sector with its activities in those fields.**



- NATURAL GAS DISTRIBUTION
- ELECTRICITY GENERATION
- ELECTRICITY DISTRIBUTION AND SALES
- GENERATOR MANUFACTURING AND SALES
- AGRICULTURE
- TOURISM

# ABOUT KAZANCI HOLDING

A JOURNEY OF MORE THAN HALF A CENTURY...

---

**7,538**  
EMPLOYEES

---

**21**  
COUNTRIES

---

EXPORTS TO  
MORE THAN  
**160**  
COUNTRIES

---

REVENUES  
TRY **9.7** BILLION

---

Founded in the 1950s, Kazancı Holding is one of the leading groups in the energy sector.

The Group began manufacturing generators in the 1980s, and over time built an integrated structure in the energy sector. Kazancı Holding began to build electricity plants and generate electricity in the 1990s, and by the early 2000s its natural gas distribution operations were underway, thus carrying its horizontal and vertical structure within the energy sector to new levels. Kazancı Group's electricity distribution activities commenced in 2010.

Today, Kazancı Holding is a global power with manufacturing plants across 4 continents, more than 7,000 employees from 74 countries, and operations in 21 countries, exporting goods to more than 160 countries around the world.

Its expertise in the energy sector places the group ahead of its competitors, and the Group's aim is to grow within the sector through long-term strategic focusing, and retaining its leading position. The Group makes a significant contribution to the Turkish economy by investing in the agriculture and tourism sectors as well as energy, paying taxes, and creating employment.

The companies within the Holding, which have always focused on customer satisfaction and trust during its journey of more than half a century, are all amongst the leaders in their sectors with impressive accomplishments in their own fields.

Amongst those companies operating under the brand Aksa;

Aksa Natural Gas owns the largest natural gas distribution network in Turkey. Operating in 21 licensed distribution regions, 27 cities, and 167 districts and towns, it provides its customers with services for a safe, natural, and comfortable lifestyle.

Aksa Energy is Turkey's largest publicly traded independent power producer. It has its sights set on globalization, and with the establishment of power plants in Northern Cyprus and Africa, it was transformed into a global energy company. In 2015, the Company set its course overseas, and in a 2016 assessment by Capital and Fortune magazines it was placed amongst the top 50 in a list of Turkey's largest 500 companies. As at 2017 year-end, the Company has an installed capacity of 2,236 MW.

As for the electricity segment, the Çoruh and Fırat electricity distribution companies within the company provide a population of 3.6 million living in the area with an annual energy supply of 6.02 billion KWh and electricity sales of 4.73 billion KWh. Aksa Electricity Sales and Çoruh and Fırat Electricity Retail Sales companies sell a combined total of 7.5 billion KWh electricity all around Turkey annually.

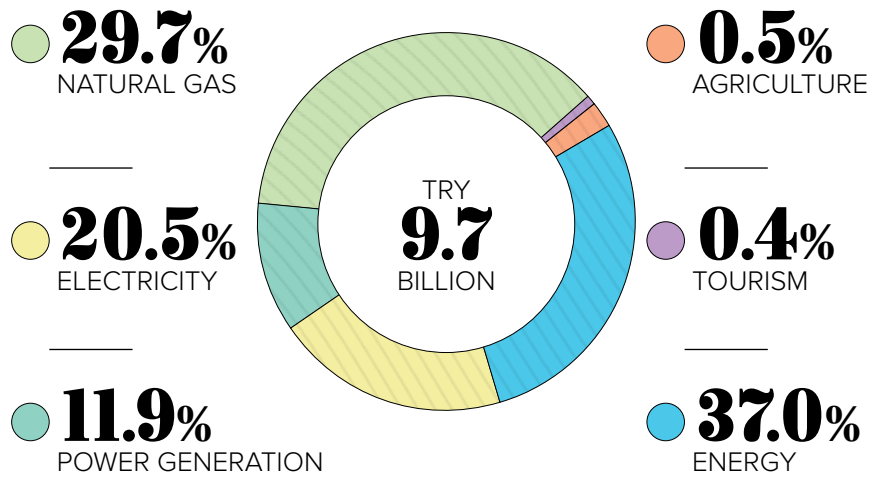


Leader of the Turkish generator market, Akxa Power Generation is one of Turkey's biggest exporters, exporting its products to more than 160 companies. Its products are manufactured in factories in Turkey, China, and the US. Akxa Power Generation exports more than 50% of its production, and has 17 offices in Asia, Europe, Africa, and America, making it one of the world's top 5 generator manufacturers.

Bringing its corporate structure to the agriculture sector in 2004, Akxa Agriculture has since become one of the major companies in the field of livestock and dairy cattle farming and arboriculture. It operates in line with EU standards at its two farms in Samsun and Tekirdağ.

Akxa Tourism is a major player in summer tourism and convention tourism with the five-star Mirada Del Mar Hotel in Göynük, Antalya, whilst the four-star Mirada Del Lago Hotel and the three-star Mirada Del Monte Hotel attract winter tourism.

## KAZANCI HOLDING 2017 REVENUE DISTRIBUTION



Partnership Structure	Number of Shares	%
Şaban Cemil Kazancı	66,911,492	60.28
Ali Metin Kazancı	32,200,008	29.01
Mehmet Kazancı	6,531,250	5.88
Tülay Kazancı	5,356,250	4.83
Necati Baykal	1,000	-
<b>Total</b>	<b>111,000,000</b>	<b>100.00</b>

# OUR VALUES

WE OPERATE WITH A SPECIAL FOCUS ON DELIVERING CUSTOMER SATISFACTION AND STRIVE FOR CONSTANT IMPROVEMENT.

---

**Thanks to over half a century's experience, we are a company with a clear vision of the steps to be taken and therefore we look to the future with optimism.**

---

At Kazancı Holding, we have been working relentlessly since the 1950s to always provide dependable and high quality products and services. The trust our shareholders place on our brand is the greatest reason for our aspiration for ever higher standards in all aspects.

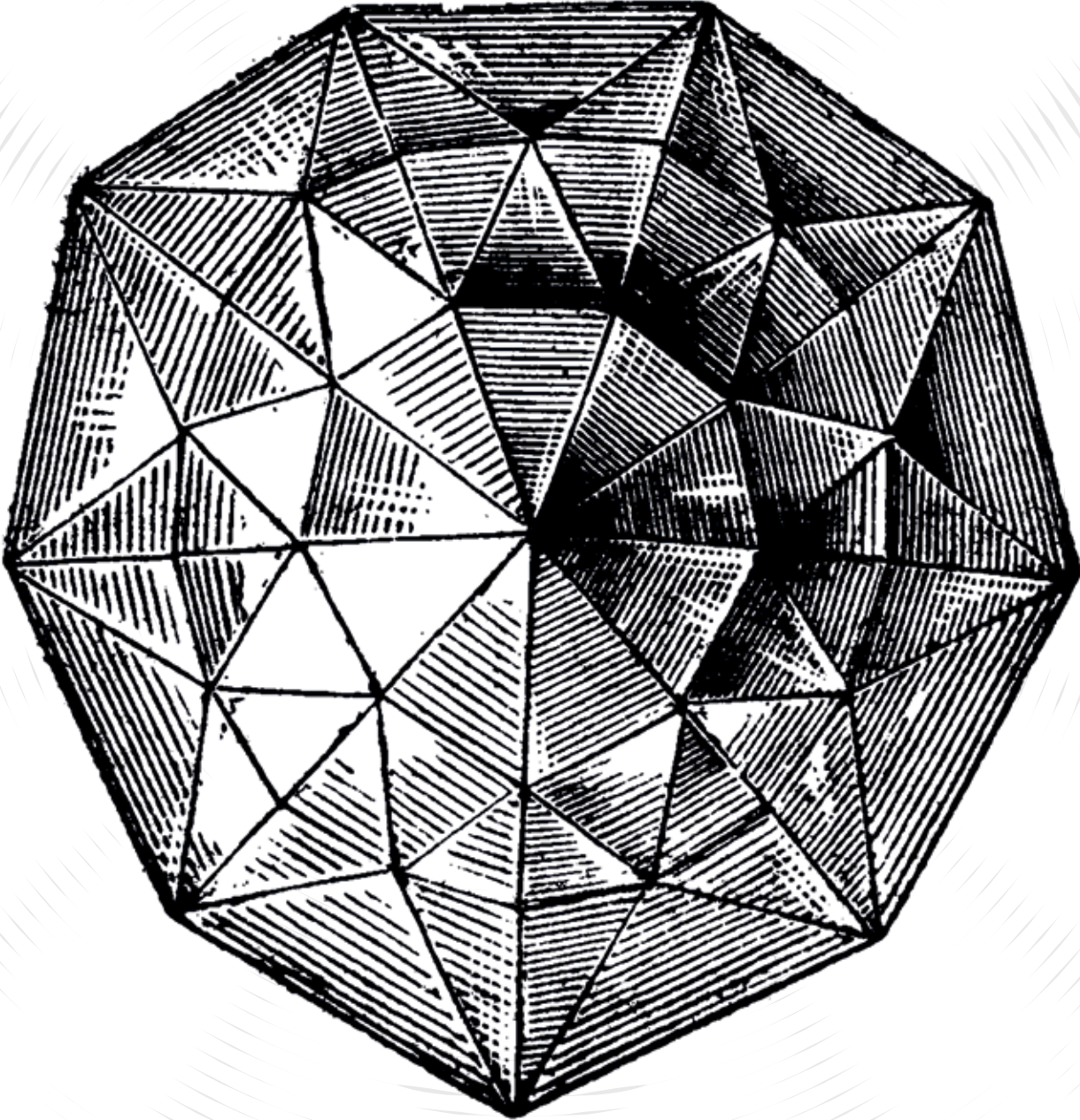
Over half a century's experience allows us to see more clearly the steps we will be taking in the future, and this means we can look ahead with hope. We regard all our shareholders and employees as part of a whole, and we work hard to function as a team and make sure this awareness is shared by all our employees.

One of the biggest reasons ensuring that we look ahead with hope is our unshakable trust in children, the guarantors of our future. We know that our children are our past, present, and future. With this awareness, we design and realize projects focused on the personal development of children.

We support public campaigns and activities designed for the improvement of children's self-esteem; we organize sports, art, and chess events; and we are proud to become involved in useful organizations. We reach out to children from economically disadvantaged backgrounds to aid with their education, and by funding the education of children in need; we try to alleviate their worries about the future.

All the companies in our Group are customer satisfaction oriented, and constantly improving. We place a huge importance on customer demand and feedback for our services, offer adequate solutions, fulfill our responsibilities at every stage from manufacturing to sales, and continue to direct our knowledge towards the newest and the best.

Our know-how and experienced staff ensure we can continue our investments and experience the sense of pride that comes from being a global group of companies.





# MILESTONES

WE AIM FOR THE HIGHEST STANDARDS  
IN EVERY FIELD.

Kazancı Holding's investments in energy, agriculture, and tourism; tax payments, and the employment it creates mean that it is a significant contributor to the Turkish economy.

—  
**1950**

Commercial foundation of the Group.

—  
**1968**

Watt Electric Engines, the Group's first energy sector company, was founded.

—  
**1984**

Power generator manufacturing commenced.

—  
**1986**

Aksa Service and Rental were founded.

—  
**1994**

Kazancı Holding was established.

Aksa Power Generation's İstanbul factory was inaugurated.

—  
**1997**

Aksa Energy was established.

—  
**2002**

The Group entered the natural gas distribution sector.

—  
**2004**

First natural gas distribution license was obtained.

Aksa Electricity Wholesales was founded.

Aksa Agriculture started operations.

Mirada Del Mar Hotel became operational.

—  
**2006**

The first privately-owned natural gas wholesales company in Turkey, Aksa Natural Gas Wholesales, was established.

---

## 2007

Natural gas distribution activities were merged under the umbrella of Aksa Natural Gas.

Aksa Power Generation's first factory in China was inaugurated.

The Mirada Del Lago and Mirada Del Monte hotels became operational.

---

## 2010

Aksa Energy's IPO was executed.

The Group assumed control over the Çoruh and Firat electricity distribution regions.

---

## 2011

Ali Metin Kazancı Antalya Natural Gas Power Plant reached an installed capacity of 1,150 MW.

---

## 2012

Aksa Power Generation inaugurated its Chinese power generator factory, which has the world's largest production capacity.

---

## 2013

Aksa Power Generation's US factory became operational.

---

## 2015

Bolu Göynük Thermal Power Plant, Turkey's second private lignite-fired power plant, became operational.

Aksa Aksen Energy Trade was founded.

Aksa Energy entered the African market by executing a power plant construction and energy sales agreement with the Republic of Ghana.

---

## 2016

Aksa Energy executed agreements on power plant construction and energy sales with the Republic of Madagascar and Republic of Mali.

---

## 2017

Aksa Energy's Ghana, Madagascar and Mali power plants commenced commercial operations.

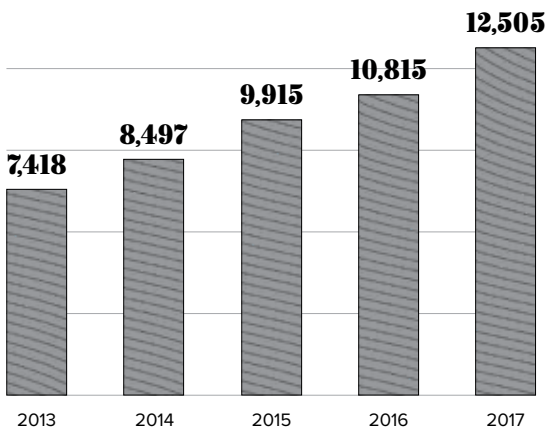
---

**The individual accomplishments of the Kazancı Holding companies have made them leaders in their respective fields.**

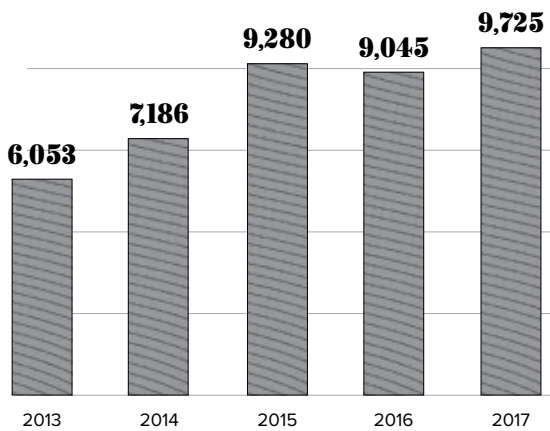
# KEY FINANCIAL INDICATORS

HIGH PERFORMANCE,  
SUCCESSFUL FINANCIAL RESULTS...

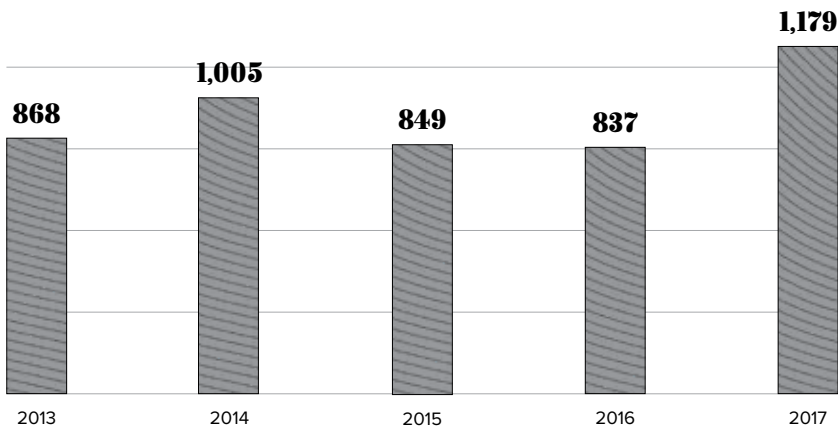
**ASSETS (TRY MILLION)**



**REVENUES (TRY MILLION)**



**INVESTMENTS (TRY MILLION)**

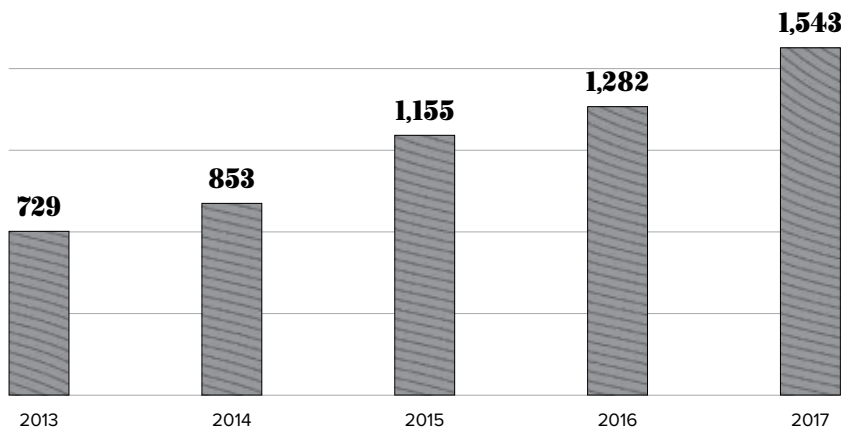


**GROWTH RATE OF INVESTMENTS**

**41%**



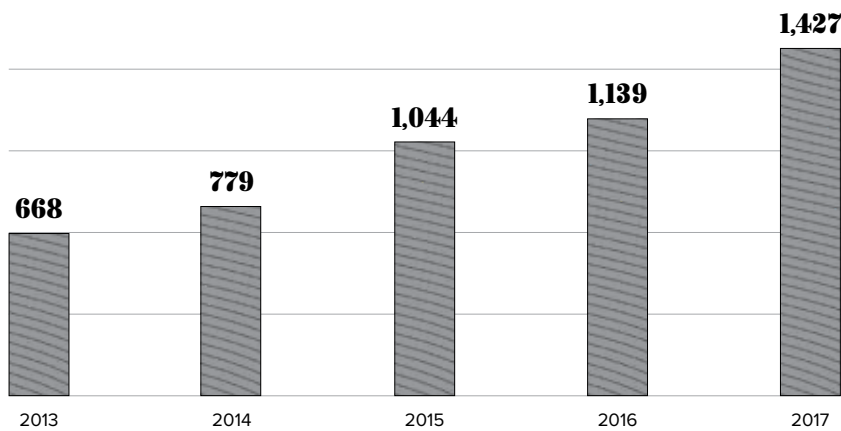
**EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA) (TRY MILLION)**



**EBITDA  
GROWTH RATE**

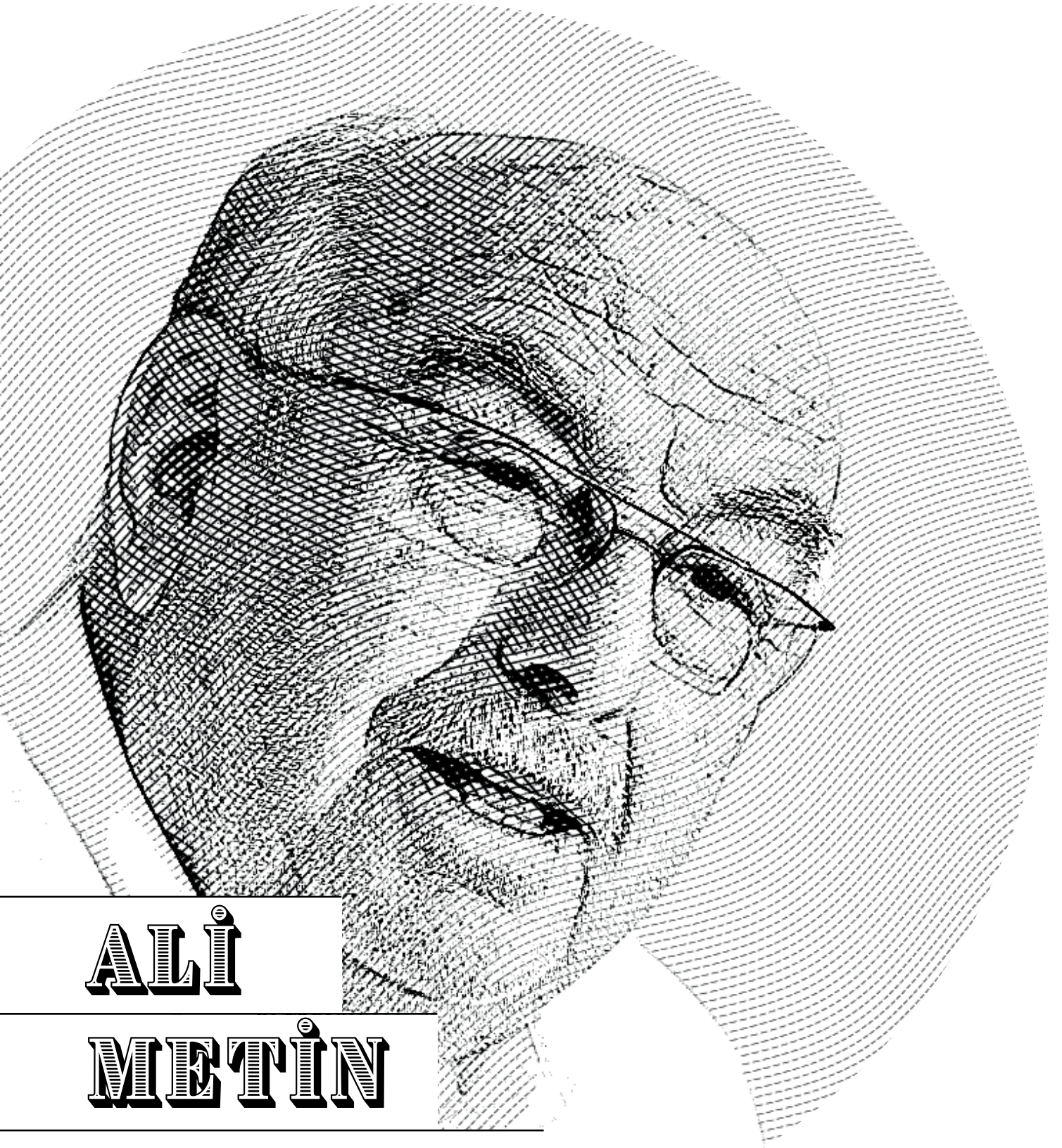
**20%**

**GROSS PROFIT (TRY MILLION)**



**GROSS PROFIT  
GROWTH RATE**

**25%**



**ALI**

**METİN**

**KAZANCI**

# MESSAGE FROM THE CHAIRMAN

## QUICK DECISION-MAKING AND IMPLEMENTATION...

Dear Stakeholders,

2017 has been a year of significant financial, social, and political developments all around the world. Satisfactory developments regarding the world economy took place during the past year; however, increasing inequality has led to the reinforcement of existing polarizations. The regional political uncertainties and inconsistencies which grow daily have hindered the durability of optimistic expectations. Whilst accelerating general economic growth, globalization is beginning to be questioned more, owing to the increasing prevalence of protectionism.

Located in one of the most challenging geographical regions in the world, Turkey has accomplished an outstanding rate of growth despite the stormy seas it is surrounded by, thanks to public authorities' support of economic activities and the cooperation of the business world towards achieving common goals. I believe that the continuation of this cooperation and desire to produce shared solutions is hugely important for the interests of our country and nation in the upcoming period.

Kazancı Holding companies have accomplished significant and successful undertakings during 2017. However, what makes me happiest regarding this list of accomplishments is to see the returns on our efforts to further the development of our national economy.

The AKSA brand has transformed Kazancı Holding into a global group with production across 4 continents, operations and employment opportunities in 21 countries, and export links with more than 160

countries. Despite the huge risks entailed by doing business on such a scale, thanks to our ability to foresee change, conduct in-depth analyses, and act upon the data we find in a quick and flexible manner, we can look to the future with hope.

In the coming period, we will devote ourselves even more to cementing our place in all the sectors we operate in, withstanding the national and global competition. We are entering a period in which we will be able to utilize the existing potential of our foreign operations in an even more efficient and effective manner, and our large-scale investments will continue to grow. As we accomplish these goals, we will not relinquish our idea of sustainable growth, which is our guiding light. As our growth rate increases in the energy, agriculture, and tourism sectors, we will not ever lay aside our concerns for the environment.

The opportunities our country has provided us with have enabled the existence of Kazancı Holding and its capabilities of today. We will continue to aim to serve our country in all our endeavors, together with our stakeholders and employees. I would like to use this opportunity to thank and express my gratitude to all our valuable employees, customers, business partners, and other stakeholders.

Sincerely,



**Ali Metin Kazancı**  
Chairman

**The AKSA brand has transformed Kazancı Holding into a global group with production across 4 continents, operations and employment opportunities in 21 countries, and export links with more than 160 countries.**



# BOARD OF DIRECTORS



**Ali Metin Kazancı**  
Chairman

## **ALİ METİN KAZANCI**

Chairman

Ali Metin Kazancı's professional life began in 1950, and the foundations for what would later become Kazancı Holding were laid during this time. Watt Electric Motor factory, which is the initial venture that created the Group's companies, was founded in 1968. Thanks to Ali Metin Kazancı's successful ventures, by 1983 Kazancı Holding included various companies in the energy sector, and by 1994 it became a holding company specializing in the energy sector, its primary line of business. Ali Metin Kazancı continues his duties as the chairman of Kazancı Holding's Board of Directors.



**Cemil Kazancı**  
CEO and Vice Chairman

## **CEMİL KAZANCI**

CEO and Vice Chairman

Cemil Kazancı commenced his business career in the family's Group companies. Initially, he served as a Manager in power generator manufacturing and sales, before playing an active role in founding Aksa Energy in 1997 to expand the Group's energy operations. Cemil Kazancı is Kazancı Holding's CEO and Vice Chairman. He also serves as Chairman at Aksa Energy, and Board Member at various Group companies.



**Tülay Kazancı**  
Board Member

## **TÜLAY KAZANCI**

Board Member

Tülay Kazancı is a Board Member at Kazancı Holding, and serves as a Partnership Board Member at ATK Insurance Brokerage Services and Aksa Anatolian Machinery Sales and Services. Tülay Kazancı also has a seat on the Board of Directors at Aksa Energy since April 2010.



## ÖMER MUZAFFER BAKTIR

Board Member

Ömer Muzaffer Baktır graduated from Istanbul Technical University Mining Engineering Department in 1986 and began his career in Pamukbank as a manager in the banking sector. He has served as the Executive Vice President of Marketing at Halk Bank, CFO and also Executive Board Member of Electricity Distribution Companies at Cengiz Holding, Deputy General Manager Responsible for Marketing and Transformation at Ziraat Bank and served in the Surveillance and Management Boards of the various foreign companies of Ziraat Bank. He also served as the Chairman of the Board of Directors in Ereğli Group. Mr Baktır, born in Istanbul in 1961, joined Kazancı Holding on 05 February 2018 as Vice Chairman who is responsible for Finance and Financial Affairs.



**Ömer Muzaffer Baktır**

Board Member

## BARIŞ ERDENİZ

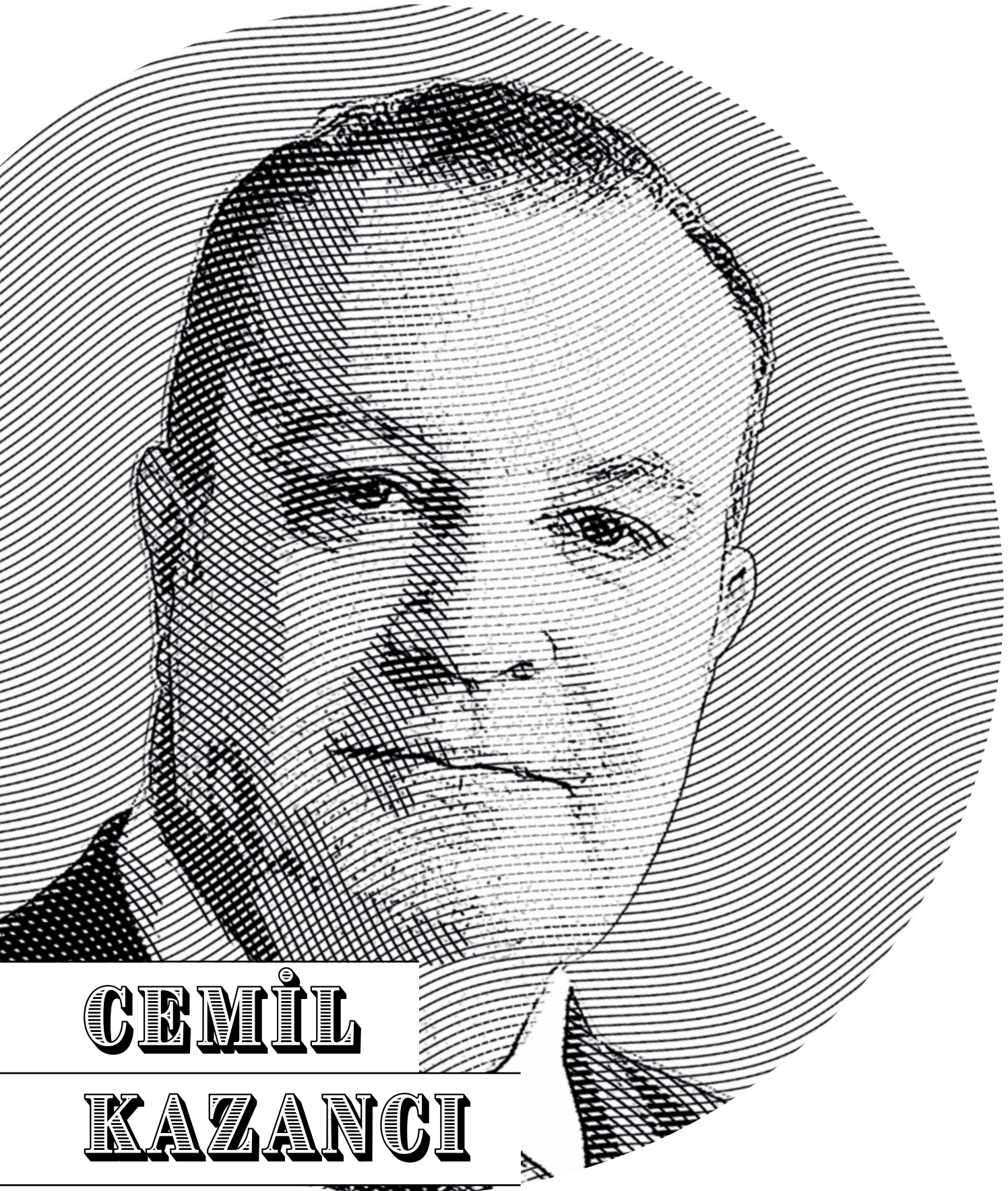
Board Member

Barış Erdeniz graduated from Doğuş Koleji and went on to study International Trade and Business Management at Yeditepe University. In 2012, he worked as a Business Development Director at TÜRMAK Machinery Manufacturing and Trade Corporation; in 2013 he founded Turuncu Marketing and became its general manager. In 2014, Barış Erdeniz founded Erdeniz Consultancy, an administrative consultancy firm, and the same year he joined the ranks of Kazancı Holding as Executive Adviser. Barış Erdeniz, who has contributed to the goals of Kazancı Holding by conducting many successful projects in the field of operational efficiency since 2014, has been appointed as a Board Member on August 2017.



**Barış Erdeniz**

Board Member



**CEMİL**  
**KAZANCI**



# MESSAGE FROM THE CEO

## OUR INVESTMENTS CONTINUE...

Dear Stakeholders,

In a conjecture of increasing international competition and the constant presence of risk fueled by geopolitical tensions, our operations and investments were graced by successful financial results in 2017.

In 2017, our Group continued its profitable growth in every segment, and our assets increased by 16% compared to the previous year to a total of TRY 12.5 billion, whilst our total revenues increased by 8% to TRY 9.7 billion. During this time, we implemented important changes in line with our aim of sustainable growth, and our performance led to a 20% increase in our EBITDA compared to 2016, surpassing the TRY 1.5 billion mark. We managed to couple our growth with profitability, and ended 2017 with a net profit of TRY 423 million.

Our investments continued at full speed, primarily in the energy sector, coming to a total of TRY 1.2 billion. In the same period, we continued to create employment opportunities in every country in which we operate, and the number of employees working in the Group surpassed 7,500.

These accomplishments were made possible through increasing the quality of goods and services provided by every company that is a part of our Group, as well as making technological advancement a priority and achieving the most competitive level of efficiency.

### **OUR STRATEGIC ADVANCES SPED UP OUR SUSTAINABLE GROWTH IN THE ENERGY SECTOR.**

At present, Aksa Natural Gas is one of the largest companies in Turkey, based on its scope, level of investment, and the value it creates. In every region it operates, its expert teams work relentlessly to provide people with the best and safest access to natural gas. In 2017, in a region with a total population of 15 million, it provided 2.5 million customers with 8.9 billion cubic meters (bcm) of natural gas. Aksa Natural Gas' network length reached approximately 25,000 kilometers, with the investment of TRY 469 million in 2017 and the investments made to date reaching a sum of TRY 3 billion.

Aksa Natural Gas, Turkey's biggest natural gas distributor, is now making plans to go public. We believe that this will be an important milestone in the history of our company, both in terms of greater transparency, and also in terms of clearly revealing the value we have created until today.

**In 2017, our Group continued its profitable growth in every segment, and our assets increased by 16% compared to the previous year to a total of TRY 12.5 billion, whilst our total revenues increased by 8% to TRY 9.7 billion.**

## MESSAGE FROM THE CEO

---

**TRY 284 MILLION**

TOTAL AMOUNT OF  
INVESTMENT BY AKSA  
ELECTRICITY DISTRIBUTION  
COMPANIES

---

**7.5 TWH**

ELECTRICITY SALES  
VOLUME OF AKSA  
ELECTRICITY RETAIL  
SALES COMPANIES

---

**After a busy year, Akxa Energy's plants in Ghana, Madagascar, and Mali swiftly became operational, turning the Company into one of the largest energy generators on the African continent in addition to Turkey, and into a global energy brand.**

After a busy year, Akxa Energy's plants in Ghana, Madagascar, and Mali became operational swiftly, turning it into one of the largest independent power producers on the African continent in addition to Turkey and Northern Cyprus (TRNC), as well as a global energy brand.

Akxa Energy's profitability increased as a result of the long-term, foreign currency-based and guaranteed sales contracts it signed with African countries, and most of its profits are acquired on a foreign currency basis.

Akxa Energy's model of investment in Africa was focused on low-cost investments and using existing equipment and this strategy will be brought to other regions as well. Akxa Energy will continue to bring energy to wherever it's needed across the world, and support the Turkish economy by the foreign currency income it generates.

This year, Akxa Energy came 49<sup>th</sup> in Fortune Magazine's list of "Turkey's 500 Biggest Companies", climbing up 12 places, and its profit-focused successful strategy was affirmed once again by Turkrating's credit rating.

Akxa Electricity's retail companies sold a total of 7.5 TWh of electricity, and by increasing their investments, they continued to utilize their potential in an efficient and effective manner in 2017. Akxa Electricity Sales, Çoruh Electricity Retail Sales, and Fırat Electricity Retail Sales took more steps to reach the height of customer satisfaction with technology and infrastructure projects. A WhatsApp chat line was established, and through more frequent use of social media channels, we were able to create a constant dialogue with our customers, as well as increase our brand visibility.

The activities of our electricity distribution companies, Çoruh Electricity Distribution (Çoruh EDAŞ) and Fırat Electricity Distribution (Fırat EDAŞ), are centered on technological transformation, and they provide continuous, trustworthy, and high quality electricity distribution services, making sure that more than 4.5 million people across 101 districts can get on with their daily lives. In 2017, our electricity distribution companies undertook pioneering projects in the sector regarding the improvement of supply quality, productivity, and similar points, creating higher standards of service and customer satisfaction. The annual investments of our distribution companies surpassed TRY 284 million, increasing our capability to provide our customers with high-quality, sustainable energy. In the coming period, Çoruh EDAŞ and Fırat EDAŞ will set precedents in their sector with projects and applications in digitalization and automatization, in line with technological trends.

Akxa Power Generation, unarguably Turkey's leading generator manufacturer, now has its sights set on global competition. Today, it is the first and only Turkish generator manufacturer with a factory in the US, and its factory in China has the biggest production capacity in the world. More than half of Akxa Power Generation's production is exported to over 160 countries worldwide. Currently, it is one of the top 5 companies in the world in its field, and by accelerating its investments in India and Africa in the upcoming period, the aim is to become one of the top three.

Locally, Akxa Power Generation has diversified its product line, while working towards better brand recognition. In 2017, customers were targeted with the slogan "Non-Stop Life with Akxa," promoting Akxa Power Generation to end users as well as purchase decision-makers.



**WE ARE BECOMING A POWERFUL PLAYER IN THE AGRICULTURE AND TOURISM SECTORS.**

Turkey's population is almost at 80 million, which makes food, and therefore agriculture and husbandry, two of the most important current issues. Kazancı Holding acts with a sense of responsibility towards adding value to the agricultural and husbandry industries in our country, and since 2004 it has been handling its cattle breeding and dairy farming operations within a large, corporate structure. Today, our farms at İnanlı and Gelemen have placed us in the national top 10 for milk production, and top 5 for cattle breeding. Deriving our power from almost half a century's knowledge and experience, we will continue to play an active role in the development of agriculture and husbandry in Turkey through our investments in these fields and our EU-compliant production standards.

One of our country's economic fragilities is the current deficit, and decreasing foreign dependency in the energy sector, our primary field of operation, and increasing tourism revenue, can contribute significantly to its shrinking. In this context, we are pleased with how the tourism sector has recuperated in 2017, particularly after tensions with Russia were resolved. The number of guests who stayed at our hotels rose exponentially in 2017 compared to the previous year. We are aiming to increase the added value we create in the tourism sector in the upcoming period.

**WE ARE WORKING TOWARDS A SUSTAINABLE FUTURE.**

As a group of companies operating in the energy, agriculture, and tourism sectors, we plan our investments based on longer term strategies. Our strategies focus not only on profitability, but also on a holistic approach to sustainability, such as added value production, long term contribution to the national economy, creating local employment opportunities and protecting the environment. In the regions we operate, we try to encourage sustainable development in financial areas such as employment, taxes, growth, and the creation of added social and cultural values.

Kazancı Holding companies regard it as a fundamental responsibility to conduct environmentally friendly operations at every link in their chain of value. Our companies place paramount importance on complying with their environmental policies, based on international and national regulations —ISO 14001 in particular— and making sure that stakeholders in their sphere of influence do so as well. As in the previous years, in 2017, our investments, operations, and projects designed to raise awareness set precedents in terms of environmental sustainability.

As another year draws to a close and we now feel the sense of responsibility as a global group, we believe that there is much more we can accomplish. We will continue to grow in cooperation with our employees and stakeholders, who are the basis of our strength, just as we have done so until today.

Sincerely,



**Cemil Kazancı**  
CEO and Vice Chairman

**Today, Kazancı Holding's farms at İnanlı and Gelemen have placed us in the national top 10 for milk production, and top 5 for cattle breeding.**

# SENIOR MANAGEMENT



**Alper Peker**  
President, Power Generation Group

---

## **ALPER PEKER**

President, Power Generation Group

Alper Peker, a graduate of Anadolu University's Department of Management, completed his Master's degree in Canada. He commenced his professional career in a certified public accounting firm as Audit Specialist and received his independent accountant and financial advisor license in 1999. In 2002, Mr. Peker started working for Kazancı Holding in the Audit Department. In 2007, he became the Asia-Pacific General Manager at Akxa Power Generation, and the Founding General Manager of Akxa China. In 2013, Alper Peker was appointed as CEO of Akxa Power Generation. He also serves on the Board of Directors of Akxa Power Generation.



**Cüneyt Uygun**  
President, Energy Group

---

## **CÜNEYT UYGUN**

President, Energy Group

Cüneyt Uygun graduated from the French Lycee of Saint Joseph and received his BA in Mathematics and MA in Economics from Boğaziçi University. He held managerial positions at TSKB, Efes Beverage Group and Turkcell, before serving as the CFO of Turkcell's Ukraine operations. In 2010, Mr. Uygun joined Kazancı Holding, and was appointed CEO of Akxa Energy in 2013. Cüneyt Uygun also serves as Board Member at Akxa Energy, as President of the Energy Group and as CFO at Kazancı Holding.

---

## SERDAR NIŞLİ

President, Business Development

Serdar Nişli obtained his BSc and MSc degrees from Middle East Technical University's Department of Mechanical Engineering. Subsequently, he served in various posts at Çayırhan Thermal Power Plant (TEK) and in the private sector, for a total of 18 years, before joining Kazancı Holding in 1996. Having worked as General Manager at Aksa Energy, Serdar Nişli now serves as President of Business Development at Kazancı Holding and Vice Chairman at Aksa Energy.



**Serdar Nişli**  
President, Business Development

---

## YAŞAR ARSLAN

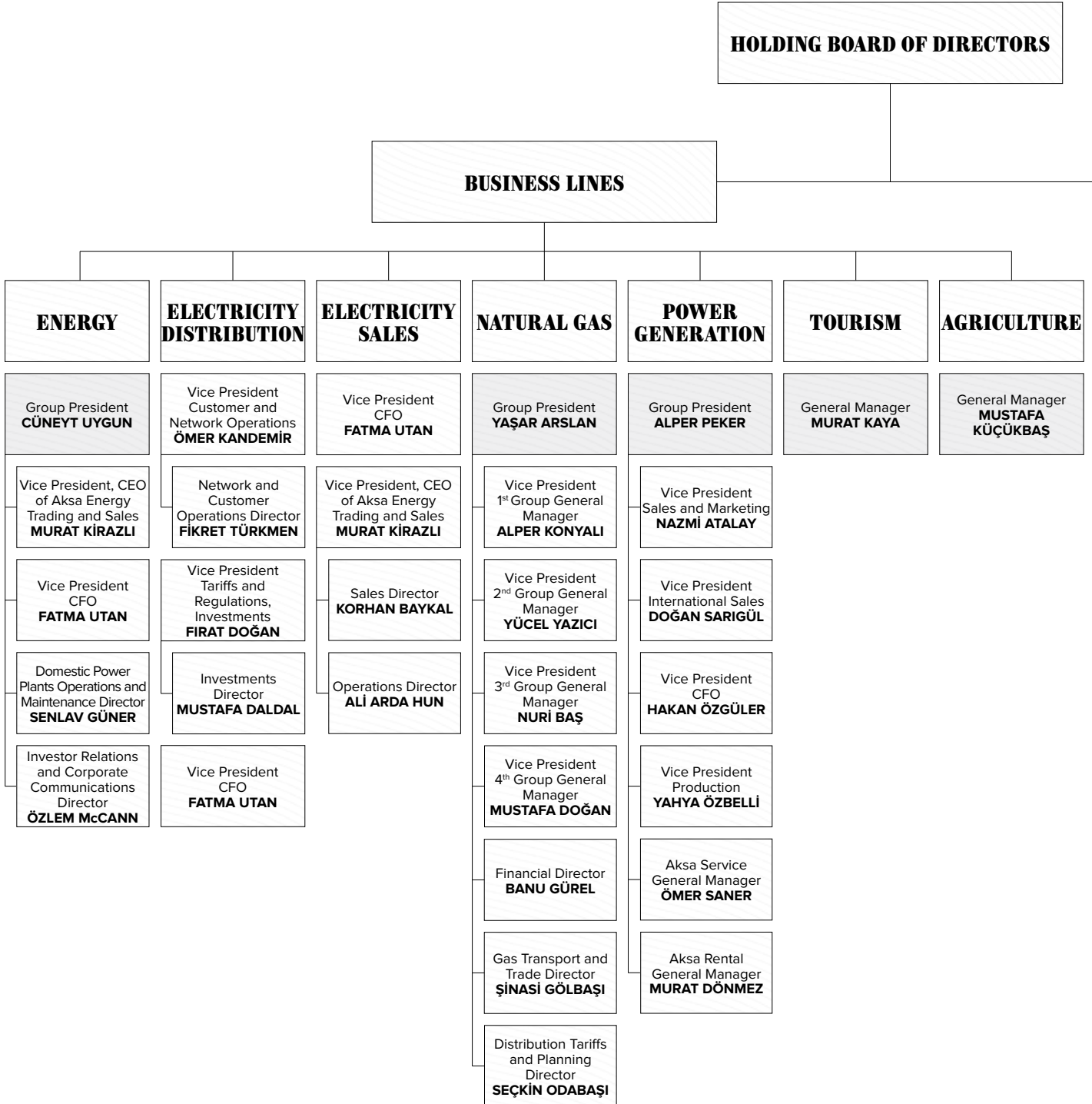
President, Natural Gas Group

Yaşar Arslan is a graduate of Istanbul Technical University, Faculty of Metallurgy. He completed his military service as Reserve Officer at the Turkish Military Academy in the Machinery Group, delivering lectures on topics such as materials, liquids and resource technology. Mr. Arslan held managerial positions at EMAŞ, the Saudi Arabian company Al-Fahd, as well as İGDAŞ, and then worked at Vinsan as Project Manager and at Yapısal as Coordinator. In 2004, he joined Kazancı Holding and was appointed Head of Aksa Natural Gas Distribution and Trade Group in 2010. Mr. Arslan currently serves as Vice Chairman of two electricity distribution companies under Kazancı Holding and Chairman of 21 natural gas distribution companies; two natural gas wholesales firms, and CNG and LNG companies. Alongside his responsibilities at Kazancı Holding, Yaşar Arslan is also Vice Chairman of the sector's two most important umbrella organizations: the Association of Turkish Natural Gas Distributors (GAZBİR) and the Association of Electricity Distribution Services (ELDER).



**Yaşar Arslan**  
President, Natural Gas Group

# ORGANIZATIONAL CHART





**HOLDING DEPARTMENTS****HOLDING CFO OFFICE****BUSINESS DEVELOPMENT GROUP**

Legal Affairs Director  
**SERDAR ŞEŞEN**

Human Resources Director  
**YEŞİM AĞAÇKESEN**

Information Technologies Director  
**AHMET REHA ARGAÇ**

Supply Chain Director  
**MERAL TUNALI**

Audit Director  
**GÖZEN KASIMAY**

Corporate Relations Director  
**MEHMET AKİF ŞAM**

Risk and Control Director  
**SERDAR PAYLAŞAN**

Administrative Affairs and Vehicle Fleet Manager  
**ERDOĞAN ÜNLÜ**

CFO Office President  
**CÜNEYT UYGUN**

Finance Director  
**ERSAN DEVREZ**

Budget, Reporting and Corporate  
Finance Projects Director  
**ERDİNÇ GÖK**

Investor Relations and Corporate  
Communications Director  
**ÖZLEM McCANN**

Business Development President  
**SERDAR NIŞLİ**

Business Development Director  
**HAKAN TUNALI**

Business Development Director  
**NESİM İBRAHİMHAKKIOĞLU**

Business Development Director  
**COŞKUN TÜRK**

---

**WALT**

---

**DISNEY**

---





# *perseverance*

Walt Disney's life was beset with hardships until a drawing of a mouse changed his life. His journey to success began with his creation of "Mickey Mouse". He took a huge risk and spent every last penny on making a Mickey Mouse film, which ended up being phenomenally successful. He founded Walt Disney Productions together with his brother Roy. The pair of them became one of the most famous film producers in the world.

But this was not enough for Disney, and he pushed himself further. In 1955, he created Disneyland, a huge theme park in Los Angeles where his employees could have fun with their kids. Walt Disney's life is a perfect example of how those who do not give up on their dreams achieve their goals, sooner or later.





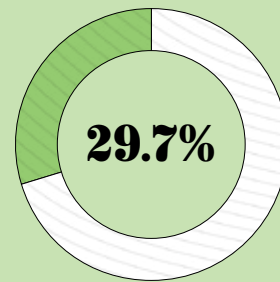
aksa

aksa

DOĞALGAZ  
ACİL  
187



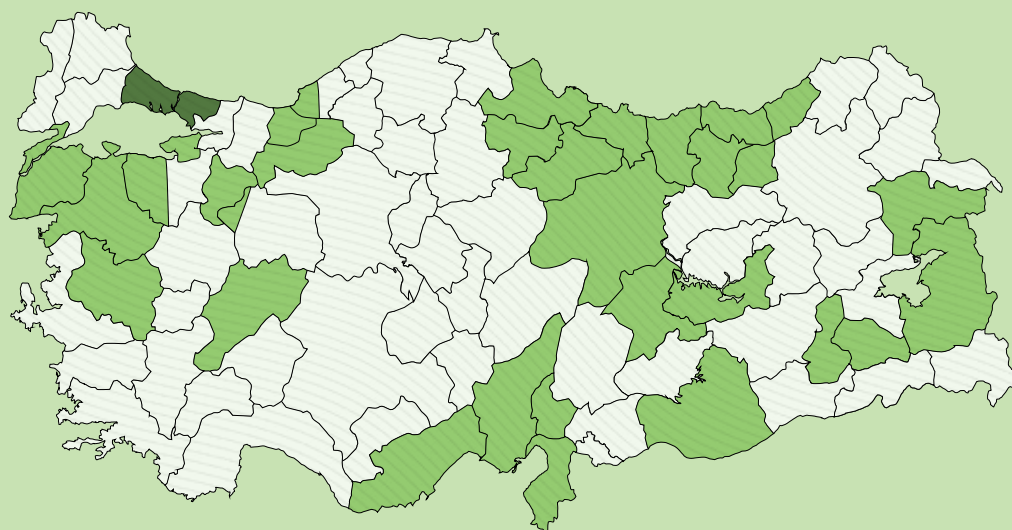
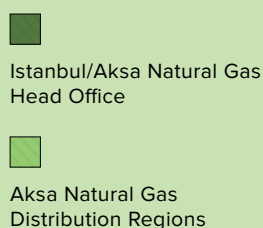
# AKSA NATURAL GAS



Aksa Natural Gas' network size grew by approximately **20% in 2017** and reached **24,423 km.**

SHARE IN REVENUES

## Natural Gas Distribution and Sales



Amount of Gas Distributed

**8.9** BCM

Operational Area  
**21** LICENSED REGIONS

Number of customers  
**2.5** MILLION

Revenues  
TRY **2.9** BILLION

Assets  
TRY **3.7** BILLION

Market Share  
**19%**

EBITDA  
TRY **390** MILLION

Net Profit  
TRY **169** MILLION

Network Length  
**24,423** KM

\* Distribution operations in 21 licensed regions out of a total of 72

\* Serving Turkey's largest geographical natural gas distribution region

\* Gas distribution of 8.9 bcm

\* Distribution of 19% of all natural gas distributed in Turkey

\* Distribution in 27 cities and 167 districts and towns

# AKSA NATURAL GAS

ENVIRONMENTALLY FRIENDLY SERVICES...

---

**21**  
LICENSED REGIONS

---

**2.5 MILLION**  
CUSTOMERS

---

**TRY 2.9 BILLION**  
REVENUES

---

Aksa Natural Gas was established in 2002 as a subsidiary of Kazancı Holding. Natural gas is a safe and clean fuel, and an affordable remedy for the increasing air pollution brought about by urbanization. Aksa Natural Gas operates in 21 of the 72 licensed regions in Turkey, and it serves a total of 2.5 million customers. 19% of all natural gas distributed in Turkey is distributed by Aksa Natural Gas.

In almost every region in which it operates, Aksa Natural Gas has been able to put its investments into action swiftly, adopting high quality service as the principle. It has completed a greater portion of the mandatory investments in its distribution regions prior to their deadlines, and made sure the customers covered by its license were provided with a natural gas supply as quickly as possible.

40% of all natural gas distribution investments in Turkey in the last 10 years were realized by Aksa Natural Gas which supplied natural gas to 43 out of 101 boroughs for the first time in 2017, as part of the Ministry of Energy and Natural Resources' project on "Making Natural Gas More Prevalent in Turkey".

Of the 31 cities within its license, the Company has invested in a total of 27 cities and 167 districts and towns, serving the largest geographical distribution region with population of 15 million people.

Aksa Natural Gas continues to contribute to the Turkish economy through its investments. From the beginning, it has provided its customers with affordable, high quality service, creating savings of almost TRY 22 billion in the energy sector for the national budget; it has provided employment for 20,000 people directly or indirectly. The industry-specific additional growth created by distribution investments created a natural gas conversion market worth TRY 20 billion, TRY 14.7 billion of which was effectively completed. In regions with access to natural gas, the advantages created by a diverse selection of fuel also help industrial investments gain more momentum.





## AKSA NATURAL GAS

**8.9** BCM  
GAS DISTRIBUTION

**24,423** KM  
NETWORK LENGTH

**Aksa Natural Gas is Turkey's biggest private natural gas distribution company.**



### OPERATIONS

Aksa Natural Gas' main fields of operation are natural gas distribution and natural gas trade. Additionally, it holds licenses for LNG export and CNG sales.

Aksa Natural Gas' distribution operations continue in the 21 licensed regions accredited and taken over from the Energy Market Regulations Authority (EPDK).

Aksa Natural Gas is the largest private natural gas distribution company in Turkey with;

- 2.5 million customers,
- 8.9 bcm of gas distribution,
- 24,423 km long distribution network,
- 19% of the total market share.

Aksa Natural Gas, which invested TRY 469 million in 2017, reached a total direct investment of TRY 2.25 billion a total and achieved a total network length of 24,423 kilometers as at end-2017.

In 2017, Aksa Natural Gas distributed a total of 8.9 bcm of gas in the regions where it operates, amassing revenues of TRY 2.9 billion.

Aksa Natural Gas's primary aims are to provide seamless 24/7 service with its expert staff, to attain the highest level of customer satisfaction, and to constantly develop. It works towards these ends by being accessible to customers through the 187 Natural Gas Emergency hotline and the 444 4 187 customer relations line. Aksa Solution Centre's technical and software infrastructure meets international standards with its contemporary and comfortable building, and high service standards making it an example to follow in the sector.





TRY **3.7** BILLION  
ASSETS

TRY **469** MILLION  
INVESTMENTS

## AKSA NATURAL GAS IN NUMBERS

Financial Indicators (TRY Million)	2016	2017	Change
Revenues	2,580	2,890	12%
Assets	3,278	3,664	12%
Investments	372	469	29%
Gross Profit	211	334	58%
EBITDA	269	390	45%
Net Profit	136	169	24%

Operational Indicators	2016	2017	Change
Number of Natural Gas Distribution Licenses	20	21	+1
Number of Customers	2,133,156	2,535,782	19%
Number of Residential Customers	1,757,908	2,095,874	19%
Number of Potential Residential Customers	3,599,415	4,400,995	22%
Network Length (km)	20,316	24,423	20%
Amount of Natural Gas Distributed (Sm <sup>3</sup> )	7,600,073,881	8,922,991,607	17%

**Aksa Natural Gas carries its investments into effect swiftly, providing its customers with the comfort of natural gas and a high quality customer care.**

## AKSA NATURAL GAS

TRY **334** MILLION  
GROSS PROFIT

TRY **169** MILLION  
NET PROFIT

**With 27 cities, and 167 districts and towns, Aksa Natural Gas operates the widest geographical distribution region in Turkey, providing a population of 15 million with natural gas.**



### **GEOGRAPHICAL DISTRIBUTION NETWORK**

#### **NATURAL GAS DISTRIBUTION REGIONS**

- Aksa Afyon Natural Gas Distribution
- Aksa Ağrı Natural Gas Distribution
- Aksa Balıkesir Natural Gas Distribution
- Aksa Bandırma Natural Gas Distribution
- Aksa Bilecik-Bolu Natural Gas Distribution
- Aksa Çanakkale Natural Gas Distribution
- Aksa Düzce-Ereğli Natural Gas Distribution
- Aksa Elazığ Natural Gas Distribution
- Aksa Gaz Distribution
- Aksa Gemlik Natural Gas Distribution
- Aksa Gümüşhane-Bayburt Natural Gas Distribution
- Aksa Karadeniz Natural Gas Distribution
- Aksa Malatya Natural Gas Distribution
- Aksa Manisa Natural Gas Distribution
- Aksa M. Kemalpaşa-Susurluk-Karacabey Natural Gas Distribution
- Aksa Ordu-Giresun Natural Gas Distribution
- Aksa Siirt-Batman Natural Gas Distribution
- Aksa Sivas Natural Gas Distribution
- Aksa Şanlıurfa Natural Gas Distribution
- Aksa Tokat-Amasya Natural Gas Distribution
- Aksa Van Natural Gas Distribution



## FUTURE OUTLOOK

Aksa Natural Gas' present scale, investments, and service quality contribute hugely to the national economy and help raise the employment level. It not only supplies 24% of all employment in the natural gas sector in Turkey, but also continues to grow as the country's biggest natural gas company. Aksa Natural Gas's plans for the short-term future include carrying its expertise into the international level.

Aksa Natural Gas is ready to share the value it has created until today with its valuable investors with a public offering to become one of the safe havens of the capital market.

Aksa Natural Gas aims to distribute a total of 9.63 bcm of natural gas in 2018 via production plants covered by its license and new investments. In the 2018-2021 period, it is forecast to invest a total of TRY 2.6 billion as additional investments to its network, expanding it by 4,400 km each year. With these investments which make up 50% of the investments in the industry, Aksa Natural Gas's network length will reach 42,000 km by the end of 2021, and as a result of these planned developments, the Company aims to supply natural gas to 27 city centers, and 185 districts and towns within the 31 cities covered by its 21 natural gas distribution licenses. With these additions, the number of potential customers for the Company will increase to 5.3 million.

**15** MILLION  
POPULATION  
SERVED

**TRY 390** MILLION  
EBITDA

**Aksa Natural Gas is ready to share the value it has created until today with its valuable investors with a public offering to become one of the safe havens of the capital market.**





---

**INGVAR**

---

**KAMPRAD**





# *entrepreneurship*

Ingvar Kamprad, the founder of IKEA, and the owner of one of the largest businesses in the world, grew up on a farm. He displayed an entrepreneurial spirit from a young age, beginning with selling matches he bought wholesale in Stockholm to neighboring farmers. He then moved on to other goods, and even set up a postal order business with help from a friend. Thanks to this entrepreneurial spirit, he established IKEA, one of the largest furniture companies in the world.

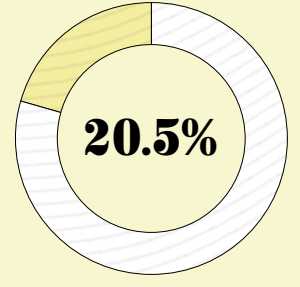
Ingvar Kamprad's exceptional vision allowed him to create a lifestyle with his products, rather than designing life according to the home and the office.





# AKSA ELECTRICITY\*

\*Aksa Electricity is comprised of Aksa Electricity Sales, Çoruh Electricity Retail Sales (Çoruh EPSAS), Fırat Electricity Retail Sales (Fırat EPSAS), Çoruh Electricity Distribution (Çoruh EDAS), and Fırat Electricity Distribution (Fırat EDAS).

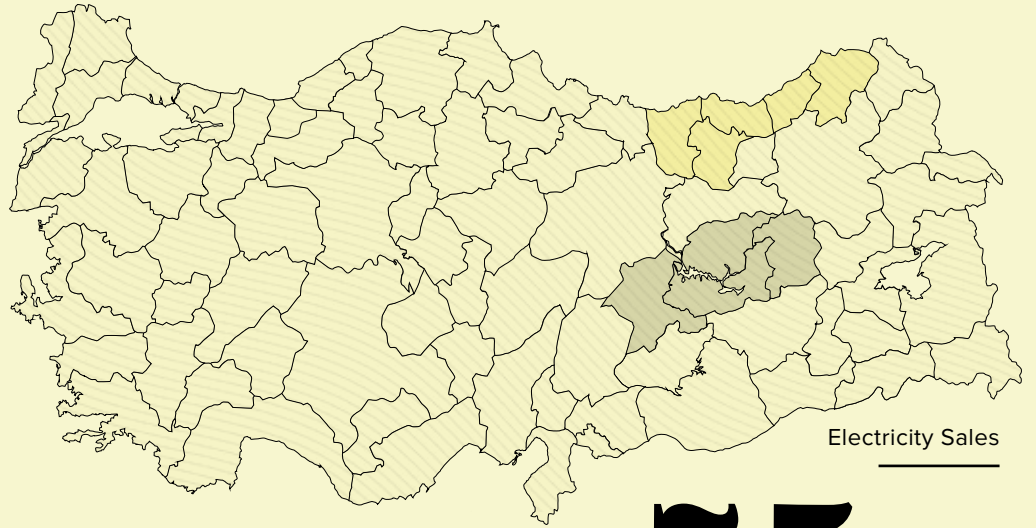


SHARE IN REVENUES

Aksa Electricity provides services to a population of over 3.6 million.

## Electricity Distribution and Sales

- Çoruh Electricity Distribution Regions/  
Çoruh Electricity Retail Sales Regions
- Fırat Electricity Distribution Regions/  
Fırat Electricity Retail Sales Regions
- Aksa Electricity Sales Regions



**6.02** TWh

**7.5** TWh

Operations in

**81** CITIES

Number of Customers

**2.1** MILLION

Revenues

TRY **2.6** BILLION

Investments

TRY **285** MILLION

EBITDA

TRY **318** MILLION

Net Profit

TRY **47.7** MILLION

Network Area

**103,014** KM

Transformer Stations

**22,701**



7.5 TWh of electricity sold and 6.02 TWh of electricity distributed annually



Electricity distribution in 9 cities, 101 districts, and 3,492 villages



Strong financial structure, expert staff, integration with group companies, and a wide service network across Turkey



Serving to a population of more than 3.6 million



Outstanding quality of service ensured by Outage Management System (OMS)

# ELECTRICITY RETAIL SALES COMPANIES

## CONTINUOUS SERVICE...

**Aksa Electricity Sales is a leader in the sector, providing high quality services thanks to its strong financial structure, integration with group companies and wide service network across Turkey.**

Kazancı Holding subsidiaries Aksa Electricity Sales, Çoruh Electricity Retail Sales, and Fırat Electricity Retail Sales supply energy to customers nationwide and in their licensed regions.

### **AKSA ELECTRICITY SALES**

Aksa Electricity Sales' operations gained momentum with bilateral agreements, the privatization of the energy market, and the reduction in eligibility limit, enabling the company to directly supply electricity to every tariff group above the eligibility limit, regardless of the consumption amount. The Company is a leader in the sector, providing high quality services thanks to its strong financial structure, integration with group companies, and wide service network across Turkey.

Aksa Electricity Sales directly supplies all consumers above the eligibility limit. By carefully examining the customers' consumption habits, it prepares the most competitive tariffs with varying savings options. Consumers are able to take advantage of ongoing discounts, price locks, or non-set period tariffs, obtaining various price advantages.

Aksa Electricity Sales provides many large projects and Turkey's largest companies with the opportunity to purchase discounted electricity. Today, Aksa Electricity Sales' portfolio includes many leading brands, from the banking sector to retail giants, and from clothing

brands to the biggest hotel chains. The increasing competition created by the reduction in the eligibility limit has allowed Aksa Electricity Sales to include household customers from all around Turkey in its portfolio, and provide them with the same seamless service.

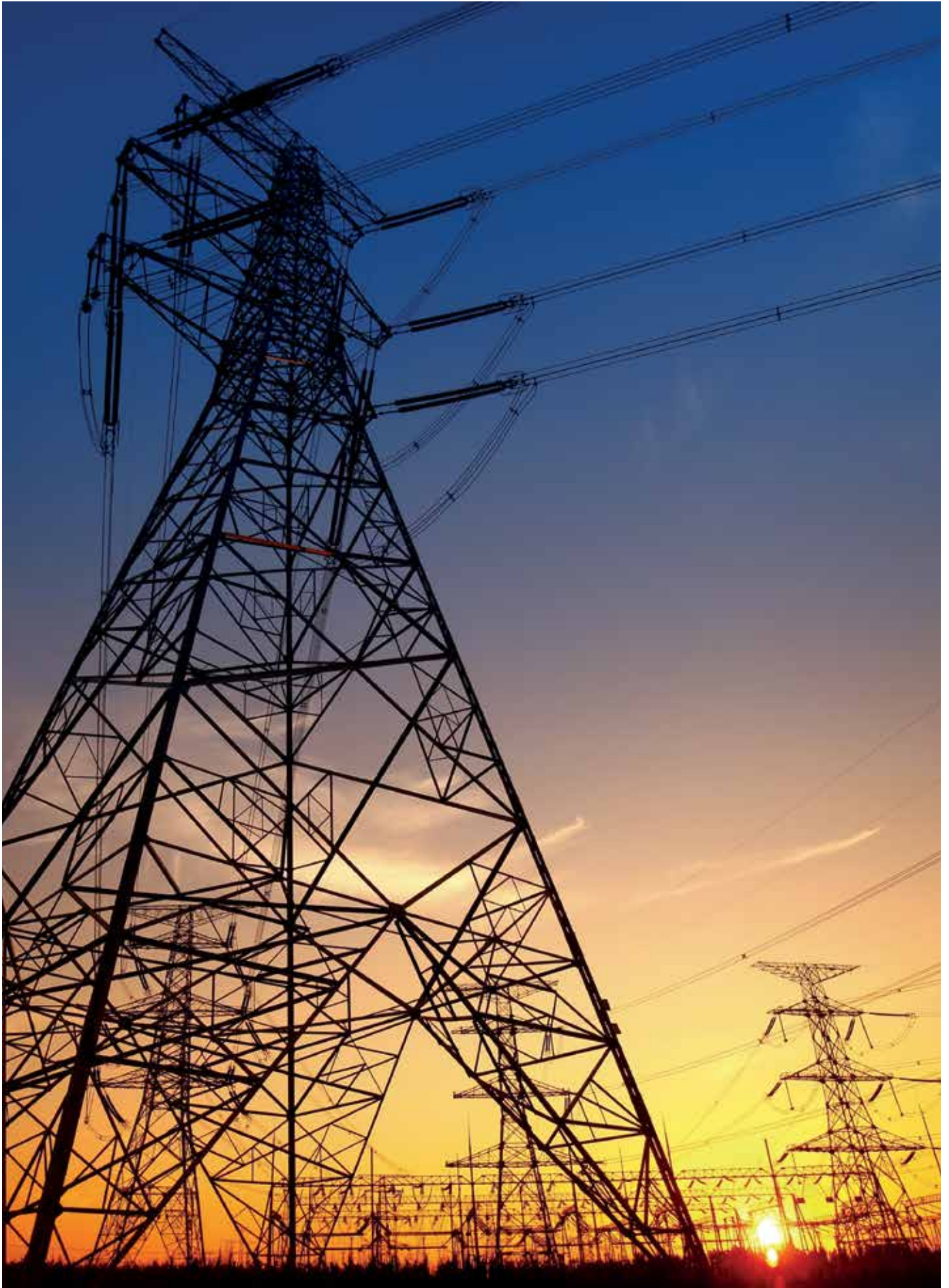
### **ÇORUH AND FIRAT ELECTRICITY RETAIL SALES COMPANIES**

Çoruh and Fırat Electricity Retail Sales companies are the authorized supply companies providing energy to retail users within their licensed regions. Both companies establish bilateral contracts with customers who purchase electricity at the national tariff in their regions and across the country.

The organization scheme within their operating regions is comprised of the company headquarters, provincial head office, and customer service centers in boroughs, where consumers can pay bills and sign up for tariffs. As well as handling customer complaints and requests, customers can also register, sign contracts, and pay bills at the customer service centers.

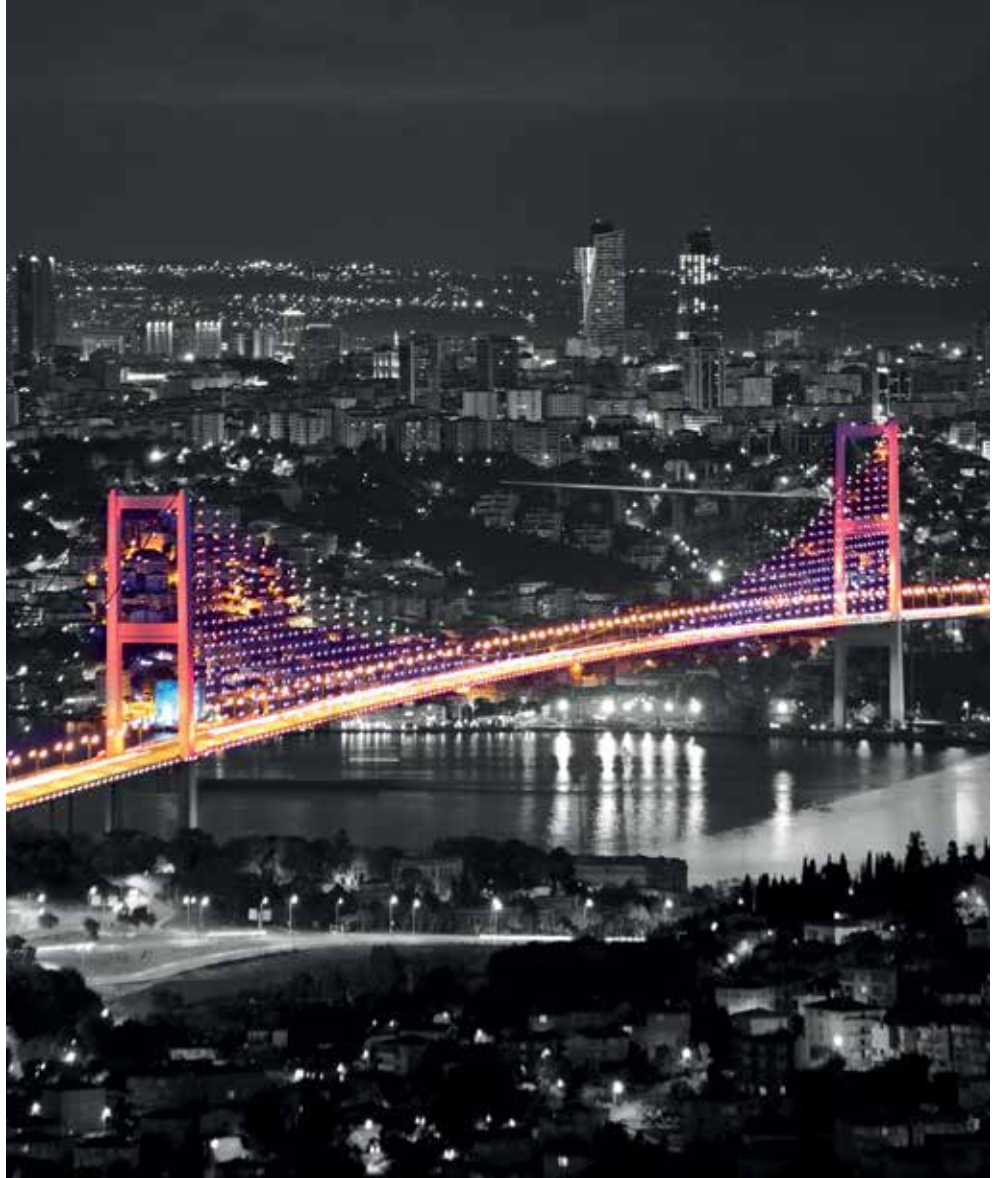
Çoruh Electricity Retail Sales Company provides services in the following cities: Artvin, Rize, Trabzon, Gümüşhane and Giresun while Fırat Electricity Retail Sales provides services in the following cities: Bingöl, Tunceli, Elazığ and Malatya.





## ELECTRICITY RETAIL SALES COMPANIES

In 2017, customer service centers in Çoruh and Fırat retail sales regions were renovated, enabling customers to easily complete all procedures relating to their memberships.



### COMPLETED PROJECTS

In 2017, customer service centres in Çoruh and Fırat retail sales regions were renovated, and customers are now able to easily complete all procedures relating to their membership through these offices.

Additionally, the [www.coruhaksa.com](http://www.coruhaksa.com) and [www.firataksa.com](http://www.firataksa.com) websites were renovated and given a user-friendly interface, to provide easier access to consumers and raise customer satisfaction levels. Through these websites customers can file complaints, submit requests or

suggestions, apply to use discounted electricity, pay their electricity bills by credit card, and access online services.

Aksa Electricity Sales' marketing and sales efforts gained momentum with the reduction in eligibility limit from TRY 120 to TRY 82\* in January 2017 and the expansion of the free market. During this process, like always, the customers' interests and customer satisfaction were given the utmost importance.

\*The eligibility limit decreased to TRY 69 in January 2018.

To this end, a WhatsApp chat line was established so that consumers could reach the company more quickly to ensure continuous communication. The aim of this practice is to enable customers to convey their questions, opinions, suggestions and offers in a fast and efficient manner.

To expand this synergy to all customers in Turkey and to increase brand awareness of Aksa Electricity Sales, social media channels were also utilized. Through these channels an interaction bridge was formed between the Company and its customers and followers, and by focusing on these digital aspects, Aksa Electricity Sales' brand gained more recognition.

Being aware of and believing in the success brought upon by creating synergies, Aksa Electricity Sales provides its customers with various advantages through collaborations with leading brands in Turkey via its Collaboration Sales Channel.

## **AKSA ELECTRICITY IN NUMBERS**

Aksa Electricity Sales, Çoruh Electricity Retail Sales, and Firat Electricity Retail Sales, who serve a population of over 3.6 million, and a customer base of 2.1 million, have sold a total of 7.5 TWh of electricity in Turkey in 2017.

The customer portfolio of these three companies is divided into four categories: Household, Business, Industrial, and Others.

In terms of number of customers, Household consumers make up 85% of the portfolio. Based on total amount of electricity consumed, however, Household group makes up 30% of the total consumption, and the Business and Industrial groups make up the other 70%.

Aksa Electricity provides services through five sales channels: Corporate Sales, Dealership Sales, Collaborations, Çoruh/Firat Customer Service Centres, and Online Sales Channels.

Corporate Sales Channel deals primarily with the Business and Industrial category customers, and it provides services on a face-to-face basis by sales teams located in seven different regions across Turkey.

Dealership Sales Channel includes over 100 dealerships around the country, and it primarily provides tariff subscriptions to Household and Business customer groups.

Çoruh and Firat Customer Service Centres sell energy both to consumers who purchase electricity from the national tariff and to eligible consumers.

Another sales channel is the Online Sales Channel, where customers are provided with information regarding tariffs and discounts, either through Aksa's own platforms or through its collaborations with other brands, and are provided with the most suitable tariffs.

## **FUTURE OUTLOOK**

Aksa Electricity is an integrated retail company, and at the center of its operations is the aim to continue and develop its customer-oriented sales strategy. In this regard, the companies aim to diversify their sales channels and gain customers in every region in Turkey and across all customer segments. Aksa Electricity supplies electricity to 81 cities in Turkey, including licensed regions. With a total of 252 employees and 66 customer service points including the Çoruh/Firat region, its aim is to provide continuous and high-quality service. Additionally, Aksa Electricity aims to concentrate on digital projects so as to shorten the distance between itself and its customers, and to get involved in collaborations with leading brands from the sector to provide shared values to its customers.

Aksa Electricity's primary aims for the upcoming period are to create a stable, balanced, and sustainable portfolio and to continue being the volumetric market leader. With the reduction in the eligibility limit, the Company aims to play an active role in the newly opened Household and Small Business sector and to obtain a large number of customers, as well as expediting its efforts focused on high-consumption Industrial customers.

**Being aware of and believing in the success brought upon by creating synergies, Aksa Electricity Sales provides its customers with various advantages through collaborations with leading brands in Turkey via its Collaboration Sales Channel.**



# ELECTRICITY DISTRIBUTION COMPANIES

CONTINUOUS ENERGY DISTRIBUTION...

---

**5** CITIES

---

## ÇORUH ELECTRICITY DISTRIBUTION

---

**60** DISTRICTS

Çoruh Electricity Distribution (Çoruh EDAŞ) has been supplying electricity to the cities of Artvin, Giresun, Gümüşhane, Rize, and Trabzon since 2010, in accordance with the High Commission for Privatization's regulation.

---

**1,542** VILLAGES

In a distribution region of 29,211 km<sup>2</sup>, Çoruh EDAŞ's team of 1,222 employees provides services to 1,303,909 customers in 5 cities, 60 towns, and 1,542 villages. The distribution area includes 56,500 km of power lines, 41,487 kilometers of which are low voltage, and 15,013 kilometers of which are high voltage, and 11,177 transformer stations. In 2017, 3.56 billion KWh of electricity was distributed in the area, and the loss/theft level was at 8.11%.

Çoruh EDAŞ provides services to meet the energy needs of its customers, such as installing power lines, fixing faults and carrying out maintenance of existing lines, reading electricity meters, and preventing loss/theft in every city, town, and village covered by its license. In this regard, the company takes advantage of the latest technology to manage faults and increase its service quality, and it has operational offices in 60 towns, carrying out tasks to prevent and fix any outages that might take place as soon as possible. The Company conducts field studies to

prevent illegal usage of electricity in its distribution region, and continues efforts to minimize technical losses by putting the latest technology to use. Çoruh EDAŞ is also responsible for providing general lighting and maintenance in the region as well as billing the consumption of general lighting energy facilities, building new facilities, and maintaining these facilities.

In 2017, the company focused on investment and maintenance efforts as part of existing facilities' renovations, and it has invested in technologies that will increase customer satisfaction and ensure an uninterrupted supply of electricity.

A total of TRY 156.3 million was invested in 2017, and 1,750 km of overhead lines, 390 km of underground lines, 67 km of lighting network lines and 87 km of energy transfer lines were completed; in total, 250 new distribution transformers of 62.39 MVA were installed.

Investments to completely eradicate power outage issues in the cities of Artvin, Giresun, Gümüşhane, Rize, Trabzon and in their towns will continue in 2018, with the ultimate aim of providing uninterrupted electricity for customers.





## CUSTOMER SATISFACTION

The Outage Management System (OMS) was set up to quickly establish the location of the outage, to isolate the outage as swiftly as possible and affect the least number of users, and to increase the amount of alternative sources, all with the aid of automated systems.

The Customer Care Line, established to respond to possible electricity outages as quickly as possible; to create logs of all outages and thus ensure that investment programs are directed towards the right locations to prevent future outages, is open 24/7 to Çoruh EDAŞ customers. Every report submitted to the customer care lines on 444 9 186 and 186 are immediately transferred to the relevant CRM center, and from these centres conveyed to the handheld terminals of repair and maintenance crews working in the field. Repair demands reported to maintenance and repair teams are also marked as repaired with the use of hand terminals in the field.

Çoruh EDAŞ customers are increasingly more satisfied with the Customer Care Line. In 2017, 99% of all calls received on the line were answered.

Customers are notified of planned outages via text message, so as to respond swiftly to the requests of customers within the service region and keep consumers updated about the Company's operations. All local authorities in the region have been directly registered into this system. When calling the Customer Care Line, local authority representatives are given priority, and their requests are processed quickly.

Customers who have submitted their mobile phone information into the system are notified of overdue bills prior to the disconnecting of the electricity supply. Overdue bills are processed through the Customer Information System and a supply severance task is created. Additionally, there are on average 8 lighting fixtures per km<sup>2</sup> in Turkey, whilst in the Çoruh region this number is 15. Out of the 21 distribution regions in Turkey, Çoruh has the highest number of lighting fixtures.

# 99%

PERCENT OF CALLS ANSWERED BY THE CUSTOMER CARE LINE IN 2017

**Out of the 21 distribution regions in Turkey, Çoruh has the highest number of lighting fixtures.**

## ELECTRICITY DISTRIBUTION COMPANIES

---

**4** CITIES

---

**41** DISTRICTS

---

**1,950** VILLAGES

---

**2.46 billion KWh**  
**of energy has**  
**been distributed**  
**in the region**  
**in 2017.**



---

### FIRAT ELECTRICITY DISTRIBUTION

Firat Electricity Distribution (Firat EDAŞ) has been supplying electricity to the cities of Elazığ, Malatya, Bingöl, and Tunceli since 2011 in accordance with the High Commission for Privatization regulation. Firat EDAŞ provides services to meet the energy needs of its customers, such as installing power lines, fixing faults and carrying out maintenance of existing lines, reading electricity meters, and preventing loss/theft in every city, town, and village covered by its license.

In a distribution region of 37,441 km<sup>2</sup>, Firat EDAŞ's team of 1,002 employees provides services to 917,488 customers in 4 cities, 41 towns, and 1,950 villages. The distribution area includes 46,515 km of power lines along with third-party companies, 26,982 kilometers of which are low voltage, and 19,533 kilometers of which are high voltage, and 11,524 transformer stations. As of 2017, 2.46 billion KWh of electricity was distributed in the area, and the loss/theft level was at 10.95%.

As part of its electricity distribution operations in its licensed region, Firat EDAŞ invests in new distribution facilities and undertakes the maintenance of existing facilities to ensure a continuous supply of energy. In this regard, the Company takes advantage of the latest technology to manage faults and increase its service quality, and it has operational offices in 41 towns, carrying out tasks to prevent outages and to fix any outages that might take place as soon as possible. The Company conducts field studies to prevent illegal usage of electricity in its distribution region, and continues efforts to minimize technical losses by putting the latest technology to use. Firat EDAŞ is also responsible for providing general lighting and maintenance in the region, as well as billing the consumption of general lighting energy facilities, building new facilities, and maintaining these facilities.




---

**917** THOUSAND  
CUSTOMERS

---

**46,515** KM  
DISTRIBUTION LINES

---

**In 2017**  
**TRY 128.2**  
**million was**  
**invested in**  
**the Fırat EDAŞ**  
**region.**

In 2017, the company focused on investment and maintenance efforts as part of existing facilities' renovations, and it has invested in technologies that will increase customer satisfaction and ensure an uninterrupted supply of electricity.

To ensure supply continuity, increase commercial and technical quality, meet the increasing energy needs of customers drawing supply from the existing distribution network, meet the energy demands of new customers, and to establish new lighting facilities in accordance with the general lighting regulations, a total of TRY 128.2 million was invested by the company in 2017. As a result of these investments, 246.96 km of overhead lines, 363.94 km of underground lines, 92.75 km of lighting network lines and 122.94 km of energy transfer lines were completed; in total, 170 new distribution transformers of 56.50 MVA were installed.

Investments to completely eradicate power outage issues in the cities of Elazığ, Malatya, Tunceli, Bingöl and in their towns will continue in 2018, with the ultimate aim of providing uninterrupted electricity.

The Company has infrastructure in place that allows it to monitor the distribution network up to the customer connection point, for the purposes of surveillance, maintenance, and remote control.

As part of the distribution network's switch over to automation, projects to remotely survey and inspect certain key points of the mid-voltage distribution network are given priority and are ongoing. Currently, 54 Distribution Centres (DMs), capacitor and reactor units of various capacities, and 311 distribution center feeders can be surveyed and inspected. Additionally, 191 production switches have been integrated to the system, and integration development works will be ongoing in 2018.



## **ELECTRICITY DISTRIBUTION COMPANIES**



---

**When calling the 24/7 Firat EDAŞ Customer Care Line, notifications and complaints by local authority representatives are given priority and processed quickly.**

---

### **CUSTOMER SATISFACTION**

The Outage Management System (OMS) was set up to quickly establish the location of the outage, to isolate the outage as swiftly as possible and affect the least number of users, and to increase the amount of alternative sources, all with the aid of automated systems.

The Customer Care Line, established to respond to possible electricity outages as quickly as possible, and to create logs of all outages and thus ensure that investment programs are directed towards the right locations to prevent future outages, is open 24/7 to Firat EDAŞ customers. Every report submitted to the customer care lines on 444 9 186 and 186 are immediately transferred to the relevant CRM center, and from these centres conveyed to the handheld terminals of repair and maintenance crews working in the field. Repair requests reported to maintenance and repair teams are also marked as repaired with the use of hand terminals in the field.

Firat EDAŞ customers are increasingly more satisfied with the Customer Care Line. In 2017, 99% of all calls received on the line were answered in 2017.

All local authorities in the electricity distribution region are registered on the information systems network, and are notified of planned outages. When calling the Company's 24/7 Customer Care Line, notifications and complaints by local authority representatives are given priority and processed quickly.

To ensure they have prior knowledge of any outages, all customers registered on the system are notified beforehand of planned outages which form an essential part of maintenance and renovation tasks to meet the increasing energy demand and to increase service quality.




---

# 256

NUMBER OF PLANNED  
PROJECTS

---

# 1,002

NUMBER OF EMPLOYEES

---



---

## FUTURE OUTLOOK

Since their establishment in 2010, Aksa Electricity Distribution companies have invested a total of TRY 1,112 million, and investments are ongoing.

Çoruh EDAŞ is planning to invest TRY 152 million across 256 projects in 2018. These investments and ongoing repair and maintenance works are designed to increase the technical quality of the electricity supplied to customers within the Company's distribution region. Studies suggest that significant improvements can be expected to the average outage per customer rate and its frequency. Other primary aims of Çoruh EDAŞ in 2018 include raising the meter reading rate to 93% from 88%, to replace outdated meters with high-technology precision meters, and to lower the percentage of technical and non-technical losses to 7.95%.

Firat EDAŞ is planning to invest TRY 138 million in 2018. To achieve the level aimed for by the Company's quality targets, repair and maintenance works and projects to increase the service quality will continue in a manner that will not disrupt service.

To complete investments in a faster and more efficient manner, high-tech research and development studies will be used in the planning of projects to detect possible malfunctions and in the drawing up of maps for the distribution centres.

In 2018, Firat EDAŞ plans to increase the meter reading rate from 92% to 96%, and to raise the meter billing level from 75% to 90%, as well as changing meters which require periodic replacement with high-technology precision meters. Another aim of the company is to maximize (99%) the OSOS reading and billing level, and to enroll the majority of customers on the OSOS system to allow them to remotely access billing and index information. Additionally, Firat EDAŞ aims to lower the technical and non-technical loss rate from 10.95%, the Electricity Markets Inspection Commission's 2018 standard, to 9.77%. To respond to demands and complaints in the shortest amount of time possible and to bring customer satisfaction to the highest level are the Company's main aims.

---

**Since their establishment in 2010, Aksa Electricity Distribution companies have invested a total of TRY 1,112 million, and investments are ongoing.**

---





**NIKOLA**

**TESLA**



# *courage*

Nicola Tesla, born in 1856, is a scientist who could see beyond his time thanks to his unwavering passion for electricity. His father wanted him to be a priest like him, but Nikola's greatest dream was to become an engineer, and his one true love was electricity.

Nikola started to realize his dreams through his work, and he invented alternative current electricity systems, car ignition systems, the electron microscope, and the microwave oven, and laid the groundwork for radars. He did not backtrack in the face of adversity, and with courage and assurance, made discoveries that changed the world.



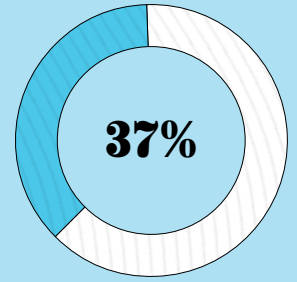
Ali Metin Kazancı Antalya Natural Gas Combined-Cycle Power Plant

**aksa**

ÜNİTE 21

# AKSA ENERGY

Aksa Energy is now **a global power**  
**in its sector.**



SHARE IN  
REVENUES

## Electricity Generation



Combined Cycle Natural Gas



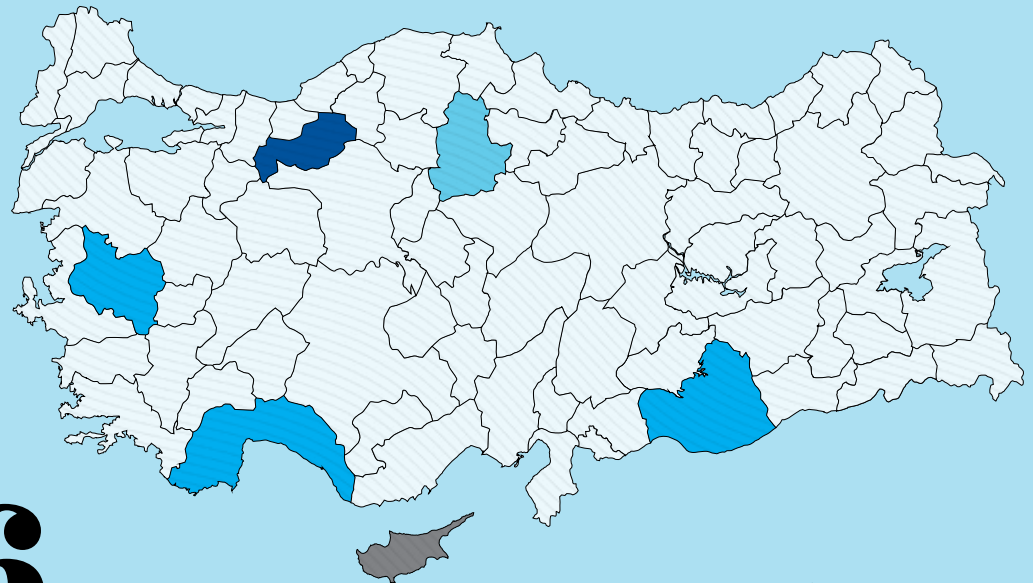
Fuel-Oil



Lignite



Hydroelectric\*



Installed Capacity

# 2,236

 MW\*\*

\*Çorum İncesu Hydroelectric Plant  
was sold on January 17, 2018.  
\*\*Installed capacity in 2017.

Sales Volume

**17.9** BILLION KWh

EBITDA

TRY **493** MILLION



Turkey's largest publicly traded independent power producer

Net Profit

TRY **390** MILLION

EBITDA Margin

**14%**



Production on 2 continents in 5 countries

Revenues

TRY **3.6** BILLION

Investments

TRY **318** MILLION



Power plants in Turkey, Northern Cyprus, Ghana, Madagascar, and Mali

Assets

TRY **5.2** BILLION

Shareholders' Equity

TRY **1.6** BILLION



Over TRY 5 billion of investments between 2009-2017



21.4% publicly traded



# AKSA ENERGY

A GLOBAL ENERGY COMPANY...

**1,697 MW**  
DOMESTIC INSTALLED  
CAPACITY

**539 MW**  
INTERNATIONAL  
INSTALLED CAPACITY

**2,236 MW\***  
TOTAL INSTALLED  
CAPACITY

\*Installed Capacity year-end 2017.

Aksa Energy, a Kazancı Holding subsidiary founded in 1997, is Turkey's largest publicly traded independent power producer. Aiming for globalization, Aksa Energy became a global energy company after the establishment of plants in Northern Cyprus and Africa.

At year-end 2017, Aksa Energy has an installed capacity of 2,236 MW.

Aksa Energy's shares are publicly traded at Borsa İstanbul's BIST 50, BIST 100, and Sustainability indexes, with the ticker AKSEN.

	Installed Capacity (MW)	
3 Natural Gas Combined-Cycle Power Plants	Antalya	1,150
<b>TOTAL INSTALLED CAPACITY 1,412 MW</b>	Şanlıurfa	147
	Manisa	115
4 Fuel Oil Power Plants	Ghana	280
<b>TOTAL INSTALLED CAPACITY 539 MW</b>	Northern Cyprus	153
	Madagascar	66
	Mali	40
1 Lignite Plant	Bolu, Göynük	270
<b>TOTAL INSTALLED CAPACITY 270 MW</b>		
1 Hydroelectric Power Plant*	Çorum, İncesu	15
<b>TOTAL INSTALLED CAPACITY 15 MW</b>		

\* İncesu Hydroelectric Power Plant was sold on January 17, 2018.



Ghana Heavy Fuel Oil Power Plant



**Aksa Energy's power plant in Ghana was its first step towards globalization, and it was built in a very short timeframe of 9.5 months. The plant became operational in March 2017.**

## **OPERATIONS**

### **Ghana Heavy Fuel Oil Power Plant Begins Production**

Aksa Energy's power plant in Ghana was its first step towards globalization, and it was built in a very short timeframe of 9.5 months. The plant has become operational in March 2017.

Following the parliamentary approval of the contract with the Ghanaian government regarding the building of the power plant and the guaranteed USD-based sale of the electricity generated, the Samsun Natural Gas Combined-Cycle Power Plant included in Aksa Energy's portfolio was converted into a fuel oil power plant, and a portion of the equipment was transferred to Ghana. The plant became operational gradually from March 2017, and its first phase was completed in August with an installed capacity of 280 MW, and the guaranteed sales contract valid for 6.5 years came into effect on August 2, 2017.

### **First Phase of Madagascar Heavy Fuel Oil Power Plant Becomes Operational**

The first phase of the 120 MW capacity heavy fuel oil power plant in Madagascar was completed in September 2017, and reached an installed capacity of 66 MW. The plant was opened with a ceremony attended by the President of Madagascar, Hery Rajaonarimampianina; Prime Minister Olivier Mahafaly Solonandrasana; Minister of Energy Lantoniaina Rasoloelison and other members of the Cabinet.

The first phase of the plant was completed within a short period of 7 months, and building of the second phase will commence following the completion of the transmission lines in the area.





**Bolu Göynük Thermal Power Plant**

---

**TR A+**

AKSA ENERGY'S  
LONG TERM  
NATIONAL CREDIT  
RATING

---

**TR A2**

AKSA ENERGY'S  
SHORT TERM  
NATIONAL CREDIT  
RATING

---

#### **Mali Heavy Fuel Oil Power Plant Begins Production**

Mali Heavy Fuel Oil Power Plant is the Company's third project in Africa after the Ghana and Madagascar power plants, and has an installed capacity of 40 MW. Building of the power plant was completed in 6 months and its commercial activities began in August 2017. The plant is located in Bamako, the capital of Mali, and the electricity generated will be sold on a sales guaranteed Euro-based tariff for 3 years.

#### **Credit Rating**

In its latest report published on October 13, 2017, Turkrating has graded Aksa Energy's Long Term National Credit Rating as TR A+, Short Term National Credit Rating as TR A2, and outlook as Stable.

TR A+, high credit rating, indicates strong level of capacity for fulfilling long term financial commitments and low credit risk. The Short Term Credit Rating grade of TR A2 is only one step down from TR A1, which is the highest level of debt repayment capability.

#### **Aksa Energy in the Sustainability Index**

Since 2015, Aksa Energy has been included in the Sustainability Index at Borsa Istanbul, which includes companies with a high level of corporate sustainability performance traded at Borsa Istanbul. Aksa Energy was one of the 14 companies that initially qualified for the index since then.

#### **2017 Energy Sales**

In 2017, Aksa Energy reached a sales volume of 17.9 billion KWh, 79% of which took place as contracted sales, having planned its production and distribution in the most efficient manner and preserving its sales from market volatility.

Amongst the contracted sales, the greater portion was provided by bilateral agreements and sales in the OTC market, followed by the guaranteed sales contracts of the power plants in Africa and Northern Cyprus.

---

**Aksa Energy retains its place on the Sustainability Index since 2015, which includes companies traded on Borsa Istanbul who have achieved high levels of corporate sustainability performance.**

# AKSA ENERGY

---

**17.9** BILLION KWh  
SALES

---

**TRY 493** MILLION  
EBITDA

---

**The positive effects of Ghana, Mali and Madagascar power plants which gradually became operational in 2017, have begun to be reflected in financial statements.**



As the Ghana, Madagascar, and Mali power plants became operational step by step in 2017, the positive effects of these plants on profits began to be reflected in financial statements gradually. In the first quarter, the Ghana Heavy Fuel Oil Power Plant made a very limited contribution, and in the second and third quarters with the Mali and Madagascar plants becoming functional, the total contribution increased. In the 4<sup>th</sup> quarter, having been operational for the full 90 days, the positive effects of the power plants in Africa on financial statements could be seen very clearly.

The sales price for the power plants in Africa in 2017 was TRY 698, which is 4.1 times greater than that of the sales price in Turkey and Northern Cyprus. Aksa Energy's EBITDA for 2017 was TRY 493 million, and its net profit was TRY 390 million.

In 2018, the 12-month contribution of the power plants in Africa is expected to continue to influence Aksa Energy's profit levels positively.

### **2017 Investments**

As part of its globalization strategy, Aksa Energy focused on foreign investments, particularly those investments in Africa, which proved it as a global brand. and Despite fluctuations in international markets, in 2017, Aksa Energy continued full-speed with its investments and began to reap their rewards.

The company invested a total of TRY 318 million in 2017, and for the 2009-2017 period it has invested more than TRY 5 billion.



TRY **1.6** BILLION  
EQUITY

TRY **318** MILLION  
INVESTMENT

## AKSA ENERGY IN NUMBERS

Consolidated (TRY Million)	2013	2014	2015	2016	2017
Revenues	1,786	1,957	2,307	3,178	3,599
Profit/Loss	(133)	39	(216)	(363)	390
EBITDA	312	344	443	435	493
Assets	2,876	3,460	4,042	4,153	5,211
Shareholders' Equity	984	1,022	773	387	1,609
EBITDA Margin (%)	18	18	19	14	14
Investments	640	753	592	265	318

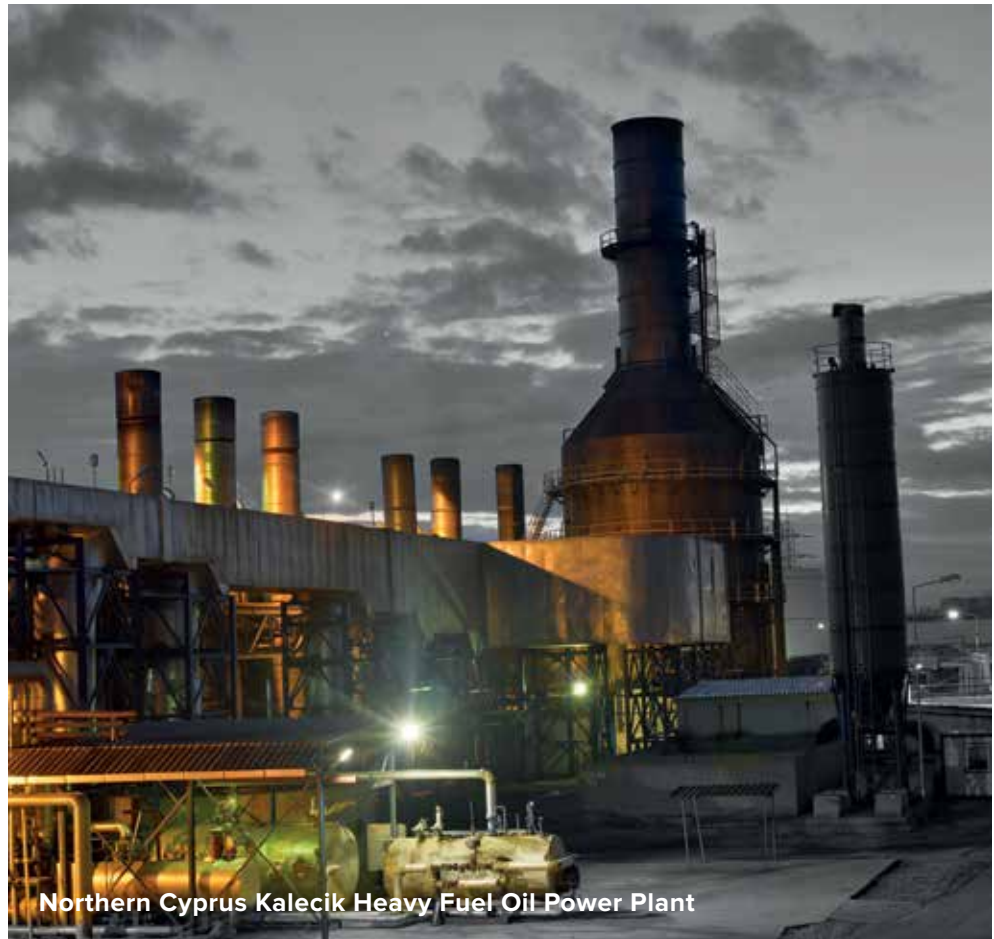
## EXPLANATIONS REGARDING THE POST FINANCIAL STATEMENT PERIOD

The sale of the İncesu Hydroelectric Power Plant on the Çekerek Stream in Çorum, which has an installed capacity of 15 MW, was completed on January 17, 2018. With the completion of the sale, the entirety of the power plant, its production licenses, all of its movable and immovable assets, rights, and debts have been handed over.



## AKSA ENERGY

Having transformed itself from a domestic energy company to an international one and supporting the Turkish economy with its foreign currency earnings, Aksa Energy will continue to increase its installed capacity overseas.



### FUTURE OUTLOOK

Aksa Energy made a radical change to its strategic investment plan, and turned its course following Northern Cyprus with the aim of becoming a global power.

With this understanding the Company set its course for Africa, becoming one of the important players of the African energy sector with the power plants it established in Ghana, Madagascar, and Mali. By investing in African countries in need of energy and infrastructure investments, Akxa Energy also aims to increase its profit levels and the volume of foreign-currency based sales.

Aksa Energy's planned investments for the upcoming period are as follows:

- The power plant in Ghana, which began its commercial activities with an installed capacity of 280 MW, will reach an installed capacity of 370 MW in 2018.

- The second phase of the power plant in Madagascar, which became operational with an initial installed capacity of 66 MW, will have an installed capacity of 54 MW, and it will become operational when the transmission lines in the area are completed.

Having transformed itself from a domestic energy company to an international one and supporting the Turkish economy with its foreign currency earnings, Akxa Energy will continue to increase its installed capacity abroad.

To this end, the Company follows investment opportunities abroad, and evaluates them as they arise. Discussions are underway with the countries in urgent need of energy, who favor fast-track solutions created with already existing equipments.



Manisa Natural Gas Combined-Cycle Power Plant





**NELSON**

**MANDELA**





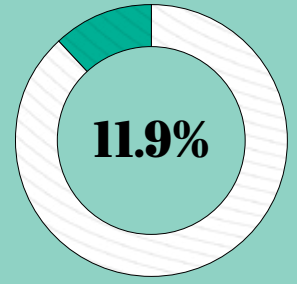
# *Leadership*

Nelson Mandela is commemorated as one of the most well-respected leaders in the world and as a legendary figure who overturned a political regime based on racial discrimination. In his life, Mandela always sided with the oppressed, standing up to the challenges. He was imprisoned for 27 years but he did not give up. About 4 years after he was released from jail, on May 10, 1994, he became the first black elected head of state in his homeland of South Africa, and his struggle, his life, and personality would earn him a place in history. Mandela's life was an exceptional and memorable tale of hope and struggle.



Aksa Power Generation - China Facility


# AKSA POWER GENERATION

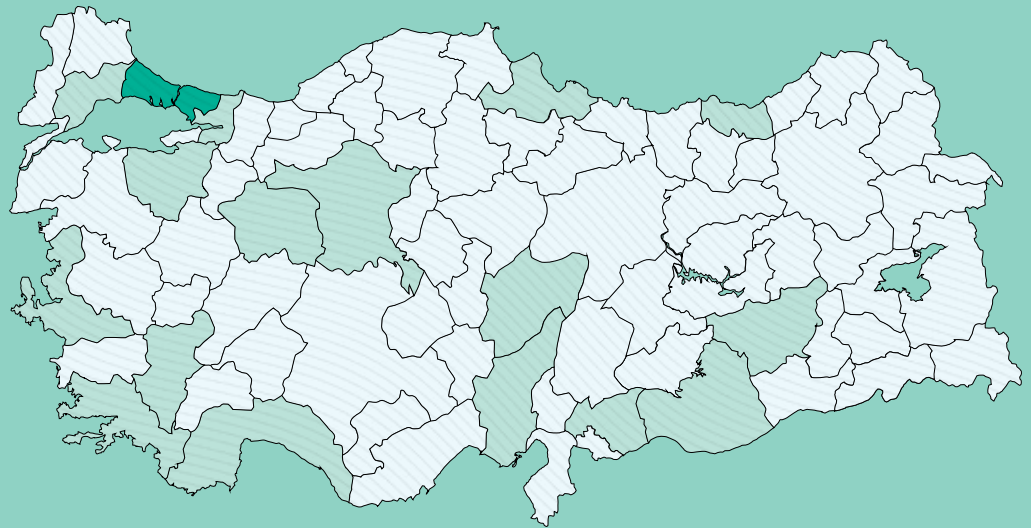


SHARE IN REVENUES

Aksa Power Generation's factory in China is **the world's largest generator factory in terms of production capacity.**

## Generator Manufacturing Plants and Sales Offices

-  Aksa Power Generation Manufacturing Plants
-  Aksa Power Generation Sales Offices



Production Capacity

# 40

 THOUSAND UNITS

Revenues

TRY **1.15** BILLION

EBITDA

TRY **184** MILLION



One of the world's top 5 generator manufacturers

Exports

TRY **588** MILLION

Production Plants

**150** THOUSAND M<sup>2</sup>



Capacity to produce 40,000 generators

Service Points in Turkey

**81**

Global Offices

**17** COUNTRIES



The first and only Turkish company to manufacture in the US

Sales Points in Turkey

**23** APC  
(AKSA POWER CENTER)



Turkey's leading generator brand, exporting more than 50% of its production



Manufacturing on 3 continents, exporting to more than 160 countries



# AKSA POWER GENERATION

TURKEY'S MARKET LEADER...

**For many years Akxa Power Generation has been the leader of the Turkish generator market by far, and it is amongst the top 200 industrial enterprises and export companies in Turkey.**

Aksa Power Generation began its production journey with the electrical motor factory established by Ali Metin Kazancı in 1968. In 1984, it manufactured its first generator and in a short time became a specialist in the field of machine and hardware production, turning into one of the leading generator manufacturers in the world. After the Akxa Group became a holding company and was reorganized under the name Kazancı Holding in 1994, Akxa Power Generation took its present form. For many years Akxa Power Generation has been the leader of the Turkish generator market by a large margin, and it is amongst the top 200 industrial enterprises and export companies in Turkey.

Aksa Power Generation was one of the first companies in the world to manufacture generators that run on natural gas, and it is indisputably the leader when it comes to synchronized generators. Akxa Power Generation's research and development investments continue in constant pursuit of generators that consume less fuel, make less noise, and are environmentally friendly, and its technological investments grow daily to retain its position as the vanguard of change.

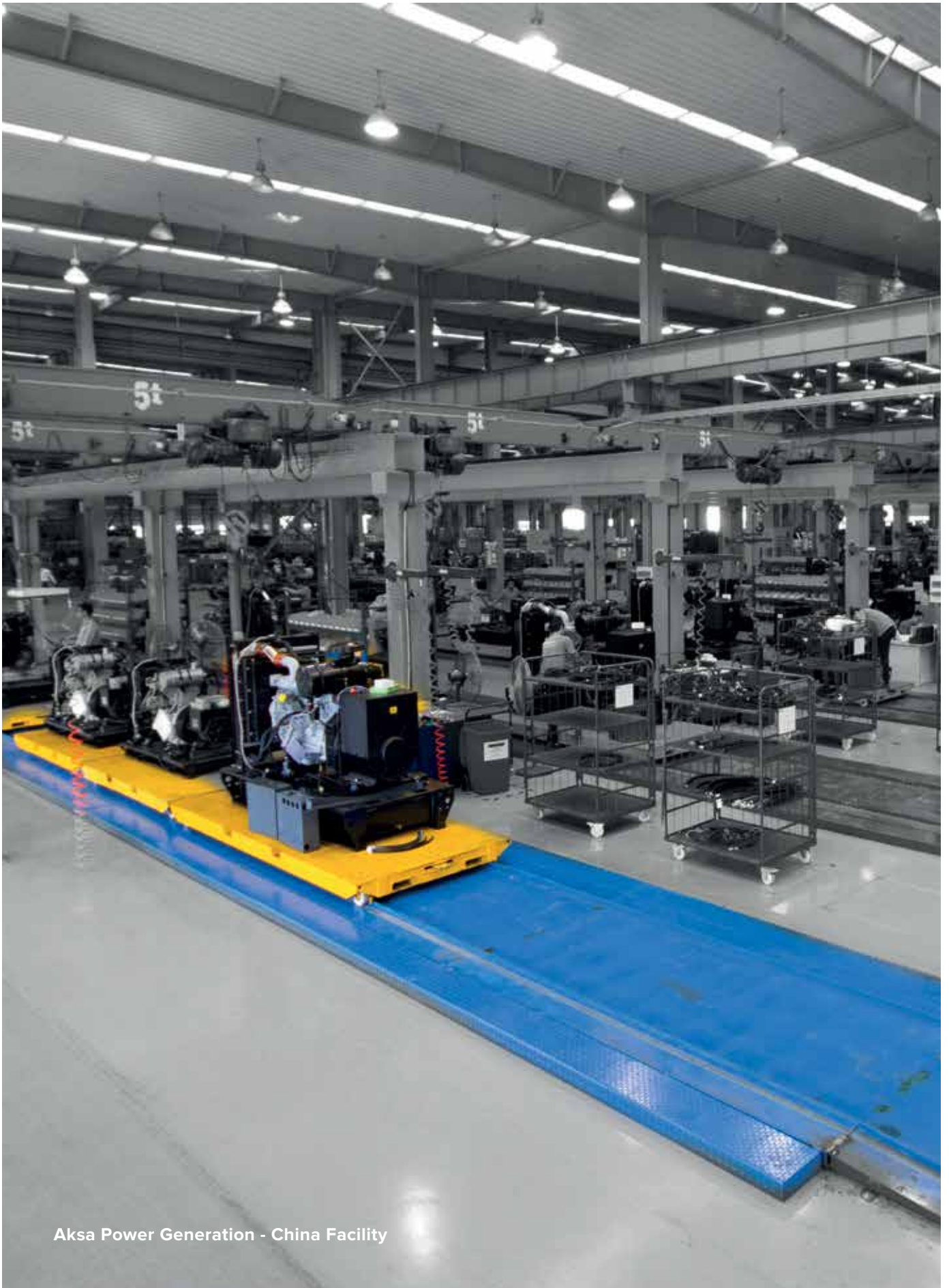
## **OPERATIONS**

### **Manufacturing and Sales**

Aksa Power Generation manufactures generators between 1 kVA and 3,125 kVA which can run on petrol, diesel, and natural gas, supplementary marine generators, lighting masts, and generator hardware in its factories in Istanbul (Turkey, 20,000 m<sup>2</sup> indoor space), Changzhou (China, 120,000 m<sup>2</sup> indoor space), and Louisiana (USA, 10,000 m<sup>2</sup> indoor space), and it is one of the leaders of the sector. As of late 2017, the Company has a diesel generator production capacity of 40,000.

In 2016, Akxa Power Generation added to its product portfolio the hybrid generator, which it designed completely based on its own research and development, and which can derive its energy from renewable sources, such as wind and solar energy, making it a technology for the future. As well as being environmentally friendly, the hybrid generator also provides a cost-effective solution for the customers, cutting back almost 70% on fuel use. Akxa Hybrid Generator also comes equipped with Remote Management System (RMS), allowing users to remotely access and check data entries.

With the addition of 7 Akxa Power Center (APCs) in 2016, Akxa Power Generation currently has 23 sales points around Turkey.



Aksa Power Generation - China Facility

## AKSA POWER GENERATION



**More than 50% of Akxa Power Generation's production is exported; with 17 offices in Asia, Europe, Africa, and America, it is amongst the top 5 companies in its sector globally.**

More than 50% of Akxa Power Generation's production is exported; with 17 offices in Asia, Europe, Africa, and America, it is amongst the top 5 companies in its sector globally. In 2016, the Company added 3 more countries to its service network. It has offices in China, Singapore, USA, Kazakhstan, Algeria, South Africa, Ghana, Dubai, Iraq, Iran, Russia, United Kingdom, and Vietnam, and representative offices in Indonesia, Holland, Kenya, and Sudan.

#### **Domestic Sales Points**

- Akxa Adana
- Akxa Anadolu
- Akxa Ankara
- Akxa Ankara Branch
- Akxa Antalya
- Akxa Bağcılar
- Akxa Beyoğlu
- Akxa Bodrum
- Akxa Bursa
- Akxa Çorlu
- Akxa Denizli
- Akxa Diyarbakır
- Akxa Eskişehir
- Akxa Gaziantep
- Akxa Gebze
- Akxa İzmir
- Akxa Kağıthane
- Akxa Kayseri
- Akxa Marmaris

- Akxa Samsun
- Akxa Şanlıurfa
- Akxa Trabzon
- Akxa Trakya

#### **Akxa Rental**

Akxa Rental provides generator rentals in Turkey and abroad through its experienced staff in the head offices in Istanbul and Dubai, offering a large product range consisting of fuel and diesel based generator sets with an experienced staff.

Akxa Rental can also provide package deals to meet its customers' periodical and continuous energy needs, including exploration, assembly, service, and transport solutions. Akxa Rental has Turkey's biggest generator fleet with capacities ranging from 1 kVA to 2,500 kVA.

Akxa Mobile Generator Rental is a first in Turkey; designed for situations which might call for an urgent energy supply, it can supply energy up to 400 kVA with a single mobile generator, and up to 1,200 kVA in the form of synchronized gensets. Thanks to their sound insulation properties, the mobile generators are classed as "super quiet". Their advanced properties have allowed Akxa Mobile Generators to provide energy for many important





Aksa Power Generation - China

**Aksa Second Hand Department was founded to provide reliable and professional second hand service, and it provides services in the purchase and sale of second hand generators.**

organizations in Turkey, and they are a must-have for many large projects and construction sites.

#### **Second Hand Generators**

Aksa Second Hand Department was established to provide a reliable and professional service for second hand generator purchases or sales. Second hand generators are appraised on-site by qualified engineers specialized in the field and are evaluated under the best terms and at optimal prices. Generators which have passed quality control tests and given extensive overhauls are put on sale by the Aksa Second Hand Department, and any second hand generators that are sold are placed under warranty and a periodic maintenance agreement. Additionally, in-line with customer demand, old generators

can be replaced with a new generator with the most suitable power, on site.

Aksa Power Generation is also a leader in the sector in second hand generator purchase and sales, thanks to:

- Brand experience and assurance,
- Quality control tests prior to the sale,
- Service by expert technical teams,
- Approved products' sales prices reflecting their value,
- Thorough support following the sale,
- Warranty for second hand generators,
- Spare parts support,
- Immediate solutions from a widespread service network

## AKSA POWER GENERATION

---

**81**

SERVICE POINTS  
IN TURKEY

---

**300**

TECHNICAL TEAM

---

**Aksa Service and Rental, founded in 1994, provides after-sales service and spare parts support for all Aksa Power Generation products.**



---

### **AKSA SERVICE AND RENTAL**

Aksa Service and Rental, founded in 1994, provides after-sales service and spare parts support for all Aksa Power Generation products. Its service network provides 24/7 support across Turkey with teams of trained technicians, mechanics, and engineers, solving any technical problems customers might have in the shortest amount of time possible.

Aksa Service and Rental operates at 81 service points in Turkey including Istanbul, with a team of 300 technical staff, engineers, administrative staff, and 150 vehicles, providing 24/7 after sales support and service, even on public holidays. Its expert teams at Regional Head Offices and APCs, and its stock of spare parts for the most often needed parts sets it apart from its rivals in terms of service quality. Additionally, Aksa Service and Rental is currently making investments for a training network that would introduce authorized services in Turkey to the latest developments in the sector.

---

### **FUTURE OUTLOOK**

Aksa Power Generation is a leader of the generator market in Turkey, and as part of its growth strategy, it has created long-term global targets. The Company aims to have an export figure of USD 1 billion by 2025, as well as becoming one of the top three generator manufacturers in the world. It plans to continue to lead its sector in Turkey thanks to the value it places on innovativeness, and grow its customer base.

Aksa Power Generation keeps track of possible opportunities in the African and South American markets, and it aims to broaden its global sales network to expedite its growth.



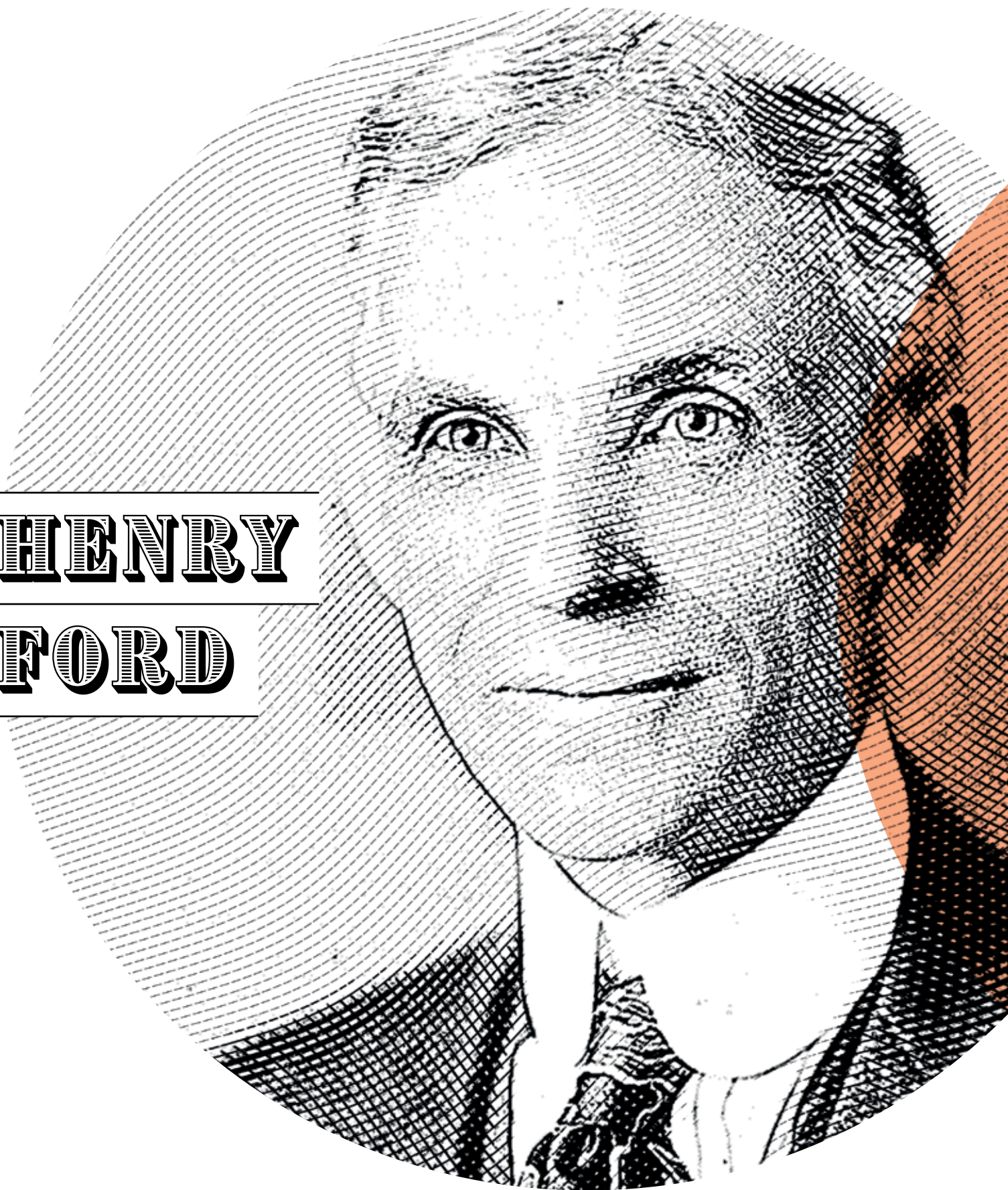
**Akxa Power Generation aims to have an export figure of USD 1 billion by 2025, as well as becoming one of the top three generator manufacturers in the world.**

## **AKSA POWER GENERATION IN NUMBERS**

<b>(TRY Million)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Revenues	607	821	1,019	969	1,154
Exports	352	470	560	502	588



**HENRY  
FORD**



# *innovativeness*

Today, Ford Motor Company is one of the leaders of the automotive sector. It was founded by Henry Ford in 1903 thanks to his visionary approach, but with a lot of difficulties and sacrifices. The essence of the Ford brand contains the story of an Irish family fleeing hunger and poverty and coming to America, fighting tooth and nail to have some land of their own, and it was the youngest son of this family who founded the brand.

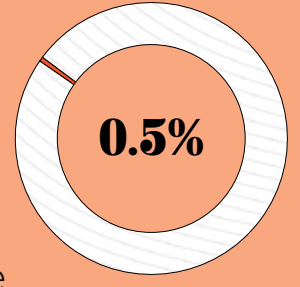
History remembers Henry Ford, born in 1863, as the man who introduced workers' rights and mass production to the world. Thanks to his foresight, the Ford brand became one of the pioneers of the concepts of human resources, employee rights, mass production, and sales-supply-demand optimization.







# AKSA AGRICULTURE



SHARE IN  
REVENUES

Aksa Agriculture's cattle breeding, dairy farming and agriculture operations take place on an **area of 24,000 decares**.

## Aksa Agriculture

-  Tekirdağ - İnanlı Agricultural Enterprise
-  Samsun - Gelemen Agricultural Enterprise



## Crop Production

**37** THOUSAND TONS

Milk Production

**18,000** TONS

EBITDA

TRY **5** MILLION



One of the top 5 farms in Turkey in cattle breeding

Corn Silage Production

**31,000** TONS

Revenues

TRY **53** MILLION



One of the top 10 farms in Turkey in milk production

Cattle Breeding

**10,000** HEADS

Apple Production

**1,305** TONS



EU compliant production

Dairy Cow Farming

**5,000** HEADS

Wheat Production

**1,100** TONS



1,200 tons of concentrate feed production per month

# AKSA AGRICULTURE

PRODUCTION IN EU STANDARDS...

---

**18,000 TONS**  
MILK PRODUCTION

---

**15,000 HEADS**  
OF CATTLE

---

**MORE THAN**  
**37,000 TONS**  
OF CROPS PRODUCED

---

In 2004, Aksa Agriculture signed a 30-year lease for İnanlı Agricultural Enterprise (Tekirdağ) and Gelemen Agricultural Enterprise (Samsun), which were opened to privatization by the Department for Agricultural Enterprises, taking its first step into the agricultural and husbandry sector with the aim of becoming one of the leaders in fruit gardens, grain production, silage corn production, rice planting, cattle breeding and dairy farming. The two farms are operated at EU standards.

---

## OPERATIONS

For Aksa Agriculture, 2017 has been a year of breakthrough when results from new investments were realized, which paved the way for future investments. The Company's annual operations and investments continued to strengthen its position in the sector. Aksa Agriculture's farms in İnanlı and Gelemen contain a total of 15,000 heads of cattle.

---

## İNANLI ENTERPRISE

At its İnanlı Enterprise, Aksa Agriculture has been successfully farming dairy cattle since 2004 with an expert team of zootechnicians, veterinarians, and agricultural engineers. With a capacity of 5,000 heads of female cattle, it produces 1,200 tons of chilled raw cow's milk which is certified to EU standards.

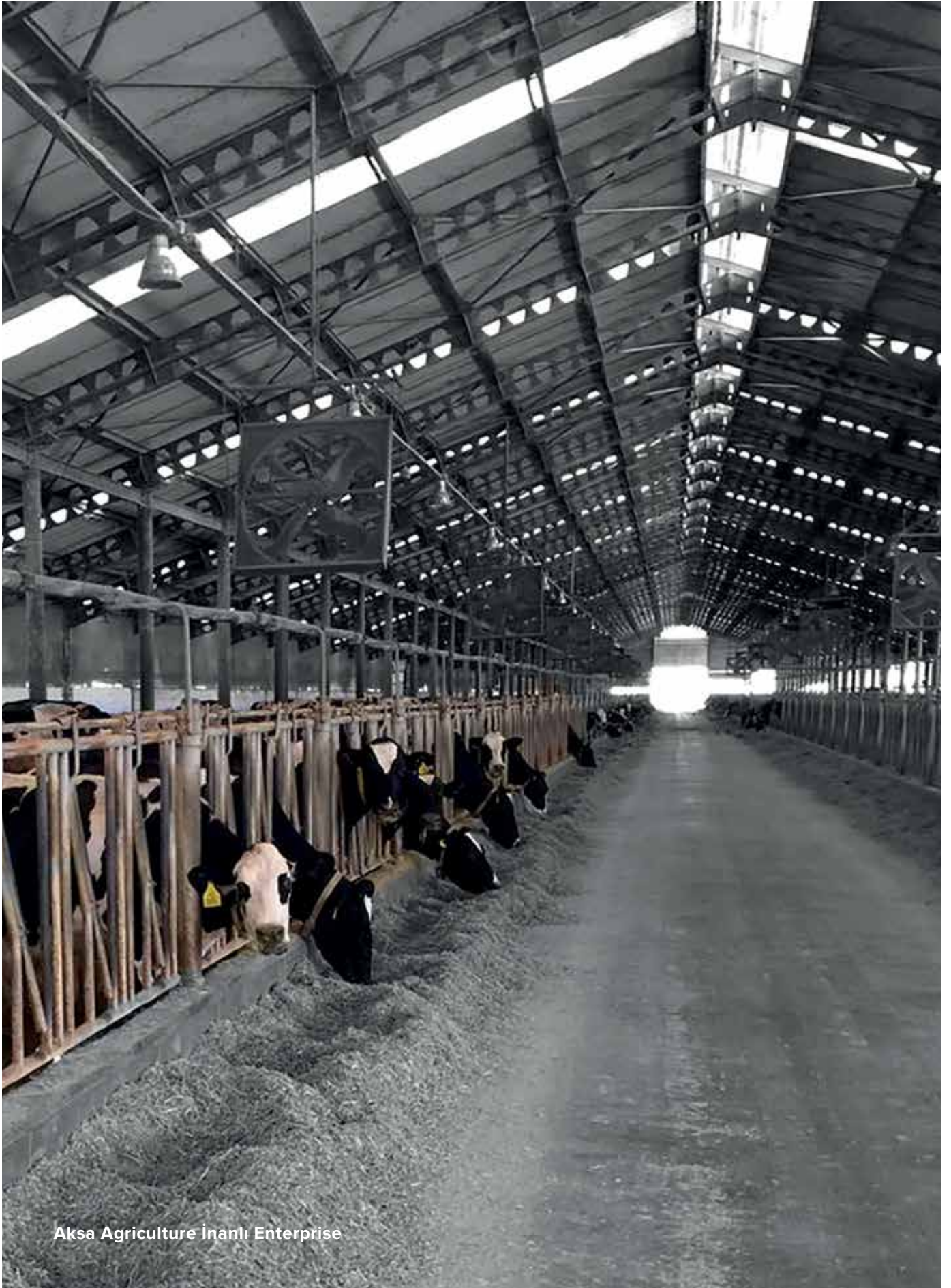
The Company's expertise in farming dairy cattle is also carried over to cattle breeding, and the building of the 6,000 head capacity barn for cattle at İnanlı Enterprise that started in 2016 was completed in 2017, with all the necessary infrastructure in place for an environmentally friendly facility. In light of this development, Aksa Agriculture put its first lot of livestock on sale in 2017, establishing its presence in the Turkish meat market.

As well as dairy and cattle farming, Aksa Agriculture also sows two types of crops each year. 1,200 tons of pellet feed are produced monthly alongside barley, vetch, silage corn, and dry hay across an area of 8,600 decares.

As part of its environmentalist approach, the Company signed a contract for a biogas recycling project in 2017 with the aim of recycling and repurposing solid animal waste.

In 2017, the İnanlı Enterprise produced

- 18,000 tons of milk,
- 5,000 heads of cattle,
- 5,000 heads of dairy cattle,
- 20,000 tons of silage corn,
- 2,500 tons of hay,
- 700 tons of barley.



Aksa Agriculture İnanlı Enterprise



## AKSA AGRICULTURE

---

**1,305 TONS**  
OF APPLE PRODUCTION

---

**11,000 TONS**  
OF CORN PRODUCTION  
FOR SILAGE

---

**At its Gelemen Enterprise, Aksa Agriculture plants two sets of crops each year in an area of 7,000 decares, producing barley, wheat, rice, and silage corn, and carries out EU and 'good farming practice' certified apple production expanding across 450 decares.**



---

### GELEMEN ENTERPRISE

At its Gelemen Enterprise, Aksa Agriculture plants two sets of crops each year on an area of 7,000 decares, producing barley, wheat, rice, and silage corn, and carries out EU and 'good farming practice' certified apple production expanding across 450 decares. The farm also includes cattle barns, 28,200 m<sup>2</sup> of which are indoors and 7,040 m<sup>2</sup> of which are outdoors.

In 2017, by considering the crop productivity of previous years as well as the area's geographical and environmental properties, suitable types of crop were chosen and the yield increased. The yields for barley, wheat, and silage corn are above the regional average at the Gelemen Enterprise. Furthermore, a cooperative production model was formed with local farmers who know the region's particulars swell to begin the production of rice.

Also in 2017, sugar beet saplings were produced at the farm in association with KWS, one of the leading global brands in its field, and production continued on the apple orchard located on the farm.

The Company's collaboration with Namet continues for feeder cattle which led to the signature of an agreement for a biogas project with Namkon Feeder Cattle, a JV between Namet and Kazancı Holding, for the repurposing and recycling of solid animal waste.

In 2017, Gelemen enterprise produced;

- 5,000 heads of breeding cattle,
- 1,305 tons of apples,
- 11,000 tons of corn for silage,
- 382 tons of barley,
- 1,100 tons of wheat,
- 700 tons of hay.



**7,000** DECARES  
DRIP IRRIGATION  
SYSTEM INVESTMENT

## AKSA AGRICULTURE IN NUMBERS

### Investments since 2005

#### İnanlı Enterprise

- 4 closed system barns with 480-head capacity,
- 2 closed system barns with 240-head capacity,
- Open system barn with 500-head capacity,
- Open system feeding barn with 6,000-head capacity,
- Calf sheds with 450-head capacity,
- Delivery barn with 250-head capacity,
- 2 German Rotary milking facilities with 40 units,
- 2x20 parallel milking system,
- 12 silage wells with 2,000-ton capacity
- Pellet feed facility with a production capacity of 5 ton/h,
- Drip irrigation system covering a 4,000-decare area

#### Gelemen Enterprise

- 3 barns with 5,200 m<sup>2</sup> covered area and 3,840 m<sup>2</sup> outdoor area,
- 3 barns with 4,200 m<sup>2</sup> covered area and 3,200 m<sup>2</sup> outdoor area,
- 4,500 m<sup>2</sup> covered apple orchard,
- Drip irrigation system expanding across 3,000 decares

**At both of its farms, Akxa Agriculture considers the geographical and environmental particulars of the region as well as the crop productivity of previous years when deciding on investments.**

# AKSA AGRICULTURE



**For Aksa Agriculture, 2017 has been a year of breakthrough when the results from new investments were realized, which paved the way for future investments.**

<b>İnanlı Enterprise</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Milk Production	19,000 tons	22,000 tons	18,000 tons
Dairy Cattle Farming	4,284 heads	3,649 heads	5,000 heads
Cattle Breeding	-	2,500 heads	5,000 heads
Silage Corn Production	16,000 tons	20,000 tons	20,000 tons
Hay Production	2,500 tons	2,500 tons	2,500 tons
Barley Production	650 tons	1,000 tons	700 tons

<b>Gelemen Enterprise</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Cattle Breeding	9,000 heads	6,500 heads	5,000 heads
Silage Corn Production	6,000 tons	13,000 tons	11,000 tons
Apple Production	810 tons	1,765 tons	1,305 tons
Hay Production	250 tons	350 tons	700 tons
Barley Production	350 tons	450 tons	382 tons
Wheat Production	-	-	1,100 tons





## FUTURE OUTLOOK

Aksa Agriculture's İnanlı Enterprise utilizes state-of-the-art milking systems. The enterprise engages in modern dairy farming with 1,200 heads of female cattle, whose movements are monitored via a computer integrated barcode system. Within the next years, the Company plans to meet Turkey's demand for pregnant heifers with high genetic capacity from this enterprise.

By expanding its cattle operations from a barn capacity of 3,000 heads of cattle in 2016 to 15,000 heads, Aksa Agriculture aims to contribute to the national economy by engaging in modern cattle farming practices. To this end, efforts to increase the capacity on the farm will continue in 2018.

Aksa Agriculture aims to contribute to both the regional and the national economy through its apple production and cattle farming operations at its Gelemen Enterprise. Additionally, the Company aims to increase its husbandry operations through a capacity increase, to raise the

number of cattle to 15,000 via collaborative projects, and to help meet Turkey's demand for meat, milk, and cattle.

### Planned investments for İnanlı Enterprise

- Cattle barns with a 9,000-head capacity,
- Silage storehouse,
- Feed storehouse,
- Drying block,
- Hay storehouse.

### Planned investments for Gelemen Enterprise

Investments due following the increase of cattle capacity to 15,000 are as follows:

- 3 barns with 8,100 m<sup>2</sup> covered and 3,840 m<sup>2</sup> open area,
- 2 barns with 10,125 m<sup>2</sup> covered and 3,840 m<sup>2</sup> open area,
- 2 barns with 5,400 m<sup>2</sup> covered and 3,840 m<sup>2</sup> open area.

The barns planned for Gelemen Enterprise will operate on a total covered area of 55,350 m<sup>2</sup> and a total open area of 26,880 m<sup>2</sup>.

**Aksa Agriculture contributes to both the regional and the national economy through apple production and cattle farming operations at its Gelemen Enterprise.**





**STEVE**

**JOBS**





# *individuality*

Steve Jobs, a genius in the world of technology and the founder of Apple, brought about revolutionary innovations by closely monitoring the demands and habits of customers. From products such as the iPhone, iPad, and iTunes to the touchscreen, many of his innovations have been embraced by the tech world.

Steve Jobs managed to incorporate a friendly touch to the impersonal world of technology through design, software, and stores. Rather than simply providing goods and services, he created a future by endorsing innovation.

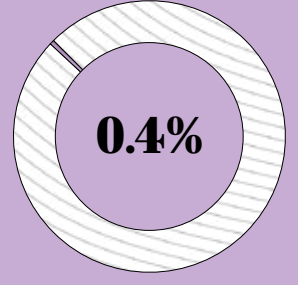




Mirada Del Mar Hotel/Antalya



# AKSA TOURISM



SHARE IN  
REVENUES

Aksa Tourism provides services through **3 hotels in**  
**touristic regions of Turkey.**

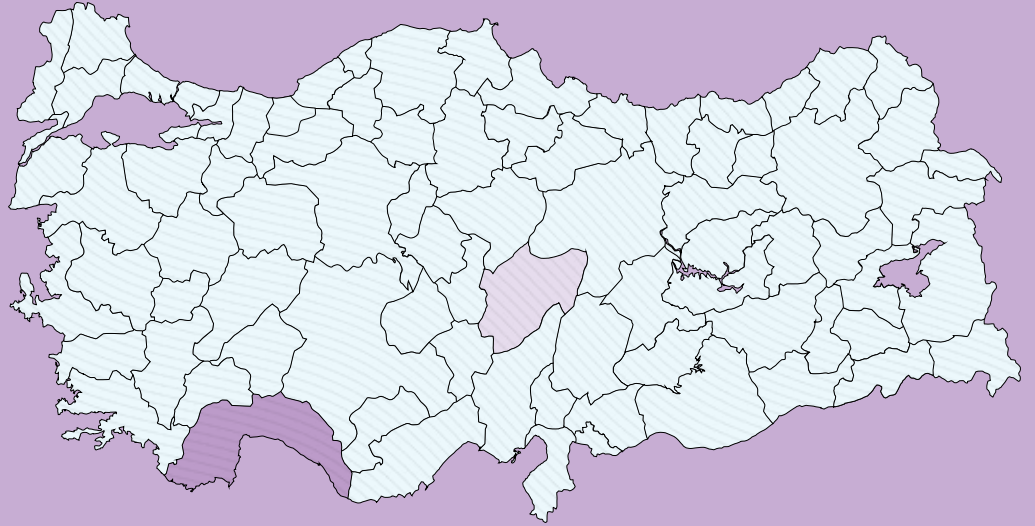
## Aksa Tourism



Antalya - Mirada Del Mar Hotel



Kayseri - Mirada Del Lago Hotel  
and Mirada Del Monte Hotel



Number of Hotels

# 3

Revenues

TRY **41** MILLION

EBITDA

TRY **5.6** MILLION

Number of Rooms

# 687

Number of Beds

# 1,433

Overnight Stays in 2017

# 227 THOUSAND ROOMS



3 Hotels in Antalya and Kayseri



687 rooms in total



A 1.5 times increase in the number of  
overnight guests compared to 2016



A 30% increase in the number of overnight  
stays compared to 2016



Total overnight stays in 2017: 284 thousand  
persons

# AKSA TOURISM

AIMING FOR EXCELLENCE IN SERVICE...

---

**3**

NUMBER OF HOTELS

---

**687**

NUMBER OF ROOMS

---

**1,433**

NUMBER OF BEDS

Aksa Tourism was founded in 2004 and stepped into the tourism sector with the opening of the Mirada Del Mar Hotel in Antalya in 2005. Two leisure centres on the slopes of Mount Erciyes in Kayseri were purchased in 2006, and following their renovation, they were opened as 4-star and 3-star hotels respectively in 2007.

In the years following its initial investment period, in line with the developments in the tourism sector, Aksa Tourism continued to invest in the renovation of its hotels so as to provide better customer service. As of late 2017, the company has a total of 687 rooms and 1,433 beds across 3 hotels.

#### **Mirada Del Mar Hotel**

Aiming for excellence in the tourism sector, the 5-star Mirada Del Mar Hotel is Kazancı Holding's first investment in the sector. It is located in the Göynük district in Kemer, Antalya.

Mirada Del Mar Hotel's architecture and landscaping are especially designed; it is located in a 100,000 m<sup>2</sup> area surrounded with pine trees, with a total of 542 rooms each with a view of the sea, forest, or garden. Additionally, it contains 14 meeting rooms, largest of which can seat 800 people, all equipped with the latest technology, that can be used for various gatherings and events.

#### **Mirada Del Lago Hotel**

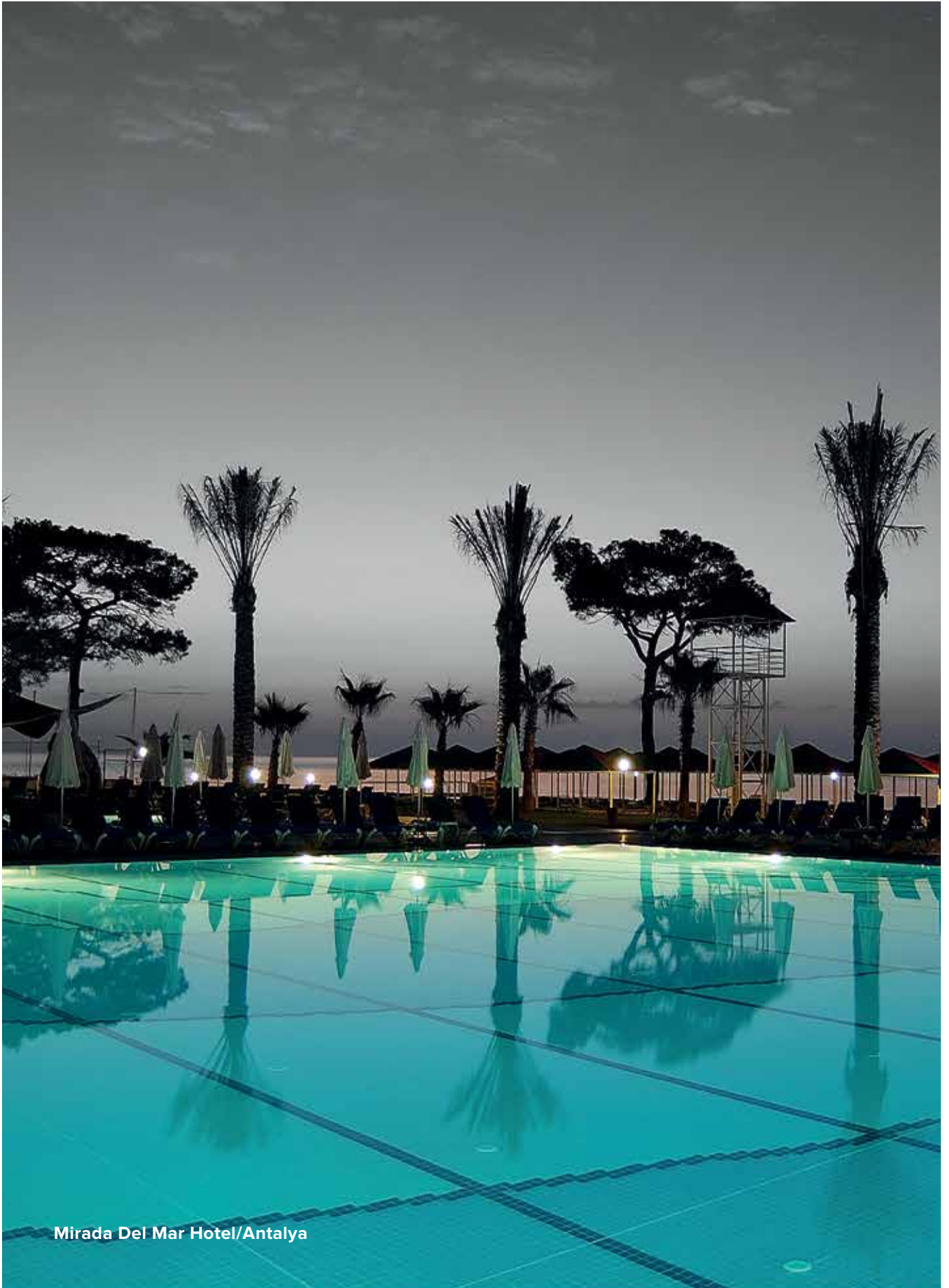
Located in Kayseri, the Mirada Del Lago Hotel is 28 km away from the airport. It is the first hotel to be opened on Mount Erciyes, and it boasts a modern architectural design inspired by Seljuk architecture. It contains 105 rooms and 229 beds. The hotel also has the largest number of beds in the area.

The hotel provides its guests with cable car and chairlift services, it is located 300 meters away from ski slopes that are 37 km long. Mirada Del Lago Hotel contains a main restaurant and an à la carte restaurant where exceptional dishes can be sampled. It contains an indoor pool with heating, a sauna, and traditional Turkish baths, as well as a conference room equipped with the latest technology which can seat 150 people, making it suitable for various gatherings and events.

#### **Mirada Del Monte Hotel**

The 3-star Mirada Del Monte Hotel contains 96 beds and is located at 50 meters away from the winter sports activity center, serving its guests on the slopes of the highest mountain in Central Anatolia, Mount Erciyes.





Mirada Del Mar Hotel/Antalya

# AKSA TOURISM



Mirada Del Mar Hotel/Antalya

**Mirada Del Lago Hotel and the Mirada Del Monte Hotel, both operating mainly in winter tourism, welcomed their first guests from Russia in 2017.**

## AKSA TOURISM IN NUMBERS

After 2016, which was a very difficult year for the tourism sector in Turkey, the positive developments in the Russian market, one of the primary markets of Turkish tourism, have made up for the decline in numbers in the amount of visitors from continental Europe in 2017.

Mirada Del Lago Hotel and the Mirada Del Monte Hotel, both operating mainly in winter tourism, welcomed their first guests from Russia in 2017. The satisfaction of these customers indicate a gradual growth of this segment each year.

Market	Overnight Stays					
	2015		2016		2017	
	Room	Person	Room	Person	Room	Person
Russia	63,258	87,706	18,568	22,143	69,582	93,921
Kazakhstan	20,638	28,709	11,497	15,733	12,382	17,725
Ukraine	7,995	10,304	13,548	17,233	17,169	23,088
Moldova	7,646	10,606	3,355	4,460	6,581	8,845
Germany	8,482	9,278	3,222	3,375	3,682	3,898
Azerbaijan	1,538	2,111	3,658	4,567	1,942	2,663
Others	36,310	43,878	12,847	15,436	14,312	19,109
Domestic Market	16,909	21,896	21,684	27,941	26,104	33,908
Conference Groups	64,936	68,417	73,953	77,360	75,131	80,418
<b>Total</b>	<b>227,712</b>	<b>282,905</b>	<b>162,332</b>	<b>188,248</b>	<b>226,885</b>	<b>283,575</b>



**Aksa Tourism continues to invest in improving its hotels and their quality of service regardless of the conditions of the sector.**

## **FUTURE OUTLOOK**

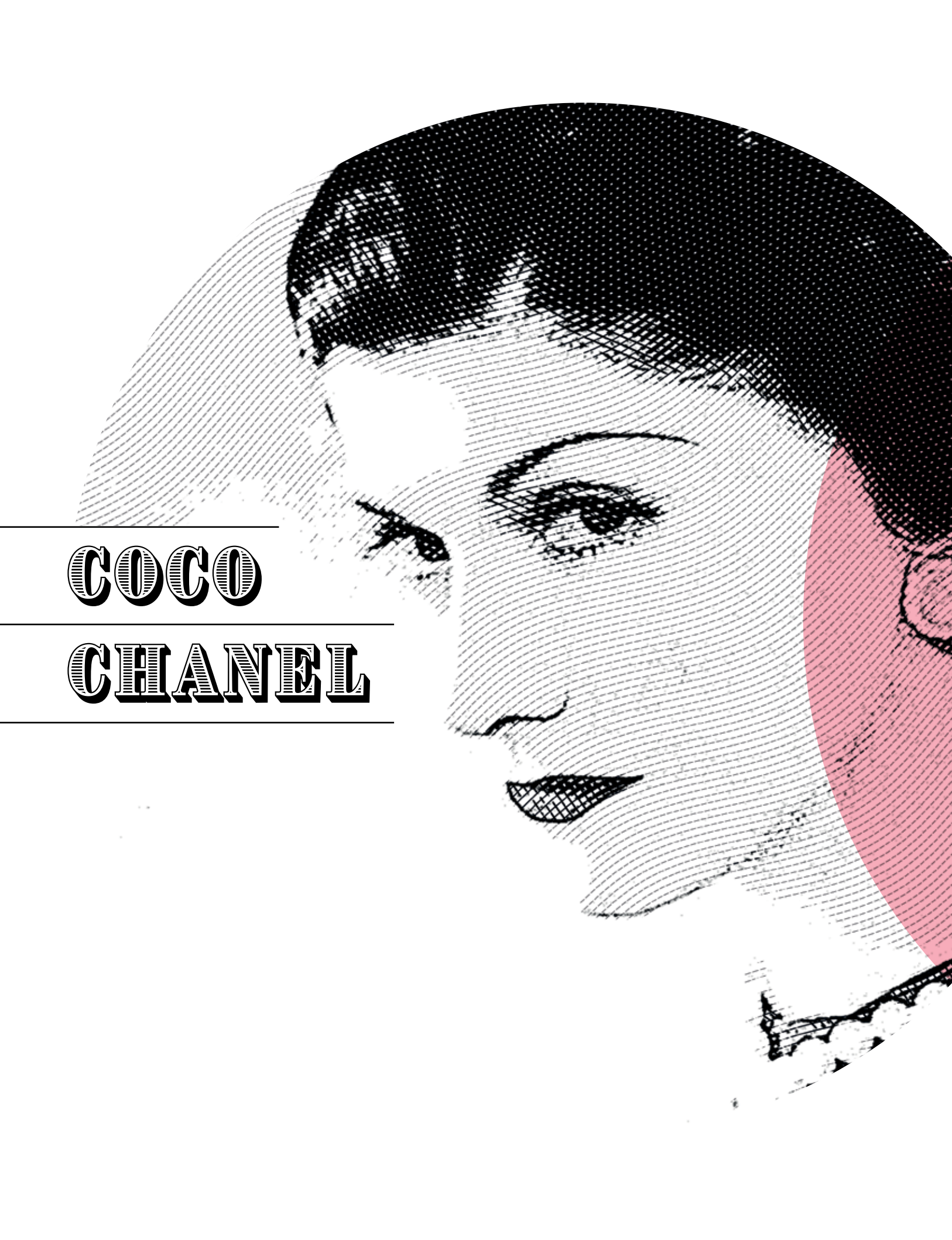
Tourism is a sector directly affected by all political and financial developments in our country and region. As the region is gaining stability due to its infrastructure and the quality of service and facilities, the Turkish tourism sector is expected to reach its well-deserved stance in a short time. The recent positive political developments between Turkey and Russia are expected to reflect positively on the sector's prospects in 2018.

In the 2017-2018 winter season, Mirada Del Lago Hotel's ski lodge and lobby were expanded and renovated to better meet guests' requirements, and redecorated prior to their opening.

In 2018, air conditioning units and bathrooms at the Mirada Del Mar Hotel will be renovated to improve customer satisfaction. Additionally, the carpet flooring in the rooms will be replaced with wooden floorboards.

In line with the developments in the tourism sector, Aksa Tourism will continue to invest in improving existing hotels and increasing bed capacity.





**COCO**

**CHANEL**



# *being different*

Born into a poor family and then orphaned, Gabrielle ‘Coco’ Chanel is amongst the most successful entrepreneurs in history. Coco Chanel began her career by designing hats and in a short time became a household name amongst Parisian high society. She became not only one of the best fashion designers, but a part of high society herself.

Coco Chanel shaped her business with a view to inspire the fashion sector rather than merely designing clothes. Thus she became the only fashion icon in Time Magazine’s list of “The Most Important 100 People of the Century”.

# HUMAN RESOURCES

OUR MOST VALUABLE CAPITAL IS OUR  
HUMAN RESOURCES...

**Kazancı Holding's human resources practices ensure that the organization's structure retains its dynamism in line with the Holding's strategic plans and aims, and remains ready for competition.**

Embracing the perspective that “our most valuable capital is our human resources” is the foundation of Kazancı Holding's Human Resources Policy. The main objectives of Kazancı Holding's human resources activities are as follows:

- Setting a best practice in human resources practices in the sector,
- Managing all aspects of processes relating to human resources effectively, in order to create competitive advantage,
- Forming the organizational structure of all companies with individuals who are team players, open to change, productive, dynamic, and well-suited to our corporate values,
- To enhance performance by coordination and providing performance support.

The Group's human resources practices ensure that the organization's structure retains its dynamism in line with the Holding's strategic plans and aims, and remains ready for competition.

Kazancı Holding places great importance on a sustainable human resources structure in the name of fulfilling its long term aims, and its HR policies are designed for constant improvement of the department's capabilities, and amended in line with long-term company aims.

Kazancı Holding aims to become the “employer of choice among development-oriented and productive professionals” in the sector.

Core values that form Kazancı Holding's approach to human resources are:

- The right person for the right job,
- Management of diversity,
- Equal opportunities,
- Personal and professional development.

The Human Resources Directorate provides support with employee selection and placement, salaries and benefits, training-development and the running of organizational processes through a centralized human resources structure to all Group companies operating under six different business lines.

Kazancı Holding Human Resources works to ensure that Group companies are ready for the present and the future, by adopting the right strategies best suited to their respective organizational structures. The basis of Kazancı Holding's Human Resources activities consists of an accurate understanding of the human resources needs of employees, and meeting these needs with the most appropriate and efficient solutions.

Kazancı Holding's total workforce rose from 5,781 as of December 31, 2016 to 7,538 employees as at late 2017.

## **Human Resources Activities and Employee Satisfaction**

Kazancı Holding employees are open to change and innovation, dynamic, aware of venues of improvement to themselves and their job, and members of a team in which constant development and creativity is sustained, efforts are rewarded, and successes congratulated.



Employee satisfaction and a sense of belonging are permanent fixtures of Kazancı Holding's human resources vision. To this end, the group continues to develop and implement the necessary policies to increase employee loyalty.

Kazancı Holding regards the diversity of its human resource as a valuable part of its organizational structure and a fundamental feature of its intellectual capital. Throughout all processes and practices of the human resources policy, the aim is to provide employees with equal opportunities, and the Group is firmly against discrimination based on race, religion, language, gender, and sexual orientation. Kazancı Holding embraces universally accepted human rights ideals, and it is against child labor and forced labor.

Kazancı Holding's human resources practices allow the Group to provide its employees with fast and efficient support, and play a huge part in increasing the productivity and performance of different units.

Kazancı Holding places great importance on employee satisfaction, and to this end provides certain benefits by business partnerships to provide discounts within

the Group. Cookshop, one of the Group's brands, and hotels operated by Aksa Tourism provide all Holding employees with discounts. Additionally, agreements are underway with various institutions in the healthcare, education, and similar sectors.

The human resources vision for 2017 and beyond is more target-based, and plans include establishing performance criteria and putting the process into action. In terms of training, plans are underway to offer courses that would contribute to employees' self-improvement by aiding both personal and professional development, thus creating a self-aware work force.

#### Occupational Health and Safety

Kazancı Holding's Occupational Health and Safety (OHS) policy was developed to raise awareness amongst the workforce and to ensure workplace safety. Each year, the group continues to offer workplace health and safety courses in the regions it operates and at the head office.

In 2017, the following courses were offered at the head office:

- Emergency drills
- Regular health screenings
- OHS training

**Kazancı Holding regards the diversity of its human resources as a valuable part of its organizational structure and a fundamental feature of its intellectual capital.**

Group	Subject	Number of Attendees	Training Hours
HOLDING	OHS	103	488
HOLDING	DATA SECURITY	209	209
NATURAL GAS	OHS	2,276	36,742
NATURAL GAS	PROFESSIONAL COMPETENCE	877	8,645
ENERGY	OHS	298	7,014
ENERGY	PROFESSIONAL COMPETENCE & TECHNICAL	5,944	850
ELECTRICITY	OHS	2,092	36,760
ELECTRICITY	PROFESSIONAL COMPETENCE	345	29,430
POWER GENERATION	OHS	286	1,636
POWER GENERATION	TECHNICAL	357	6,959
<b>Total</b>		<b>12,787</b>	<b>128,733</b>

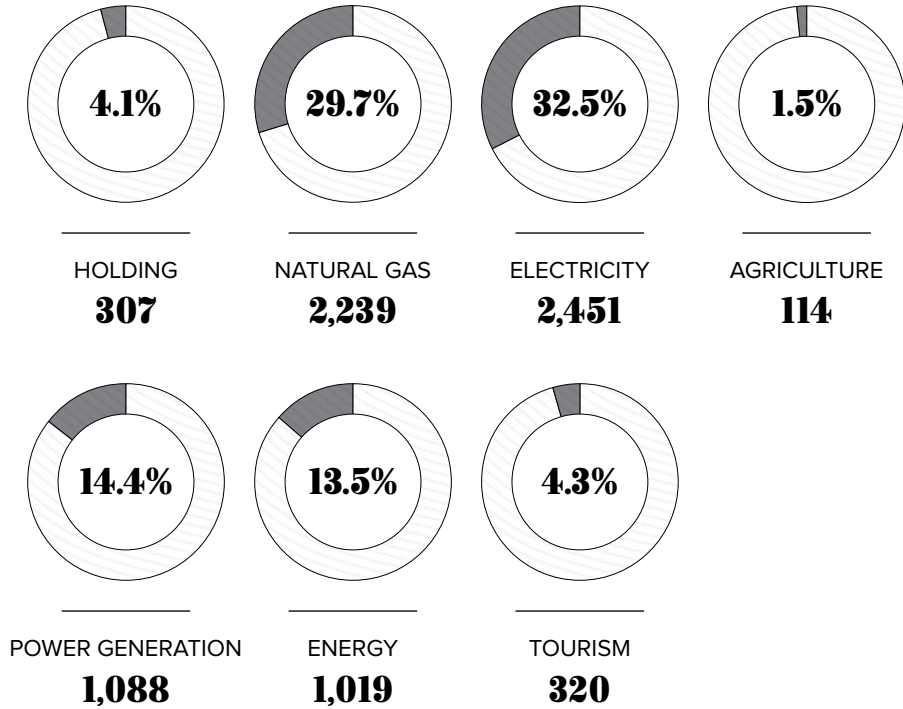
# HUMAN RESOURCES

**7.538**

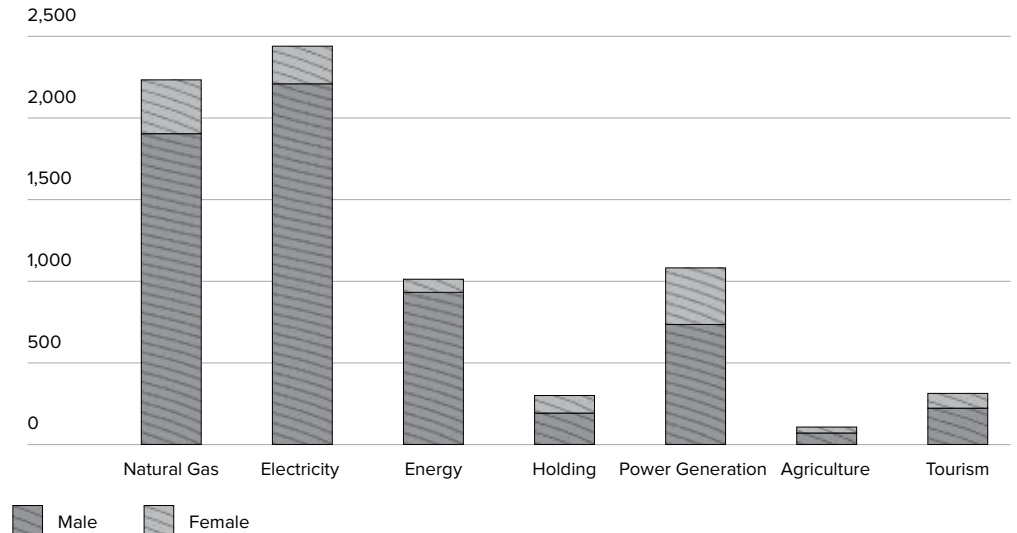
NUMBER OF EMPLOYEES

**Kazancı Holding aims to be an employer that is focused on development and become the most popular choice for productive professionals in its sector.**

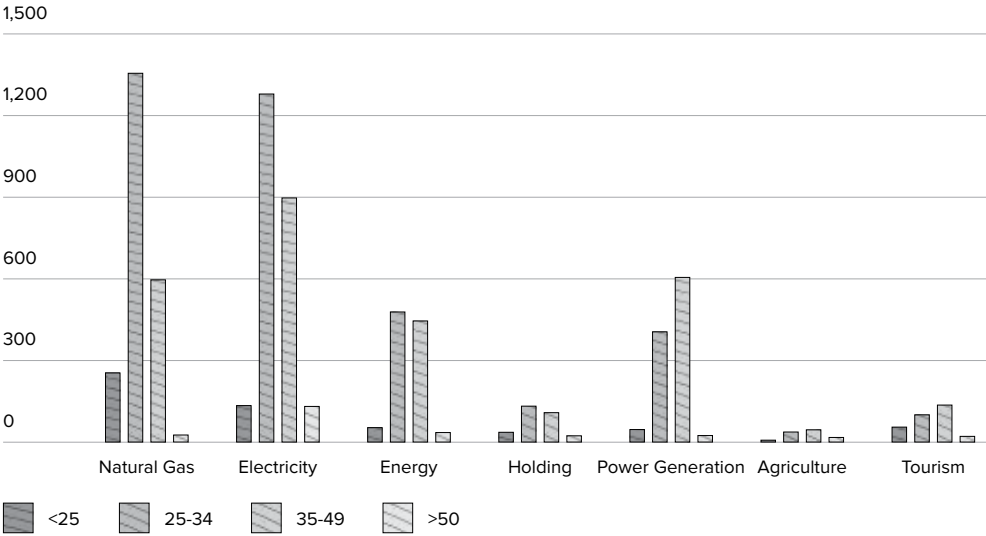
## COMPANY HEADCOUNT (%)



## GENDER BREAKDOWN

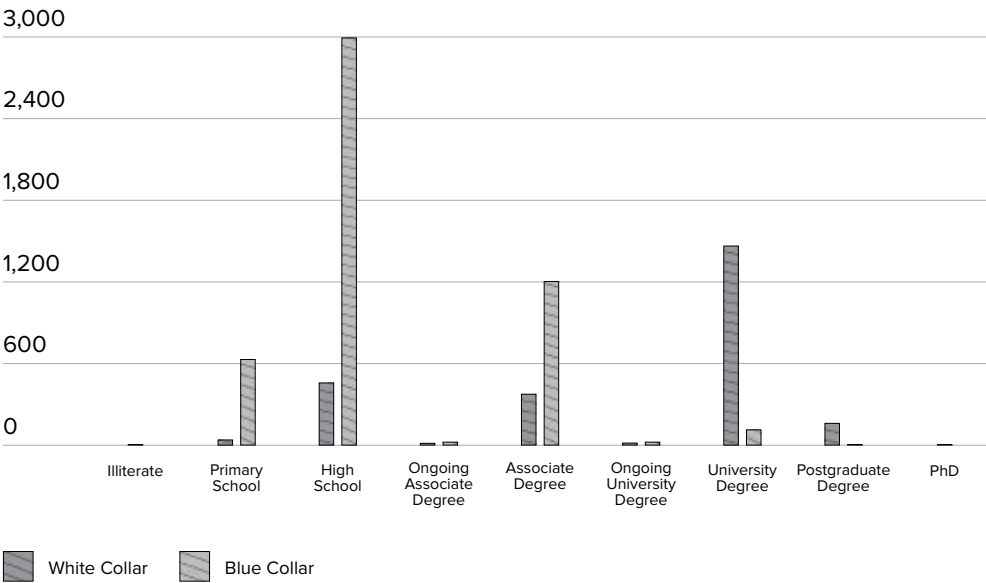


## AGE DISTRIBUTION



**Kazancı Holding provides its employees with fast and efficient support through its human resources policies, and plays a huge part in increasing the productivity and performance of different units.**

## EDUCATIONAL BREAKDOWN





# ENVIRONMENT

## ENVIRONMENTAL POLICIES IN GLOBAL STANDARDS...

**Aksa Natural Gas regards the protection of the environment as the prerequisite of sustainable development, and works to minimize the environmental effects of its operations and to contribute to the protection of the environment.**

Kazancı Holding places great importance on the protection of the environment for all its investments; it embraces a vision compliant with global standards for its environmental policy and implements this approach through holistic and modern practices.

Respecting nature forms all of Kazancı Group's activities. The Group participates in exemplary practices and projects on issues that are vital to a sustainable earth, such as the sustainability of natural resources, cutting waste down to the bare minimum, and preventing soil, air, and water pollution.

### **AKSA NATURAL GAS AND THE ENVIRONMENT**

#### **Aksa Natural Gas's Environmental Policy**

The switch from coal to natural gas in the distribution regions of Aksa Natural Gas helped reduce carbon emissions by 6 million tons in 2017 alone. This is equal to the amount of carbon dioxide cleansed from the environment within a year by a forest equivalent in size to the city of Rize (approximately 260 million adult trees), and shows clearly how significant the benefits are.

Aksa Natural Gas regards the protection of the environment as the prerequisite of sustainable development, and works to minimize the environmental effects of its operations and to contribute to the protection of the environment. In line with this vision, the Company has formulated an environmental policy based on the following principles:

- Safely minimizing the environmental footprint of its operations and cooperating in a cohesive manner with all stakeholders, leaving behind a habitable environment for future generations,
- Aiming for constant development in line with the requisites of related environmental regulations and compliant with ISO 14001 Environment and OHSAS 18001 Occupational Health and Safety Management Certifications, incorporating added value to the environment and quality of life,
- Using natural resources responsibly and cutting down waste to the bare minimum; preventing pollution at its source,
- Controlling possible environmental factors which might be caused through contractor companies' operations,
- Supporting all educational and practical efforts deemed necessary for stakeholders and facilitating development and continuity.

### **Environmental Practices of Aksa Natural Gas**

Aksa Natural Gas regards the popularization of the use of renewable energy sources both on a domestic and global scale for a sustainable and clean lifestyle, as an urgent requirement that should be prioritized. To fulfill this mission, the Company carries out its licensed activities as a whole.

Aksa Natural Gas carries out its activities within the framework of ISO 14001 Environmental Management System towards reducing negative environmental effects, preventing pollution, and protecting natural resources. As a result, the Company has rendered these efforts open to continuous improvement. In addition to the audits by independent firms, the regular internal system audits guarantee the efficiency and continuity of the ISO 14001 Environmental Management System standards.

In addition to its ISO 14001 activities, Aksa Natural Gas has begun preparations for the ISO 50001 Energy Management System, in order to prevent waste, alleviate the burden of energy costs on the economy, and to boost efficiency in the use of energy and energy sources to protect nature. Operations are underway at full speed to establish and certify the systematic operation of the ISO 50001 Energy Management System.

Waste management and environmental permissions make up the most important aspect of the Company's environmental management approach. The Company opts to reduce, reuse, recycle and eliminate waste generated by the operations of distribution companies, and fully meets the requirements as stipulated by applicable laws, rules and regulations.

After being categorized accurately, waste is stored in duly organized waste storage units. Waste storage is conducted in a way that prevents contamination of the soil and water. It is subsequently delivered to the Ministry of Environment and Urbanization-licensed waste elimination firms within the deadline prescribed by regulations.

Aksa Natural Gas's primary targets include ensuring the development of environmental awareness among both employees and stakeholders, and complying with all legal obligations in order to leave behind a healthy environment for future generations.

---

**The switch from coal to natural gas in the distribution regions of Aksa Natural Gas helped reduce carbon emissions by 6 million tons in 2017 alone.**

## ENVIRONMENT

**Aksa Electricity Distribution Companies diligently complies with all laws, rules and regulations regarding the environment and occupational health and safety, and conduct regular risk assessments.**

### **AKSA ELECTRICITY DISTRIBUTION COMPANIES AND THE ENVIRONMENT**

All of Kazancı Holding's electricity distribution companies hold an ISO 14001 Quality Certificate, and they seek to prevent damage to environment during their investment, repair, and maintenance operations. The Group companies place great importance on:

- Cutting down on the amount of waste generated as a result of electricity distribution activities through source reduction, recycling and repurposing,
- Ensuring the elimination of waste without damaging the environment,
- Fulfilling necessary obligations and related duties stipulated by environmental management regulations,
- Regularly monitoring and controlling the environmental effects of its operations,
- Ensuring employee participation in environmental management activities and endorsing the environmental consciousness by all means.

Within this framework, all the activities of the electricity distribution companies are within the scope of relevant regulations.

Additionally, the Company fully complies with all the laws and regulations concerning the natural environment and OHS.

In line with the national occupational standards, the operational maintenance staff of the electricity distribution network meets the environmental protection standards and methods as part of the environmental preservation efforts.

To contribute to the alleviation of environmental risks, our employees also:

- Conduct sorting and classification processes for the recycling of recyclable materials,
- Sort the hazardous and dangerous waste in compliance with instructions and store them temporarily according to their code by taking the necessary precautions,
- Ensure necessary occupational health and safety precautions are taken to shield from possible damaging environmental effects caused by certain functions of the devices, hardware, and instruments used.
- Assess and eliminate security shortcomings inside and outside of buildings within the electricity distribution network,
- Determine locations to securely store flammable and combustible material or support such efforts.



---

## **AKSA ELECTRICITY RETAIL SALES COMPANIES AND THE ENVIRONMENT**

By evaluating the environmental footprints of their activities, Kazancı Holding Electricity Retail Sales companies aim to implement monitoring procedures and relevant precautions. The Companies seek to eliminate or minimize their negative environmental effects, design the necessary infrastructure, protect natural resources in the most efficient manner, and support the protection of natural environment.

---

## **AKSA ENERGY AND THE ENVIRONMENT**

Aksa Energy regards the environmental effects of its operations as an integral part of its work process and conducts its operations in an integrated manner. As part of its environmental sustainability approach, the Company works with the aim of minimizing the effects of its energy production activities, using and managing natural resources, particularly water, in the most effective manner, and to “produce the maximum amount of energy with the minimum amount of resources”.

The Company has established an environmental policy to place this idea within a corporate structure, ensuring that it is adopted and implemented by all stakeholders. Having formed a Framework Environment Management System to identify aims and objectives regarding its environmental policy and to shape, monitor, and audit its operations in line with this framework, the Company also holds an ISO 14001 Environmental Management System Certificate.

Constantly conducting research regarding the effects of present production units on the natural environment, the Company regularly conducts environmental effect assessments to establish new production units.

In a clear demonstration of its endorsement of responsible environmental processes, the Company provides its employees with trainings and raises awareness among its suppliers. Regularly assessing its environmental performance, the Company reports and shares the results with all stakeholders through Sustainability Reports published on the website.

In 2017, Aksa Energy invested TRY 6.5 million in the environment, stepping up its performance in environmental sustainability. The Company will continue to invest in the coming period to improve its environmental performance.

The Aksa Energy Environmental Policy is based on four pillars: climate change, management of natural resources, waste management, and the preservation of biodiversity.

### **Climate Change**

Climate change is one of the biggest issues of our day, and its effects are experienced globally. Aware of the sector’s impact on the environment and climate change, the Company prioritizes the reduction of greenhouse gas emissions, the main source of the problem, in the fight against climate change.

---

**Aksa Energy regards the environmental effects of its operation as an integral part of its work processes, and manages its operations in an integrated manner.**

# ENVIRONMENT

## Aksa Energy instantaneously monitors emission levels via emission level measurement systems installed in its power plants.

As a demonstration of its transformation into an environmentally responsible company, Aksa Energy became a signatory to The Trillion Tonne Communique, a call to arms issued to the global public by corporations sensitive to climate change, demanding that measures be taken to combat climate change. The Company also published a Greenhouse Gas Emission Report in 2015 and 2016 to track its greenhouse gas emissions. Following its validation, the report was presented to the Ministry of Environment and Urbanization in April 2017. The 2017 Greenhouse Gas Emission Report was compiled in the beginning of the new year and presented to the Ministry of Environment and Urbanization in April 2018.

The Company regards energy efficiency as an integral factor of its environmental policy to minimize the effects of its operations on the environment and to reduce greenhouse gas emissions.

To this end, one of Aksa Energy's energy efficiency projects is to generate energy from waste heat. By using the heat from the waste gas created during the production process in its combined cycle natural gas plant, the Company is able to generate energy and reduce energy use by approximately 10% per unit. Waste heat is used to derive energy at all existing natural gas plants and at the Northern Cyprus Kalecik Heavy Fuel Oil Power Plant.

Another project to reduce the amount of greenhouse gas emissions is the use of Oxicat filters at the Company's natural gas plants.

The flue gas treatment system at Bolu Göynük Thermal Power Plant, first of its kind in Turkey, began its operations in 2016 and made it possible to attain the legal emission levels set by EU regulations for the year 2018 as early as 2015.

The use of "fluidized bed combustion" technology at the plant minimized the NOx emission volume. Additionally, the desulphurization process takes place within the boiler itself by the use of limestone during combustion, which eliminates hazardous gases and boosts the Plant's productivity.

Aksa Energy also works to monitor and reduce the levels of other air emissions apart from greenhouse gases. The emission monitoring systems at the plants enable instantaneous monitoring of emission levels. To this end, NOx treatment systems have been set up at fuel oil plants.

### **Natural Resource Management**

Aksa Energy encourages the effective use of natural resources and innovation at every step of the production process. To this end, the Company carries out efforts to preserve and save water resources by managing water consumption efficiently. Depending on the location, the coal, natural gas and fuel oil power plants utilize tap water, ground water and underground water resources during the operations.

The decarbonization processes at the Ali Metin Kazancı Antalya Natural Gas Combined-Cycle Power Plant and the Bolu Göynük Thermal Power Plant facilitate the conservation of water during the production process.

The decarbonization unit at the Ali Metin Kazancı Antalya Natural Gas Combined-Cycle Power Plant was an investment of EUR 2.5 million and became operational in 2012. This facility allows for the conservation of 500 m<sup>3</sup> of water per hour. With its aid, the water consumption per MWh decreased first from 1.16 m<sup>3</sup> to 0.71 m<sup>3</sup>, and then to 0.66 m<sup>3</sup> in 2017. As a result, a total of 297,000 m<sup>3</sup> of water was saved and used in 2016, and a total of 428,000 m<sup>3</sup> in 2017.

A second decarbonization facility, costing EUR 2.8 million, was established at the Bolu Göynük Thermal Power Plant. The unit enables the conservation of 270 m<sup>3</sup> of water per hour. To aid sustainability,

reverse osmosis waste water is collected in a separate pool without discharging, and used in the dampening of ashes. This project leads to the conservation of 14.4 m<sup>3</sup> of water per hour. Additionally, a process water pond was built at the Bolu Göynük Thermal Power Plant, costing TRY 17.5 million.

In 2011, following studies at the Manisa and Şanlıurfa Natural Gas Combined-Cycle Power Plants, the water purified through reverse osmosis began to be reclaimed and used in the cooling towers. In 2012, efforts to cut down on the amount of water used in the cooling towers began, and thanks to these efforts 12% of the total water used since 2013 has been reclaimed. At the end of six years, the cost savings amounted to TRY 70,000 for the Manisa Combined Cycle Natural Gas Plant, and TRY 100,000 for the Şanlıurfa Natural Gas Combined-Cycle Power Plant. Additionally, 90,000 and 60,000 m<sup>3</sup> of water were preserved in Manisa and Şanlıurfa respectively.

#### **Waste Management**

Aksa Energy's Waste Management Policy, which is applied in line with the Environmental Policy, shapes all of the Company's business procedures. Waste is disposed of in accordance with all applicable legal and regulatory requirements.

Aksa Energy's environmentally friendly approach also includes efforts to minimize waste and hazardous waste materials. All hazardous waste is recycled by recycling companies. Hazardous waste created during operational processes is stored at the temporary waste storage units on site, enabling the separation of materials deemed dangerous for human and environmental health. They are subsequently delivered to recycling plants on licensed vehicles at intervals specified by the Waste Management Regulation.

Packaging waste is transferred to recycling plants contracted by the local authority in the area in which the facilities are located.

Ashes created by the Bolu Göynük Thermal Power Plant is no longer taken to a temporary ash storage area but instead stored in the New South Regulated Ash Storage Field, which was completed in 2017 and granted environmental permit by the Ministry of Environment and Urbanization. Before the power plant commenced its activities, more than 6 thousand sapling trees were planted around its perimeter, both to prevent landslides and also to contribute to the local fabric of nature.

#### **Preserving Biodiversity**

Aksa Energy's strategic sustainability objectives include the protection of biodiversity in its operational locations. The Company's biodiversity strategy is based on establishing business partnerships to prevent the destruction of nature, minimize effects on biodiversity, and protect and develop the local biodiversity. In this regard, the Company's operational effect on biodiversity is regularly monitored, evaluated and reported. Under the Hatay Mountain Gazelle Protection Project, carried out in cooperation with the Association for the Protection of Turkey's Nature in 2015, support was given to protect the mountain gazelle species and its habitat in Turkey.

The Company continued to cooperate with TTKD in 2016 in support of its effort to determine the current situation of striped hyenas (*hyaena hyaena*) living in the area of Kırıkhan Gölbaşı village in Hatay, where Belen Atik and Sebenoba Wind Energy Power Plants are located. The project aimed to obtain information about the animals' habitats and ecology. Thanks to camera traps placed in the animal habitats, scientists not only had the chance to observe the striped hyenas but also confirmed that the rock gerbil (*gerbillus dasyurus*), which was thought to be extinct, still lived in Turkey.

In addition, birdwatching activities are conducted at the Belen Atik, Kapıdağ, Sebenoba and Kıyıköy Wind Power Plants during four periods: wintering, spring migrations, breeding and autumn migrations.

**Aksa Energy's biodiversity strategy is based on establishing business partnerships in order to prevent the destruction of nature, minimize the effects on biodiversity, and protect and develop local biodiversity.**



# ENVIRONMENT

**Aksa Power Generation pledges to all its employees, contractors, and related parties to continuously take and implement the necessary precautions while conducting operations in its facilities.**

Committed to making sustainability an integral part of its operations and long-term strategic approach, Aksa Energy voluntarily published GRI-approved Sustainability Reports in 2015, 2016 and 2017.

## AKSA POWER GENERATION AND THE ENVIRONMENT

Aksa Power Generation pledges to all its employees, contractors, and related parties to continuously take and implement the necessary environmental precautions while conducting operations at its facilities. To this end, the Company has established the Environment Management System, which pledges to:

- Fulfill the legal obligations in Turkey and in other countries, to periodically evaluate them and ensure their continuity,
- Always strive to improve its environmental performance,
- Work to raise environmental awareness in its employees, their families, and society at large,
- Minimize the amount of waste causing water, air, and soil pollution and undesirable effects such as noise and vibrations, and to eliminate non-recyclable waste in the required manner,
- Ensure the re-utilization of waste generated as a result of its activities,
- Ensure that energy, raw materials, and natural sources are used efficiently,
- Consider environmental effects when evaluating new investments,
- Inform suppliers and contractors providing goods and services about the environment.

Aksa Power Generation's environmental protection efforts can be divided into the three categories that follow.

### Production

- For dyeing the cabins and casks it produces, Aksa Power Generation uses TGIC-free Triglycidyl Isocyanurate and lead-free polyester powder coatings, which are both ecofriendly and harmless for employee health.
- The waste water generated at the Company's production facilities is discharged to İSKİ after being treated at the treatment plant to prevent any damage to the environment. For this purpose, Aksa Power Generation holds an İSKİ Discharge Quality Control License.
- Upon demand, Aksa Power Generation supplies its customers with diesel engine gensets certified at European EU Stage 2, and American EPA (Environmental Protection Agency) Tier 2 and Tier 3 emission levels.

### Recycling

- Aksa Power Generation sends the packaging, nylon and parcel waste from its sold products to ÇEVKO Foundation (Foundation for Environmental Protection and Packaging Waste Processing) under the contract signed with this entity. The packaging waste generated during production is collected separately and delivered to licensed recycling facilities for reuse.
- The Company sends the waste oil created during engine testing to licensed firms for recycling.
- Aksa Power Generation dispatches the waste sludge generated at the water treatment facility to licensed hazardous waste elimination facilities.
- The Company collects the waste batteries consumed in production or at the staff's homes and sends them to the municipality for recycling.
- Aksa Power Generation collects the cooking oil used in the cafeteria and delivers it to licensed firms for recycling purposes.
- The Company's gensets are manufactured in line with the Waste Electrical and Electronic Equipment (WEEE) and Restriction of Hazardous Substances (ROHS) standards.

### **Preventing Noise Pollution**

As the only Turkish genset manufacturer to conduct its own sound testing, Akxa Power Generation produces 28 different products that comply with the universally accepted IEC 34 (International Electrotechnical Commission) standards and undergoes audits by the certification firm Szutest.

## **AKXA AGRICULTURE AND THE ENVIRONMENT**

Protection of nature lies at the heart of Akxa Agriculture's production approach. The Company stores animal waste to prevent the contamination of soil, ground water and underground water. Later, the animal waste is divided into solid and liquid waste via separators in order to use the waste as fertilizer to improve soil quality. The recycling and disposal operations of other waste are conducted by licensed companies.

Akxa Agriculture reorganized its waste storage area in 2017 and undertook efforts to ensure that it meets the requirements of temporary storage areas. In addition, small, container-type waste accumulation sites have been constructed in the livestock area to collect waste in a more regular fashion. Hazardous waste is collected in these areas to prevent contamination, and subsequently eliminated or recycled.

In the coming period, Akxa Agriculture plans to increase the number of its infrastructure facilities (i.e. solid fertilizer sites, liquid fertilizer pools, and the like), depending on future capacity increases. In addition, the Company is currently in the process of establishing a biogas facility, one of the most environmentally friendly means of waste disposal. After it commences operation, all animal waste will be delivered to this unit.

## **AKXA TOURISM AND THE ENVIRONMENT**

Akxa Tourism is committed to the principles of sustainable development and sustainable environment. To this end, the Company strives to: minimize waste in all processes; prevent pollution at the source; reduce its negative impact on the environment; monitor scientific research and technology advancement to prevent pollution; and continuously enhance its environmental performance. To encourage its stakeholders to embrace the same level of awareness, the Company urges supplier firms to take the necessary environmental measures; delivers environment related training programs to its employees; and organizes informative activities for its guests.

Akxa Tourism has set up bulletin boards and panels in its facilities to share its environmental consciousness with its guests and raise their awareness on ecological matters. Keen to learn its guests' suggestions and ideas on protection of the natural environment, Akxa Tourism has designed a questionnaire in four languages to collect these.

In line with its waste management plan, Akxa Tourism eliminates all types of waste in accordance with legal and regulatory requirements. The Company periodically confirms its environmental protection data via measurements based on statutory guidelines.

In the coming period, Akxa Tourism plans to certify and ensure the continuity of its environment related activities by obtaining Green Star and ISO 14001 Environmental Management System Certifications.

**Akxa Agriculture is currently in the process of establishing a biogas facility, one of the most environmentally friendly ways of waste elimination.**

# SOCIAL RESPONSIBILITY PROJECTS

CREATING ADDED VALUE FOR THE SOCIETY...

**Placing its social development activities within a strategic framework, Kazancı Holding has undertaken to date numerous projects and initiatives that contribute to social development via its Group companies.**

Kazancı Holding creates added value for the society and its stakeholders not only via investments in the regions where it operates and the products and services it delivers, but also by generating employment opportunities and developing social responsibility projects.

Shaping their business activities with a keen awareness of sustainable development and social responsibility, Kazancı Holding companies execute their operations by taking into account the social impact on their stakeholders. Group companies aim to contribute to the economic, cultural and social development of local residents in the regions where they operate. To these ends, the workforce needed in the operation areas is recruited locally, thereby creating employment opportunities for the residents and making significant contributions to the Turkish economy.

Placing its social development activities within a strategic framework, Kazancı Holding has undertaken to date numerous projects and initiatives that contribute to social development via its Group companies.

## **AKSA NATURAL GAS**

Aksa Natural Gas provides its customers with an uninterrupted and safe natural gas supply across 27 cities and 167 districts and towns in Turkey.

Embracing a philosophy of “Warm Homes, Breathing Cities,” the Company not only brings natural gas to all corners of the country, but also makes a difference through the social responsibility projects it undertakes.

Aware that around 8 million people with disabilities live in Turkey, Aksa Natural Gas created the “Life Mate” Project in 2015, to eliminate any problems customers with disabilities, particularly those with speech, visual, and auditory impairments, might experience when reporting a problem. This project is a first not only in its sector but in the whole world. When a call is made to the 187 Natural Gas Emergency and 444 4 187 phone lines by an individual who is registered on the Aksa Natural Gas customer database as having a disability, the system recognizes that the call is coming from a disabled customer, and natural gas emergency maintenance teams are immediately sent to the address rather than the customer having to explain the problem to a call center operator.

Additionally, Aksa Natural Gas is the main sponsor of the “Central Çanakkale City Archeological Surface Research Project: From the Neolithic Age to the Late Iron Age” led by Assistant Professor Derya Yılmaz as part of the agreement between Aksa Çanakkale Natural Gas Distribution Company and Çanakkale Provincial Department for Culture and Tourism on behalf of the Ministry of Culture and Tourism. The research project commenced in October 2016, and will continue in 2018.





Energy Workshop - Aksa Energy CSR Project, Kovanlık Secondary School, Antalya

## SOCIAL RESPONSIBILITY PROJECTS

**Aksa Energy aided the development of local youth by organizing technical field trips and seminars. During the year, Ali Metin Kazancı Antalya Natural Gas Combined-Cycle Power Plant welcomed 221 people from various schools and institutions.**

### **AKSA ENERGY**

Aksa Energy conducts its operations with the awareness of the social effects they might have on its stakeholders. The Company prioritizes the financial, cultural, and social development of the local residents of the regions where its power plants are located.

The required workforce in the area of operations is recruited from amongst the local population, thus creating employment opportunities for local residents. Aksa Energy employs a total of 209 local employees in Africa: 89 in Ghana, 65 in Mali, and 55 in Madagascar, as well as 167 local subcontracted employees. For the Bolu Göynük Thermal Power Plant, employees were directly employed from the local villages of Bölücekova, Himmetoğlu, and Karaardıç, and the subcontractors for the additional services on the plant were recruited from amongst local firms, therefore contributing to the revival of the regional economy.

Additionally, lasting value is created through infrastructure works and repair projects which aid the development of the local economy in regions where the Company operates; a specialized feedback mechanism to meet the diverse requirements and demands of stakeholders and the local public enables the assessment of complaints and requests. In this regard, a total of TRY 17,000 was donated to meet various local needs at Şanlıurfa and Bolu, where the Şanlıurfa Combined Cycle Natural Gas Plant and the Bolu Göynük Thermal Power Plant are respectively located.

A total of TRY 70,709.62 was donated to various charities including the Turkish Environmental Protection Foundation, sports clubs, and schools during the year.

As part of its social responsibility approach, Aksa Energy also aided the development of local youth by organizing technical field trips and seminars. During the year, 7 field trips were organized at the Ali Metin Kazancı Antalya Natural Gas Combined-Cycle Power Plant, which hosted 221 people from various schools and institutions.

### **FIRAT ELECTRICITY DISTRIBUTION**

Firat Electricity Distribution continues to create value for all its stakeholders with the social responsibility projects it carries out in the regions where it operates.

- A visit to the Gazi Retirement Home took place during Care for the Elderly Week between March 18-24.
- Company representatives commemorated April 23 National Sovereignty and Children's Day with youngsters undergoing treatment at the Firat University Research Hospital.
- Blood was donated to the Red Crescent as part of the agreement between Firat EDAŞ and Turkish Red Crescent.
- "Ali's Energy Adventure", a book created by the Ministry of Energy and Natural Resources, was distributed by Firat EDAŞ to pupils receiving their school report cards.
- As part of the "Children Play and Laugh" project, the "Play Caravan on the Road" entertained kids in Tunceli.
- Social projects for orphaned children were developed in collaboration with HİMYAÇDER (Social Outreach and Solidarity Foundation for Children, Elderly, and Women in Need of Shelter).

- The “Able Hands” event allowed disabled children to create paintings on the façade of power distribution units in the center of Tunceli.
- Economically disadvantaged children within the distribution network area were provided with stationery equipment.
- The “Share Your Toy” campaign established for the benefit of disabled children by the Tunceli Özel Umudumuz Education and Rehabilitation Centre was supported.
- A seminar on energy conservation was organized.
- A bed-ridden community resident was visited at home and granted an uninterrupted supply of electricity.
- Efforts were made to raise public awareness about protecting nature. Animal shelters were visited, and activities were organized to feed stray and wild animals.
- Regular meetings were held with local authority representatives at neighborhoods and villages to receive feedback about problems with the electrical supply, to listen to requests, and to offer solutions.

## **ÇORUH ELECTRICITY DISTRIBUTION**

Çoruh Electricity Distribution has completed the following social responsibility projects within its distribution network area:

- During Energy Conservation week, seminars on energy conservation were held at selected schools within the distribution network area.

- Elderly individuals living alone within the distribution network area were visited at home as part of Care for the Elderly Week between March 18-24.
- Women’s Day was commemorated through small gifts and a surprise presentation on March 8.
- Children undergoing treatment at nearby hospitals were visited on April 23 National Sovereignty and Children’s Day and presented with various gifts.
- Blood was donated to Red Crescent as part of the “One Drop Makes An Ocean of Hope” project.
- “Ali’s Energy Adventures”, a book created by the Ministry of Energy and Natural Resources, was distributed to pupils at various schools.
- Old and discolored power distribution units and panels were painted with depictions of the area’s natural wonders as part of a project to create harmony with their surroundings.
- A collaboration with LCW to distribute clothing to economically disadvantaged children in the area was completed.
- On Press Day, a meeting was held between Çoruh EDAŞ and members of the local press.
- Company representatives attended a job fair organized by İŞKUR and informed visitors about the Company.
- Regular meetings were held with local authority representatives at neighborhoods and villages to receive feedback about problems with the electrical supply, to listen to requests, and to offer solutions.

Additionally, volunteer employees from Kazancı Holding ran the 39<sup>th</sup> Vodafone Istanbul Marathon in 2017 to raise funds for the future of our children.

**Volunteer employees from Kazancı Holding ran the 39<sup>th</sup> Vodafone Istanbul Marathon in 2017 to raise funds for the future of our children.**



# CORPORATE GOVERNANCE PRACTICES

---

Kazancı Holding embraces the belief that good corporate governance is the key to sustainability for companies.

Risks faced by Kazancı Holding are managed centrally, and the CFO Office assists the different levels of management in this regard. Operating in an investment-oriented sector, the Holding finances its investments via long-term syndication loans. Developments in the market, liquidity, exchange rate and interest rate risks are monitored regularly. When deemed necessary, the financial risks and opportunities faced are effectively managed through policy adjustments. Protective instruments are purchased within the framework of the policies set by top management; meanwhile, efforts are expended to limit the extent of risk exposure to the Holding. The CFO Office engages in various activities such as determining and implementing measures related to potential risks, and managing and monitoring these in accordance with a risk management system, and reporting these efforts to the Board of Directors.

Kazancı Holding has focused on further enhancing its high quality services in customer relationship management, technology, IT management and service provision. Analyzing and prioritizing sector-specific risks through a methodology aligned with strategic targets helps the Holding achieve its profit targets.

# INTERNAL AUDIT, CONTROL AND RISK MANAGEMENT

---

The Risk Management and Internal Control Mechanism is under the responsibility and control of Kazancı Holding management. The Holding's risk management and internal control system is regularly audited to achieve the following objectives:

- Protection of company assets;
- Compliance with laws, rules, regulations and contracts;
- Operational efficiency and productivity;
- Accuracy and reliability of financial and operational information;
- Elimination or control of activities and transactions that contain previously identified and reported risk elements within the framework of recommendations approved by the management.

The Holding's operational results, the degree to which the targets are reached, and the risks that the Holding faces are evaluated at Board of Directors' meetings held periodically with the participation of the relevant managers.

Kazancı Holding's Internal Audit Department strives to assess and improve the effectiveness of its control and governance processes. Internal Audit reports its activities to the Board of Directors. With a risk-focused approach, audits are conducted regarding the reliability of the financial reporting system; the compliance of the Holding and Group companies with legal and internal regulations; the effectiveness and efficiency of their activities; and the security and reliability of their IT systems. Both central internal audit activities and on-site internal audit activities were carried out in 2017.

The audits verified that the effectiveness of internal control and corporate governance processes was at an adequate level. Additionally, the audits recommended various actions to the management units about specific control shortcomings that were identified, and monitored whether the actions were implemented on time.

# KAZANCI HOLDING'S STRATEGY

---

The Board of Directors sets the Holding's strategic objectives in the previous year, and identifies the human and financial resources needed to achieve these objectives. The Board periodically checks whether the targets are reached or not.

As a global energy group, Kazancı Holding's strategic domestic priority is to increase the quality of its goods and services via investments, whilst its international priority is to expand its operations to more countries.

The Board of Directors of Kazancı Holding is committed to performing its activities in a transparent, accountable, fair and responsible manner. The Board of Directors monitors compliance with applicable laws, rules and regulations, the Company's Articles of Association, internal regulations, and established policies in all kinds of Holding transactions and procedures.



# ETHICAL PRINCIPLES

---

## 1. MAIN ETHICAL PRINCIPLES

### 1.1 Respect for Persons

Respecting human rights and freedoms is our primary principle.

### 1.2 Integrity, Honesty, Transparency

Whilst conducting our operations, any transactions within the sphere of influence are overseen by the principles of integrity, honesty, and transparency.

### 1.3 Impartiality, Fairness

We approach all our stakeholders with fairness and impartiality without distinction.

When fulfilling our duties and responsibilities, we do not discriminate individuals based on language, race, color, gender, political views, beliefs, religion, caste, or similar differences.

When making decisions, we decide independently of persons and institutions outside of the corporation.

### 1.4 Confidentiality

We make sure that confidential information relating to our corporation and all stakeholders is kept private. We share confidential information within the scope of predetermined permissions with relevant individuals.

### 1.5 Public Good and Respect for Environment

All our operations embrace the principles of looking out for the public good and respecting the environment as well as profitability.

### 1.6 Compliance with Global Principles

Kazancı Holding's mission and aims are in accordance with the fundamental objectives of the UN Global Principles Agreement, which we follow when conducting our operations.

---

## 2. OUR RESPONSIBILITIES

### 2.1 Legal Responsibilities

We conduct all our activities in Turkey and abroad within the scope of Republic of Turkey laws, international laws, and legislatures of the countries with which we are doing business; we provide authorities with the information they request in an accurate, complete, and intelligible manner.

### 2.2 Responsibilities to Customers

We operate with the aim of providing the fastest service to our customers in line with their requirements and demands. We approach our customers with respect, politeness, fairness, and equality.

## **ETHICAL PRINCIPLES**

### **2.3 Responsibilities to Employees**

We approach employees in a fair and honest manner, and pledge to provide a workplace that is non-discriminatory, safe, and healthy. We will not allow any of our employees to be subjected to mobbing, and we place importance on the work-life balance.

We make the necessary efforts for the personal development of our employees, and support them should they wish to volunteer in suitable social and public activities and social responsibility projects.

### **2.4 Responsibilities towards Shareholders**

We place paramount importance on the sustainability of our Company and the goal of creating value for our shareholders. To this end, we refrain from taking unnecessary or unpredictable risks, and aim for sustainable profitability. We act within the framework of financial discipline and accountability, and manage our Company's resources and assets with efficiency and prudence. We inform our shareholders, the public, and relevant institutions regarding financial results, strategies, investments and risks in a timely, accurate, complete, and intelligible manner.

### **2.5 Responsibilities to Suppliers/Business Partners**

We behave in a fair and respectful manner to our suppliers/business partners, and take the necessary care to fulfill our obligations in a timely manner. We do not give out confidential information about individuals and institutions we do business with.

### **2.6 Responsibilities to Competitors**

We compete actively only in legal and ethically sound markets, and we refrain from unfair competition.

We support competitors' efforts that will benefit the good of the public, and wish to be included in any related structures.

### **2.7 Responsibilities to the Public and Humanity**

It is important for us to protect human rights, the environment, and democracy, and to eradicate corruption and crime. We act sensibly as leaders in social issues, and become involved in efforts that will benefit the public. In Turkey and other countries in which we undertake international projects, we show sensitivity towards national and regional customs and the cultural fabric. We do not give out nor receive goods and services in exchange for bribes, ostentatiously costly gifts, etc.

---

## **3. CODE OF ETHICS TO BE FOLLOWED BY EMPLOYEES**

It is the primary responsibility of all employees to ensure that our Company remains synonymous with professionalism, honesty, and trustworthiness, and that such values are promoted even further. In this context, standards of ethical conduct expected from employees have been outlined below:

- Always obeying the law,
- Fulfilling one's duties in line with fundamental ethical and human values,
- Behaving with fairness, good intentions, and understanding in all relationships to create mutual advantage,
- Never obtaining ill-gotten gains or receiving or handing out bribes circumstance from any individual or institution regardless of the circumstance,
- When fulfilling duties, acting in a manner suited to the relevant work ethic principles and any other supporting practical principles,
- Unless explicitly instructed to do so, refraining from actions, statements or written communications which might render the Company responsible,
- Refraining from behavior which might disturb and/or cause harm to other employees, not disrupting the work flow,
- Being attentive to all material and immaterial assets of the Company, including information and information systems so as to protect them from possible loss, harm, misuse, abuse, theft, and sabotage,
- Refraining from using working hours and company resources directly or indirectly for the benefit of personal interests and/or political activities or interest.

### 3.1 Asset and Information Management

#### 3.1.1 Intellectual Property Rights

- Making sure the relevant legal procedures are started and completed in time to secure the intellectual ownership of newly developed products, processes, and software.
- Refraining from knowingly making unauthorized use of patents, copyrights, trade secrets, brands, computer software or other intellectual and industrial property rights belonging to other companies.

#### 3.1.2 Information Management

- Ensuring all legal records are kept in the proper manner,
- Not responding to requests of information regarded as classified by the Company unless given approval by executive management,
- Taking the necessary care so that the Company's declarations and reports reflect the reality of the situation.

#### 3.1.3 Confidentiality

- Acting with the awareness that financial and commercial secrets, information which might weaken the Company's competitive power, personnel rights and information, and agreements with business partners are confidential, and making sure they are kept in security and privacy.
- Not sharing any information derived through work or any documents one is provided with unauthorized individuals or departments within or outside the Company regardless of the purpose, refraining from using those for speculation directly or indirectly,
- Not using information unavailable to the public regarding the Company, its customers, and other individuals and companies with which the Company conducts business outside of its intended aims under any circumstance, refraining from sharing those with third parties unless the necessary permissions are obtained.

### 3.2 Refraining from Conflict of Interest

Conflict of interest refers to any kind of advantage created for oneself, one's relatives, friends, or any other person or establishment one might have a relationship with and the state of having a financial or personal interest, which will or might hinder employees from fulfilling their duties in an impartial manner.

#### 3.2.1 Not Performing Transactions for One's Own Benefit or the Benefit of Relations

If employees own shares or partake in investments at another company, they are obligated to make this known when they first begin their job. Employees must inform their immediate superior about any changes which might occur in their circumstances, or any other issues which might be regarded as conflict of interest, and the information must be shared with at least two superiors with more seniority.

- Not creating unfair advantage for oneself, one's relatives, or third parties by using one's title and authority,
- When choosing personal investments, taking care to not create conflict of interest with one's current employer,
- Ensuring that any personal investments or other pursuits outside of one's duties do not hinder the amount of time and attention given to one's present job duties, and refraining from such situations which might prevent focusing on major tasks,
- If an employee and a person with decision-making authority in the customer/supplier company involved in the same project are immediate family, the immediate superior must be informed and written permission must be obtained.

#### 3.2.2 Representation and Attending Events

Attendance at events organized by individuals or establishments with which the Company has or could potentially have a business relationship which are not open to the general public (except conferences, receptions, promotional events, seminars etc.), and which might influence or be regarded as being influential in the decision-making process, such as sports events, national/international trips, etc. are subject to the approval of the Group President or the Group Vice President.



## **ETHICAL PRINCIPLES**

### **3.2.3 Receiving Gifts**

When conducting relations with private or official individuals or establishments that wish to commence or continue a business relationship with the Company:

No gifts, cash, cheques, assets, free travels, special discounts, and similar which might place the Company or the recipient under liability are to be accepted. Gifts which cost more than TRY 50 and which are regarded as not influential in the decision-making process can be accepted with the caveat that an immediate superior must be informed. The total cost of gifts which can be accepted in this manner cannot exceed TRY 500 under any circumstance.

### **3.2.4 Insider Trading**

Knowing that trying to obtain any type of commercial profit including the direct or indirect trading of shares in the stock market by using confidential information relating to our Company or by providing third parties with such information is illegal, and must never be attempted.

### **3.2.5 Working and Taking On Duties Outside the Company**

Employees cannot accept an official or private, temporary or permanent, paid or unpaid job or engage in trade without obtaining permission from the Company.

## **3.3 Employee Health and Occupational Safety**

Our Company's goal is to ensure occupational safety and employee health in all aspects at the workplace and during working hours.

- Employees comply with rules and instructions in this regard and take the necessary precautions.
- Employees are not to keep in the workplace any possession or material which can put the workplace and/or employees in danger or which is illegal.
- Apart from those in possession of a valid medical certificate, employees are not to keep any tranquilizing, addicting, physically or mentally limiting or disrupting substances at the workplace, and will not perform their job or remain in the workplace under the influence of such substances.

---

## **4. PRACTICAL PRINCIPLES OF ETHICAL CONDUCT IMPLEMENTATION**

### **4.1 Notification Obligation Concerning Violations**

- Employees are expected to notify the relevant managers/departments when faced with any behavior which they regard as incompatible with the law or intra-company regulations, without the fear of being subjected to a negative reaction.
- Employees must warn colleagues who behave in a manner incompatible with the law or intra-company regulations.
- Employees are obligated to report any situation which they perceive or suspect to be incompatible with the law or unethical.
- Reports by employees about illegal or unethical activities are investigated by the authorized person(s) in the shortest time possible.
- When a company employee is found to have performed a transaction or behavior that is unethical, the repercussions will be determined by the Ethics Committee.
- Anyone who reports a behavior can rest assured that they will receive a response and will not face any repercussions due to their report.

### **4.2 Ethics Line**

When a situation that contravenes the Ethical Conduct Principles is observed/discovered at any unit of the Group/Company, the 0850 511 11 12 Ethics Phone Line must be called.

Calls to this line concerns behavior outlined above which can be considered unethical or arouse suspicion.

- The phone line is completely independent. Calls are shared only with the Audit Directorate and the Board of Directors.
- Any information given is completely confidential.
- When submitting a report, information must be clear and detailed, and must be solidified by specifying the person, time, and location concerned, as well as by providing documents.
- A report must not be regarded as revealing another's secrets, placing them in a difficult situation, or gossip.
- Calls are anonymous. Callers are not mandated to give out their name.
- The phone line is open 24/7.

#### **4.3 Ethics Committee**

The Audit Directorate begins the inquiry concerning the subject of the trespass reported to the ethics line. When the inquiry is complete, the Ethics Committee is invited to a meeting to reach a decision.

The Committee makes the decision, implements it, and records it in the decision logbook. Decisions are established by a majority vote.

The employee is notified of the decision within six working days of the committee's verdict, and if necessary, the required actions are taken. Until the Ethics Committee can clearly judge the situation and make a decision, the employer is taken to be unaware of the situation, and innocent of the matter of the inquiry.

The Ethics Committee is formed of the following personnel:

- Member of the Holding's Board of Directors
- Relevant Group President
- Departmental Director for matters concerning shared units with the Holding
- Audit Director
- Human Resources Director
- Legal Director

The following penalties are given for the breach of the ethical conduct rules:

- If it is a purposeful abuse of power, removal from the job as per the relevant articles of the employment law, and if necessary, legal action. (Previous useful deeds performed by anyone who is found to purposefully create unfair advantage cannot provide grounds for a partial or complete pardon.)
- If there is no abuse of power, or if it is a case of negligence due to carelessness or ignorance, a written or verbal warning depending on the severity of the effects.

—

## **5. EFFECT**

The Ethical Code of Conduct is effective as of 29.09.2017. In all other situations not outlined above, the Company Disciplinary Code and the Company's Executive Directors are consulted when making a decision.

—

## **6. INFORMING THE PUBLIC**

Kazancı Holding is obligated to present its Ethical Principles to the public and all its employees. The same obligation holds if any changes are made to these principles.

# INFORMATION SECURITY POLICY

---

Kazancı Holding's Information Security Policy is implemented under the titles below:

## **Personal Use**

Kazancı Holding personnel are obligated to obey relevant Republic of Turkey laws, particularly Article 5651, international law, and general ethical codes when using and providing all information systems and communication avenues, including internet and voice communication.

## **Accountability**

Access tools assigned to a user cannot be shared with anyone under any circumstances, including technical staff.

## **Internet Use**

Users must not include information about the Company's location and phone number, employee names, titles, e-mail addresses and other personal information when posting on internet discussion groups, chat rooms, and other forums, unless necessitated by their job requirements or legal obligations.

## **Use of Messaging Services**

Electronic messaging rules are the same regardless of whether the exchange takes place through writing or face to face. Electronic messaging is used when face to face communication is not possible. When sending messages to a group of recipients, one must ensure that all recipients would like to receive the outgoing message.

## **Office Equipment, Printed Documents, and Portable Data Storage Tools**

When printing highly confidential documents, users must remain by the printer to avoid the document being read or seized by unauthorized individuals. Regardless of whether they are confidential or not, and whether they are stuck in the machine, originals and copies of documents must not be abandoned inside printers or photocopiers.

## **Surveillance and Recording Activities, Privacy**

Kazancı Holding reserves the right to examine any information kept on its systems and relayed through Kazancı Holding systems. Users must not be in the expectation of privacy regarding any personal information kept on Kazancı Holding systems or relayed through Kazancı Holding systems.

## **General Data Protection and Classification Responsibilities**

Intra-company exchanges of information can take place only amongst users who require access to the data because of their job requirements. Sharing of information with public institutions and members must be done by employees appointed for the purpose.



**KAZANCI HOLDING A.Ş.**  
**AND**  
**ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT AS OF 31 DECEMBER 2017



Grant Thornton

An instinct for growth™

**KAZANCI HOLDİNG A.Ş. AND ITS SUBSIDIARIES INDEPENDENT  
AUDITOR'S REPORT AS OF 31 DECEMBER 2017**

To the Shareholders and Board of Directors of  
Kazancı Holding A.Ş.  
İstanbul

**Opinion**

We have audited the consolidated financial statements of Kazancı Holding A.Ş. and its subsidiaries (together, the Group), which comprise the consolidated statements of financial position as at 31.12.2017, and the consolidated statements of profit or loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31.12.2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board of Accountants Code of Ethics for Professional Auditors (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey and we have fulfilled our other responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

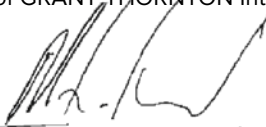
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

EREN Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.  
Member Firm of GRANT THORNTON International



Nazım Hikmet  
Partner

Istanbul, 24 April 2018

# KAZANCI HOLDING A.Ş.

## AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31.12.2017 AND 2016

(CURRENCY - TURKISH LIRA)

<b>ASSETS</b>	<b>Note</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	4	460.454.530	854.903.267
Trade Receivables	5	1.757.087.593	1.138.131.120
Derivative Financial Instruments	27	2.576.770	6.505.190
Inventories	7	1.077.766.828	879.191.373
Cost of Construction and Repair	9	15.408.323	8.044.033
Other Current Assets	8	452.866.616	474.237.925
		<b>3.766.160.660</b>	<b>3.361.012.908</b>
Assets Held For Sale	28	46.013.293	542.005.035
<b>NON - CURRENT ASSETS</b>			
Investments In Associates	10	3.783.137	3.867.174
Property, Plant and Equipment	11	5.973.308.588	4.293.204.383
Goodwill	13	201.291.315	204.790.155
Intangible Assets	12	1.297.415.377	1.113.105.698
Other Non-Current Assets	8	1.171.755.137	1.098.381.694
Deferred Tax Assets	16	45.068.074	198.391.180
		<b>8.692.621.628</b>	<b>6.911.740.284</b>
<b>TOTAL ASSETS</b>		<b>12.504.795.581</b>	<b>10.814.758.227</b>

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



# KAZANCI HOLDING A.Ş.

## AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31.12.2017 AND 2016

(CURRENCY - TURKISH LIRA)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.12.2017	31.12.2016
<b>CURRENT LIABILITIES</b>			
Financial Liabilities (Borrowings)	14	3.144.013.102	2.928.933.021
Derivative Financial Instruments	27	3.052.466	-
Trade Payables	15	1.694.160.384	1.327.444.270
Due to Related Parties and Shareholders	6	73.578.806	130.039.208
Deferred Revenue in Excess of Costs on Uncompleted Construction Contracts	9	20.621.152	11.736.879
Current Tax Liabilities	16	16.910.127	20.000.693
Other Current Liabilities	17	315.918.482	224.799.201
		<b>5.268.254.519</b>	<b>4.642.953.272</b>
Total Liability is in relation to Assets	28	-	369.543.650
<b>NON CURRENT LIABILITIES</b>			
Financial Liabilities (Borrowings)	14	4.597.928.619	4.836.927.289
Minority Put Option Liability	22	688.885.675	752.062.940
Trade Payables	15	8.444.151	7.591.259
Employee Termination Benefit Liability	18	38.030.721	49.043.809
Other Non Current Liabilities	17	1.052.952.717	892.724.837
Deferred Tax Liability	16	145.074.750	92.010.757
		<b>6.531.316.633</b>	<b>6.630.360.891</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	19	113.535.870	113.535.870
General Reserves	20	(78.862.717)	(326.286.599)
Share Premium	21	153.167.594	153.167.594
Minority Put Option Liability Reserve	22	(688.885.675)	(752.062.940)
Cash Flow Hedge Reserve	27	1.275.963	663.225
Non-Controlling Interest		781.966.440	315.800.446
Net Profit / (Loss) for the Year		423.026.954	(332.917.182)
		<b>705.224.429</b>	<b>(828.099.586)</b>
Commitments and Contingencies	22		
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>12.504.795.581</b>	<b>10.814.758.227</b>

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

# KAZANCI HOLDING A.Ş.

## AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31.12.2017 AND 2016

(CURRENCY - TURKISH LIRA)

<b>INCOME STATEMENT</b>	<b>Note</b>	<b>01.01.- 31.12.2017</b>	<b>01.01.- 31.12.2016</b>
Revenue	23	9.725.473.833	9.045.215.492
Cost of Sales	23	(8.297.982.207)	(7.905.815.163)
<b>GROSS PROFIT</b>		<b>1.427.491.626</b>	<b>1.139.400.329</b>
Research and Development Expenses	24	(3.564.680)	(301.531)
Marketing, Selling and Distribution Expenses	24	(84.846.299)	(69.763.530)
General Administrative Expenses	24	(193.470.502)	(141.019.018)
<b>BASIC OPERATING PROFIT</b>		<b>1.145.610.145</b>	<b>928.316.250</b>
Other Income	25	674.888.597	171.431.728
Other Expenses	25	(137.053.805)	(196.909.046)
Financing Income	26	833.921.024	653.968.349
Financing Expenses	26	(1.948.660.849)	(1.986.565.622)
<b>PROFIT / (LOSS) BEFORE TAX FOR THE YEAR</b>		<b>568.705.112</b>	<b>(429.758.341)</b>
Taxation on Profit			
- Current	16	(63.338.410)	(84.375.889)
- Deferred	16	35.395.972	69.854.506
<b>PROFIT / (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>540.762.674</b>	<b>(444.279.724)</b>
Non-Controlling Interest		(117.735.720)	111.362.542
<b>NET PROFIT / (LOSS) FOR THE YEAR</b>		<b>423.026.954</b>	<b>(332.917.182)</b>
<b>Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)</b>		<b>1.543.232.012</b>	<b>1.282.220.038</b>

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

# KAZANCI HOLDING A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31.12.2017 AND 2016

(CURRENCY - TURKISH LIRA)

	Share Capital	General Reserves	Minority Put Option Liability Reserve	Non-Controlling Interest	Share Premium	Cash Flow Hedge Reserve	Net Profit / (Loss) for the Year	Total
<b>Balance, 01.01.2016 (restated)</b>	<b>113.505.839</b>	<b>78.942.435</b>	<b>(614.443.235)</b>	<b>752.622.503</b>	<b>153.167.594</b>	<b>(3.569.599)</b>	<b>(383.809.413)</b>	<b>96.416.124</b>
Transfer to Reserves	-	(383.809.413)	-	-	-	-	383.809.413	-
Effect of Changes in Shareholdings in Group Companies	-	44.477.539	-	(317.318.411)	-	-	-	(272.840.872)
Share Capital Increase in Cash	30.031	-	-	-	-	-	-	30.031
Minority Put Option Liability	-	-	(137.619.705)	-	-	-	-	(137.619.705)
Effective Portion of Changes in Fair Value of Cash Hedges	-	-	-	2.603.832	-	4.232.824	-	6.836.656
Effect of Companies Included in Consolidation First Time	-	(15.572.930)	-	(31.208)	-	-	-	(15.604.138)
Law Numbered 6736 (Note 2)	-	(63.443.404)	-	-	-	-	-	(63.443.404)
Translation Gain / (Loss)	-	13.784.825	-	(11.802.378)	-	-	-	1.982.447
Prior Year Adjustment	-	1.451.427	-	892.987	-	-	-	2.344.414
Dividend Paid	-	-	-	(202.264)	-	-	-	(202.264)
Actuarial Gain / (Loss)	-	(2.117.078)	-	397.927	-	-	-	(1.719.151)
Net Loss for the Year	-	-	-	(11.362.542)	-	-	(332.917.182)	(444.279.724)
<b>Balance, 01.01.2017</b>	<b>113.535.870</b>	<b>(326.286.599)</b>	<b>(752.062.940)</b>	<b>315.800.446</b>	<b>153.167.594</b>	<b>663.225</b>	<b>(332.917.182)</b>	<b>(828.099.586)</b>
Transfer to Reserves	-	(332.917.182)	-	-	-	-	332.917.182	-
Effect of Transactions Under Common Control	-	(16.419.537)	-	5.128.389	-	-	-	(11.291.148)
Effect of Change in Accounting Estimates	-	8.890.052	-	1.182	-	-	-	8.891.234
Minority Put Option Liability	-	-	63.177.265	-	-	-	-	63.177.265
Effective Portion of Changes in Fair Value of Cash Hedges	-	-	-	(10)	-	612.738	-	612.728
Share Capital Increase from Minority	-	-	-	10.834.934	-	-	-	10.834.934
Effective Portion of Changes	-	(1.739.125)	-	3.891.705	-	-	-	2.152.580
Translation Gain / (Loss)	-	22.043.342	-	(2.104.384)	-	-	-	19.938.958
Revaluation of PPE (Note 11)	-	578.669.392	339.000.628	-	-	-	-	917.670.020
Acquisition of Non-Controlling Interest Without a Change in Control	-	(13.372.626)	-	(8.309.321)	-	-	-	(21.681.947)
Dividend Paid	-	-	-	(172.010)	-	-	-	(172.010)
Actuarial Gain / (Loss)	-	2.269.566	-	159.161	-	-	-	2.428.727
Net Profit for the Year	-	-	-	117.735.720	-	-	423.026.954	540.762.674
<b>Balance, 31.12.2017</b>	<b>113.535.870</b>	<b>(78.862.717)</b>	<b>(688.885.675)</b>	<b>781.966.440</b>	<b>153.167.594</b>	<b>1.275.963</b>	<b>423.026.954</b>	<b>705.224.429</b>

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

# KAZANCI HOLDING A.Ş.

## AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31.12.2017 AND 2016

(CURRENCY - TURKISH LIRA)

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Note</b>	<b>01.01.-31.12.17</b>	<b>01.01.-31.12.16</b>
Net Profit / (Loss) before Tax		568.705.112	(429.758.341)
<b>Adjustment for:</b>			
Depreciation and Amortization	11-12	415.256.578	353.903.788
Decrease in Value of Inventory	7	228.690	195.637
Provision for Retirement Pay	18	(2.121.854)	5.552.308
Unrealised Foreign Exchange Gains / (Losses) on Loans	14	261.405.403	792.100.484
Interest Accrual on Loans	14	30.954.255	3.224.387
Discount on Receivables / Payables), Net	5-15	1.413.339	3.344.996
Change in Allowance for Doubtful Trade Receivables	5	(7.921.057)	50.150.046
Change in Allowance for Doubtful Other Receivables	8	(167.534)	(8.109.559)
(Income) / Expense Accrual		(19.553.592)	(8.396.479)
Effect of Transactions Under Common Control		(9.138.568)	(272.840.872)
Unrealised Foreign Exchange Gain	8	(75.810.000)	(183.479.793)
Provision for Disputed Liabilities	17	(903.932)	(6.023.703)
Translation Gain / (Loss)	20	19.938.958	1.982.447
<b>Operating Profit Before Working Capital Changes</b>		<b>1.182.285.798</b>	<b>301.845.346</b>
Trade Receivables	5	(611.774.631)	(104.027.394)
Inventory	7	(198.804.145)	(98.700.924)
Cost of Construction and Repair		(7.364.290)	9.497.304
Other Current Assets	8	41.092.435	48.193.852
Other Non-Current Assets	8	2.436.557	19.952.345
Trade Payables	15	366.894.882	(354.835.472)
Deferred Revenue in Excess of Costs on Uncompleted Construction Contracts		8.884.273	(12.716.647)
Other Payables and Accrued Liabilities	17	91.119.281	(6.419.830)
Other Long Term Liabilities	17	161.131.812	154.857.505
Taxes Paid	16	(64.828.926)	(89.311.015)
<b>Net Cash Flows Generated from / (Used in) Operating Activities</b>		<b>971.073.046</b>	<b>(131.664.930)</b>

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



# KAZANCI HOLDING A.Ş.

## AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31.12.2017 AND 2016

(CURRENCY - TURKISH LIRA)

<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	<b>Note</b>	<b>01.01.-31.12.17</b>	<b>01.01.-31.12.16</b>
Assets Held for Sale (Net of the Relevant Liabilities)	28	126.448.092	(79.344.688)
Purchases / (Proceeds ) of Property, Plant and Equipment, Net	11-12	(1.121.817.421)	(112.255.077)
Goodwill Stems	13	3.498.840	(16.974.466)
Proceeds of Investments in Associates	10	84.037	(85.037)
<b>Net Cash Flows Used in Investment Activities</b>		<b>(991.786.452)</b>	<b>(208.659.268)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short-Term Financial Liabilities	14	184.125.826	200.335.730
Long-Term Financial Liabilities	14	(500.404.073)	402.920.528
Due from/to Related Parties and Shareholders	6	(56.460.402)	305.228.195
Dividend Paid		(172.010)	(202.264)
Share Capital Increase in Cash		-	30.031
Share Capital Increase from Minority		10.834.934	-
Effect of Companies Included in Consolidation First Time		-	(15.604.138)
Actuarial Gain / (Loss)		2.428.727	(1.719.151)
Law Numbered 6736		-	(63.443.404)
Effective Portion of Changes in Fair Value of Cash Hedges		7.593.614	(6.875.768)
Prior Year Adjustment		-	2.344.414
Acquisition of Non-Controlling Interest without a Change in Control		(21.681.947)	-
<b>Net Cash Flows Generated from / (Used in) Financing Activities</b>		<b>(373.735.331)</b>	<b>823.014.173</b>
Net Increase / (Decrease) in Cash and Cash Equivalents		(394.448.737)	482.689.975
Cash and Cash Equivalents at the Beginning of the Year		854.903.267	372.213.292
<b>Cash and Cash Equivalents at the End of the Year</b>		<b>460.454.530</b>	<b>854.903.267</b>

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

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### 1. ORGANIZATION AND NATURE OF ACTIVITIES

Kazancı Holding A.Ş. ("the Group") is a holding company which was established on 16 November 1994 and has participations in energy (production and sale of electricity and distribution of natural gas), manufacturing of generators, tourism, after sale service and marketing companies. The registered office is located at Beşiktaş / İstanbul. During 2017, the average number of personnel employed by the Group was about 7.640 (31.12.2016: 6.033).

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect.

The Group maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The consolidated financial statements have been prepared from statutory financial statements of the Group and presented in Turkish Lira (TL) with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. Foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

#### Reporting Currency

The currency used in these consolidated financial statements is Turkish Lira, which is denoted by the symbol TL.

#### Translation of Financial Statements of Foreign Subsidiaries

The foreign subsidiaries' assets and liabilities are translated into TL from their local currencies at the balance sheet date and income and expenses are translated into TL at the average foreign exchange rate. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the "translation differences" in the comprehensive income and in the equity under the general reserves.

#### Going Concern

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

#### Law numbered 6736

The Law numbered 6736 "Law Regarding the Restructuring of Certain Receivables" has entered into force on 19 August 2016 after publication in the Official Gazette.

According to this law, if taxpayers increase basis of tax assesment, no tax inspection and additional assesment will be performed for the relevant years. The increased corporate tax bases will be subject to the corporate tax at a rate of 15% on the condition that the taxpayers have submitted annual declarations and have paid accrued tax within specified time. No additional delay interest and fee will be calculated.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

As of 31.12.2016, according to this law, the Group companies had benefited from;

- Corporate tax bases increase for the years of 2011, 2012, 2013, 2014 and 2015 in relation to this law.
- Restructuring the Social Security Institution premium payables relating to or prior to June 2016 which have not been paid as of the date of the law numbered 6736.
- Adjustment/ writing off the receivables from shareholders at the amount of TL 63.443.404 (see statement of changes in shareholders equity).

### Restatement and Errors in the Accounting Policies and Estimates

The effect of a change in accounting prediction is reflected to financial statements in determination of net profit or loss as forward looking both in future period and in period in which the change is made if the effect is regarding to future periods. If it is regarding to just one period, it is reflected in current period in which the change is made.

Effects of accounting adjustments have been applied retrospectively. If a mistake occurs in the rearranging of comparative amounts related to previous periods in which it emerged, or occurs before the next reporting period, it is revised by the way of arranging of Retained Earnings belonging respective period.

The Group has added the voluntary employee withdrawal rate as a new assumption for the calculation of provision for employee termination benefits. The effect of new assumption is TL 8.891.234 in the general reserves and non-controlling interest.

As of 31.12.2016, the Group reclassified the carrying amount of the property, plant and equipment of the Kapıdağ amounting to TL 93.116.697 from property, plant and equipment to assets held for sale account.

### Basis of Consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2017 and 2016. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies.

With regard to IFRS 10 (Published on 12.05.2011 and amendment on 28.05.2012 and which is effective from 1 January 2013) Kazancı Holding management has adopted this standard. Within this framework the issues of 'control' and 'exposure to risks and rewards of the investee' have been considered and consolidated entities have been determined accordingly.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interest is computed by multiplying the percentage of minority to the fair value of assets and liabilities. The operating results starting from the purchasing date or occurring till the date of sale of the investments that are being sold or purchased within the year are included in the consolidated income statement.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to the consolidated until the date when such control ceases.

The Group has equity investments in companies which are not publicly traded. These equity investments are not held for trading. They are stated at costs less any impairment charges. The Group plans to continue to hold its investments in these companies. These equity investments are entities over which the Group is able to exert significant influence over their economic activities (note 10) which were not significant as of 31 December 2017 and 2016.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### The new standards, amendments and interpretations

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

#### a. The new standards, amendments and interpretations which are effective as at 1 January 2017 are as follows:

- IAS 7 Statement of Cash Flows (Amendments)
- IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

#### Annual Improvements to IFRS - 2014-2016 Cycle

- IFRS 12 Disclosure of Interests in Other Entities

The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

#### b. Standards issued but not yet effective and not early adopted

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
  - Classification and Measurement of Financial Assets
  - Hedge accounting
- IFRS 4 Insurance Contracts (Amendments)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
- Amendments to IAS 28 Investments in Associates and Joint Ventures (Amendments)
- IAS 40 Investment Property: Transfers of Investment Property (Amendments)
- IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of the accompanying consolidated financial statements are set forth below:

#### Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in hand, bank deposits and short-term investments, which can easily be converted into cash for a known amount, has high liquidity with maturities of 3 months or less. The amounts paid under the reverse repurchase agreements are included in the cash and cash equivalents. Recorded value is estimated market value of other cash and bank deposits on the balance.



# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

Marketable securities are shown at market value which approximate their fair values. Marketable securities are public sector bonds, notes and bills which have a maturity of less than one month, which are classified under cash and cash equivalents.

### Trade Receivables and Allowance For Doubtful Receivables

Trade receivables and notes receivable are recognized at original invoice amount and discounted to present value less an allowance for any uncollectible amounts. An estimate for doubtful receivable is made when collection of the full amount is no longer probable. Bad debts are written off when identified. In case the provision decreases as a result of an event that occurs after write off, the amount is reflected on the income statement in the current period.

Based on an evaluation of its trade portfolio such as volume, character of outstanding loans, past loan experience and general economic conditions management provides a general reserve that it believes is adequate to cover possible losses and uncollectible amounts in the Group's receivables, in addition to specific reserves provided for receivables in legal follow-up.

### Related Parties

For the purpose of the accompanying consolidated financial statements, key personnel in management and board of directors, their family and controlled or dependent companies, participations and subsidiaries of the Group are referred to as related parties.

### Inventory

Inventory (including finished goods and raw materials) are valued at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution. The cost of inventories cover all purchasing costs, conversion costs and other expenses made to bring the inventories into their current state and condition.

### Investments in associates

The unconsolidated equity investments are carried at cost, reduced where necessary to reflect permanent impairment in value.

### Goodwill

Goodwill is taken into account at the consolidation stage. Goodwill is the difference of the realizable value and cost of a subsidiary. Goodwill is carried at cost as reduced by appropriate provisions for diminution in the value of goodwill (if one exists) in the accompanying consolidated financial statements.

### Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell.

Once classified as held for sale, intangible assets and property, plant and equipment are not amortised or depreciated, and equity accounted investee is no longer equity accounted.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### Property, Plant and Equipment Related Depreciation

Property, plant and equipment (except land, buildings and machinery and equipment) are carried at cost, less any accumulated depreciation and any impairment loss. The Group has opted for the option of measuring the land, buildings and machinery and equipment in the tangible fixed assets by revaluation method. The revalued amount is the fair value at the revaluation date, less accumulated depreciation and subsequent accumulated impairment losses. Gain on fair value of land, buildings and machinery and equipment are recognised in revaluation of property, plant and equipment after net off tax. Depreciation is provided on pro-rata basis. Repair and maintenance expenditure related to property, plant and equipment is expensed as incurred. The depreciation periods for property, plant and equipment which approximate the economic useful lives of such assets, are as follows:

	<b>Year</b>
Buildings	10-50
Leasehold Improvements	5-10
Machinery and Equipment <sup>(1)</sup>	3-40
Motor Vehicles	5-8
Furniture and Fixtures	5-15
Biological Assets	10
Other Tangible Assets	5-10

### <sup>(1)</sup> Breakdown of machinery and equipment is as follows:

Wind Electricity Powerhouse	20
Natural Gas Power Plants	20
Fuel Oil Power Plants	3-40
Natural Gas Distribution Machinery and Equipments	4-25
Hydroelectric Power Plants	40
Coal Plants	40

During the production phase of the mine, the material removed when stripping in the production phase, often it will be a combination of ore and waste. Removal of material with a low ratio of ore to waste may produce some usable material, which can be used to produce inventory. This removal might also provide access to deeper levels of material that have a higher ratio of ore to waste that will be mined in future periods. The Group, recognize stripping activity asset when it is probable that the future economic benefit associated with the stripping activity will flow to the Group, identify the component of the ore body for which access has been improved; and the costs relating to the stripping activity associated with that component can be measured reliably. The Group shall allocate the production stripping costs between the inventory produced and the stripping activity asset by using an allocation basis that is based on mineral content of the ore extracted compared with expected mineral content to be extracted, for a given quantity of ore produced.

Since some incidental operations may take place at the same time as the production stripping activity, but which are not necessary for the production stripping activity to continue as planned, these incidental operations are not be included in the cost of the stripping activity asset.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### Intangible Assets and Amortization

An intangible asset is recognized if it meets the identifiable criterion of intangibles, control exists over the asset, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the costs can be measured reliably. Amortization is provided on the restated amounts on a straight-line basis.

The distribution systems and plants constructed in the aftermath of the Agreement for Operating Rights Transfer signed on 24.07.2006, between the Group and Türkiye Elektrik Dağıtım A.Ş. were determined to be within the scope of IFRIC 12 and were classified as intangible assets in the accompanying consolidated financial statements.

Under the Agreement for Operating Right Transfer agreement signed on 24.07.2006, between Group and Türkiye Elektrik Dağıtım A.Ş. (TEDAŞ), the operating rights of the distribution systems, distribution plants and other immovable and movable plant assets required for operating the distribution systems, that are owned by TEDAŞ were transferred to the Group at a value of TL 173.073.300. The Group booked these rights under "Intangible Assets" (note 12).

	<b>Useful lives</b>
Operating Rights	30 years
Other Rights	5-15 years
Other Intangible Assets	3-10 years
Network and Distribution Facilities	(*)

(\*) All the distribution plants and facilities are amortized over the remaining period of the operating right transfer agreement.

### Impairment of Assets

Assets that have indefinite useful lives, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### Financial Liabilities

Interest bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and shown in other liabilities and expense accruals to the extent they are not settled in the period in which they arise.

### Finance Leases

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property after tax advantages or incentives have been deducted, or the present value of the minimum lease payments. Principal lease payments are recorded as a payable and are reduced as paid; the interest element is charged to the statement of income as expense during the lease period. Property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### Trade Payables

Trade payables are stated at their nominal values, discounted as appropriate.

### Minority Put Option Liability

Minority put option liability is valued according to their fair value (note 22-d).

### Taxation and Deferred Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax: The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax: Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

### Employee Benefits / Retirement Pay Provision

Under the Turkish Labor Law and union agreements, severance payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No: 19 (revised) "Employee Benefits" ("IAS 19"). The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

### Operating Expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized.

### Revenue Recognition

Revenue involves the goods and service sales invoiced value. Revenues are recognized on an accrual basis at the time deliveries of goods and services or acceptances are made, the transfer of risks and benefits related to good are realized, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of the consideration received or receivable. The significant risks and benefits in sales are transferred when the goods are delivered or legal proprietorship is transferred to the customer. Interest income and expenses are recognized in the income statement on an accrual basis. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes.

Aksa Energy: Electric energy revenue is recognized upon transmission to the customer.

Aksa Power Generation: Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.



# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

Aksa Electricity and Natural Gas Distribution: Revenues on sales of electricity and gas are recognized when monthly billings are made. In addition, estimated unbilled revenues are accrued for services provided to retail customers from the meter read date to month-end. Unbilled revenues are calculated based upon each month's actual net system load, the number of days from meter-reading date to month-end, and current retail customer prices.

### Research and Development Costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Development costs that have been capitalised are amortised over five years.

### Derivative Financial Instruments

Derivative financial instruments are initially recognized at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency / interest rate swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the financial statements. The fair value changes for these derivatives are recognized in the income statement.

### Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### Foreign Currency Transactions and Translation

Transactions in foreign currencies during the periods have been translated at the exchange rates prevailing at the dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. The foreign exchange gains and losses are recognized in the income statement.

The year-end rates used for USD, EURO, CHF, GBP, AED and CNY are shown below:

Currency	31.12.2017	31.12.2016
USD	3,7719	3,5192
EURO	4,5155	3,7099
CHF	3,8548	3,4454
GBP	5,0803	4,3189
AED	1,0278	0,9582
CNY	0,5762	0,5050

### Provisions

A provision is recognized when, and only when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### Commitments and Contingencies

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the consolidated financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

### Use of Estimates

The preparation of consolidated financial statements in conformity with IAS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

### Significant Management judgment in Applying Accounting Policies

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements:

**Impairment:** An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management makes assumptions about future events and circumstances.

**Provisions:** The Group is currently defending certain lawsuits where the actual outcome may vary from the amount recognized in the financial statements. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Group's position in the related disputes.

**Inventories:** in estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made.

### EBITDA

EBITDA is defined as earnings before interest expense, income tax expense (benefit), depreciation and amortization. This information should be read with the statements of cash flows contained in the accompanying consolidated financial statements.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### 4. CASH AND CASH EQUIVALENTS

	<b>31.12.2017</b>	<b>31.12.2016</b>
Cash on Hand	4.724.387	5.165.264
Cash at Banks		
-Demand Deposits	253.934.403	327.918.104
-Time Deposits and Blocked Accounts <sup>(1)</sup>	156.833.163	488.998.607
Other Liquid Assets <sup>(2)</sup>	44.962.577	32.821.292
	<b>460.454.530</b>	<b>854.903.267</b>

<sup>(1)</sup> As of 31 December 2017, blocked accounts amount is TL 59.759.309 and it is related to the liabilities of the Group, in accordance with provision of the loan agreements (31.12.2016: TL 246.702.837).

<sup>(2)</sup> Mainly consists of collections made with credit cards.

### 5. TRADE RECEIVABLES

<b>Current trade receivables</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Customers' Current Accounts	1.878.365.882	1.268.273.223
Notes Receivable	60.247.930	58.565.958
Unearned Interest on Receivable (-)	(6.497.455)	(5.758.240)
Provision for Doubtful Receivables (-)	(175.028.764)	(182.949.821)
	<b>1.757.087.593</b>	<b>1.138.131.120</b>

As of 31 December 2017 and 2016, the movement of the allowance for doubtful trade receivables is as follows:

	<b>01.01.- 31.12.2017</b>	<b>01.01.- 31.12.2016</b>
Opening Balances at 1 January	182.949.821	132.799.775
Reversal of Provisions and Collections Received	(52.062.068)	(23.311.579)
Foreign Currency Translation Differences (-)	58.663	79.149
Increase in Provisions	44.082.348	57.354.459
Merging Effect	-	1.165.658
Restatement Difference	-	14.862.359
<b>Ending balance</b>	<b>175.028.764</b>	<b>182.949.821</b>

### 6. DUE FROM / TO RELATED PARTIES AND SHAREHOLDERS

Due from/to related parties and shareholders are comprised of balances with Kazancı Family and companies which are related to Kazancı Group Companies.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### 7. INVENTORIES

	<b>31.12.2017</b>	<b>31.12.2016</b>
Raw Materials	384.747.790	261.762.768
Finished Goods	126.714.527	107.476.151
Work in Process	69.855.508	45.809.326
Merchandise	87.656.691	44.763.415
Other Inventories	422.632.913	432.991.624
Provision for Diminution in Value of Inventory (-)	(13.840.601)	(13.611.911)
	<b>1.077.766.828</b>	<b>879.191.373</b>

### 8. OTHER CURRENT / NON-CURRENT ASSETS

<b>Other Current Assets</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Vat Carried Forward	313.898.003	300.625.375
Advances Given	32.970.995	99.799.630
Prepaid Expenses <sup>(1)</sup>	43.558.611	25.133.988
Prepaid Taxes and Funds	18.473.918	12.714.826
Advances Given for Business Purposes	870.955	16.543.725
Advances Given to Personnel	117.956	718.206
Deposits Given	98.388	2.588.113
Other Doubtful Receivables	1.028.237	1.195.771
Provision for Other Sundry Receivables	(1.028.237)	(1.195.771)
Sundry Debtors	42.877.790	16.114.062
	<b>452.866.616</b>	<b>474.237.925</b>

<sup>(1)</sup> Prepaid expenses are mainly related to rent and insurance expenses.

As of 31 December 2017 and 2016, the movement of the allowance for doubtful receivables is as follows:

	<b>01.01.- 31.12.2017</b>	<b>01.01.- 31.12.2016</b>
Opening Balances at 1 January	1.195.771	9.305.330
Restatement Difference	-	(8.173.855)
Increase in Provisions	24.605	64.296
Reversal of Provisions and Collections Received	(192.139)	-
<b>Ending Balance</b>	<b>1.028.237</b>	<b>1.195.771</b>



# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

<b>Other Non - Current Assets</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Deposits Given (Goldman Sachs Transaction- Note 22-d)	1.131.570.000	1.055.760.000
Advances Given	4.734.571	1.957.851
Deposits Given	33.629.428	37.741.049
Prepaid Expenses	467.414	1.159.374
Other	1.353.724	1.763.420
	<b>1.171.755.137</b>	<b>1.098.381.694</b>

### 9. COST OF CONSTRUCTION AND REPAIR / DEFERRED REVENUE IN EXCESS OF COSTS ON UNCOMPLETED CONTRACTS

Services given to Çoruh and Fırat Elektrik Dağıtım A.Ş. for the energy transmission facility costs and progress payments.

The portion of the ongoing construction of the transmission line portion of facility costs jobs that is not reflected to the costs, is the cost of long-term construction and repair. The amounts collected for the ongoing construction of the amounts charged for the power transmission line installation work, is the progress payments of construction and repair.

### 10. INVESTMENTS IN ASSOCIATES

	<b>31.12.2017</b>	<b>31.12.2016</b>
Enerji Piyasaları İşletme A.Ş. <sup>(1)</sup>	1.649.632	1.649.632
Rize İnşaat Yatırım A.Ş. <sup>(2)</sup>	1.522.500	1.522.500
Rize Spor Futbol Yatırım <sup>(2)</sup>	575.000	575.000
African Power Investments B.V. <sup>(3)</sup>	-	85.037
Other	36.005	35.005
	<b>3.783.137</b>	<b>3.867.174</b>

<sup>(1)</sup> As of 20.11.2014, the Group participated in the shareholding structure of EPIAŞ as one of the Kazancı Holding Group Companies, by investing TL 1.649.632 cash in the paid in capital of EPIAŞ and became 2,68% shareholder EPIAŞ.

<sup>(2)</sup> No consolidation or equity accounting has been applied due to immateriality of the above noted entities' economic activities.

<sup>(3)</sup> As of 31 December 2017, African Power has been included in the consolidation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

#### 11. PROPERTY, PLANT AND EQUIPMENT

Cost	01.01.2017	Additions	Disposals	Transfer (*)	Foreign Currency Translation Differences	Transfer to Assets Held for Sale	Disposal of Subsidiaries	Revaluation (**)	31.12.2017
Land and Buildings	317.916.317	16.361.688	(1.418.877)	32.922.784	5.820.015	-	(127.105)	35.868.131	407.342.953
Leased Buildings	153.271.621	-	-	-	-	-	-	-	153.271.621
Leasehold Improvements	391.417.42	5.199.035	(73.157)	562.997	273.765	(636)	(1.347)	-	45.102.399
Machinery and Equipment	4.540.035.829	253.147.932	(11.601.686)	813.991.374	397.000.415	(54.125.933)	(77.914.445)	1.121.984.910	6.625.218.396
Motor Vehicles	29.040.254	3.559.400	(2.947.477)	(200.911)	701.974	-	-	-	30.153.240
Furniture and Fixtures	126.362.695	9.784.118	(7.418.924)	(14.949.040)	147.836	-	(81.221)	-	113.845.464
Leased Furniture and Fixtures	1.739.243	-	-	(1.739.243)	-	-	-	-	-
Other Tangible Fixed Assets	4.965.679	1.006.811	(105.330)	-	190.724	-	-	-	6.057.884
Construction in Progress (*)	414.743.736	838.148.630	(2.010.860)	(1.048.383.763)	38.446.368	-	-	-	240.944.111
Stripping and Development Assets	75.436.059	3.620.578	-	-	-	-	-	-	79.056.637
	<b>5.702.653.175</b>	<b>1.130.828.192</b>	<b>(25.576.311)</b>	<b>(217.795.802)</b>	<b>85.281.097</b>	<b>(54.126.569)</b>	<b>(78.124.118)</b>	<b>1.157.853.041</b>	<b>7.700.992.705</b>
<b>Accumulated Depreciation</b>									
Buildings	49.756.776	10.798.334	(542.208)	(891.021)	2.284.837	-	(45.169)	-	61.361.549
Leased Buildings	22.414.598	4.536.184	-	-	-	-	-	-	26.950.782
Leasehold Improvements	13.414.093	1.570.965	(70.522)	-	13.918	-	(1.347)	-	14.927.107
Machinery and Equipment	1.225.430.326	309.875.917	(5.591.943)	(4.438.863)	17.713.759	(8.772.710)	(9.035.045)	-	1.525.181.441
Motor Vehicles	19.303.651	3.121.175	(2.647.646)	(90.071)	329.179	-	-	-	20.016.288
Furniture and Fixtures	68.673.163	10.794.845	(4.412.211)	(9.994.021)	143.122	-	(34.893)	-	65.170.005
Leased Furniture and Fixtures	648.739	-	-	(648.739)	-	-	-	-	-
Other Tangible Fixed Assets	3.933.279	1.022.900	(78.268)	-	145.831	-	-	-	5.023.742
Stripping and Development Assets	5.874.167	3.179.036	-	-	-	-	-	-	9.053.203
	<b>1.409.448.792</b>	<b>344.899.356</b>	<b>(13.342.798)</b>	<b>(16.062.715)</b>	<b>20.630.646</b>	<b>(8.772.710)</b>	<b>(9.116.454)</b>	<b>-</b>	<b>1.777.684.117</b>
<b>Net Book Value</b>	<b>4.293.204.383</b>								<b>5.973.308.588</b>

(\*) Power plant in Ghana and completed natural gas distribution lines were transferred to the machinery and equipment during the year ended 31 December 2017.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

Cost	01.01.2016 (restated)	Additions	Disposals	Transfer	Transfer to Inventory	Consolidation Effect	Foreign Currency Translation Differences	Transfer to Assets Held for Sale	Disposal of Subsidiaries	31.12.2016
Land and Buildings	307,332,178	3,306,402	(3,064,494)	184,950	-	-	11,271,103	(965,707)	(148,115)	317,916,317
Leased Buildings	153,271,621	-	-	-	-	-	-	-	-	153,271,621
Leasehold Improvements	38,508,717	1,290,125	(234,691)	548,748	-	49,997	63,393	(4,120)	(1,080,427)	39,141,742
Machinery and Equipment	4,945,912,592	45,971,241	(43,425,566)	334,967,701	(37,202,053)	-	66,967,914	(699,269,788)	(73,886,212)	4,540,035,829
Motor Vehicles	27,167,219	2,509,815	(1,598,819)	-	-	103,167	928,078	-	(69,206)	29,040,254
Furniture and Fixtures (Including Biological Assets)	124,034,253	11,098,909	(5,957,855)	(146,898)	(36,506)	445,404	(477,639)	(1,898,839)	(698,134)	126,362,695
Leased Furniture and Fixtures	1,739,243	-	-	-	-	-	-	-	-	1,739,243
Other Tangible Fixed Assets	3,632,516	311,918	(13,552)	-	-	-	1,034,797	-	-	4,965,679
Construction in Progress	471,722,854	684,265,023	(291,688,143)	(500,707,942)	-	-	52,546,143	(1,373,962)	(20,237)	414,743,736
Stripping and Development Assets	49,394,949	26,041,110	-	-	-	-	-	-	-	75,436,059
<b>Accumulated Depreciation</b>	<b>6,122,716,142</b>	<b>774,794,543</b>	<b>(345,983,120)</b>	<b>(165,153,441)</b>	<b>(37,238,559)</b>	<b>598,568</b>	<b>132,333,789</b>	<b>(703,512,416)</b>	<b>(75,902,331)</b>	<b>5,702,653,175</b>
Buildings	39,032,143	9,448,401	(1,750,085)	-	-	-	3,419,366	(372,771)	(20,278)	49,756,776
Leased Buildings	17,878,414	4,536,184	-	-	-	-	-	-	-	22,414,598
Leasehold Improvements	12,563,856	1,440,884	(151,582)	-	-	22,541	21,787	-	(483,393)	13,414,093
Machinery and Equipment	1,164,405,153	264,042,610	(14,085,082)	(3,576,912)	(22,938,587)	-	37,688,128	(190,759,752)	(9,345,232)	1,225,430,326
Motor Vehicles	18,356,943	3,068,396	(1,398,710)	-	-	90,616	45,7747	(1,207,163)	(64,178)	19,303,651
Furniture and Fixtures	60,528,003	13,295,294	(4,401,053)	-	(146,898)	318,909	(425,206)	-	(495,886)	68,673,163
Leased Furniture and Fixtures	258,059	394,262	-	-	-	-	-	(3,582)	-	648,739
Other Tangible Fixed Assets	2,417,031	769,483	-	-	-	-	746,765	-	-	3,933,279
Stripping and Development Assets	2,592,422	3,281,745	-	-	-	-	-	-	-	5,874,167
<b>Net Book Value</b>	<b>1,318,032,024</b>	<b>300,277,259</b>	<b>(21,786,512)</b>	<b>(3,576,912)</b>	<b>(23,085,485)</b>	<b>432,066</b>	<b>41,908,587</b>	<b>(192,343,268)</b>	<b>(10,408,967)</b>	<b>1,409,448,792</b>
	<b>4,804,684,118</b>									<b>4,293,204,383</b>

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

(<sup>1</sup>)The breakdown of construction in progress is as follows:

	<b>Technical Completion</b>	<b>Investment Expenditures</b>
Ghana Investment ( <sup>1</sup> )	99,00%	97.120.827
Electricity Distribution Facilities		83.839.365
Other		59.983.919
		<b>240.944.111</b>

(<sup>1</sup>) The construction of power plant with a capacity of 370 MW in Ghana.

(<sup>2</sup>) The Group's land and building and land improvements and machinery and equipment are measured the their fair value amount which their accumulated depreciation has been reduced from fair value on the date of revaluation. Measurement of land and building and land improvements and machinery and equipment has been made by TSKB Gayrimenkul Değerleme A.Ş. which is an independent valuation expert, as of 31 December 2017. Fair value of land and building and land improvements and machinery and equipment have been determined according to cost method. Gain in value for tangible assets have been identified as TL 1.157.853.041.

The allocation of depreciation and amortization expenses for the years ended 31 December 2017 and 2016 are as follows:

	<b>01.01.-31.12.2017</b>	<b>01.01.-31.12.2016</b>
Cost of Sales	399.988.787	339.058.152
General Administrative Expenses (Note 24)	11.654.533	11.953.975
Marketing, Selling and Distribution Expenses (Note 24)	3.613.258	2.891.661
	<b>415.256.578</b>	<b>353.903.788</b>



# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### 12. INTANGIBLE ASSETS

Cost	01.01.2017	Additions	Disposal	Transfer to Assets Held for Sales	Foreign Currency Translation Differences	Transfer	Disposal of Subsidiary	31.12.2017
Rights <sup>(1)</sup>	264.350.322	34.550.834	(147.655)	(827.000)	3.847.712	(3.385.456)	(158.950)	298.229.807
Network and Distribution Facilities	1.097.569.157	7.158.543	(1.458.471)	-	-	178.794.247	-	1.282.063.476
Other Intangible Assets	8.916.806	9.945.174	(8.199)	(9.806)	46.933	41.508.805	(10.000)	60.389.713
	<b>1.370.836.285</b>	<b>51.654.551</b>	<b>(1.614.325)</b>	<b>(836.806)</b>	<b>3.894.645</b>	<b>216.917.596</b>	<b>(168.950)</b>	<b>1.640.682.996</b>
<b>Accumulated Amortization</b>								
Rights	82.517.693	12.413.827	(79.045)	(167.566)	385.764	(3.313.270)	(35.199)	91.722.204
Network and Distribution Facilities	170.300.048	50.309.620	(124.497)	-	-	-	-	220.485.171
Other Intangible Assets	4.912.846	7.633.775	(3.173)	(9.806)	38.823	18.497.779	(10.000)	31.060.244
	<b>257.730.587</b>	<b>70.357.222</b>	<b>(206.715)</b>	<b>(177.372)</b>	<b>424.587</b>	<b>15.184.509</b>	<b>(45.199)</b>	<b>343.267.619</b>
<b>Net Book Value</b>	<b>1.113.105.698</b>							<b>1.297.415.377</b>

<sup>(1)</sup> Under the Agreement for Operating Right Transfer agreement signed on 24.07.2006, between Group and Türkiye Elektrik Dağıtım A.Ş. (TEDAŞ), the operating rights of the distribution systems, distribution plants and other immovable and movable plant assets required for operating the distribution systems, that are owned by TEDAŞ were transferred to the Group at a value of TL 173.073.300.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

Cost	01.01.2016 (Restated)	Additions	Consolidation Effect	Transfer to Assets Held for Sales	Foreign Currency Translation Differences	Transfer	Disposals	31.12.2016
Rights <sup>(1)</sup>	203.909.220	49.035.967	-	(534.082)	7.730.321	4.376.340	(167.444)	264.350.322
Network and Distribution facilities	930.889.077	10.542.825	-	-	-	157.053.291	(916.036)	1.097.569.157
Other Intangible Assets	6.138.638	3.079.992	33.951	(52.440)	-	-	(283.335)	8.916.806
	<b>1.140.936.935</b>	<b>62.658.784</b>	<b>33.951</b>	<b>(586.522)</b>	<b>7.730.321</b>	<b>161.429.631</b>	<b>(1.366.815)</b>	<b>1.370.836.285</b>
<b>Accumulated Amortization</b>								
Rights	71.720.133	10.983.784	-	(188.726)	76.410	-	(73.908)	82.517.693
Network and Distribution Facilities	128.326.779	42.052.110	-	-	-	-	(78.841)	170.300.048
Other Intangible Assets	4.498.652	590.635	33.190	-	(302)	-	(209.329)	4.912.846
	<b>204.545.564</b>	<b>53.626.529</b>	<b>33.190</b>	<b>(188.726)</b>	<b>76.108</b>	<b>-</b>	<b>(362.078)</b>	<b>257.730.587</b>
<b>Net Book Value</b>	<b>936.391.371</b>							<b>1.113.105.698</b>

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### 13. GOODWILL

Goodwill is analysed as excess payments in relation to acquisition of the following companies:

	31.12.2017	31.12.2016
Firat Aksa Elektrik Hizmetleri A.Ş.	103.024.893	103.024.893
Çoruh Aksa Elektrik Hizmetleri A.Ş.	62.626.429	62.626.429
Natural Gas Investments <sup>(1)</sup>	7.728.393	7.728.393
ATK Sigorta ve Aracılık Hizmetleri Ltd. Şti.	16.974.466	16.974.466
Other <sup>(1)</sup>	10.937.134	14.435.974
	<b>201.291.315</b>	<b>204.790.155</b>

<sup>(1)</sup> In 2017, the Group sold its shares in Ayres Ayvacık Rüzgar. As a result of this transaction, the Group lost the control on this subsidiary and the goodwill amounting to TL 3.498.840 related to Ayres Ayvacık Rüzgar was derecognised.

These goodwill amounts are further analysed as follows:

#### Firat Aksa Elektrik Hizmetleri A.Ş. during 2010

Payment (USD 230.250.000)	355.966.500
Less: Fair Value of the Asset Acquired	219.691.433
<b>Goodwill</b>	<b>136.275.067</b>

As of 31 December 2013, goodwill is revised as TL 103.024.893. The reason for decrease in goodwill is due to revision of the fair value of the assets acquired at acquisition date. In particular, this is in relation to subsequent collection of trade receivables for which bad debt provision had been set aside.

#### Çoruh Aksa Elektrik Hizmetleri A.Ş. during 2010

Payment (USD 227.000.000)	332.981.834
Less: Fair Value of the Asset Acquired	266.657.346
<b>Goodwill</b>	<b>66.324.488</b>

As of 31 December 2013, goodwill is revised as TL 62.626.429. The reason for decrease in goodwill is due to revision of the fair value of the assets acquired at acquisition date. In particular, this is in relation to subsequent collection of trade receivables for which bad debt provision had been set aside.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### Investments in Natural Gas Companies during 2010

Payment	600.000
Less: Fair Value of the Asset Acquired	(7.128.393)

**Goodwill** **7.728.393**

<sup>(1)</sup> Investments in natural gas companies are comprised of Bandırma Doğalgaz Dağıtım A.Ş., Elazığ Doğalgaz Dağıtım A.Ş., Sivas Doğalgaz Dağıtım A.Ş., Tokat Doğalgaz Dağıtım A.Ş., Trakya Doğalgaz Dağıtım A.Ş., Gemlik Doğalgaz Dağıtım A.Ş. and Anadolu Doğalgaz Toptan A.Ş..

### ATK Sigorta ve Aracılık Hizmetleri during 2016

Payment (21.03.2016)	22.843.200
Less: Fair Value of the Asset Acquired	5.868.734

**Goodwill** **16.974.466**

### 14. FINANCIAL LIABILITIES

	31.12.2017	31.12.2016
Current Portion of Long-Term Bank Loans	1.361.259.087	1.360.874.237
Short-Term Bank Loans	1.265.335.780	893.557.692
Factoring Payables	275.480.178	351.176.285
Bond Issuance	84.023.074	163.062.229
Interest Expense Accruals	128.961.570	98.007.315
Finance Lease Liabilities, Net	28.953.413	62.255.263
<b>Total Short Term Financial Liabilities</b>	<b>3.144.013.102</b>	<b>2.928.933.021</b>
Long-Term Bank Loans	4.402.565.544	4.439.986.302
Bond Issuance	119.166.031	174.083.496
Finance Lease Liabilities, Net	59.084.965	145.628.521
Factoring Payables	17.112.079	77.228.970
<b>Total Long Term Financial Liabilities</b>	<b>4.597.928.619</b>	<b>4.836.927.289</b>
<b>Grand Total</b>	<b>7.741.941.721</b>	<b>7.765.860.310</b>

As of 31 December 2017, the effective interest rate of the long term TL loans is between 12,25-18,50%, USD loans is between 1%-7,50%, EURO loans is between 1,80%-7,0%, GBP loans is 1,75%, CNY loans is between 4,35%-4,75% and AED loans is 4,25% (31.12.2016: TL loans varied between 7%-18,50%, USD loans varied between 1%-7,98%, EURO loans varied between 1,80%-7,30%, GBP loans is 1,75, CNY loans is between 4,35%-4,75% and AED loans is 4,25%).



# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

The Group paid principal payment of bond amount TL 135.000.000 as of 15 November 2017.

The Group have bond issuance at a nominal amount of TL 60.000.000, to be quarterly paid within 2 years maturity bond based on 3,3795 % coupon rate on 24 June 2016. The maturity date of restated bonds is on 28 June 2018.

The Group have bond issuance at a nominal amount of TL 140.000.000, to be quarterly paid within 3 years maturity bond based on 3,6795 % coupon rate on 28 June 2016. The maturity date of restated bonds is on 26 June 2019.

As of 31 December 2017, the repayment schedule of short term and long term loans is as follows:

Payment Year	USD	EURO	GBP	CNY	AED	TL	Total TL Equivalent
Payable in 1 Year	346.717.844	39.461.312	17.700	232.983.996	65.225	1.006.215.280	2.626.594.867
Payable in 1-2 Years	155.035.381	10.361.626	-	-	109.881	419.414.732	1.051.093.542
Payable in 2-3 Years	125.781.371	2.999.060	-	-	-	239.877.336	727.854.345
Payable in 3-4 Years	116.264.078	1.589.367	-	-	-	160.866.730	606.579.993
Payable over 4 Years	352.961.704	-	-	-	-	685.701.416	2.017.037.664
	<b>1.096.760.378</b>	<b>54.411.365</b>	<b>17.700</b>	<b>232.983.996</b>	<b>175.106</b>	<b>2.512.075.494</b>	<b>7.029.160.411</b>

### Factoring Payables

As of 31 December 2017 and 2016, the breakdown of the factoring payables is as follows:

	31.12.2017	31.12.2016
Short-Term <sup>(1)</sup>	275.480.178	351.176.285
<b>Total Short Term</b>	<b>275.480.178</b>	<b>351.176.285</b>
Long-Term <sup>(1)</sup>	17.112.079	77.228.970
<b>Total Long Term</b>	<b>17.112.079</b>	<b>77.228.970</b>
<b>Total</b>	<b>292.592.257</b>	<b>428.405.255</b>

<sup>(1)</sup> As of 31.12.2017, TL 192.895.768 (31.12.2016: TL 204.965.219) of total liabilities has occurred by the service purchase agreement signed via leasing between KIBTEK and the Group which is based on electricity receivable for the future periods by factoring.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### Lease Payables

The Group acquired machinery and equipment via financial leasing. As of 31 December 2017, the repayment schedule of short term and long term leasing obligations is as follows:

Lease Payables	USD	EURO	Total TL Equivalent
Payable in 1 Year	6.773.680	753.796	28.953.413
Payable in 1-2 Years	4.879.408	792.845	21.984.731
Payable in 2-3 Years	2.062.766	816.007	11.465.227
Payable in 3-4 Years	-	858.307	3.875.685
Payable over 4 Years	-	4.818.807	21.759.322
	<b>13.715.854</b>	<b>8.039.762</b>	<b>88.038.378</b>

### 15. TRADE PAYABLES

Current:	31.12.2017	31.12.2016
Suppliers' Current Accounts	1.560.886.074	1.243.671.805
Electricity and Transmission System Payables	93.904.250	56.453.402
Notes Payable	47.415.861	34.271.071
Unearned Interest on Payables (-)	(11.656.707)	(10.982.583)
Other	3.610.906	4.030.575
<b>Total</b>	<b>1.694.160.384</b>	<b>1.327.444.270</b>
Non - Current:	31.12.2017	31.12.2016
Suppliers' Current Accounts	9.738.507	8.442.717
Unearned Interest on Trade Payable (-)	(1.294.356)	(851.458)
	<b>8.444.151</b>	<b>7.591.259</b>

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### 16. CURRENT TAX LIABILITIES

The Group is subject to Turkish corporate taxes. Tax legislation in Turkey does not permit a Parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes as reflected in the accompanying consolidated financial statements are calculated on a separate-entity basis.

The corporation tax rate on the profits for the calendar year 2017 is 20% (2016: 20%). However, the Corporate Tax Law has been amended effective from 01.01.2018. Accordingly, corporation tax rate has been revised to 22% for the corporate earnings of fiscal years of 2018, 2019 and 2020.

Taxable profits are calculated by addition of tax disallowed expenses to and deduction of tax exemptions (investment income exemption) and deductions (investment incentive deductions) from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed.

Advance (prepaid) corporation taxes are payable on quarterly profits at the rate of 20% (2016: 20%). Such taxes after deduction of the taxes prepaid quarterly must be declared by the 14th of the second month following any tax period and paid by the 17th. Advance corporation tax may be offset against others debts to the government.

Tax losses that are reported in the Corporation Tax return can be carried forward and deducted from the corporation tax base for a maximum of five consecutive years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the related financial year. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

#### Tax applications for foreign subsidiaries of the Group

- In China, Aksa Power Generators – Changzou is subject to corporation tax rate at the rate of 12,5%, Aksa Power Generators – China is subject to corporation tax rate at the rate of 25% and Aksa Jiangyin is subject to corporation tax rate at the rate of 25%.
- In Kazakhstan, Aksa Kazakhstan Ltd. is subject to corporation tax rate at the rate of 20%.
- In Russia, Aksa Russia Limited Liability Company is subject to corporation tax rate at the rate of 20%.
- In Algeria, Eurl Aksa Generateurs Algeria is subject to corporation tax rate at the rate of 25%.
- In England, Aksa International UK Ltd. is subject to corporation tax rate at the rate of 20%.
- In Singapore, Aksa Far East Pte Ltd. is subject to corporation tax rate at the rate of 17%.
- In Dubai, Aksa Power Generation Fze (Dubai) is tax exempt.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

- In Republic of Ghana, Aksa Energy Company Ghana Limited is subject to corporation tax rate at the rate of 25%.
- In Turkish Republic Of Northern Cyprus ("KKTC"), Aksa Enerji Üretim A.Ş.-Y.Ş. is subject to corporation tax rate at the rate of 23,5%.
- In Netherland, Aksa Ghana B.V., Aksa Global Investment B.V., and African Power Investments B.V. are subject to corporation tax rate at the rate of 20%.
- In Republic of Mauritius, Aksaf Power Ltd. is subject to corporation tax rate at the rate of 0%.
- In Republic of Mali, Aksa Mali S.A. is subject to corporation tax rate at the rate of 30%.
- In Republic of Madagascar, Aksa Madagascar B.V. is subject to corporation tax rate at the rate of 20%.

The tax liabilities included in the accompanying financial statements comprise:

<b>a) Included in the income statement:</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Current Tax Charge	(63.338.410)	(84.375.889)
Deferred Tax Credit / (Charge), Net	35.395.972	69.854.506
	<b>(27.942.438)</b>	<b>(14.521.383)</b>
<b>b) Included in the balance sheet:</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Taxation Payable on Income (Current)	16.910.127	20.000.693
Deferred Tax Assets	45.068.074	198.391.180
Deferred Tax Liabilities	145.074.750	92.010.757

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IAS and tax purposes.



# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### 17. OTHER CURRENT AND NON-CURRENT LIABILITIES

<b>Current</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Order Advances Received <sup>(1)</sup>	124.738.783	39.902.025
Taxes, Dues and Social Security Premiums Payable	63.636.065	61.374.228
Deferred Income <sup>(2)</sup>	9.316.360	27.999.572
Deposits and Guarantees Received	36.778.593	33.153.953
Due to Personnel	27.075.980	19.241.918
Subscribe Security Deposit Refunds	9.547.295	5.437.125
Other Provisions	10.349.352	6.042.213
Vacation Provision	5.521.155	5.133.312
Other Expense Accruals	10.022.798	8.525.437
Other Sundry Payables	18.932.101	17.989.418
	<b>315.918.482</b>	<b>224.799.201</b>

<sup>(1)</sup> TL 56.340.906 of advances received comprise of the advance payment, is due to sale of İncesu power plant which is held by Aksa Enerji is taken from Deniz Elektrik within Fernas Group of Companies. The related was completed on 17 January 2018.

<sup>(2)</sup> Deferred income is mainly accrual for interest income regarding overdue receivables of Fırat Aksa Elektrik Hizmetleri A.Ş. and Çoruh Aksa Elektrik Hizmetleri A.Ş. and income accruals of Aksa Jeneratör Sanayi A.Ş. related to international sales which customs operations are still continuing.

<b>Non - Current</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Deposits and Guarantees Received <sup>(3)</sup>	1.013.323.029	855.383.795
Payable to TEDAŞ <sup>(4)</sup>	28.474.150	25.172.815
Disputed Debt to TEİAŞ <sup>(5)</sup>	5.017.633	5.921.565
Order Advances Received	2.327.204	2.316.151
Overdue or Deferred Taxes and Dues Payable (Law No 6736) (Note 2)	1.305.914	2.238.399
Other	2.504.787	1.692.112
	<b>1.052.952.717</b>	<b>892.724.837</b>

<sup>(3)</sup> These are mainly in the nature of deposits received from consumers which are held as guarantees for the receivables risk.

<sup>(4)</sup> Prior to the scope of Çoruh Elektrik Dağıtım A.Ş. and Fırat Elektrik Dağıtım A.Ş. privatization, the amount of loan provided by European Investment Bank (EIB) to TEDAŞ regional distribution offices for investment and consumption expenditures. The amount is being paid by TEDAŞ and reflected to the Group.

<sup>(5)</sup> Provision for disputed liability to TEİAŞ is in relation to excess utilisation of electricity limit. The penalty covers the period between the years 2007 and 2015 which also includes the pre-privatization period (September 2010 for the Group). The Group has exercised the right of appeal and applied to the court. As of 31 December 2017 and 2016, the Group management decided to use a conservative approach and made full provision for the related amount.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### 18. EMPLOYEE TERMINATION BENEFIT LIABILITY

Under the Turkish Labour Law, the Group is required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The amount payable consists of one month's salary limited to a maximum of TL 4.732 for each year of service as of 31 December 2017 (31.12.2016 : TL 4.297).

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

Under the China Labor Law, an employee shall be paid severance pay based on the number of years worked with the employer at the rate of one month's wage for each full year worked. Any period of not less than six months but less than one year shall be counted as one year. The severance pay payable to an employee for any period of less than six months shall be one-half of his/ her monthly wages.

If the monthly wage of an employee is greater than three times the average monthly wage of employees in the employer's area as published by the People's Government at the level of municipality directly under the central government or municipality divided into districts of the area where the Employer is located, the rate for the severance pay paid to him shall be three times the average monthly wage of employees and shall be for not more than 12 years of work.

For the purposes of this Article 47, the term "monthly wage" means the employee's average monthly wage for the 12 months prior to the termination or ending of his /her employment contract.

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

Communiqué require actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	<b>31.12.2017</b>	<b>31.12.2016</b>
Discount rate %	11,50	11,00
Inflation rate %	8,00	7,00

Movements of the provision for employee termination benefits during the period are as follows:

	<b>31.12.2017</b>	<b>31.12.2016</b>
Balance at 1 January	49.043.809	43.491.501
Service Cost (*)	4.352.566	8.026.122
Interest Cost (*)	4.989.993	4.107.496
Actuarial Difference	(2.266.109)	2.053.066
Transfer to Liabilities Held for Sale	-	(526.877)
Payments Made during the Year (-)	(9.274.870)	(6.948.100)
Disposal of Subsidiaries	-	(1.309.827)
Translation Difference	76.566	150.428
Effect of Change in Accounting Estimates (Note 2)	(8.891.234)	-
<b>Balance at End of the Year</b>	<b>38.030.721</b>	<b>49.043.809</b>

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

<sup>(1)</sup> The provision of employment termination benefits in income statement:

	01.01.-31.12.2017	01.01.-31.12.2016
Cost of Sales	4.183.489	7.388.209
Marketing, Selling and Distribution Expenses (note 24)	169.023	273.054
General Administrative Expenses (note 24)	4.990.047	4.472.355
<b>Total</b>	<b>9.342.559</b>	<b>12.133.618</b>

### 19. SHARE CAPITAL

The share capital of Kazancı Holding A.Ş. consists of ordinary shares with a par value of TL 1. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Kazancı Holding A.Ş..

	31.12.2017	%	31.12.2016	%
Şaban Cemil Kazancı	66.911.492	60,28	66.911.492	60,28
Ali Metin Kazancı	32.200.008	29,01	32.200.008	29,01
Mehmet Kazancı	6.531.250	5,88	6.531.250	5,88
Tülay Kazancı	5.356.250	4,83	5.356.250	4,83
Necati Baykal	1.000	-	1.000	-
<b>Historic Share Capital</b>	<b>111.000.000</b>	<b>100</b>	<b>111.000.000</b>	<b>100</b>
Inflation Adjustment to Share Capital	2.535.870		2.535.870	
<b>Inflation Adjusted Share Capital</b>	<b>113.535.870</b>		<b>113.535.870</b>	

### 20. GENERAL RESERVES

General reserves comprise retained earnings (prior years' undistributed income), translation gain / (loss), actuarial gain / (loss), revaluation fund and legal reserves.

The legal reserves are appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. The legal reserves are not available for distribution unless they exceed 50% of the paid-in share capital but may be used to offset losses in the event that the general reserve is exhausted.

Retained earnings are available for distribution. However if this reserve is distributed as dividends, a further legal reserve is required to be provided equal to 10% of dividend declared.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### 21. SHARE PREMIUM

These are comprised of proceeds received in addition to the nominal value of the shares, as a result of public offering of Aksa Enerji Üretim A.Ş. issued during 2010. TL 153.167.594 (31.12.2016: TL 153.167.594) has been included in share premium account, after netting off registration and other regulatory fees and taxes.

	31.12.2017	31.12.2016
Opening Balance at 1 January	153.167.594	153.167.594
<b>Balance at End of the Year</b>	<b>153.167.594</b>	<b>153.167.594</b>

### 22. COMMITMENTS AND CONTINGENCIES

(a) Letters of guarantee given to:

31.12.2017	TL	USD	EURO	CHF	TL Equivalent
TEİAŞ,SEDAŞ,TEAŞ,TEDAŞ EPIAŞ, EÜAŞ, etc.	201.372.683	2.735.058	100.000	-	212.140.599
Energy Market Regulatory Authority (EMRA)	23.132.000	-	-	-	23.132.000
General Directorate of Agriculture Enterprises	11.134.893	-	-	-	11.134.893
BOTAŞ - Petroleum Pipeline Corporation	2.402.242	3.830.000	-	-	16.848.619
General Directorate of Turkish Coal Group	17.747.932	-	-	-	17.747.932
Banks	66.304.558	2.410.231	5.423.438	-	99.885.243
Electricity Distribution Companys	33.627.613	-	-	-	33.627.613
Other	108.182.945	46.515.000	1.250.000	800.000	292.361.089
<b>Total</b>	<b>463.904.866</b>	<b>55.490.289</b>	<b>6.773.438</b>	<b>800.000</b>	<b>706.877.988</b>
<b>31.12.2016</b>	<b>TL</b>	<b>USD</b>	<b>EURO</b>	<b>TL Equivalent</b>	
TEİAŞ,SEDAŞ,TEAŞ,TEDAŞ EPIAŞ, EÜAŞ, etc.	209.895.252	4.068.097	-	224.211.700	
Energy Market Regulatory Authority (EMRA)	32.204.220	52.663.000	-	217.535.850	
KKTC Electricity Administration	-	3.000.000	-	10.557.600	
General Directorate of Agriculture Enterprises	10.128.193	-	-	10.128.193	
BOTAŞ - Petroleum Pipeline Corporation	1.560.000	18.914.184	-	68.122.796	
Banks	7.500.000	5.410.903	16.894.604	89.219.341	
Electricity Distribution Companys	42.021.715	-	-	42.021.715	
Other	208.249.312	5.711.360	9.559.616	263.813.950	
<b>Total</b>	<b>511.558.692</b>	<b>89.767.544</b>	<b>26.454.220</b>	<b>925.611.145</b>	



# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### (b) Guarantees given for the Group's loans:

Guarantee Types – 31.12.2017	Foreign Currency	Currency Amount	Total (TL)
Commercial Enterprise Pledge <sup>(1)</sup>	USD	133.000.000	501.662.700
Bank Deposit Blockage (Note 4)	USD	10.200.000	38.473.380
Bank Deposit Blockage (Note 4)	TL	21.285.929	21.285.929
Assignment of Claim	TL	1.742.056.934	1.742.056.934
<b>Total</b>			<b>2.303.478.943</b>

<sup>(1)</sup> The amount is related to Antalya power plant.

In addition Çoruh Akse Elektrik Hizmetleri A.Ş. and Fırat Akse Elektrik Hizmetleri A.Ş. shares have been pledged in favour of the relevant bank loans at the amount of TL 145.000.000, Akse Doğalgaz Group Companies shares have been pledged in favour of the relevant bank loans at the amount of TL 327.737.000 and Akse Energy Ghana Limited shares have been pledged at the amount of TL 1.661.776.

Kazancı Holding, being the Parent Company of Akse Enerji, secured 500 million USD long term credit facility arranged by Goldman Sachs, China Development Bank, Garanti Bankası and İş Bankası on 26.02.2013. 68,86% of issued capital of Akse Enerji were pledged as security of the credit facility to Garanti Bankası acting as Security Agent. In August 2016, this loan has been fully repaid.

On 2 August 2016, Kazancı Holding and Akse Doğal Gaz Dağıtım A.Ş. entered into a new loan agreement in the amount of \$800 million ("New Loan") with the consortium led by Türkiye Garanti Bankası A.Ş. and Türkiye İş Bankası A.Ş. with participations of T.C. Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş., Türkiye Vakıflar Bankası T.A.O., Odea Bank A.Ş. and Türkiye Sınai Kalkınma Bankası A.Ş.. The aforementioned Old Loan (Goldman Sachs Loan) has been fully repaid with the proceeds of New Loan and the pledged Akse Energy shares in Kazancı Holding's ownership have been released.

In addition to these released Akse Energy shares belonging to Kazancı Holding, representing 61,98 % capital shares of Akse Energy and 9,74% shares of Kazancı Holding, are now pledged to be a guarantee for the new loan, to the Guarantee Representative Türkiye İş Bankası A.Ş. by Kazancı Holding A.Ş..

Additionally, the shareholders and related Group companies gave suretyships (corporate guarantees) to Kazancı Holding A.Ş. and Group companies for their bank loans. As of 31.12.2017, the Group's total financial loan risk was TL 7.741.941.721 (31.12.2016: TL 7.765.860.310) (note 14).

Guarantee Types – 31.12.2016	Foreign Currency	Currency Amount	Total (TL)
Pledge	EUR	51.000.000	189.204.900
Commercial Enterprise Pledge <sup>(1)</sup>	USD	133.000.000	468.053.600
Bank Deposit Blockage (Note 4)	USD	66.608.000	234.406.874
Bank Deposit Blockage (Note 4)	TL	12.295.963	12.295.963
Assignment of Claim	TL	1.096.424.507	1.096.424.507
<b>Total</b>			<b>2.000.385.844</b>

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### (c) Legal lawsuits

As of 31 December 2017, there are 80.030 lawsuits pending in favor of the Group at the amount of TL 252.208.607 and there are 2.040 lawsuits pending against the Group at the amount of TL 238.861.284.

Contingent Liabilities arising from Lawsuits concerning the Reimbursement of Loss and Theft Costs in Electricity Distribution Companies to Subscribers:

The Electricity Authority Board (EMRA), has made an amendment in "The Electricity Market Law" numbered 6446 via "The Law Amending the Electricity Market Law and Certain Other Laws" numbered 6719 and published in Official Gazette dated 17 June 2016. Accordingly, technical and non-technical loss concepts have been re-defined. The amendment stated that the costs concerning these losses (provided that the losses do not exceed target rates determined by the Energy Market Regulatory Board) will be included in distribution tariffs. Thus, the technical and non-technical loss amount is included in distribution tariffs and allocated to consumers on a legal basis. Therefore, provision is not appropriated in 31.12.2017 and 2016 consolidated financial statements regarding the re-imbusement of illegal consumption losses.

### (d) Minority put option liability

Goldman Sachs, Türkiye İş Bankası A.Ş. and Türkiye Garanti Bankası A.Ş. have arranged USD 400 million syndicated secured loan to Kazancı Holding (the "New Loan Facility"). The New Loan Facility provides additional financing and is to be used to repay the bridge facility (in part on initial utilisation with the balance on final maturity of the bridge facility). In consideration for arranging the Transaction, Goldman Sachs has received (i) a right to the equity upside on 13,30% of shares in Akşa Enerji at any time before the sixth anniversary of the date of utilisation of the New Loan Facility, and (ii) downside protection, through a cash collateralised repurchase obligation at 6th year of Kazancı Holding at Goldman Sachs' initial purchase price, on any shares in Akşa Enerji purchased by Goldman Sachs.

As of 26.02.2013, according to the public disclosure of "New Credit", they agreed to increase "New Credit" from USD 400 million to USD 500 million. GS and Kazancı Holding A.Ş. agreed for purchasing of Akşa Enerji's capital representing 3,32% of additional shares through the sale of common. Following the completion of this transaction, GS's shares on Akşa Enerji will be increased from 13,30% to 16,62%.

Further information about the transaction is summarised below:

Simultaneously with the execution of the New Loan Facility, the board of directors of Akşa Enerji initiated a process of capital increase through private placement under registered capital system by restricting the pre-emptive rights of current shareholders. Goldman Sachs has committed to subscribe for 35.669.118 shares with a nominal value of TL 1.00 each corresponding to circa 5,82% of the total issued share capital of Akşa Enerji (post money) for a total price of USD 105 million (to be converted into TL at an exchange rate determined by the parties). Akşa Enerji adopted the necessary board resolutions and made the necessary approval applications to the Capital Markets Board of Turkey, Energy Market Regulatory Authority and other authorities for the registration of the shares that are subject to this capital increase.

a) In parallel to such private placement, Goldman Sachs has committed to purchase from Kazancı Holding existing B-type Akşa Enerji shares representing circa 7,48% (post money) of the total issued share capital of Akşa Enerji for a total price of USD 135 million.

b) After the successful completion of the capital increase through private placement and share transfer, Goldman Sachs has subject to the downside protection provided by Kazancı Holding, the ownership approximately 13,30% (post money) of the total issued share capital of Akşa Enerji. The total price to be paid by Goldman Sachs for those shares ("GS Shares") has been determined as USD 240 million which equates to a market price per share which is different to the then exchange traded price.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

c) It has been agreed that the New Loan Facility will be used, among other things, for general corporate purposes and to repay the bridge facility. It has a 6 year tenor with a 3 years' grace period and secured over 65,54% shares of Aksa Enerji. Upon completion of the equity purchase by Goldman Sachs described above, the GS Shares has been pledged as security for the New Loan Facility and a corresponding number of shares secured under the bridge facility has been released. Consequently, 52,24% of the Aksa Enerji shares pledged under the New Loan Facility is provided by Kazancı Holding and 13,30% is agreed to be GS Shares. The lenders have no recourse to Goldman Sachs other than in respect of the GS Shares.

d) On the six year anniversary of the Transaction, Goldman Sachs will sell the remaining GS Shares back to Kazancı Holding at a price per share equal to the initial purchase price. In order to secure this repurchase obligation of Kazancı Holding, and in consideration for Goldman Sachs providing security over GS Shares, Kazancı Holding delivered cash collateral to Goldman Sachs in an amount equal to the total price of the Aksa Enerji shares acquired by Goldman Sachs. As of 26.02.2013, the statement made with GS and Kazancı Holding agreed to increase "new loan" from USD 400 million to USD 500 million and GS will purchase 3,32% of Aksa Enerji's capital through sale of partner for the USD 60 million from Kazancı Holding. Following the completion of this transaction, GS's share on Aksa Enerji will increase from 13,30% to 16,62%. In order to reflect the cash collateral and minority put option liability in the consolidated financial statements, carrying value of the shares subject to option amounting to TL 1.131.570.000 (31.12.2016: TL 1.055.760.000) which is paid as cash collateral is reclassified under long-term assets (note 8).

Difference between initial minority interest amount and the fair value amount calculated as TL 688.885.675 (31.12.2016: TL 752.062.940) and classified as "minority put option liability" under long-term liabilities and "minority put option liability reserve" under equity is calculated in accordance with IFRS. While determining the fair value of minority put option liability as of 31 December 2017, the Company has estimated a value based on market value of the Aksa Enerji shares at Istanbul Stock Exchange (ISE).

As of 20.04.2018, Kazancı Group (Aksa Enerji) has made a public announcement in Istanbul Exchange Disclosure Platform as follows;

" The syndication loan utilized by our principal shareholder Kazancı Holding A.Ş. ("Kazancı Holding"), by pledging the shares of our Company held by it as security, and the transactions conducted with Goldman Sachs International ("GSI") within such framework were disclosed to public through the public disclosures dated July 25, 2011, July 26, 2011, August 5, 2011, October 27, 2011, April 6, 2012, December 19, 2012, December 21, 2012, February 25, 2013, August 3, 2016 and March 20, 2018. The possession of 16,62% of the shares held by Goldman Sachs (GSI) in Aksa Enerji was transferred to Kazancı Holding under the authorization of Energy Market Regulation Authority dated 20/04/2018 and numbered 19793. As per the relevant agreement between Kazancı Holding A.Ş. and GSI and as disclosed to the public by the relevant public disclosures mentioned above, Kazancı Holding A.Ş. purchased 101.911.765 shares back from GSI on 20 April 2018 in consideration of US\$ 2,9437229 per share and US\$300,000,000 in total. As disclosed in the public disclosure made on 6 April 2012 and in other relevant public disclosures mentioned above, the payment of US\$300,000,000 that is required to be made by Kazancı Holding A.Ş. to GSI has been collected by GSI through the cash collateral provided at the relevant date and 101.911.765 shares have been transferred by GSI to Kazancı Holding A.Ş.. In this context, upon performance of the obligations by the parties as mentioned above, the parties have no additional liabilities pursuant to the relevant agreement relating to the put option. 16,62% of the shares of our Company that are received back by Kazancı Holding A.Ş. are pledged by Kazancı Holding in favor of the Security Agent Türkiye İş Bankası A.Ş., as an additional security for the new Loan that was utilized by Kazancı Holding and announced on August 3, 2016."

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### 23. REVENUE AND COST OF SALES

<b>Total Sales</b>	<b>01.01.-31.12.2017</b>	<b>01.01.-31.12.2016</b>
Domestic Sales	8.797.328.852	8.880.621.595
Exports	980.285.431	271.076.717
Sale Returns and Discounts (-)	(52.140.450)	(106.482.820)
	<b>9.725.473.833</b>	<b>9.045.215.492</b>
Cost of Sales	(8.297.982.207)	(7.905.815.163)
	<b>1.427.491.626</b>	<b>1.139.400.329</b>

### 24. RESEARCH AND DEVELOPMENT, MARKETING, SELLING, DISTRIBUTION AND GENERAL ADMINISTRATIVE EXPENSES

	<b>01.01.-31.12.2017</b>	<b>01.01.-31.12.2016</b>
Research and Development Expenses	3.564.680	301.531
Marketing, Selling and Distribution Expenses	84.846.299	69.763.530
General Administrative Expenses	193.470.502	141.019.018
	<b>281.881.481</b>	<b>211.084.079</b>



# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

Breakdown of operating expenses are as follows:

<b>Marketing, selling and distribution expenses</b>	<b>01.01.-31.12.2017</b>	<b>01.01.-31.12.2016</b>
Personnel Cost	35.371.367	27.480.347
Entertainment and Advertisement Expenses	14.431.082	10.913.403
Taxes Paid	5.062.610	5.558.034
Transportation Expenses	5.001.609	3.895.434
Depreciation and Amortization Expense (Note 11)	3.613.258	2.891.661
Rent Expenses	3.599.679	3.046.189
Travelling Expenses	2.918.601	1.784.744
Assemblage and Service Expenses	2.554.458	2.482.026
Motor Vehicle Expenses	1.692.275	1.435.074
Office Expenses	1.592.870	1.175.879
Export Commission Expenses	855.817	1.173.146
Consulting and Audit Expenses	767.473	722.320
Court and Notary Expenses	572.243	852.855
Retirement Pay Provision (Note 18)	169.023	273.054
Other	6.643.934	6.079.364
	<b>84.846.299</b>	<b>69.763.530</b>
<b>General Administrative Expenses</b>	<b>01.01.-31.12.2017</b>	<b>01.01.-31.12.2016</b>
Personnel Cost	87.598.456	53.351.910
Consulting and Audit Expenses	20.332.494	16.235.883
Traveling Expenses	15.254.000	9.385.890
Rent Expenses	11.938.062	7.216.889
Depreciation and Amortization Expense (note 11)	11.654.533	11.953.975
Provision for Doubtful Receivables	6.332.270	6.579.083
Tax Expenses	5.621.800	6.171.691
Office Expenses	5.596.903	4.836.972
Retirement Pay Provision (Note 18)	4.990.047	4.472.355
Communication Expenses	2.585.468	2.227.362
Outsourced Benefits and Services	673.682	4.269.134
Other	20.892.787	14.317.874
	<b>193.470.502</b>	<b>141.019.018</b>

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### 25. OTHER INCOME AND OTHER EXPENSES

Other income	01.01.-31.12.2017	01.01.-31.12.2016
Profit on Sale of Investment <sup>(*)</sup>	476.952.054	4.527.843
Gain on Sale of Assets Held for Sale <sup>(*)</sup>	57.182.866	-
Reversal of Unnecessary Doubtful Debt Provision	56.878.098	23.311.579
Profit on Sale of Fixed Assets	10.830.645	100.181.463
Release of Part of Provision for Disputed Debt to TEİAŞ	913.679	6.394.460
Income on Insurance Claims	533.861	5.611.526
Other Income	71.597.394	31.404.857
	<b>674.888.597</b>	<b>171.431.728</b>

<sup>(\*)</sup> Gain on sale of Belen-Atik power plant which is in assets-held-for-sale on 31 December 2016.

<sup>(\*)</sup> Profit on sale of investment is related to sale of Siirt Akköy Enerji, Ayres Ayvacık Rüzgar, Kağıdağ Rüzgar , Deniz Elektrik, Alenka Enerji, Baki Elektrik.

Other Expenses	01.01.-31.12.2017	01.01.-31.12.2016
Doubtful Debt Provision	40.051.704	50.839.672
Loss on Sale of Investments	34.498.007	1.904.659
Natural Gas Subscription Update	19.298.242	16.946.384
Idle Capacity Expenses	6.486.917	4.112.226
Compensation Expenses	5.210.517	4.729.000
Unrealized Tender Specification Expenses	4.160.221	16.117.597
Donation and Grants	3.028.602	3.870.761
Loss on Sale of Fixed Assets	702.979	73.105.214
Other Expense	23.616.616	25.283.533
	<b>137.053.805</b>	<b>196.909.046</b>

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### 26. FINANCING INCOME AND FINANCING EXPENSES

<b>Financing Income</b>	<b>01.01.-31.12.2017</b>	<b>01.01.-31.12.2016</b>
Foreign Exchange Gains	737.869.757	584.496.965
Interest Income on Time Deposits at Banks and Group Companies	76.401.911	50.235.927
Discount on Trade Payable	6.728.789	9.381.718
Income from Derivative Transactions	7.090.169	5.165.563
Late Payment Penalties	5.723.910	4.687.869
Other	106.488	307
	<b>833.921.024</b>	<b>653.968.349</b>
<b>Financing expenses</b>	<b>01.01.-31.12.2017</b>	<b>01.01.-31.12.2016</b>
Foreign Exchange Losses	1.004.205.922	1.149.779.562
Interest Paid on Loans	868.771.778	603.567.365
Bank Commission Expenses	54.482.150	122.823.494
Interest Expense on Related Parties	2.661.822	50.176.516
Expenses from Derivative Transactions	9.365.133	35.915.342
Letters of Guarantee Expenses	5.266.902	7.114.133
Discount on Trade Receivable	3.901.743	5.698.549
Other	5.399	11.490.661
	<b>1.948.660.849</b>	<b>1.986.565.622</b>

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### 27. DERIVATIVE FINANCIAL INSTRUMENTS

Current derivative financial instruments asset	31.12.2017	31.12.2016
Held for Trading	-	5.165.563
Cash Flow Hedges	2.576.770	1.339.627
<b>Total</b>	<b>2.576.770</b>	<b>6.505.190</b>
Current derivative financial instruments liability	31.12.2017	31.12.2016
Held for Trading	3.052.466	-
<b>Total</b>	<b>3.052.466</b>	<b>-</b>

### 28. ASSETS AND LIABILITIES HELD FOR SALE

The Group decided to sell the wind power plants in order to decrease the short term liabilities, decrease interest expense effect on financial statements and allocate the cash income to potential investments in foreign countries (such as in Africa) on 10 November 2016. An agreement has been reached with Gürış Group for the sales of Hatay Sebenoba Wind Power Plant, Manisa Karakurt Wind Power Plant, Balıkesir Şamlı Wind Power Plant, Ayvacık Wind Power Plant, Kapıdağ Wind Power Plant and Belen/Atik Wind Power Plant, which in total have 232 MW installed capacity, for USD 259.000.000 on 30 November 2016. In relation to the sales process of these Wind Power Plants (WPPs), the sale of Belen Atik, Kapıdağ and Ayvacık WPPs have been approved by the Competition Board, while the sale of Sebenoba and Karakurt WPPs have been approved by Energy Market Regulatory Authority (EMRA) and the Competition Board on 26 January 2017. The sale of wind power plants are approved Kazancı shareholders by general assembly held on 3 February 2017. Total assets and liabilities of the subsidiaries Ayres Ayvacık Rüzgar, Baki Elektrik, Deniz Elektrik and Kapıdağ Rüzgar Enerjisi and Belen-Atik which were recognized as property, plant and equipment are classified as "Assets held for sale" and "Liabilities in relation to assets held for sale" as of 31.12.2017. The Group has sold Ayres Ayvacık Rüzgar to Notos Elektrik Üretim A.Ş. with its assets and liabilities on 15 March 2017. The sale of Belen-Atik power plant was completed on 7 April 2017.

As of 30 September 2017, the proposal of Fernas Group has been accepted as the sale of Hatay Sebenoba Wind Power Plant, Manisa Karakurt Wind Power Plant and Kapıdağ Wind Power Plant to the Gürış Group has not been completed within the predicted time. Therefore, the agreement between Gürış Group has been cancelled without being subject of an compensation and any other demand.

On 8 September 2017, sale of Hatay Sebenoba and Manisa Karakurt wind power plants to Fernas Şirketler Group has been completed.

On 1 December 2017, the sale of Kıyıköy WPP to Borusan EnBW Enerji Yatırımlar Üretim A.Ş and Borusan Danışmanlık Ortak Hizmetler A.Ş and on 27 December 2017 the sale of Şamlı WPP to Fernas Şirketler Grubu were completed.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

As of 31 December 2017, assets and liabilities including those of discontinued operations are TL 46.013.293 and none (31.12.2016: TL 448.888.338 and TL 369.543.650), respectively, and details are as follows:

<b>Assets held for sale</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Cash and Cash Equivalents	-	15.662.073
Trade Receivables	-	4.137.169
Inventories	-	4.397.724
Property, Plant and Equipment	45.353.859	511.169.148
Intangible Assets	659.434	397.794
Deferred Tax Asset	-	4.857.121
Other Assets	-	1.384.006
	<b>46.013.293</b>	<b>542.005.035</b>
<b>Liabilities Held for Sale</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Loan and Borrowings	-	357.470.411
Trade Payable	-	5.394.941
Other Liabilities	-	3.014.209
Deferred Tax Liability	-	3.137.212
Provisions	-	526.877
	-	<b>369.543.650</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### 28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The table below summarizes the foreign monetary position risk of the Group as of 31 December 2017. The recorded amounts of the foreign monetary assets are kept by the Group and those of the payables in terms of total amounts and foreign exchange are as follows:

31.12.2017	USD	EUR	GBP	AED	CNY	OTHER	TL Equivalent
Cash and Cash Equivalents	37770.716	2.223.561	5.472	-	-	405.155	152.645.046
Trade Receivables and Other Assets	47.500.351	21.792.920	-	-	-	2.360	277.582.697
<b>Total Foreign Currency Assets</b>	<b>85.271.067</b>	<b>24.016.481</b>	<b>5.472</b>	<b>-</b>	<b>-</b>	<b>407.515</b>	<b>430.227.743</b>
Financial Liabilities	1.110.476.232	62.451.127	17.700	175.106	232.983.996	-	4.605.123.293
Trade Payables	24.468.937	64.776.547	1.418.238	-	-	241.109	392.927.383
Other Current Liabilities	208.423	7.600.788	-	-	-	-	35.107.509
<b>Total Foreign Currency Liabilities</b>	<b>1.135.153.592</b>	<b>134.828.462</b>	<b>1.435.938</b>	<b>175.106</b>	<b>232.983.996</b>	<b>241.109</b>	<b>5.033.158.185</b>
<b>Net Foreign Currency Position</b>	<b>(1.049.882.525)</b>	<b>(110.811.981)</b>	<b>(1.430.466)</b>	<b>(175.106)</b>	<b>(232.983.996)</b>	<b>166.406</b>	<b>(4.602.930.442)</b>

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### Supplementary Disclosures on Financial Instruments

#### *(a) Capital Management Policies and Procedures*

The risk related with each of the capital class and group capital cost is considered by the top management of the Group.

The primary objective of the Group's capital management objectives is to ensure that it maintains a healthy capital structure in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may obtain new loans, repay existing loans; make cash and non cash (bonus shares) dividend payments to shareholders, issue new shares based on Management's evaluation.

The Group manages the capital structure so as to ensure the Group's ability to continue as a going concern; and maximize its profitability by maintaining an adequate capital to overall financing structure ratio.

The Group monitors capital using a gearing ratio, which is net debt divided by total financing used. The Group includes within net financial debt, borrowings, trade letters of credit, less cash and cash equivalents. Financing used is the sum of total equity and net financial debt.

The following table sets out the gearing ratios as of 31 December 2017 and 2016:

	<b>31.12.2017</b>	<b>31.12.2016</b>
Total Financial Liabilities	7.741.941.721	7.765.860.310
Less: Cash and Cash Equivalents	(460.454.530)	(854.903.267)
Net Financial Debt	7.281.487.191	6.910.957.043
Total Equity <sup>(1)</sup>	705.224.429	(828.099.586)
Total Financing Used	7.986.711.620	6.082.857.457
<b>Gearing Ratio (Net Financial Debt to Overall Financing Used Ratio)</b>	<b>91%</b>	<b>114%</b>

<sup>(1)</sup> As of 31.12.2017, total equity comprised of revaluation fund at the amount of TL 917.670.020.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

(b) *Financial instruments and categories*

	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Financial Assets</b>		
Cash and Cash Equivalents	460.454.530	854.903.267
Derivative Financial Instruments	2.576.770	6.505.190
Trade Receivables	1.757.087.593	1.138.131.120
	<b>2.220.118.893</b>	<b>1.999.539.577</b>
<b>Financial Liabilities</b>		
Financial Payables	7.741.941.721	7.765.860.310
Derivative Financial Instruments	3.052.466	-
Trade Payables	1.702.604.535	1.335.035.529
	<b>9.447.598.722</b>	<b>9.100.895.839</b>

(c) *Market risk*

The Group is exposed to financial risks arising from changes in currency rate (paragraph d), interest rate (paragraph e) and price risk (paragraph f) which arise directly from its operations.

The market risks that the Group is exposed to are measured on the basis of sensitivity analysis.

The Group's risk management policies and processes used to measure those risks have been similar to previous periods.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### *(d) Foreign currency risk*

The Group is exposed to foreign currency risk arising from the translation of foreign currency denominated assets and liabilities to TL, the foreign currency denominated assets and liabilities mainly include bank deposits, bank borrowings, trade payables, trade receivables, other assets and other liabilities.

The Group is investing in three new Power Plant Projects in Africa, located in Ghana, Madagascar and Mali. Such investments are carried out based on Power Purchase Agreements signed with authorities with guaranteed USD and/or EURO prices. Therefore, once the Group starts to accumulate revenue from such investments, the additional profitability and possible foreign exchange gain will contribute substantially.

### *(e) Interest rate risk management*

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Certain parts of the interest rates related to borrowings are based on market interest rates; therefore the Group is exposed to interest rate fluctuations on domestic and international markets. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

The majority of the Group's financial obligations consist of fixed and variable interest rate borrowings.

### *(f) Price risk*

The Group may be exposed to price risk arising from decreases in prices. This is a combination of currency, interest and market risks which the Group manages through natural hedges that arise from offsetting the same currency receivables and payables, interest bearing assets and liabilities. Although sales invoices are issued in TL, sales prices are fixed in foreign currency. Market risk is closely monitored by the management using the available market information and appropriate valuation methods.

The Group's energy Companies's sales invoices to TEİAŞ and EÜAŞ are issued in Turkish Lira and sales unit prices are fixed, the management of the Group is carefully monitoring the costs. When needed appropriate measures are taken.

# KAZANCI HOLDING A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017 AND 2016

(CURRENCY - TURKISH LIRA "TL" UNLESS OTHERWISE EXPRESSED)

### *(g) Credit risk management*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of the counterparties. The Group monitors credit risks by establishing credit limits for each customer who wish to trade on credit terms and obtaining sufficient collateral. Trade receivables are evaluated by management in the light of the Group's procedure and policies and are carried in the balance sheet net of impairment provision.

### *(h) Liquidity risk management*

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The Group manages its liquidity needs by regularly planning its cash flows or by maintaining sufficient funds and borrowing sources by matching the maturities of liabilities and assets. Prudent liquidity risk management implies maintaining sufficient cash, securing availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

### **29. POST BALANCE SHEET EVENTS**

On 17 January 2018 The Group has sold Incesu power plant which was held by Aksa Enerji to Deniz Elektrik Üretim Ltd.Şti which is held by Fernas Şirketler Grubu.







**KAZANCI HOLDING**

Rüzgarlıbahçe Mahallesi, Özalp Çıkması No:10 34805  
Kavacık Beykoz - ISTANBUL/TURKEY  
T (+90) 216 681 0000 F (+90) 216 681 5784

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