akenerji
Elektrik Üretim A.Ş.

Akenerji Annual Report 2013

AKKÖK CEZ GROUP

Contents

Towards more ambitious goals...

As one of Turkey's leading private electricity companies in terms of production capacity and number of facilities, we continue to contribute to the country's growth. Upon completion of our ongoing project currently in various stages of investment and construction we will enjoy the capacity to singlehandedly generate a large portion of Turkey's electricity.

Agenda of the Ordinary General Assembly Meeting of Akenerji Elektrik Üretim A.Ş. For The Year 2013

1. Opening of the meeting and forming of the chairmanship of the meeting,

2. Presenting and negotiating the Annual Report of the Board of Directors for the year 2013,

3. Presenting the Reports of Auditors for the year 2013,

4. Presenting, negotiating and polling of the Financial Statements of 2013,

5. Releasing the members of the Board of Directors for their activities within 2013,

6. Presenting and polling of the Dividend Policy of our Company and Dividend Distribution Proposal prepared by the Board of Directors,

7. Election of the Independent Audit Firm in accordance with the "Communiqué on Principles regarding Independent Auditing Standards" published by the Capital Markets Board and Turkish Commercial Code and approving the election of the Independent Audit Firm by the Board of Directors in accordance with the "Communiqué on Principles regarding Independent Auditing Standards" published by the Capital Markets Board,

8. Giving information to the General Assembly within the concept of the Corporate Governance Principles of the Capital Markets Board, in case that the shareholders holding management power, the members of the Board of Directors, executive managers and blood and marital relatives up to second degree made transactions, which may result in conflict of interest among the Company or its subsidiaries; did business which falls into the scope of the Company or its subsidiaries in its name or others name, and had shareholding with unlimited responsibility and giving authorization to the members of the Board of Directors under the provisions of Articles 395 and 396 of the Turkish Commercial Code,

9. Informing the General Assembly in accordance with Capital Markets Legislation about the donations and aid made by our Company within the year 2013,

10. Informing the General Assembly in accordance with Capital Markets Legislation about the related party transactions carried out by our Company,

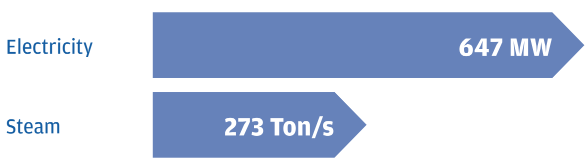
11. Informing the General Assembly under Article 12 of Corporate Governance Principles of Capital Markets Board, about the securities, pledges, mortgages and sureties provided for the benefit of third parties and the income or benefits that the Company retained as a result.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

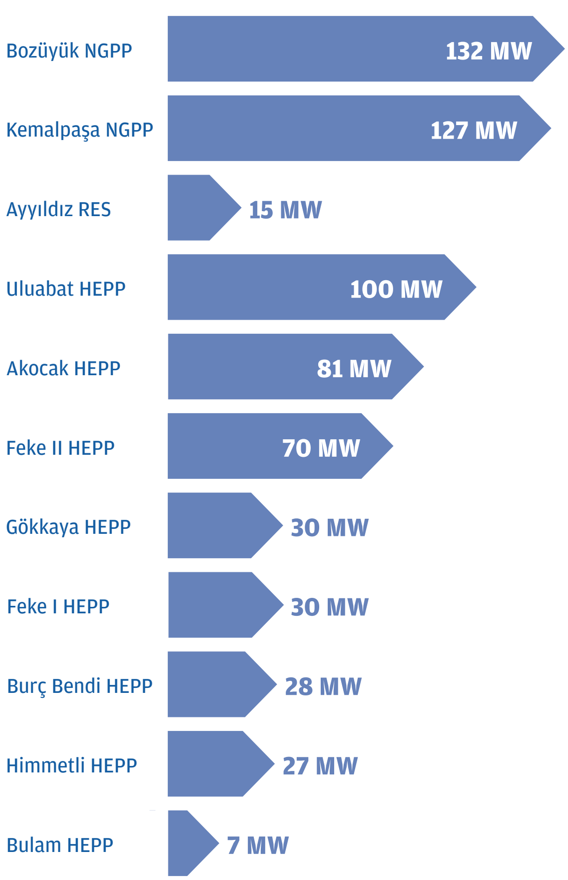
Akenerji in Brief

Akenerji has established a well-balanced portfolio through consistent investments and has maintained its edge in 2013 despite changing competitive conditions.

Generation Capacity



Power Plants



Operations

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

Number of Employees

299

2013 Turnover

TL 771 million

Leading the energy sector with prudent investments

Having started power generation in 1989 as an auto-producer under the umbrella of the Akkök Group of Companies, Akenerji is today a leading player in the Turkish energy sector. The Company changed its status as an auto-producer in 2005 and began operating as an independent power generation company from that point.

Due to remarkable initiatives in the field of renewable energy, the Company stands out in the industry due to its foresight and consistency. The Company reached a total renewable electricity capacity of 388 MW in 2012 with the successive activation of three hydroelectric power plants. Akenerji has made groundbreaking initiatives through efficient monitoring of market conditions; it has set an example for the electricity sector as a whole.

Since its inception, the Company has stood out within the sector thanks to its flexible, dynamic structure that can easily adapt to global competition, a visionary strategy and adherence to international standards in business processes. These characteristics have solidified Akenerji's pioneering position in the industry and has placed the Company uninterruptedly on "Turkey's 500 Largest Industrial Corporations" list released by the Istanbul Chamber of Industry (ISO) since 1993. As one of the nation's largest private power generation companies, Akenerji ranked 237th among the ISO 500 companies, with net sales revenue from production of TL 352 million in 2012.

By capitalizing on its in-depth knowledge of energy production, Akenerji skillfully manages the change and market risk within the industry. Appreciated for future-oriented and prudent investment decisions, the Company displays the same consistency with energy trade. Enjoying one of the largest customer portfolios in the sector, Akenerji forges ahead toward its goal of becoming the nation's leading energy company. As a result, the Company demonstrates a superior performance with regard to managing and selling energy, far higher than its given capacity, through additional capacity agreements with other power generation companies. Keeping a close watch on international marketing opportunities, the Company commenced cross-border energy trade via the European interconnected system in 2011.

Toward a bright future with renewable energy

Cognizant of the responsibility that befalls power companies in the creation of a safe future, Akenerji shapes its objectives accordingly. In its 24 years in operation, the Company has made all decisions with due consideration of its environmental and social responsibilities. It has set an example for the entire sector with emphasis on modern power generation techniques. Akenerji supports clean and sustainable energy resources and opts for eco-friendly solutions. In addition to its natural gas-based operations, the Company has also invested very large sums in renewable energy. By doing so, the Company plans to diversify its energy resources to reach a well-balanced portfolio structure and manage the fuel supply risk.

Akenerji initiated its investments in renewable energy sources by participating in the first hydroelectric power plant tenders held by the Energy Market Regulatory Authority (EMRA) in 2005. Ayyıldız Wind Power Plant, the Company's first renewable energy generation plant, went into operation in 2009. Subsequently, Akocak, Bulam, Burç Bendi, Feke II and Uluabat hydroelectric power plants were activated in 2010; Himmetli Regulator and HEPP in Adana, Feke I Regulator and HEPP, Gökkaya Dam and HEPP successfully became operational in 2012. As such, the share of renewables in Akenerji's total capacity rose to 60% in 2013.

Akenerji continues renewable energy projects with a consistent performance. As a prominent investment, the Company purchased İçkale Enerji Elektrik Üretim ve Tic. A.Ş. (İçkale Energy Electricity Generation Industry and Trade Co.) in 2010, which owns the license of Kemah Dam and Hydroelectric Power Plant with an installed capacity of 160 MW. Planned to become operational by 2017, Kemah Dam and HEPP project constitutes the largest HEPP project in the Akenerji portfolio. Our application to increase the installed capacity of Kemah HEPP from 160 MW to 198 MW was approved by EMRA; the related license amendment will take place in 2014.

Contributing to the Turkish energy industry through state-of-the-art production methods, Akenerji continues its renewable energy investments to reach its target of a safe and bright future.

The first investment of a robust partnership to be activated in 2014

The partnership between Akkök and the Czech power company ČEZ evolved into an equal-parts strategic joint venture in Akenerji with an agreement signed in October 2008. The first investment of this joint venture is the 900 MW-capacity Egemer-Erzin Natural Gas Combined Cycle Power Plant Project located in Erzin, Hatay. Considered to be a dynamic and robust step in the face of global economic problems, Erzin Natural Gas Combined Cycle Power Plant will further reinforce the partnership upon its activation in 2014.

Rising performance in energy trade

With over 20 years in this line of business, Akenerji is the most experienced energy generation and trade company in Turkey. The year 2013 was a successful period in terms of energy trade as well. As part of its wholesale trade operations, Akenerji successfully markets electric energy generated by its own power plants as well as energy supplied from other market players. Akenerji's trade volume with other market players has increased nearly seven-fold over the previous year. During the year, the Company signed wholesale agreements with a total of 40 corporations and carried out 110 transactions within the scope of these agreements.

Akenerji continues its renewable energy projects with a consistent performance.

As a result of successful initiatives in 2013, Akenerji's energy trade operations have expanded considerably. The Company has boosted trade volume and expanded its marketing activities by including the services of other companies in its portfolio. In addition to its own energy generation, Akenerji created additional value by marketing approximately 900 million kWh of energy procured from other companies. Half of this figure was provided from renewable energy resources, which has helped raise the percentage of clean energy in Akenerji's marketable energy portfolio.

In 2013, Akenerji continued to expand its electric energy trade operations first launched in 2011. As part of the trade activities carried out with Bulgaria and Greece, the Company imported 30 million kWh of electric power in 2013.

Subsidiaries and Affiliates

- AKCEZ Enerji Yatırımları Sanayi ve Ticaret A.Ş.(*)
- Ak-El Yalova Elektrik Üretim A.Ş.
- Aken B.V. (**)
- Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A.Ş.
- Akka Elektrik Üretim A.Ş. (***)
- Akkur Enerji Üretim Tic. ve San. A.Ş.
- Egemer Elektrik Üretim A.Ş.
- Mem Enerji Elektrik Üretim San. ve Tic. A.Ş.
- Ak-El Kemah Elektrik Üretim A.Ş.
- Akenerji Doğal Gaz İthalat İhracat ve Toptan Tic. A.Ş.
- Sakarya Elektrik Dağıtım A.Ş.(****)
- Sakarya Elektrik Perakende Satış A.Ş.(****)

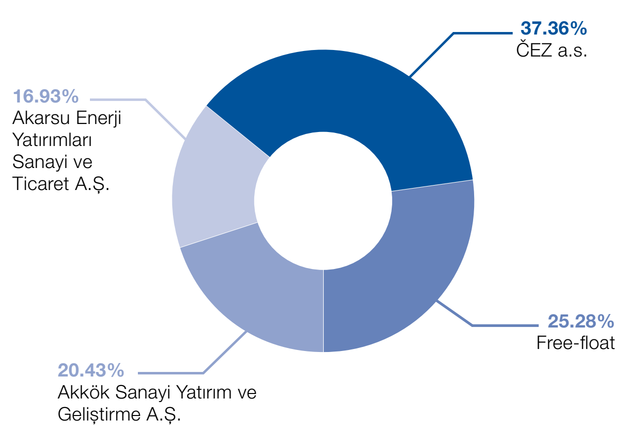
(*) On August 3, 2012, Akenerji decided to sell its 45% shares in its subsidiary, AKCEZ Enerji Yatırımları Sanayi ve Ticaret A.Ş. for US$ 140 million: Of this, a 22.5% share was transferred to the parent company Akkök Sanayi Yatırım ve Geliştirme A.Ş. and the remaining 22.5% to ČEZ. All share transfer transactions were completed as of April 26, 2013.

(**) The liquidation process started on May 30, 2013 and will be finalized in 2014.

(***) The Company was liquidated as of December 25, 2013.

(****) In early 2013, SEDAŞ completed its unbundling project initiated in 2012, upon the establishment of SEPAŞ and a partial demerger process. Currently, SEPAŞ is a retail license holder and SEDAŞ is the distribution license holder. Both mentioned companies are under the umbrella of the AKCEZ, a joint venture of Akkök Group of Companies and ČEZ Group.

Shareholding Structure

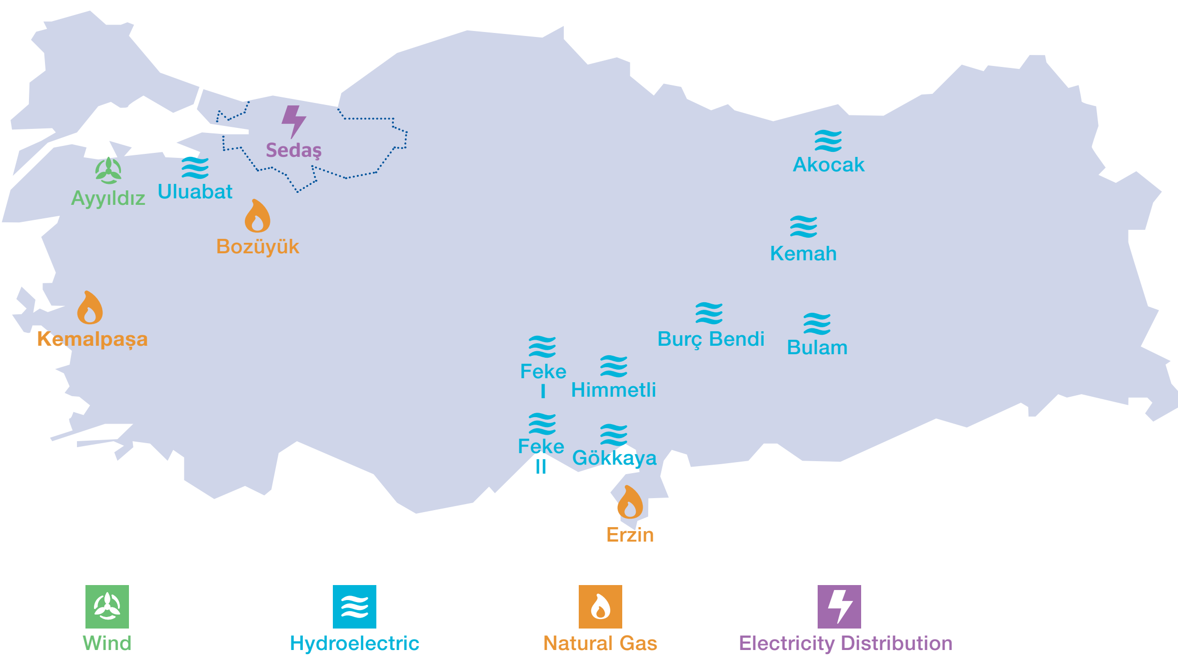


Paid in Capital: TL 729,164,000

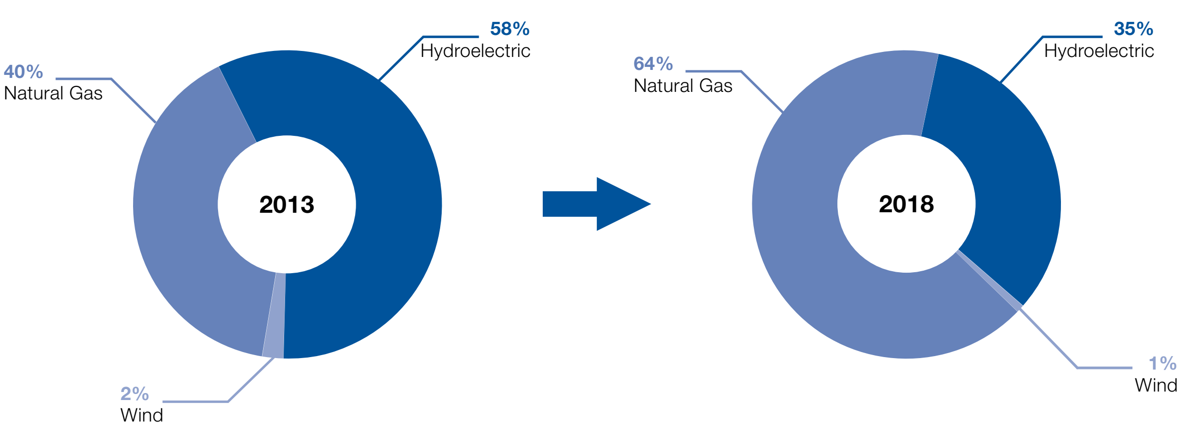

AKENERJİ

Operations Map

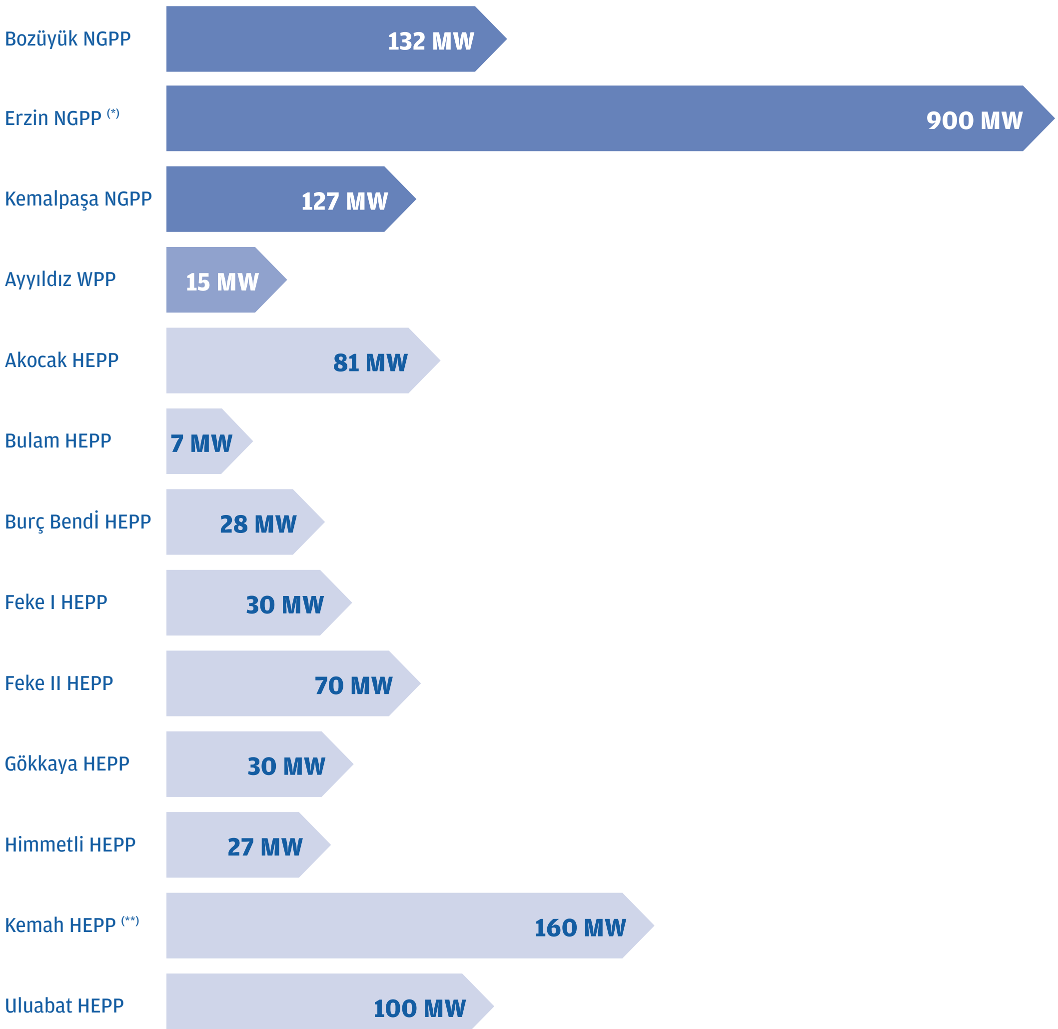
Akenerji's consistent investments of renewables are reflection of its philosophy of sustainability.



Breakdown of Installed Capacity by Source



Installed Capacity



Steam Generation Capacity

Current Installed capacity
647 MW (Natural Gas, Hydroelectric and Wind)

Investments in Construction Phase
900 MW (Natural Gas)

Investments in Project Phase
160 MW (Hydroelectric)

(*) Investments in construction phase.
(**) Investments in project phase.

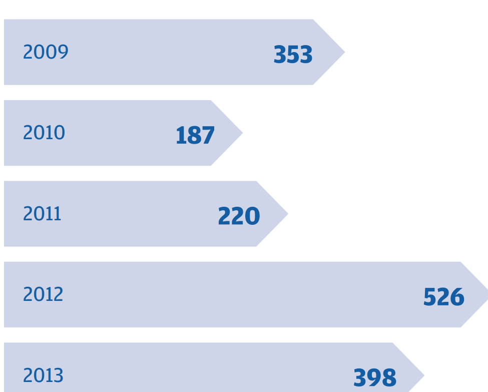
Financial and Operational Highlights

Consolidated Financial Indicators (TL million)	2009	2010	2011	2012	2013
Net Sales	457	428	560	802	771
Gross Profit from Sales	65	43	110	139	149
Operating Profit	24	8	59	82	76
Profit before Interest, Taxes, Depreciation and Amortization	50	36	106	136	136
Net Profit / (Loss)	24	(26)	(213)	81	(127)
Total Current Assets	353	187	220	526	398
Short-term Liabilities	426	471	612	485	382
Working Capital	38	9	(3)	11	(12)
Tangible and Intangible Assets	852	1,353	1,539	1,720	2,513
Total Financial Liabilities	708	926	1,419	1,459	2,052
Total Assets	1,506	1,911	2,229	2,824	3,201
Total Liabilities	791	1,146	1,705	1,879	2,373
Total Shareholders' Equity	715	765	524	941	828
Cash and Cash Equivalents at the End of the Period	188	40	85	174	243
Capital Expenditures	364	465	267	239	899
Market Capitalization at the End of the Period - BIST	915	1357	691	1,196	875
Average Number of Employees	235	289	315	314	310

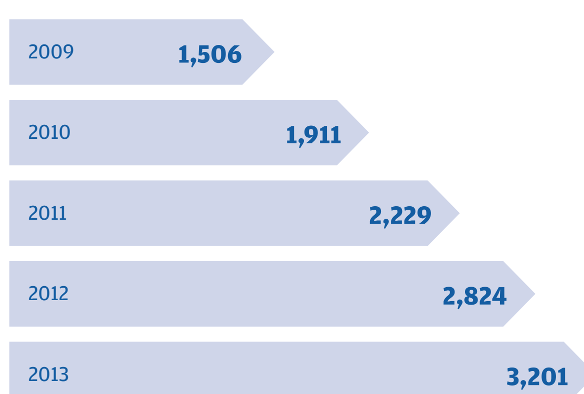
The transfer of Yalova power plants, which have a total 70MW installed capacity, to Aksa Akrilik Kimya San. A.Ş. on April 30, 2009, resulted in a decrease in sales.

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

Total Current Assets (TL million)



Total Assets (TL million)



Milestones

Throughout its 24-year history in the energy industry, Akenerji has maintained superior performance through its visionary perspective.

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

1993
> Yalova Power Plant, which has an installed capacity of 59.5 MW, was gradually taken over from Aksa Akrilik Kimya Sanayi A.Ş.
> Akenerji ranked 188th on the "Turkey's Top 500 Industrial Enterprises (ISO 500)" list compiled by the Istanbul Chamber of Commerce (ISO).

1996
> Çerkezköy Power Plant with an installed capacity of 98 MW progressively became operational.
> Alaplı Power Plant with an installed capacity of 6.3 MW was activated.

1997
> Bozüyük Power Plant with an installed capacity of 132 MW became operational.

2000
> Twenty-five percent of the Company's shares were offered to the public. Akenerji shares began to trade on the ISE under the "AKENR" ticker symbol.

2001
> Çorlu Power Plant (10.40 MW), Orhangazi Power Plant (5.08 MW), Denizli Power Plant (15.60 MW), Uşak Power Plant (15.24 MW), Yalova Akal Power Plant (10.40 MW) and two turbines of the Gürsu Power Plant (10.40 MW) became operational.

2002
> The capacity of Gürsu Power Plant increased to 15.60 MW.

2003
> İzmir-Batıçim Power Plant was activated with an installed capacity of 45 MW.

2005
> Akenerji underwent a status change and started to operate under the trade name of Akenerji Elektrik Üretim A.Ş. as an independent power generation company.
> Akenerji was granted the right to operate Uluabat Hydroelectric Power Plant (100 MW) and Akocak Hydroelectric Power Plant (81 MW) for a period of 49 years at the hydroelectric power plant auctions held by the Energy Market Regulatory Authority (EMRA).
> İzmir Kemalpaşa Power Plant with an installed capacity of 127.2 MW was activated.

2006
> Akenerji acquired Akkur Enerji Üretim Tic. ve San. A.Ş., which has the licenses of Burç Bendi (28 MW), Feke I (30 MW) and Feke II (70 MW) hydroelectric power plants.

2007
> Operations at Orhangazi, Uşak, Gürsu, Çorlu and Denizli power plants were ceased and the respective licenses were cancelled due to developments in the market.
> Mem Enerji Elektrik Üretim Sanayi T.A.Ş., which held the license application for the Yamanlı III (Himmetli-Gökkaya 57 MW) project and the license of the Bulam Regulator and Hydroelectric Power Plant (7 MW), was acquired.

2008
> Batıçim Power Plant was sold to Batıçim Enerji Elektrik Üretim A.Ş. and the license was transferred accordingly.
> The license of Alaplı Power Plant was terminated as a result of market developments.
> Akenerji won the SEDAŞ tender with the AkČEZ consortium that was formed with the participation of the Akkök Group and Czech power company ČEZ.

2009
> SEDAŞ management was handed over to AkČEZ consortium with a ceremony held in Ankara on February 11, 2009.
> Akenerji acquired Egemer Elektrik Üretim A.Ş. on March 20, 2009. Egemer, having a natural gas power plant project with a capacity of the approximately 900 MW in Erzin, Hatay, was the first investment of the Akkök-ČEZ partnership and, at the same time, largest ever single investment decision made by Akenerji up to that date.
> The license of the Yalova Power Plant was transferred to Aksa Akrilik Kimya Sanayi A.Ş. on April 30, 2009.
> The share transfer transactions between Akkök Group and ČEZ were completed; ČEZ took over a 37.36% stake in Akenerji on May 14, 2009.
> Ayyıldız Wind Power Plant with an installed capacity of 15 MW was activated in September.

2010
> Akenerji acquired İçkale Enerji Elektrik Üretim ve Tic. A.Ş., which holds the license of Kemah Dam and Hydroelectric Power Plant with an installed capacity of 160 MW (later the company's name was changed to Ak-El Kemah Elektrik Üretim A.Ş. (Ak-El Kemah Electricity Generation Co.))
> Akenerji signed the first agreement for the purchase of the production capacity of a wind power plant with Polat Enerji. According to the agreement signed, Akenerji would

purchase the entire production capacity of the company's power plants with an installed capacity of 100 MW by the end of 2010.

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

2011

> Akenerji became the first energy company in Turkey that received the IIP (Investing in People) Certificate of Commitment.
> Akenerji became the first energy company in Turkey that started to implement the EFET (European Federation of Energy Traders) agreement.
> Akenerji participated in the Cross-border Transmission Capacity Tender held by TEİAŞ (Turkish Electricity Transmission Co.) and started its energy import and export activities.
> Akenerji was awarded with the Energy Oscar, given for the first time in 2011 at the 17th International Energy and Environment Fair and Conference - ICCI. Having established the first cogeneration plant in Turkey, the Company won the award in the category of "Best Leading Investor of the Year."
> Ayyıldız Wind Power Plant joined the plants that have ISO 9001:2008 Quality, ISO 14001:2004 Environmental and OHSAS 18001:2007 Occupational Health and Safety Management Systems certifications.
> Akenerji joined the Carbon Development Project (CDP) Turkey and became one of the two energy companies that perform CDP reporting.

2012

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

2013

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

Akkök in Brief

Akkök Group of Companies strives to keep abreast of global trends while maintaining international standards in all sectors in which it operates.

AKKÖK GROUP OF COMPANIES

Chemicals

Aksa Akrilik Kimya San. A.Ş.
Ak-Kim Kimya San. ve Tic. A.Ş.
DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.

Energy

Akenerji Elektrik Üretim A.Ş.
Egemer Elektrik Üretim A.Ş.
AKCEZ Enerji Yatırımları Sanayi ve Ticaret A.Ş.
SEDAŞ Sakarya Elektrik Dağıtım A.Ş.
SEPAŞ Sakarya Elektrik Perakende Satış A.Ş

Real Estate

Akiş Gayrimenkul Yatırımı A.Ş.
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.
SAF Gayrimenkul Yatırım Ortaklığı A.Ş.
Ak Turizm ve Dış Ticaret A.Ş.

Textiles

Ak-Tops Tekstil Sanayi A.Ş. (*)
Aksa Egypt Acrylic Fiber Industry S.A.E.

Services

Akmerkez Lokantacılık Gıda Sanayi ve Ticaret A.Ş.
Akdünya Eğitim Eğlence Sanat Yatırımları A.Ş.
Ak-Pa Tekstil İhracat Pazarlama A.Ş.
Aktek Bilgi İletişim Teknolojisi Sanayi ve Ticaret A.Ş.
Dinkal Sigorta Acenteliği A.Ş.

(*) Company's activities continued until the merger decision registered on December 31, 2013.

Founded in 1952 by the dearly departed Raif Dinçkök, Akkök Group of Companies today figures among Turkey's longest-established corporations with its 61-year track record. Active in the chemical, energy and real estate industries, the Group comprises 17 trade and industry companies, including one located overseas and 18 manufacturing facilities. The Group closely monitors the international market in all sectors in which it operates and strives to keep abreast of global trends while maintaining international standards.

With a capacity of 308,000 tons/year, Aksa is Turkey's only domestic acrylic fiber manufacturer. The Company has a 15% share in world acrylic fiber production and serves textile and industrial textile sectors in over 50 countries on five continents. In 2009, by enhancing its technological infrastructure, Aksa launched the production of carbon fiber, considered to be one of the key raw materials of the 21st century.

As of 2012, the Company has carried out carbon fiber production under the umbrella of DowAksa İleri Kompozit Malzemeler Sanayi Limited, an equal-parts joint venture with the Dow Chemical Company. This new partnership is designed to produce and market carbon fiber and derivative products worldwide. DowAksa places special emphasis on issues such as infrastructure work, enhancement of building robustness and longevity, increasing the efficiency of wind turbines and reduction of fuel consumption in automobiles. By capitalizing on its technical expertise and advanced production capabilities, the Company plans to offer cutting edge solutions to important challenges in Turkey and around the world.

In August 2013, Aksa completely acquired its wholly-owned subsidiary Ak-Tops Tekstil Sanayi A.Ş., including all assets and liabilities. The merger of these two companies, successful in their fields of endeavor, is set to yield a robust structure in managerial and organizational terms. The merger process was initiated on November 1, 2013 and registered on December 31, 2013.

A leader of the chemical industry with production facilities at international standards, Ak-Kim has an annual production capacity of 600,000 tons. The Company's product portfolio consists of products customized for different industries, especially textiles, metals, food, cleaning, water treatment, corrosion and crust prevention, paper, pharmaceuticals and construction.

Ak-Kim's rich product range of over 500 products increases its competitive edge in international markets. The Company exports to 55 countries on five continents and manages to sell its products even in countries where rival production facilities are located. Almost half of its exports are made to EU countries and the rest to Pakistan, Israel, Iran, the United States, Canada and Korea among others. Ak-Kim has sold know-how and technology to firms abroad since 2002 and performs many services ranging from turnkey contracting to engineering work.

One of Turkey's leading power generation companies, Akenerji sets an example for the sector with its 24 years of know-how and pioneering investments. Having transformed into a strategic equal-parts joint venture between Akkök and ČEZ in 2009, the Company has undertaken ambitious investments since its inception to help meet Turkey's energy demand. Standing out with its investments in renewables, Akenerji has a renewable power capacity of 388 MW, which corresponds to 60% of its total installed capacity. The Company plans to activate the 160 MW Kemah Hydroelectric Power Plant project in Erzincan in the year 2017. In addition, the Company will complete the Erzin Natural Gas Combined Cycle Plant in 2014 with an installed capacity of 900 MW. Upon completion, this power plant will generate an annual 7 billion kWh of electricity, which will account for 2.6% of Turkey's overall energy demand.

Akenerji rapidly enhanced its energy trade operations in 2013 and now manages an energy portfolio much larger than its own production capacity. In 2011, the Company also entered into electricity import and export operations, which continue to expand daily.

Active in the real estate industry, Akiş Real Estate Investment Trust operates under the umbrella of Akkök Group of Companies and develops projects designed to improve customers' quality of life. The Company successfully handles projects such as the Akbatı Shopping and Living Center, Akbatı Residences, Akbatı White Tower and Akasya.

SAF REIT and Akmerkez are other real estate companies that continue to reinforce Akkök Group's prestige in the industry by adding value to society through constantly developing operations.

Following the acquisition of SEDAŞ via a privatization tender on February 11, 2009, AKCEZ decided to disaggregate its distribution and retail sales operations early in 2013. It restructured its organization on July 1, 2013 by establishing group company units that will serve SEDAŞ and SEPAŞ as well.

After signing the United Nations Global Compact in 2007, the Akkök Group further enhanced the principles of openness and accountability that have been fully embraced by all Group companies. It abides by these two main principles in its relations with all social stakeholders, particularly employees, customers, suppliers and shareholders. The companies within the Group not only fulfill their financial obligations, but also act as good corporate citizens that add value to society, the environment and the economy in all of their operations.

ČEZ in Brief

ČEZ firmly moves toward its goal of becoming the industry's productivity leader in Europe.

As a dynamic and integrated energy company in the Czech Republic, ČEZ operates mainly in energy and heat generation, distribution and sales, as well as coal mining, natural gas sales and carbon trading. Some 70% of the shares of ČEZ are owned by the Czech Republic, which is ČEZ's major shareholder. Having the primary mission of providing the highest added value to its shareholders, ČEZ carries out its activities within the framework of four main objectives:

To increase the performance in core processes and to attain optimum cost efficiency
In line with this objective, ČEZ aims to become the most efficient energy company in the European energy sector.

To expand its operations beyond the Czech Republic to specified target countries
In this context, ČEZ's target markets are countries of Central and Southeastern Europe, which are in the process of transition to liberalization. One of ČEZ's priority objectives is to enter these markets by participating in privatization tenders in these countries.

Renovation of the power plant portfolio to sustain achievements
ČEZ plans to make investments in the renovation of outdated lignite coal-fired thermal power plants and the construction of new generation power plants with high operational efficiency. Renewable power plants have a significant share among the power plants in the project stage. In line with this objective, ČEZ plans to retrofit existing power plants and to construct new power plants.

Innovation
ČEZ is interested in new energy-saving technologies, research and development activities, environmental protection activities and intelligent distribution networks.

As of 2013, ČEZ has affiliate companies that operate in Poland, Bulgaria, Romania, the Netherlands, Germany, Hungary, Serbia, Turkey, Albania and Slovakia as well as in the Czech Republic. The Company engages at the distribution and sale of electricity in western Bulgaria, and the generation of electricity at its thermal power plant located near Varna in east Bulgaria. ČEZ engages in electricity generation, distribution and sales in Romania and operates two coal-fired thermal power plants in Poland. In Slovakia, the Company is carrying out its activities together with its partner to build a nuclear power plant in the region, Jaslovské Bohunice. ČEZ also engages in electricity sales activities in the countries in which it operates, and at the same time, closely monitors opportunities in these countries.

Strong ethical standards that determine the activities of ČEZ also include acting responsibly towards society and the environment. In line with its policy of sustainable growth, ČEZ systematically reduces the burden of its activities on the environment, placing special emphasis on education and health. ČEZ is a major supporter of a number of non-profit organizations and various public benefit projects.

Mission, Vision, Values and Akenerji Employees

Akenerji's strong, reliable reputation is founded on a workforce that fully embraces its corporate values.

Mission

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

Vision

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

Corporate Values

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

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

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

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

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

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

Shared Competences of Akenerji Employees

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

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

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

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

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

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

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

Message from the Chairman of the Board of Directors

With the commission of the Erzin Combined Cycle Natural Gas Power Plant with a capacity of approximately 900 MW in 2014, Akenerji will increase its current capacity by two-and-a-half times.

"Upon completing its ongoing projects, Akenerji will further strengthen its competitive position in the market."

Mehmet Ali Berkman
Chairman of the Board of Directors

Dear Shareholders,

As the effects of the global economic crisis continued, 2013 has been a difficult year for both Turkey and the rest of the world. Despite signs of recuperation observed in Europe, the recession has continued and political tensions have persisted throughout the year in the Middle East, especially due to events happening in the axis of Syria and Iran. While the risk of political tensions turning into a hot war in Syria decreased by the end of the year, the tensions with regard to nuclear power between the US and Iran has also relieved, and we welcomed 2014 in a calmer mood.

The predictions at the beginning of the year that the developing countries would be supporting global growth were superseded by the second half of the year by scenarios that discuss the possibility that the expected growth rates will not be met. In May, the Federal Reserve System of the US (Fed) decreased its purchase of securities signaling that it might decelerate its abundant capital and low interest rate policy, which received great reactions from the developing countries.

With the period of monetary expansion coming to an end in the developed countries, and due to capital currents shifting to developed countries, the perception of risk regarding countries with high inflation rates and weak financial structures has increased. On the other hand, due to the fact that China plans to change to a sustainable growth model based on domestic consumption along with the decrease of global liquidity, the predictions that the growth rate of developing countries will decrease in 2014 have gained more strength.

It is expected that the Turkish economy will close 2013 with a 4% growth rate in comparison to 2.2% in 2012. Despite the increase in the growth rate, growth in 2013 was supported with domestic demand and negative effects on the current account deficit were observed. It is expected that the ratio of the current account deficit to gross domestic product will be around 7-8% in 2013; this level, which is even high among the developing countries, is one of the most important obstacles that Turkey needs to overcome on the way to sustainable growth. The share of energy in the current account deficit, which increased to USD 65 billion with a 34% increase from that of 2012, is high as always, at USD 50 billion. In order to decrease dependence on foreign resources in energy and therefore the pressure on the current account deficit and growth, the companies in the industry should turn towards domestic and renewable energy resources.

Due to its nature, the electricity industry has always been considered within the general economy. In this respect, industrial production and the risk perception of consumers are determining factors in terms of demand in the electricity industry. Low demand creates difficulties in repayments of new investments as it puts pressure on electricity prices. The price of electricity remained virtually the same in 2013, with a 0.2% increase from that of 2012, and when combined with the increasing costs, this had a negative impact especially on those companies whose production depends on natural gas.

Despite the aforesaid difficulties, Turkey retains its potential in terms of demand as it has a dynamic structure that has not yet reached saturation in terms of power consumption per person. When the supply side is considered, Turkey continues to provide opportunities to investors in terms of both oil supply thanks to its new pipeline projects and its local and renewable resources.

Another important development in the energy industry in Turkey in 2013 was the enforcement of the new Electricity Market Law. The energy stock exchange that will come to life as a result of this law is significant in terms of increasing liquidity in the market and creating a market reference price that will signal the right investment to the investors. In order to realize related activities, it is necessary to establish the management structure of Enerji Piyasaları İşletme Anonim Şirketi (EPİAŞ), which plays an important role in this process, and to maintain its effective operation.

During what was a challenging year for the industry, Akenerji reached its goals with its decisions that have strengthened its portfolio balance and its position in the industry. Whereas the net sales income for 2013 was TL 771 million, the earnings before interest, taxes, depreciation, and amortization (EBITDA) was, within the expectations of the Company, TL 136 million, and the EBITDA margin was 17.6%.

With a total installed capacity of 647 MW, Akenerji obtains 388 MW of its power from renewable energy resources. Our Company will continue its work on renewable energy resources in the coming years.

However, it is obvious that, with variable production capacities and availability ratios that are dependent on source and location, and are influenced directly by climate conditions, the renewable energy resources by themselves will not be sufficient to meet the increasing demand in Turkey. As an energy company, conscious about the need for high-technology base-load power plants that would reliably, continuously and economically meet the energy demand in Turkey which increases in proportion to its growth targets, in 2014, we will be commissioning our Erzin Combined Cycle Natural Gas Power Plant with a capacity of approximately 900 MW. In order to maintain its competitive edge in the market and to optimize its portfolio, among its low efficiency power plants, Akenerji decommissioned the Çerkezköy power plant, and decided to decommission Kemalpaşa power plant; with the Erzin Combined Cycle Natural Gas Power Plant, which has a new-generation high-efficiency turbine technology, it will increase its installed capacity to two-and-a-half times its current capacity.

It is only normal that there are occasional fluctuations in liberal energy markets due to global and local economic and political developments as well as changing climate conditions. This is why the investments made in the energy industry should be evaluated not with a short- but from a middle- and long-term perspective.

Becoming the dynamic power of the industry with solid investment decisions, Akenerji will continue its efficiency-oriented approach supported with modern technology in the coming year. Undertaken with respect for nature and with an understanding of social responsibility, our investments and work will continue to add value to the Turkish economy in 2014.

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

Sincerely,

Mehmet Ali Berkman
Chairman of the Board of Directors

Message from the CEO

With its balanced portfolio structure, Akenerji maintained a stable stance and reached all of its goals for 2013.

"Selling 4 billion kWh energy per year, Akenerji will reinforce its leadership position in the electricity trade and its competitive edge with the commissioning of Erzin Power Plant in 2014."

Ahmet Ümit Danışman
Chief Executive Officer

Dear Shareholders,

Parallel to the global economic upheavals that have been going on in the world, 2013 was a difficult year especially for developing countries including Turkey. Signals of decreasing global liquidity during the second half of the year caused question marks with regard to economic growth rates of developing countries.

Economic activity, which is very significant in terms of demand in the electricity industry, has lost acceleration since 2011. In addition, 2013 was an exceptional year in that we have seen that the conventional correlation between economic growth and electricity demand did not work. The fact that there has been almost no change in electricity demand despite 4% growth in the economy during the first nine months of 2013, together with the large capacity investments that were commissioned, has been among the factors that had a negative impact on the investment plans of the industry players. During this difficult period for Turkey's energy industry, Akenerji has maintained its competitive edge in the market by making the right decisions.

Pioneering the industry with its initiatives in the field of renewable energy resources for years, Akenerji has increased its installed capacity of renewable energy to 388 MW as of 2012. As of today, 60% of our installed capacity comes from renewable energy resources. Our work in this field will continue in the coming years.

2013 was especially successful for Akenerji in terms of the wholesale energy trade. In addition to the production of our current power plants, our Company has added the production of other companies into its trading portfolio and realized the sale of 900 million kWh energy supplied from the market throughout the year. In 2013, Akenerji signed wholesale energy trading agreements with 40 different companies. With the long-term capacity agreements signed with other producers, today, our Company effectively manages a portfolio over its production capacity.

Entering the international energy market with imports and exports two years ago, our Company speeded up its activities in this field in 2013. As of end of year, the amount of energy we import from Europe through Greece and Bulgaria has reached 30 million kWh. Planning to increase its activities in the international trading arena, Akenerji follows closely the energy trading opportunities with Georgia and Iran.

The Erzin Combined Cycle Natural Gas Power Plant that will be commissioned in 2014 with a capacity of 900 MW will expand Akenerji's electricity production and trade. A joint venture of two powerful brands, Akkök and ČEZ, this power plant is also the largest investment decision made by our Company at one go.

Another project that continued in 2013 by Akenerji is the Kemah Dam and Hydroelectric Power Plant project in Kemah, Erzincan with a capacity of 160 MW. Technical work for increasing the capacity of the power plant from 160 MW to 198 MW has been completed. The capacity increase has been approved by the Energy Market Regulatory Authority, and an Environmental Impact Assessment report in this regard has been presented to the Ministry of Environment and Urban Planning. The approval of the Environmental Impact Assessment is pending.

Our Company has reached all of its goals for 2013. The positive outlook in our financial performance also manifests itself in our profitability rates. Whereas the contribution of renewable resources to total electricity production was 44% in the previous year, this rate increased to around 60% during 2013. This increase has enabled our gross profit to increase by 8% when compared to 2012, and reach TL 149 million by the end of 2013. We expect our financial performance to increase in 2014 as well with the commissioning of the Erzin Combined Cycle Natural Gas Power Plant.

With its support to struggle against climate change, Akenerji continued its environmentally friendly approach in 2013 as well. In 2013, our Company published its first Sustainability Report in line with the principles of the Global Reporting Initiative and shared it with all of its stakeholders. With the steps it has taken with regard to renewable energy, Akenerji is also a pioneer in initiatives in carbon-emissions trading in Turkey.

Our Company also continued its social responsibility projects in those areas where it operates in 2013. In this respect, the construction of Egemer Elektrik Üretim A.Ş. Şehit Uğur Ekiz Vocational School in Erzin, Hatay, where Egemer-Erzin Combined Cycle Natural Gas Power Plant is located, was completed and the high school commenced education in the 2013-2014 academic year. At the "2012 Corporate Social Responsibility (Bronze) and the Environment (Gold) Awards" competition organized by the Aegean Region Chamber of Industry, Akenerji ranked second in the Environment category with the Kemalpaşa Natural Gas Power Plant, and ranked third in the Corporate Social Responsibility category in 2013.

The most important characteristic of Akenerji that brought it among the leaders of the industry is its contemporary human resources practices and the value given to employee satisfaction. The Akkök Talent Management Project continued in 2013, and Manager Development Trainings were organized for executive-level employees.

Another factor in the success of Akenerji is that all business processes are designed in accordance with contemporary needs. In line with this efficiency-oriented and dynamic management approach, as of 2013, we have decided to restructure our business models. At the end of the restructuring process, our Company will implement the most appropriate business model in terms of market needs and will establish its power even more effectively.

All members of the Akenerji Family have a share in achieving our goals in 2013 despite the difficult conditions of the market. I extend my gratitude to all our employees who worked with resolve, discipline and self-sacrifice throughout the year. Akenerji will continue to consider innovative and profitable investment options in 2014, and reinforce its reliable, leadership position in the industry by increasing its competitive edge every step of the way. I would also like to thank all our shareholders, suppliers, customers, financers and social stakeholders who encourage us in this journey with their support.

Sincerely,

Ahmet Ümit Danışman
Chief Executive Officer

Energy Sector in Turkey and the World

"In 2013, despite 4% growth in the Turkish economy as a whole, energy demand rose by a meager 1%. As such, it was a period of intense competition in the energy industry. The Company set its 2014 targets in this context."

Vratislav Domalip
Deputy General Manager

World
According to the International Energy Agency, demand for energy is expected to grow by one-third within 20 years. Of this increase, 90% will take place in emerging economies, in particular China and India. An analysis of the general trends in the world energy sector reveals that even if the share of fossil fuels in electricity supply rises, its share in overall electricity generation will fall as renewable energy will account for an increasing portion.

The shale gas revolution taking place in the United States remained a hot topic in the worldwide energy debate in 2013. In the footsteps of the USA, Australia, Canada and China are also expending efforts to increase the share of shale gas in energy generation. This new energy source is set to change the equilibrium in the energy market and the number of natural gas exporting countries is expected to rise. According to International Energy Agency forecasts, thanks to shale gas, the United States will become self-sufficient in energy by 2035. It is anticipated that new advances in technology will diminish the importance of the Middle East in the world oil and natural gas market in the coming decade, while the fall in the number of newly discovered reserves will allow OPEC countries to regain prominence after 2020 and beyond.

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

The repercussions of the world economic crisis continued in 2013 and had an effect on the demand for electricity which remained sluggish even with significant incentives allocated for renewable energy resources; consequently, European power distribution and generation companies had a difficult year in financial terms. In many countries, particularly Germany, the newly activated wind and solar power plants generated considerable surpluses during peak hours, resulting in an adverse effect on gas and coal-powered plants. In the face of these obstacles, certain natural gas power plants decided to halt operations.
In reaction to this novel situation in the energy market, European energy companies adapted a new strategy by putting their natural gas powered plants up for sale, raising capital and expanding their renewable energy portfolio.

In 2013, as in previous years, governments and private companies alike have failed to expend sufficient effort in the struggle against climate change, one of the major problems threatening the world today. The economic crisis and the rise in the number of plants powered by renewables has resulted in an excess supply in carbon credits. The excess supply also led to a drop in emission prices, which dealt a huge blow to the functioning of the carbon stock exchange. Owing to all these developments, the future of the stock exchange has become a controversial topic.

Turkey

In the first nine months of 2013, despite 4% growth in the Turkish economy as a whole, energy demand only rose by a meager 1%.

As for the breakdown of economic growth, relatively less energy-intensive sectors such as services and construction have come to play a larger role than energy-intensive industries, one of the factors underlying the above-mentioned decoupling of GDP growth and electricity demand. Although demand for electricity has remained almost unchanged from the previous year, energy supply has increased, resulting in downward pressure on electricity market prices that fell by 2.7% over the year 2012.

The new Electricity Market Law, which came into effect after its issue in the Official Gazette dated March 30, 2013, is a critical measure toward the reorganization of the energy market. Furthermore, the number of derivative transactions and Organized Wholesale Market contracts are expected to increase after the establishment of EPİAŞ. It is suggested that the activation and maturation of EPİAŞ will take some time; however, once fully in place, the institution will increase liquidity in the electricity market and help it function in a more efficient and transparent fashion.

In 2013, all privatization tenders for all regional power distribution companies were completed. The tenders for power generation companies have yet to be completed.

The share of the public sector in total installed capacity fell from 60% in 2012 to 52% in 2013. The predominance of natural gas continued through 2013 as it accounted for 43% of total energy production versus coal for 25% and hydroelectric power for 27%.

Energy and Current Account Balance

In the second half of 2013, oil prices started to head upwards in part due to the Syrian crisis. In addition to this rise, the Fed’s announcement of its tapering decision triggered a significant devaluation of the Turkish lira against the US dollar with the latter breaking the historical record of TL 2. Due to the hike in oil prices and the exchange rate, Turkey’s largely import-dependent energy bill soared considerably. Energy importation stood at US$ 56 billion as of year-end and continued to account for a large portion of the current account deficit.

As of year-end 2013, the current account deficit was US$ 65 billion. Reducing Turkey’s foreign dependence for energy will be the most effective measure to decrease the weight of energy imports during the current deficit. For this purpose, renewable energy such as wind and hydroelectric power and domestic sources need to be harnessed in a much more efficient manner.

Energy Markets Towards 2035

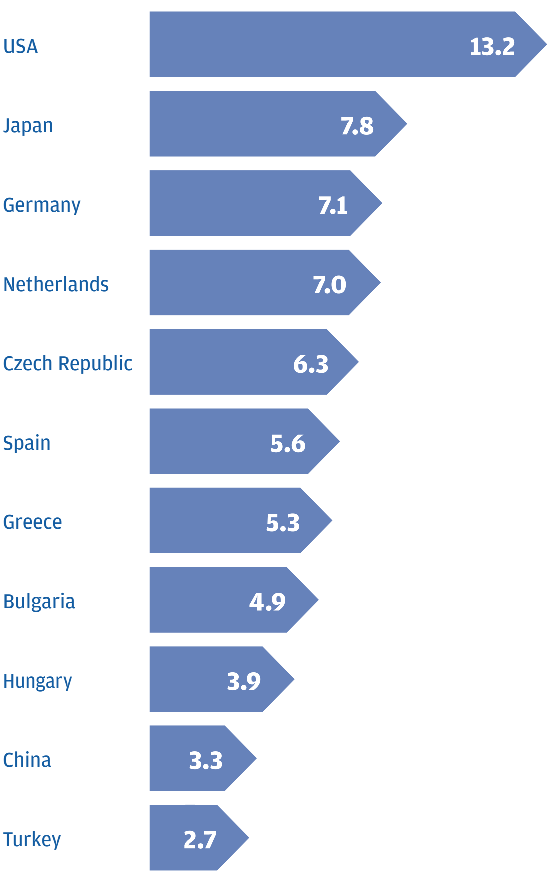
China, India and Middle Eastern nations are expected to take the lion’s share in new energy demand toward the year 2035. This is based on the anticipation that living standards from these populations will rise in the coming years.

Energy Sector in Turkey and the World

"Our favorable financial performance was reflected in our profitability figures. The gross profit of Akenerji increased by 8% and reached TL 149 million in 2013.

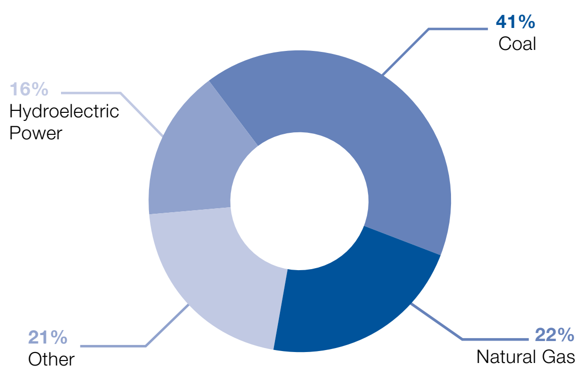
Jindrich Weiss
Assistant General Manager - Accounting and Finance

Average Per Capita Electricity Consumption* (MWh)

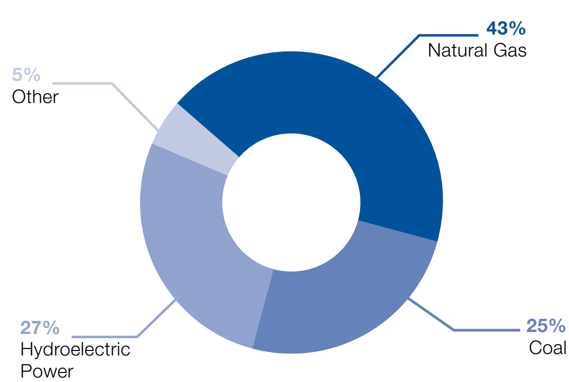


(*) World Bank World Development Indicators, 2012

Breakdown of Sources in Electricity Generation (World)

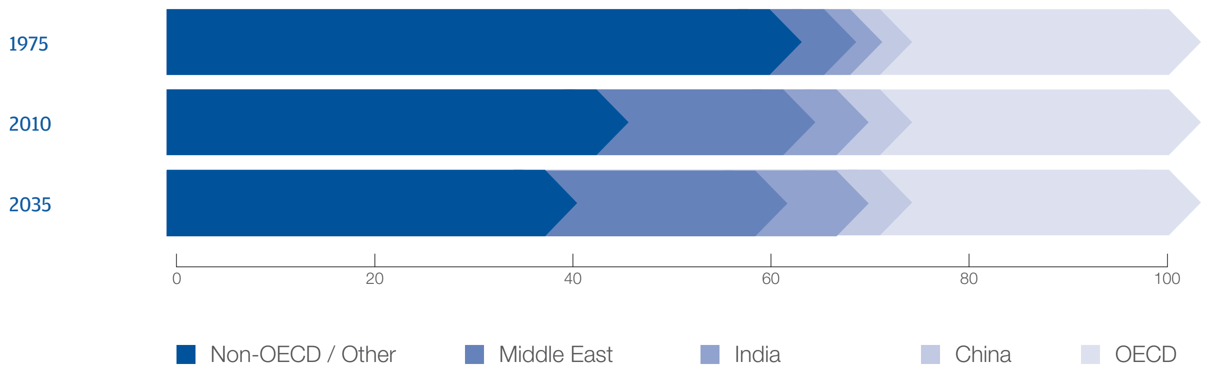


Breakdown of Sources in Electricity Generation (Turkey)



Source: TETAŞ, IEA

Distribution of Global Energy Demand (%)



Source: IEA

Operations in 2013
GENERATION

"In 2013, 60% of 1.9 billion kWh electricity that Akenerji produced in its power plants operating with high productivity objective, was derived from renewable resources."

Serhan Gencer
Assistant General Manager - Power Plants Operation and Maintenance

Renewable Energy Power Plants

Power Plant	Installed Capacity (MW)	Date of Activation
Ayyıldız WPP	15	September 2009
Akocak HEPP	81	July 2010
Bulam HEPP	7	August 2010
Uluabat HEPP	100	October 2010
Burç Bendi HEPP	28	November 2010
Feke II HEPP	70	December 2010
Feke I HEPP	30	June 2012
Himmetli HEPP	27	May 2012
Gökkaya HEPP	30	July 2012
Total	**388**	

Akenerji commenced renewable energy efforts in 2005. Afterwards, the Company increased the number of its renewable power plants by implementing several simultaneous projects. With a total of eight hydroelectric power plants and one wind power plant, Akenerji currently boasts 388 MW of installed capacity in renewables. As of 2013, the share of renewables in the Company's total installed capacity rose to 60%.

The construction of Egemer-Erzin Natural Gas Combined Cycle Project, one of the largest natural gas power plant investments in Turkey, with 900 MW of installed capacity, is still ongoing. After the activation of the plant in 2014, Akenerji's energy production is expected to rise 2.5 times.

Cognizant of the importance of alternative energy sources in the struggle against climate change, Akenerji maintained its line of renewable energy sources in 2013. Having demondstrated a stable position stance in this field for long years, the Company plans to continue investments in this area in the upcoming years.

Wind

Ayyıldız Wind Power Plant is the first renewable energy generation facility at Akenerji.

Hydroelectric Power

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

As a result of concomitant projects, Akocak, Bulam, Burç Bendi, Feke II and Uluabat hydroelectric power plants were activated in 2010, followed two years later by Feke I Regulator and Hydroelectric Power Plant with 30 MW of installed capacity and 117 GWh of annual electricity generation. Other plants started operating in 2012: Himmetli HEPP - with 27 MW installed capacity - and Gökkaya HEPP - with 30 MW installed capacity. As such, Akenerji has activated all of its hydroelectric power plant investments to reach a total installed capacity of 647 MW in 2012.

Natural Gas

Akenerji's operational natural gas power plants are located in Bozüyük, Bilecik (132 MW installed capacity) and Kemalpaşa, Izmir (127 MW). The Bozüyük power plant earned the "Cleanest Industrial Facility" award in 2012 owing to its eco-friendly business approach.

In 2013, Akenerji's subsidiary Egemer Elektrik Üretim A.Ş. continued with the construction of the Erzin Natural Gas Combined Cycle Plant located in Hatay's Erzin district; 90% of the construction has been completed. Planned to become operational in 2014, the power plant is one of the key projects of the Akkök-ČEZ strategic partnership. The plant, with an installed capacity of approximately 900 MW, is expected to produce electricity at an average of 6.7 billion kWh annually, thus allowing Akenerji to make a great contribution toward meeting Turkey's energy demand.

Operations in 2013
INVESTMENTS

"Having added considerable value to the Turkish economy and energy industry by putting in operation nine power plants in five years, in 2013, Akenerji made further progress in the engineering work of its Kemah HEPP project."

Yücel Coşkun
Assistant General Manager – Investments

Adding considerable value to the Turkish economy and energy industry through its investments, Akenerji employs production strategies that aim for the highest productivity and continues to provide solutions to the nation's rising energy demand.

In 2013, Akenerji continued to work on project design and pre-construction permits for the largest HEPP in its portfolio - Kemah HEPP.

Investments in Construction Phase Erzin Natural Gas Combined Cycle Power Plant
Carried out by Egemer Elektrik Üretim A.Ş., Erzin Natural Gas Combined Cycle Power Plant is one of the most important projects of the Akkök-ČEZ strategic partnership. Upon activation of the plant under construction in Erzin, Hatay, Akenerji's energy production is expected to rise by 2.5 times. Erzin Natural Gas Combined Cycle Power Plant is the Company's single largest investment to date.

With the construction of Erzin Natural Gas Combined Cycle Power Plant, Akenerji acted with the utmost environmental and social awareness. As such, the Company devised an eco-friendly production system based on cutting-edge technology and high efficiency.

The construction phase was largely completed in 2013 and the power plant is planned to be activated in 2014. With an installed capacity of 900 MW, Erzin Natural Gas Combined Cycle Power Plant will bring Akenerji's installed capacity to 1,420 MW in 2014, further reinforcing the Company's robust position in the market.

Permits
The Company obtained the construction permit for Erzin Natural Gas Combined Cycle Power Plant on September 16, 2011, followed by the production license, a favorable Environmental Impact Assessment report, implementation plan and master zoning plan. In 2012, the construction of energy transmission lines needed to connect the plant to the interconnected energy system, and the Erzin and Tosçelik transformer stations were completed. Construction of the plant's gas pipeline and the RMS work were completed in 2013 and approved by BOTAŞ.

Construction Process
Based on a turnkey engineering, procurement and construction contract signed on December 15, 2010 with the Gama Güç Sistemleri-GE Energy-Gama Ltd.-General Elektrik A.Ş. Consortium, a definite statement of commencement for construction was submitted on October 15, 2011. On November 23, 2011 construction began with the removal of topsoil. By 2013, 90% of the construction phase has been completed and testing has been started.


EuroTech 96

Akenerji, acting with environmental and social responsibility in business processes, conducts the Egemer and Kemah projects with same awareness.

Project Finance
The total investment for the project is USD 930 million; USD 651 million of which was provided as a syndicated project finance loan on October 11, 2011 from a banking consortium consisting of three Turkish banks. The loan repayment period is 12 years with a grace period of 3.5 years during the investment phase. Akenerji will provide the remaining investment amount of USD 279 million as equity.

Environmental and Social Responsibility in Erzin Natural Gas Combined Cycle Power Plant
Akenerji carries out business activities with environmental and social awareness; the same is valid for the construction of the Erzin Natural Gas Combined Cycle Power Plant by Akenerji's subsidiary Egemer Elektrik Üretim A.Ş. Akenerji's environmental policy is based on the principle of energy generation at maximum efficiency by consuming the least possible resources. The Company receives support from research and engineering companies that are experts in their fields of operation and adapts state-of-the-art technology in its production system. All environmental risk that could arise from operations are taken into consideration. The Company does its utmost to minimize any adverse impact on regional agriculture during both construction and generation phases.

Electricity generation at the Erzin Natural Gas Combined Cycle Power Plant will be carried out using the natural gas combined cycle method; NOx emissions will be decreased to very low levels. The level of flue gas emission is planned to meet the values given in European Union environmental legislation. For this purpose, advanced technology control and monitoring systems will be used while the values will be constantly monitored by a team of experts. In addition, via the online ambient air monitoring station currently being built near the power plant, air quality will be monitored continuously.

Once the plant is in operation, it will fully comply with all environmental criteria imposed by legislation, such as wastewater treatment and discharge, disposal and recycling of waste materials, prevention of noise pollution and protection of groundwater resources. Sea water will be used in cooling processes; groundwater resources will not be employed in any section of the plant. The monitoring of groundwater levels and quality parameters began long before the construction stage and is ongoing.

Pre-construction monitoring studies were carried out beginning in March 2011 to determine the present condition of the project site and impact area. Ground and surface water, soil quality, flora and fauna, the population of species considered to be of importance for the region were observed and follow-up studies were carried out dealing with sea turtles. In addition to these pre-construction studies, noise, air and water qualities are being measured to observe the impact of construction activities on the environment. Evaluation reports, operating and monitoring plans were prepared to guide the Company throughout the construction and operation period. As such, environmental monitoring practices will be maintained during operations with the same meticulous care as in the construction phase. At the end of the first year, the monitoring schedule will be revised in accordance with legislative requirements and will be implemented accordingly in the following year.

Akenerji also contributes to regional employment with its largest ever project, the Erzin Natural Gas Combined Cycle Power Plant. Erzin Public Training Center has been visited to obtain information about the potential labor force in the region. About 230 of the 470 employees working in the first phase of construction were selected among the local workforce. The power plant has employed approximately 1,000 persons in the construction phase and will require a 60-strong workforce upon its activation. To ensure that the region benefits in economic terms, the Company procures the materials and equipment required for the project from the region as much as possible during the construction phase.

As in all of its projects, Akenerji will abide by the principle of transparency in the Egemer - Erzin Natural Gas Combined Cycle Power Plant Project. Accordingly, all information about the project is duly disclosed to the general public. Since 2010, up-to-date information has been made available on the Akenerji website. Moreover, a Communications Contact Officer was appointed by Egemer Elektrik Üretim A.Ş. to provide effective relationship management between the parties, to ensure the continuation of the information flow and to respond to inquiries during the project.

Investments in Project Phase
Kemah Dam and Hydroelectric Power Plant

Kemah Dam and Hydroelectric Power Plant is planned to be constructed in the Kemah district of Erzincan province. Feasibility studies of the project are complete and work on obtaining project design and pre-construction permits continued during 2013.

Having an initial installed capacity of 160 MW, the capacity increase of the Kemah HEPP project to a total of 198 MW with two separate power generation units was approved by EMRA. The approval process for the affirmative Environmental Impact Assessment (EIA) certificate, regarding the amendment of the generation license and increase of installed capacity is ongoing at the Ministry of Environment and Urbanization.

The Kemah HEPP project is a key symbol of Akenerji's focus on renewable energy. Scheduled to be operational in 2017, the project is expected to generate approximately 560 GWh of electricity per year.

Operations in 2013
RETAIL TRADE

"In 2013, Akenerji created added value by selling 900 million kWh of electricity procured from third parties in addition to its own generation. With an increasing performance in this field, it is managing a portfolio larger than its production capacity."

Selim Güven
Assistant General Manager -
Energy Trading and Strategic Planning

By capitalizing on its balanced production portfolio, Akenerji has become one of the top energy trade companies in Turkey. The Company carries out analyses on the basis of individual electricity meters and customers, according to the duration and capacity demanded. The Company has managed to provide the offers best suited to customer needs and has expanded its customer portfolio.

The regional sales project implemented in the fourth quarter of 2012 allowed the sales team, which, at that time, was only located in Istanbul, to expand into other regions. This enabled the sales team to not only promote Akenerji among potential customers, but also responded to the needs of current customers more rapidly and face-to-face. In the assessment carried out in 2013, the project was found to be successful; it was decided to expand it into more regions.

Although price is thought to be an important factor in the electricity trade, the supplier's market experience, know-how and pre- and after-sales services are also key determinants. Akenerji carries out an annual customer satisfaction survey to get a better grasp of customer demands and expectations. These include customers' increasing information and perception into the Company's service management scheme. As a result of feedback from surveys and interviews, the Company has been able to deliver bills to customers as quickly as possible, increasing their satisfaction in 2013. In this respect, the Akenerji management team has initiated a new billing method called Smart Billing. Additionally, a new detailed billing scheme that is easy to read and understand was put into practice in late 2013.

Akenerji plans to remain the first choice of its customers in 2014 with its sustainable, economic and transparent contracts based on the win-win principle.

Akenerji has reinforced its leadership position in the wholesale electricity trade by increasing its transaction volume seven times.

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

Akenerji's in-depth know-how established over the years, allows it to make wise business decisions. In 2013, the Company signed wholesale contracts with 40 companies; 110 transactions were carried out within the scope of these contracts. The Company plans to maintain this performance in 2014.

Efficient process management slashes costs as it boosts productivity

Akenerji continued to stick to its productivity-oriented strategy with regard to production and trade transactions. In accordance with this strategy, each unit of energy generated at Akenerji facilities is utilized in the most efficient manner possible. The Company increased profitability and productivity in 2013 by optimizing its power plants based on prices realized in the Day-Ahead Market and Energy Balancing Market, with the contribution of efficient trade processes and ancillary services.

In order to ensure the most efficient functioning of business processes, Akenerji closely monitors every single process. To defend against hazardous price fluctuations the Company keeps a close watch on production, supply, sales, changing market prices and takes the necessary measures.

After the adaptation of the Contract for Difference (CFD) used in Europe to the Turkish markets and the signing of the first CFD between Akenerji and SEPAŞ on May 18, 2012, a rapid rise in the number of these contracts was seen in 2013. Thanks to these CFDs, costs were reduced and risk management systems were rendered more effective. The Company once again played a pioneering role in the market, by informing other companies in the energy industry about these contracts. In 2013, the Company signed such contracts with five companies for wholesale energy trade and effectuated its first ever capacity options sale.

Fully aware that reducing costs arising from energy disequilibrium boosts profitability, Akenerji continued to expend efforts in this area during 2013. Since the date announced in the applicable legislation, Akenerji has included different power generation companies in the group responsible for energy equilibrium under its leadership to augment its positive impact. In 2014, with a view to increasing this group's volume and efficiency, Akenerji officials will focus on including only disequilibria in the group.

In early 2013, Akenerji initiated work on the Close-Range Monitoring System project to efficiently manage disequilibria arising from electricity generation at its power plants. Completed in late 2013, the system allows online supervision of such disequilibria and immediate intervention for its minimization. The Company has taken one more step toward its goal of high efficiency.

Having made a very important contribution to the improvement of frequency quality within the Turkish electricity grid, Akenerji continued to provide Secondary Frequency Control services in 2013. Primary Frequency Control is another service that the Company is required to provide as part of Ancillary Services. By signing Primary Frequency transfer contracts with other power generation companies, Akenerji minimizes the adverse impact of said requirement and also helps other players in the energy market to improve their productivity.

With experience and know-how in the Turkish energy market, Akenerji has further reinforced its standing by serving as a co-founder of the Energy Trade Association. Cognizant of its responsibilities toward the industry, the Company supported the establishment of the Turkish Energy Market and the implementation of relevant energy legislation in 2013. To this end, the Company has been in constant contact with private sector players, public officials and regulatory authorities.

New opportunities in international energy trade

As a pioneer in energy generation, Akenerji placed special emphasis on marketing activities to further reinforce its leading position in the energy trade during 2013. Just as in 2012, the Company again added the production of other power generation companies in its portfolio to considerably expand its trade volume. During 2013, in addition to its own production, the Company created added value by selling around 900 million kWh of energy procured from third parties.

Akenerji was one of the sponsors of the energy trade event “All Energy Turkey” held for the first time in 2013. The event was attended by domestic and international players active in all segments of the energy industry, as well as public agencies and regulatory authorities. At its trade fair booth, Akenerji welcomed prominent names of the energy industry.

Akenerji continued its foreign trade operations with Greece and Bulgaria during 2013. Some 30 million kMh of a total of 900 million kWh procured from third parties in 2013, was imported via these two nations. Akenerji plans to expand its foreign trade activities; it is closely monitoring trade opportunities with Georgia and Iran in 2014

Continuing productivity-focused solutions in energy trade

In 2014, with the help of its robust financial structure, rich know-how and strong market position, Akenerji will continue to provide productivity-focused solutions to eligible consumers, suppliers and production companies while presenting its own power generation along with that produced by other companies.

Operations in 2013

CARBON CERTIFICATION, EMISSIONS TRADE AND CARBON-NEUTRAL ELECTRICITY

Even as climate change remains one of the largest natural threats ever faced on Earth, power companies have assumed a significant role in the solution to the problem through their energy policies. Cognizant of this responsibility, Akenerji continues to invest in renewable energy. In addition, the Company provides carbon-neutral electricity to customers while aiming to reduce or neutralize their own carbon emissions.

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

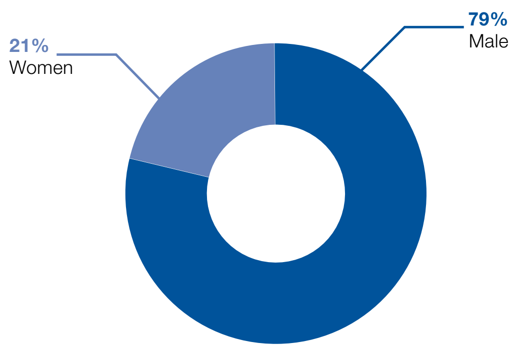
Akenerji has set an example for other Turkish energy companies with its emission trade activities. The Company is actively trading in the market carbon emission reduction certifications obtained for the Ayyıldız Wind Power Plant, Akocak, Uluabat and Feke II Hydroelectric Power Plants.

Attaching immense importance to customer concerns about carbon footprints, Akenerji targets to provide willing customers carbon-neutral electricity in a single package including electricity as well as carbon emission reduction certificates obtained for its renewable power plants. Carbon neutrality corresponds to compensating for the unavoidable greenhouse gas emissions from companies or consumers by contributing to certified projects that cut carbon emissions. The carbon neutrality of electricity produced by Akenerji is also verified by independent firms. As such, Akenerji customers are given the opportunity to eradicate any carbon footprint arising from electricity consumption.

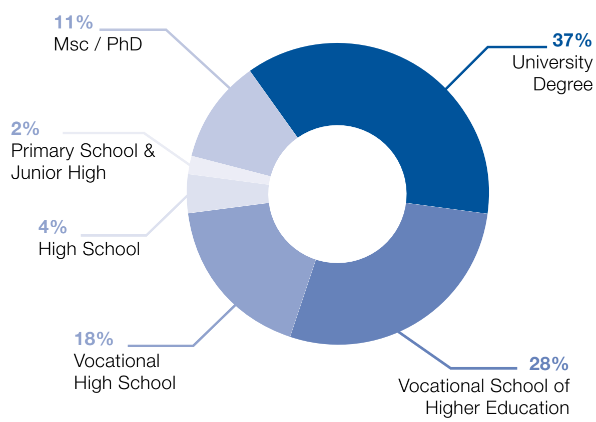
Akenerji Employee Profile

As a result of its competence-based assessment and selection system, Akenerji has become a magnet for well-trained and creative individuals capable of taking the initiative.

Gender



Education Level



A modern approach with a focus on employee satisfaction

Developing and adapting human resource strategies according to today's requirements, Akenerji strives to offer employees a working environment where they can contribute to business processes. The Company meticulously recruits competent, highly-disciplined, results-oriented individuals capable of taking initiative. The Company ensures that its human resource policies bolster employee satisfaction and motivation.

Training policy promotes lifelong development training

Believing that personal and professional development must continue throughout one's lifespan, Akenerji fully supports its workforce in this respect. Each member of the Akenerji Family enjoys a working environment where they can continuously hone their personal and professional skills and contribute to the company.

The Akenerji Human Resources Department carries out talent assessment and management, human resource planning and performance evaluation processes to identify employee training and development needs. Individual employees are presented with personal and professional development opportunities. Employee participation in training programs, symposiums, panel discussions, conferences, seminars, exhibitions, fairs and industrial meetings are fully supported by the Company. This focus on training permits Akenerji to recruit individuals who can take the initiative, express their thoughts clearly and add to the company with their creativity.

During selection and assessment in 2013, Akenerji placed more emphasis on Assessment Center practices to ensure that the process is more objective and systematic. The evaluation of candidates on the basis of their competency is a key instrument in fulfilling the Company's objective of placing the right person in the right post.

The Akkök Talent Management project, designed to evaluate and develop employee competency, was continued into 2013. On the basis of the assessment results, management personnel were offered Management Development Training seminars. There was significant headway made in the Development Planning process, that includes all Company employees. Personal Development Training, designed according to Development Planning was conducted in Istanbul and other cities.

In 2013, another innovation in the field of human resources was the completion of the project for electronically monitoring and reporting the training needs, training plans and training costs for employees, as well as transferring all training requests and processes to electronic media. The project will be launched in 2014 and will enrich the Talent Management Process Training Module. The transfer of the Akenerji Performance Management process to the electronic platform will enhance performance measurement and assessment as well as monitoring of target attainment.

Environmental Practices and Social Responsibility

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

Environment

While assessing its environmental impact, Akenerji is particularly alert to major problems that might affect nature. The Company is fully aware of its responsibilities in the struggle against climate change. The Company capitalizes on its technological competence to mitigate environmental and public risks carried by its operations. Akenerji pays attention to preserve natural life and prevent environmental pollution in all business processes with the principle of efficiency in generation provides a solution to this issue. Akenerji's state-of-the-art practices, powered by scientific advances, ensure that maximum energy is generated by consuming the minimum amount of resources.

Consistent Progress in Renewable Energy Investments

Taking a stand against climate change, a global problem, Akenerji continued its studies on renewables in 2013. Akenerji initiated its investments in renewable energy sources by participating in the first hydroelectric power plant tenders from the Energy Market Regulatory Authority (EMRA) in 2005. As such, it became one of the first private electricity generation companies to invest in renewables.

Ayyıldız Wind Power Plant, the Company's first renewable energy generation plant, went into operation in 2009.

Subsequently, Akocak HEPP (81 MW), Bulam HEPP (7 MW), Burç Bendi HEPP (28 MW), Feke II HEPP (70 MW) and Uluabat HEPP (100 MW) were activated in 2010, followed by Himmetli Regulator (27 MW), Feke I Regulator and HEPP (30 MW) and Gökkaya HEPP (30 MW) in 2012. As such, Akenerji's total installed renewable energy capacity increased to 388 MW and the share of renewables in its total reached to 60% in 2013.

Considering the total feasibility generation capacity of Akenerji's current renewable energy power plants, it is possible to eliminate approximately 1 million tons of greenhouse gas emissions, equivalent to the fresh air produced by approximately 42.2 million trees. Motivated by the prospect of contributing to nature, Akenerji will continue to expand its renewable energy capacity and preserve its leadership in the field of sustainability with high efficient generation processes. Raised awareness among consumers and new legislation are other factors that reinforce Akenerji's resolve in this area.

Leading the Way in Emissions Trade

Akenerji played a pioneering role in the industry in emissions trading. After Ayyıldız Wind Power Plant and Bulam Hydroelectric Power Plant were certified according to "Gold Standard" criteria, the certification processes for Uluabat, Burç, Akocak, Feke I,Feke II, Himmetli and Gökkaya Hydroelectric Power Plants have been also completed. With the certification processes finalized, Uluabat HEPP will become the largest Turkish HEPP with dam certified according to the Voluntary Carbon Standard (VCS).

Akenerji actively works on the mitigation of nitrogen oxide emissions in the flue gas of natural gas power plants. To this end, the turbines are equipped with steam injection systems or Dry Low NOx systems. Flue gas emissions of Bozüyük and Kemalpaşa plants are continuously monitored and kept within the limits set by the Regulation on Large Combustion Power Plants.

Supporting the Fight Against Climate Change

In 2011, Akenerji participated in the Carbon Management Project organized by Sabancı University's Corporate Governance Forum. The Carbon Disclosure Project is a worldwide voluntary initiative established to collect and share information that will allow companies, investors and governments to take action against the threat of climate change. Every year, participating enterprises make public disclosures about their carbon emission strategies and carbon emissions. Annual country reports are prepared based on data supplied voluntarily by companies; these reports are evaluated for the creation of strategies to fight global climate change.

The Carbon Management Project became another of Akenerji's main targets in 2013; the project was implemented by a team of Company employee. In parallel with this initiative, the Company has aligned its annual Environment, Health and Safety Report studies with the international standards of the Global Reporting Initiative (GRI) since 2012.

Akenerji investments are in line with the European Union's environmental legislation and the Company makes a point of implementing environmentally friendly measures at its operating plants. The investment plans for the power plants are based on cutting-edge technological advances. The Company opts for the most efficient models of gas and steam turbines.

Environmental Practices and Social Responsibility

Akenerji Group successfully completed the Interim Control and Certification audit between May 20-23, 2013 under the Quality Management Systems (ISO 9001:2008), Environmental Management Systems (ISO 14001:2004) and Occupational Health and Safety Management Systems (OHSAS 18001:2007) for eight power plants in operation (Bozüyük NGPP, Kemalpaşa NGPP, Ayyıldız WPP, Uluabat, Akocak, Burç Bendi, Feke II, Bulam HEPP) and the Head Office.

Feke I, Himmetli and Gökkaya HEPPs which became operational in late 2012 will be included in the certification process in 2014.

Locations with Certification within Akenerji Elektrik Üretim A.Ş.:
Head Office, Kemalpaşa Power Plant, Bozüyük Power Plant, Ayyıldız Wind Power Plant, Uluabat Hydroelectric Power Plant, Akocak Hydroelectric Power Plant

Locations with Certification within Akkur Enerji Üretim Tic. ve San. A.Ş.:
Burç Bendi Hydroelectric Power Plant, Feke II Hydroelectric Power Plant.

Locations with Certification within Mem Enerji Elektrik Üretim San. ve Tic. A.Ş.:
Bulam Hydroelectric Power Plant

Improving Quality with IFC Performance Standards

Following the loan agreement signed with the International Finance Corporation (IFC), dam safety studies for Feke II, Himmetli and Gokkaya power plants were conducted in the scope of action plan which is important for lending process and the resulting report was presented to the IFC in March 2013.

Akenerji has rapidly implemented IFC performance standards, further enhancing current quality and safety levels. Compliance with the standards was carried out intensively, especially with HEPP projects in Adana. In all projects in this region, studies were carried out on preparation of quality, environment, occupational health and safety management systems and full compliance with the environment, occupational health and safety legislation.

Booklets and posters were placed on the Company's website in 2011, and then were distributed to local mukhtars' offices, schools, municipalities, teahouses and aviation facilities around the HEPPs. Approximately 1,700 booklets and 4,001 posters were delivered to communities in Trabzon, Adıyaman, Bursa and Adana. Akenerji plans to distribute more of these materials to an increasing number of provinces in the coming years.

Eco-Friendly Production with Wise Waste Management

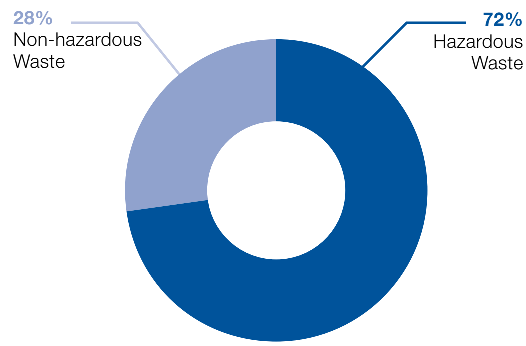
Akenerji makes it a point to organize its business processes with the least possible environmental impact. Emphasis on the prevention of pollution is also visible in the Company's waste management policies. Akenerji Environmental Management Unit transfers waste generated in its plants and the Akhan Head Office to licensed institutions authorized by the Ministry of Environment and Urbanization for recycling or elimination.

In 2013, as a result of waste management efforts, about 1,250 kg of hazardous waste was disposed of and over 105 tons of waste was recycled. As in previous years, waste batteries were collected separately from other waste at Akhan. All employees of Akenerji and its subsidiaries gave their full support to the collection of waste batteries. As a result, 74.4 kg of waste batteries were collected and sent to the Portable Battery Manufacturers and Importers Association (TAP).

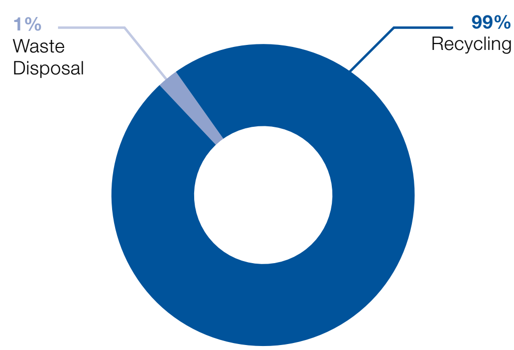
As a reflection of its corporate culture, the environmental commitment of Akenerji employees also showed itself in the collection of recyclable waste. In 2013, approximately 2,500 kg of waste paper was collected from Akhan and all Akenerji plants and sent to recycling firms. An electronic waste-recycling project was started at Akhan and at Akenerji Group power plants in August 2012 and continued in 2013. In this context, electronic waste collection boxes were placed at the offices of Akhan and in power plants. Collected waste is sent to a firm approved by the Ministry of Environment and Urbanization. By the end of 2013, approximately 1,500 kg of electronic waste was thus recycled. This firm also plants saplings in the name of the Company, with the assistance of TEMA.

In addition to these efficient waste management projects, Akenerji also promotes employee awareness on these issues. Akenerji Environmental Management Unit organizes various training programs on environmental legislation and waste management at the Head Office and onsite. As of September 2013, environmental legislation and waste management seminars had taken place at all work sites.

Hazardous and Non-hazardous Waste



Recycling and Waste Disposal



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

Environmental Practices and Social Responsibility

As a well-established energy company, Akenerji is fully aware of the prominent role it plays in the sustainable development of Turkey.

Social Responsibility

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

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

Supporting Education for a Brighter Future

Akenerji believes that a nation's future can only be secured by raising well-educated new generations. Accordingly, the Company continued to support education in 2013. In 2011, through a collaboration with TEV, the Company provided 10 scholarships to university students from Araklı in Trabzon, the area where Akocak Hydroelectric Power Plant is located. The scholarship support continued with the same number of students in 2013.

Educational Support from Egemer to Erzin

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

Video Training Project for Visitors to Akenerji

The Video Training Project was initiated in 2011 to inform interns, contractors or other visitors to the power plants about electricity generation, environmental legislation and OHS regulations. With the completion of this project in 2012, visitors to hydroelectric, natural gas and wind power plants have the opportunity to watch videos about all of these issues. The Video Training Project continued into 2013.

Two Awards in "Corporate Social Responsibility and Environment" Competition

Keen on adding value to society, the Company's Kemalpaşa Natural Gas Power Plant participated in the Corporate Social Responsibility (Bronze) and Environment (Gold) Awards competition by the Aegean Region Chamber of Industry (EBSO). Kemalpaşa Natural Gas Power Plant was awarded second place in the Environment category and third place in the Corporate Social Responsibility.

As a result of successful measures taken in accordance with the Company's quality and environment policies, Akenerji's Çerkezköy and Bozüyük Natural Gas Power Plants were deemed worthy of other honors in previous years. In 2014, Akenerji will continue its efforts for the adoption and implementation of environmentally compatible technology in all of its power plants.

Corporate Governance
BOARD OF DIRECTORS

Mehmet Ali Berkman
Chairman of the Board of Directors
Born in 1943 in Malatya, Mehmet Ali Berkman graduated from Middle East Technical University, Faculty of Business Administration, Department of Industrial Management and earned his MBA degree in Operations Research from Syracuse University in the USA. In 1972, he joined Koç Group and served at the Group until his retirement in 2004. In September 2005, Mr. Berkman assumed the position of Member of the Board of Directors and Chairman of the Executive Board at Akkök Sanayi Yatırım ve Geliştirme A.Ş. and also served as Chairman of the Board of Directors of other Group companies. Mr. Berkman left his position as Chairman of Akkök Executive Board as of 01.01.2013 and is currently serving as Consultant to Akkök Executive Board. Mr. Berkman also serves as Chairman and member of the Board of Directors at Aksa Akrilik, Akiş GYO, Akenerji Elektrik Üretim A.Ş. and AKCEZ Enerji Yatırımları San. ve Tic. A.Ş. as well as Board Member at other companies of Akkök Group of Companies. Berkman is Vice Chairman of the Board of Directors at DowAksa Advanced Composites Holdings B.V.

Tomáš Pleskač
Vice Chairman of the Board of Directors
Born in 1966, Tomáš Pleskač graduated from Mendel Agricultural University (Brno), Faculty of Business Administration and Economics in 1989, and received his MBA from Prague University. In 1994, Mr. Pleskač started his career at ČEZ Group and served as senior executive at various positions within the Group. Since 2008, Mr. Pleskač has served as Head of the International Department and Vice Chairman of the Board of Directors at the ČEZ Group.

Raif Ali Dinçkök
Member of the Board of Directors
Born in Istanbul in 1971, Raif Ali Dinçkök graduated from the Department of Business at Boston University (the USA) in 1993. Following his BA degree, he started working at the Akkök Group, where he served in the Purchasing Department of Ak-Al Tekstil San. A.Ş. between 1994-2000, and as Coordinator at Akenerji Elektrik Üretim A.Ş. between 2000–2003. Mr. Dinçkök currently serves as Member on both the Board of Directors and the Executive Board of Akkök Sanayi Yatırım ve Geliştirme A.Ş. He also serves on the Boards of the Directors at various Akkök Group companies.

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

Ahmet Cemal Dördüncü

Member of the Board of Directors

Born in Istanbul in 1953, Ahmet Cemal Dördüncü graduated from Çukurova University, Department of Business Administration and did postgraduate studies at Mannheim and Hannover Universities. He started his professional career in Germany, at Claas OHG before joining Mercedes Benz A.Ş. in Turkey from 1984-1987. In 1987, he transferred to the Sabancı Group and worked at various posts at Kordsa A.Ş. In 1998, he joined the DUSA South America company followed by DUSA North America as CEO/President. Subsequently, he was appointed President of H.Ö. Sabancı Holding A.Ş. Strategic Planning and Business Development Group in 2004 and CEO of H.Ö. Sabancı Holding A.Ş. from 2005 until 2010.
Mr. Dördüncü joined Akkök Group on September 3, 2012 as member of the Executive Board; he took office as President of the Executive Board in January 2013. Mr. Dördüncü is one of the founder members of the National Innovative Initiative and he also knows English, German, Portuguese and Spanish languages. He is a member of the Endeavor Turkey and former president of the Energy Working Group at TÜSİAD. Currently, he has been serving as the president of TÜSİAD Environmental Working Group and Board Member at International Paper Company.

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Martin Pacovský

Member of the Board of Directors

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

Peter Bodnár

Member of the Board of Directors

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

Petr Štulc
Member of the Board of Directors

Petr Štulc received his master's degree in geophysics at Charles University in Prague in 1992 and received his PhD from the same department in 1995. Mr. Štulc served as Eurelectric's Central Eastern Region Coordinator, Vice President of the OECD BIAC Energy Committee and later joined ČEZ Group in 2004. As Head of Strategy at ČEZ, his responsibilities included enhancement of the market strategy, evaluation of acquisition targets throughout Europe and market analysis. Mr. Štulc has served as Finance Director and a Member of the Board of Directors at ČEZ Prodej s.r.o. since 2010.

H. Yaman Akar
Member of the Board of Directors

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

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

Born in Ankara in 1958, Ahmet Ümit Danışman is a graduate of Ankara University, Faculty of Political Science, Department of Economics and Public Finance. He received his Master's degree in international economics from University of Lancaster in the UK. Mr. Danışman commenced his career in 1980 at the State Planning Office as an Assistant Specialist. From 1983 until 1987, he served the office as Specialist and Consultant to the Undersecretary at the General Directorate of Incentives and as Group Head at the General Directorate of European Union Relations. From 1988 until 1992, in the last four years of his public service, he took office in Brussels as Turkey's Permanent Representative in the EU as Planning Consultant.
In 1992, he transferred to the private sector and started working as Business Development Manager at the Brussels-based Unit Group known for their international energy investments. Mr. Danışman continued his career as CEO and Board member at the Company's energy concerns in Turkey, Belgium, the Netherlands and Romania.
Since January 2008, he has served Akenerji Elektrik Üretim A.Ş. as General Manager and a member of the Board of Directors of subsidiary companies. He has also been a member of the Executive Board at Akkök Sanayi Yatırım ve Geliştirme A.Ş. since December 2011. Fluent in English and French, Mr. Danışman is married and has three children.

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

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

Hakan Akbaş
Independent Member of the Board of Directors

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

Jiří Schwarz
Independent Member of the Board of Directors

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

Corporate Governance
INDEPENDENCY STATEMENT FOR INDEPENDENT BOARD MEMBERS

TO AKENERJİ ELEKTRİK ÜRETİM A.Ş. BOARD OF DIRECTORS CHAIRMANSHIP

SUBJECT: Independency Statement

DATE: June 14, 2013

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

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

- I do not represent a certain share group,

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

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

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

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

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

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

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

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

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

Kind regards,

Hakan Akbaş

TO AKENERJİ ELEKTRİK ÜRETİM A.Ş. BOARD OF DIRECTORS CHAIRMANSHIP

SUBJECT: Independency Statement

DATE: June 14, 2013

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

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- I do not represent a certain share group,

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

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

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

- My spouse or my relatives by blood and marriage up to the third degree have not acted as manager and shareholder of more than 5% of the total capital of or any manager that otherwise controls the management of and that has influence over the control of Akenerji Elektrik Üretim Anonim Şirketi,

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

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

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

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

Kind regards,

Jiři Schwarz

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

SECTION I - SHAREHOLDERS

2. Shareholder Relations Department
All shareholders, including minority and foreign shareholders, are treated equally.

Along with other corporate bodies, the "Shareholder Relations Department", a mandatory structure established in accordance with legislation, and operating under the Deputy General Manager of the Financing and Financial Affairs, plays an active role in facilitating the exercise and protection of shareholders' rights, and primarily the right to obtain and analyze information.

In this context, all inquiries submitted to the unit, with the exception of information classified as confidential or a trade secret, are replied to either by telephone, or in writing having first been discussed with the most senior officer related to the topic at hand.

The contact information of the Company's employees responsible for the relations with the shareholders is stated below:

Nilüfer Altıntaşı Aydoğan
0212 249 82 82/21130
naltintasi@akenerji.com.tr
Unit
Fax: (0212) 249 73 55
e-mail: info@akenerji.com.tr

The Company has created an accessible and transparent communication platform that encompasses all of its stakeholders, and accordingly organizes periodic meetings and answers relevant questions via email or meetings, upon demand. The demands of financial intermediaries, corporate investors and individual investors are met by email and/or meetings organized periodically -quarterly- or on an ad hoc basis, upon request. All written or verbal information requests of shareholders, potential shareholders, analysts evaluating the Company, or academics and students conducting research into the Company or sector, are met via email, telephone, or at meetings at the earliest time -with the exception of any information not revealed to the public, or else classified as confidential and trade secrets.

In 2013, one to one meetings with more than 15 intermediary firms were held with the aim of providing them with the detailed information regarding the activities of the Company.

Information and explanations that may affect the use of the shareholder rights are regularly presented on the website of the Company for the use of the shareholders.

According to the principle of public disclosure and transparency, 39 "Material Event Disclosures" were made in 2013 to ensure that shareholders and other stakeholders were informed in a timely manner. Since the Company is not a quoted capital markets intermediary on foreign stock exchanges, it is not obliged to make any additional Material Event Disclosures beyond the Borsa Istanbul. All Material Event Disclosures have been made within the terms stipulated by law, and no sanctions have been imposed on the Company by the CMB during the year 2013.

3. Exercise of Shareholder's Right to Obtain Information
All shareholders have the right to obtain and analyze any kind of information that is not classified as a trade secret, within the framework of the regulations in effect. The right to obtain and analyze information has neither been removed nor restricted by the Articles of Association, or else by a decision of any corporate body.

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

A provision stating that even though not included on the agenda, each shareholder may individually demand a private audit from the General Assembly for the examination of specific events has not been written in the Articles of Association. There was no recourse to the assignment of private auditors in 2013.

The Company management avoids carrying out any operations that hinder the performance of private auditing.

4. General Assembly Meetings
In addition to the procedures stipulated by legislation, the announcement of the General Assembly meeting is made at least three weeks prior to the meeting on the www.akenerji.com.tr website and on the Public Disclosure Platform (PDP) and electronic general assembly system, which ensures that the maximum number of shareholders is reached. The announcement is also published in the Turkish Trade Registry Journal and in a national daily newspaper of wide circulation.

On the website of the Company, all notifications and explanations required by legislation were announced together with the announcement of the Ordinary General Assembly meeting for the year 2012 dated 27 June 2013 and of the Extraordinary General Assembly meeting dated 13 December 2013. Additionally the “General Assembly Information Documents”, which have been drawn up to include issues contained in Article 1.3.2 of the Communiqué regarding Determination and Implementation of CMB Corporate Governance Principles are published on the Company website and Public Disclosure Platform (PDP) prior to both general assemblies.

On both general assemblies’ agendas each proposal is explicitly submitted under a separate heading.

There were no subjects regarding the agendas of the Company’s 2012 Ordinary General Assembly meeting dated 27 June 2013, or of the Extraordinary General Assembly dated 13 December 2013 that shareholders communicated in writing to the Shareholder Relations Department for inclusion on the respective agendas.

In 2013, the Company held one Ordinary General Assembly meeting and one Extraordinary General Assembly meeting. In the Ordinary General Assembly meeting held on the 27th of June 2013, 55,522,326,132 shares (76,145%) out of 72,916,400,000 shares representing the capital of the Company were represented. In the Extraordinary General Assembly meeting held on the 13th of December, 2013 55,737,827,458.8 (76.44%) shares out of 72.916,400,000 shares representing the capital of the Company, were represented.

In order to increase and facilitate the attendance of the shareholders to the General Assemblies, particular attention was paid to hold the meetings in a central location that would not create inequality among the shareholders and that would enable the shareholders to attend the meetings with the possible lowest costs. Moreover, the meeting location was selected based on the estimated number of the attendees.

In the General Assembly, the chairman of the meeting paid ultimate attention to objectively present the agenda items in detail, with an open and comprehensible method. Questions addressed to the General Assembly that did not fall within the scope of trade secrets were replied to.

No benefits have been granted to any person or establishment for the accessing of Company information.

The members of the Board of Directors and other related persons attended the General Assembly meetings held in 2013, in order to make necessary disclosures and to answer the questions regarding the particular items of the agenda while authorized persons and auditors responsible for preparing the financial statements attended the meetings in order to make necessary disclosures and to answer the questions.

The issues regarding transactions of importance in terms of implementation of the Corporate Governance Policies were included in the Articles of Association following the amendments made in 2012. In 2013, there was no transaction of importance in terms of implementation of the Corporate Governance Policies.

In the Ordinary General Assembly meeting, the issue regarding the donations made by the Company during 2012 was submitted for the information of the shareholders as a separate agenda item. On the other hand, information about the donations made within the year was presented in the annual report. The “Policy on Donations and Aid” of the Company was approved by the shareholders in the 2012 Ordinary General Assembly meeting.

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

Within the scope of our Corporate Social Responsibility Principles, in 2013, the Company spent a total amount of TL 261.293 for donations and aid to various institutions and foundations.

The major ones are as follows;
Donations and aid (TL)
Association and Charitable Foundations: TL 261.293
Total: TL 261,293

While there is not any provision in the Articles of Association, General Assembly meetings are held publicly, with the attendance of the stakeholders and media with no right to speak.

The minutes of the General Assembly meeting and the list of attendants were published on the website (www.akenerji.com.tr) of the Company and in the Public Disclosure Platform (PDP).

At the Ordinary General Assembly meeting for the year of 2012, the necessary permissions were granted to shareholders holding management power, members of the Board of Directors, executive managers and people related thereto by blood and marriage up to second degree in order to conduct operations that may result in a conflict of interest with the Company, or its subsidiaries, to be able to compete, to perform operations that fall within the scope of the Company in its name, or on the behalf of others, and to be a partner of companies that perform such operations and conduct other operations in accordance with the Corporate Governance Principles of the Capital

Markets Board, and also to the members of the Board of Directors as per articles 395 and 396 of the Turkish Commercial Code. No disputes arose due to approval within this period.

5. Voting Rights and Minority Rights

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

There are no privileged voting rights.

There is no other company with which the Company has a cross-shareholding.

Maximum care is taken to enable the exercise of minority rights.

Actions regarding minority rights are performed in accordance with the related legislation.

6. Dividend Rights

The Company's dividend distribution policy has been presented to the information of the General Assembly, disclosed to public on the Company's website and in the annual report in accordance with CMB resolution no: 4/67 dated 27.01.2006.

The Company's dividend distribution policy contains clear and minimal information enabling investors to foresee the distribution procedures and principles of the profit to be gained by the Company in future periods. In the dividend distribution policy, balance is pursued between the benefits of shareholders and of the Company.

There is no privilege regarding the issue of participating in Company profit.

In the 2012 Ordinary General Assembly meeting, it has been resolved that:

"Net Profit for the Period" stated in the consolidated financial statements prepared in accordance with the provisions of the communiqués Serial XI, n.29 of the Capital Markets Board is TL 79,014,305.00, and the "Net Profit for the Period" stated in the financial statements prepared in accordance with the provisions of the Tax Procedure Law is TL 50,492,288.82.

1- Previous year's losses are to be set off against the total amount of the TL 50,492,288.82 of "Net Profit for the Period" (Profit after Tax) stated in the legal records.

2- Taking investment expenditure and other funding requirements into consideration, the TL 79,558,073.35 of "Net Profit for the Period" which was calculated by adding the amount of TL 543,768.35 spent for the donations within the year, to the TL 79,014,305.00 of "Net Profit for the Period" stated in the financial statements prepared in compliance with the communiqués Serial XI, n.29 of the Capital Markets Board, will not be distributed and will be added to the extraordinary reserves.

7. Transfer of Shares

All the shares of the Company are registered shares. The provisions regarding the transfer of the registered shares which are not traded on the stock market are included in the Articles of Association. There is no restrictive provision in the Articles of Association regarding the transfer of the shares listed on the BIST.

SECTION II-PUBLIC DISCLOSURE AND TRANSPARENCY

8. Information Policy

The Information Policy published on the Company website under "Investor Relations/Our Policies" consists of information to be disclosed to the public other than that stipulated by legislation, as well as how, with which frequency and in what manner this information is to be disclosed to the public, how often the Board of Directors or managers should meet with the press, how often meetings should be held in order to inform the public, what method should be followed in replying to questions directed to the Company, and similar issues.

The information of the Company to be disclosed to the public is presented to the public on the "Public Disclosure Platform" (www.kap.gov.tr) and on the Company website in a timely manner, accurately, and completely, in a comprehensible and interpretable manner, at low cost and so as to assist persons and establishments that may benefit from the disclosure to decide. Additionally, the "e-GOVERNANCE: Corporate Governance and Investor Relations Portal" is used to directly and effectively inform Company shareholders.

Principles regarding the public disclosure of the information related to future issues are included in the information policy. When information regarding the future, assumptions and data based on assumptions is disclosed, care is taken to ensure that it is not groundless, and does not contain exaggerated forecasts, or is in any other sense misleading. Care is also taken to ensure that the assumptions are in compliance with the financial status and operational results of the Company.

Where estimations and the grounds for making them mentioned in future related information that has been disclosed to the public do not materialize, or where it is understood that they would not do so, such information is updated.

9. Company Website and Contents

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

The Company website is designed and updated in accordance with Article 2.2.2 of the Capital Markets Board Communiqué regarding Determination and Implementation of Corporate Governance Principles. Furthermore, those stakeholders who wish to obtain more information on the Company can access Company officers via the info@akenerji.com.tr electronic mail address.

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

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

10. Annual Report

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

a) Information about the Board members and the duties assumed by the managers outside the Company along with the declarations of Board members regarding their independence are disclosed to the public in the annual report and on the website of the Company.

b) The Company's Committee in Charge of Audit convened six times, Corporate Governance Committee convened five times and the Early Risk Determination Committee convened two times in 2013. The working principles and information regarding activities are elaborated under Section IV.

c) In the 2013 activity year, the Board of Directors convened five times. The majority participated in all of these meetings and efforts were focused on ensuring the participation of the majority.

d) The Company and Board members did not engage in implementations that are not in compliance of provisions of the legislation in 2013.

e) The Company has established working groups in order to comply fully with the amendments made to the Turkish Commercial Code and Capital Market Law in 2013 and is carrying out in-house briefing periodically regarding the works of such groups.

f) On the 30th of July 2013, Metem Turizm Tekstil İnşaat Ticaret Yatırım A.Ş. and Doğ-taş Doğanlar Mobilya İmalat Enerji Üretim San. A.Ş., filed a court case against the Company with the request for the payment of the non-paid part, corresponding to TL 6,237,125.00 (USD 3,750,000 – TL 1,000,000), of the 2nd portion payment which in their claim was arising from the Agreement regarding the Wind Electricity Power Plant Project Sale.

The above mentioned lawsuit with No.2013/217 E which was filed in the 46th Commercial Court, was combined with the lawsuit which was filed by our Company in the 14th İstanbul Commercial Court with No. 2012/326 E on the 27th of December 2012, against the plaintiffs with the request for the refunding of the amounts paid to the plaintiffs within the scope of the Agreement regarding the Wind Electricity Power Plant Project Sale.

g) The Company did not receive any investment consultancy or rating services that might have caused conflict of interest.

h) There are no companies with which the Company is engaged in reciprocal shareholding.

i) The corporate responsibility activities of the Company are included in Article 14 of the report.

j) In the Ordinary General Assembly meeting for the year 2012, the necessary permissions have been granted to shareholders holding management power, members of the Board of Directors, executive managers and people related thereto by blood and marriage up to second degree in order to carry out operations that may cause conflict of interest with the Company or its subsidiaries, to be able to compete, to perform operations that fall under the scope of the Company in its name or on the behalf of others and to be partner to companies that perform such operations and conduct other operations in accordance with the Corporate Governance Principles of the Capital Market Board and also to the members of the Board of Directors as per Articles 395 and 396 of the Turkish Commercial Code which was in force at such date and no disputes arose regarding the permissions granted within this period.

SECTION III-STAKEHOLDERS

11. Informing the Stakeholders

The Company stakeholders are persons, institutions and interest groups that are associated with the Company in terms of achieving its goals, or else related to its activities, such as employees, creditors, customers, suppliers, and various non-governmental organizations. In cases where the rights of stakeholders are not stipulated by legislation and reciprocal contracts, the Company protects the interests of such stakeholders within the framework of good will and the possibilities available to the Company.

Ethical values of the Company were determined and these values were announced to the public on the website of the Company. Moreover, stakeholders of the Company are informed about the issues concerning them, via meetings, e-mails and phone calls.

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

Stakeholders may convey Company operations that are in violation of legislation or ethically inappropriate, if any, to the Corporate Governance Committee, or Committee in Charge of Audit. No such notification was made by stakeholders in 2013.

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

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

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

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

The Company takes the required measures, reviews and updates the purchase processes in order to establish and maintain relationships, which are in accordance with the laws and the provisions of the established agreement, with the suppliers from which it purchases materials, raw materials, services and units/heavy equipment in accordance with the Purchase Procedure, and to protect the international and sector standards in provision of the goods and services.

The Company chooses its suppliers in accordance with the Supplier Selection and Evaluation Procedure and evaluates their performance annually. In the evaluation, compliance with the Akenerji specs, compliance with the delivery time, price and method of payment, after sales service, possession of ISO 9001-14001 and OHSAS 18001 certifications, competency of the supplier personnel, working in harmony with Akenerji and complaints are evaluated over the Oracle e-business management system. As a result of this evaluation, the Approved Supplier List is created by the end of the year.

In addition, Akenerji specifications, agreements and product specs are included within the information shared by Akenerji with its suppliers. Information related to the suppliers and customers is deemed within the scope of trade secrets and attention is paid to its confidentiality.

12. Participation of Stakeholders in Management

The decision was made to obtain ISO 9001:2008 Quality Management System, ISO 14001:2004 Environment Management System and OHSAS 18001:2007 Occupational Health and Safety Administration System certifications, and a Quality Project Team has been established within the Company to this end.

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

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

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

The Company also takes note of opinions and suggestions submitted by other stakeholders.

13. Human Resources Policy

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

- Organizational development,
- Equal opportunities for everyone,
- Selection and placement,
- Recruiting and assigning the right person for the right job,
- Wage management,
- Paying the same wage for the same job/the impact of performance and competence,
- Performance management,
- Making assessments based on achievements,
- Awarding,

• Recognizing and appreciating on a timely basis,
• Industrial relations,
• Increasing efficiency ensuring the continuity of the labor peace,
• Communication,
• Punctually providing correct information, introducing business processes and making necessary organizations.

Company appointed Mehmet Pehlivan and Seda Öztoprak as the representatives to carry out the relationships with the employees.

Duties and authority of the employee representatives are as stated below;

• For the chief representative: to attend Akenerji Occupational Health Board and its activities, to attend to activities related to Occupational Health and Safety, to monitor the activities, to request precautions, to submit proposals and to be authorized to represent the employees in similar issues,
• to solicit the opinions and suggestions of employees
• to counsel the employer for the elimination of source of hazards or for decreasing the risks arising from the hazards and to have the right to request from the employer to take necessary measures.

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

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

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

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

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

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

By this means, the strengthening and implementation of competences that move the Company forward and serve its corporate reputation and sustainability, are safeguarded within a unified system.

Akenerji uses a Performance Assessment and Remuneration model, the validity and reliability of which have been proven worldwide. This is a wage and vested benefits model which is objective, transparent, and one that reflects the reality of the domestic and international business arena, and is based on the equality and equity principles grounded in remuneration specific to the job at hand.

In Akenerji, the contribution of employees to management is ensured by setting annual targets, performance assessment meetings, counseling systems and meetings which are held within the Company. In addition to this; Akenerji givesan "open door" policy opportunity to its employees. The open door policy gives every employee the opportunity to reach the General Manager and the other top managers easily about any issues related with their jobs and Akenerji. There have not been any complaints made by the Company employees on the issue of discrimination.

14. Ethical Rules and Social Responsibility
The activities of the Company are carried out within the frame of the ethical principles announced to the public via the website of the Company.

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

Our Company pays special attention to find, develop, adopt and implement the innovative and environment friendly technologies which are included in the scope of our Quality Policy. For this reason, since 2008, our power plants and Head Office are subject to the integrated management systems. Akenerji Integrated Management System includes ISO 9001 Quality Management System Certification, ISO 14001 Environmental Management System Certification and OHSAS 18001 Occupational Health and Safety Management Systems Certification. As of the end of 2013, our nine locations (Head Office Building and Bozüyük, Kemalpaşa, Ayyıldız, Uluabat, Akocak, Burç, Bulam and Feke II Power Plants) have Integrated Management Systems certifications. At the Feke I, Himmetli and Gökkaya Hydroelectric Power Plants which were activated towards the end of 2012, the certification processes were initiated within the scope of Integrated Management Systems while internal audits were made. In 2014, Feke I, Himmetli and Gökkaya Hydroelectric Power Plants will be audited for the certification.

Our policies and certifications within the scope of the integrated management systems are specified in the “Environment” section of our Company’s website.

Occupational health and safety is a prioritized subject at Akenerji. All kinds of measures, including prevention of occupational risks, training and briefing, are taken, events are organized, tools and equipment are provided in order to protect health and safety of the employees and the employees are informed on this subject by establishing required procedures and instructions.

15. Structure and Formation of Board of Directors
The Board of Directors consists of a total of 12 members, two of whom are independent and two of them executive. The “CV” (Curriculum Vitae) of the Board of Directors Members are presented in the Company’s annual report.

Board of Directors

Name Surname	Title	Executive/Non-Executive	Date of Appointment	Term
Mehmet Ali BERKMAN	Chairman of the Board	Non-Executive	27.06.2013	3 Years
Tomáš PLESKAČ	Vice Chairman of the Board	Non-Executive	27.06.2013	3 Years
Ahmet Cemal DÖRDÜNCÜ	Board Member	Non-Executive	27.06.2013	3 Years
Petr ŠTULC	Board Member	Non-Executive	27.06.2013	3 Years
Hamdi Yaman AKAR	Board Member	Non-Executive	27.06.2013	3 Years
Peter BODNÁR	Board Member	Non-Executive	27.06.2013	3 Years
Raif Ali DİNÇKÖK	Board Member	Non-Executive	27.06.2013	3 Years
Martin PACOVSKÝ	Board Member	Non-Executive	27.06.2013	3 Years
Ahmet Ümit DANIŞMAN	Board Member	Executive	27.06.2013	3 Years
Vratislav DOMALÍP	Board Member	Executive	27.06.2013	3 Years
Hakan AKBAŞ	Independent Board Member	Non-Executive	27.06.2013	3 Years
Jiří SCHWARZ	Independent Board Member	Non-Executive	27.06.2013	3 Years

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

The majority of the members of the Board of Directors is composed of the non-executive members.

Within the members of the Board of Directors, the task distribution was made by appointing the Chairman and the Deputy Chairman. Although the Chairman of the Board of Directors and the General Manager are different persons, the General Manager is at the same time a member of the Board of Directors.

Even though it is not included in the Articles of Association, the duties and authorities of the Chairman of the Board of Directors and the General Manager were clearly separated as described in the Company's organizational chart.

Among the members of the Board of Directors, there are independent members who have the capability of performing their duties without being influenced under any circumstances.

The term of office of the independent members of the Board of Directors is up to three years and it is possible that they can be elected by being re-nominated.

The Corporate Governance Committee acting as a Nomination Committee – upon the assessments they made by taking into consideration the issue regarding whether these persons carry the independency criterion or not – submitted Hakan Akbaş and Jiři Schwarz for the approval of the Board of Directors as the Independent Members of the Board of Directors.

The Independency Statements of our independent members of the Board of Directors are included in the Annual Report. In 2013, there was no condition terminating the independency of the Independent Members.

The members of Board of Directors spare plenty of time for the Company activities. In case the members of the Board of Directors are managers in another company or members of the Board of Directors in another company or provide consultancy services to another company, it is essential that this condition does not cause conflict of interest and the members do not neglect their duties in the Company. Within this scope, no rules or restrictions were specified for members in charge of other task/s outside the Company. Board of Directors members' duties outside the Company are stated in their CV (Curriculum Vitae).

In the 2012 Ordinary General Assembly Meeting, necessary authorizations were given to the Chairman and the members of the Board of Directors to perform the tasks and transactions specified within the scope of the 395th and 396th Articles of Turkish Commercial Code.

In the General Assembly of the Company, no female candidate was nominated by the shareholders of the Company for the membership to the Board of Directors; and thus, there is no female member on our Board of Directors.

16. Working Principles of the Board of Directors
The Board of Directors is responsible for the Company's achievements, operational and financial performance objectives as determined and disclosed to the public.

The chairman of the Board of Directors, getting in touch with the other members of the Board of Directors and the General Manager, determines the agenda of the Board of Directors' meetings. On the other hand, other members may suggest changing the meeting agenda. In order to ensure equal information flow, information and documents related with the agenda items of the Board of Directors' meeting are submitted to the review of the members of the Board of Directors, prior to the meeting. The members pay special attention to attend every meeting and to state their opinions, by reviewing the related information and documents of the meeting agenda items and by making necessary preparations.

In accordance with the Articles of Association of the Company's, the Board of Directors convenes when the in Company's business requires and at least four times a year in any case. Within the 2013 activity year, the Board of Directors convened five times. The majority attended each meeting and efforts were made to ensure the attendance of the majority. The Chairman of the Board of Directors shows maximum effort to ensure effective participation of the non-executive members in the Board meetings.

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

Company's Articles of Association and related legislation provisions shall be applied about the issues regarding how to hold the meetings and make invitations for the meetings. The subjects included in the agenda of the Board of Directors meetings are discussed clearly in all aspects.

In 2013 meetings, none of the members of the Board of Directors cast dissenting votes for any resolutions.

In 2013, no "related party" transaction which required the resolution of the Board of Directors was made by the Company.

In 2013, no assurance, pledge or mortgage was given in favor of third parties (except those given within the scope of prosecution processes).

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

The Board of Directors plays a role in protecting the efficient communication between the Company and the shareholders, and in eliminating and resolving the disputes that may arise.

With this purpose, the Board of Directors cooperates with the Corporate Governance Committee and the Shareholder Relations Department.

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

The Board of Directors establishes its internal control systems which also include the risk management and information systems and processes that can decrease the effects of the risks which may affect the stakeholders of the Company, particularly the shareholders, to a minimum, by taking opinions of the relevant Board of Directors Committees into consideration as well.

Within this scope, the Committee in Charge of Audit, Corporate Governance Committee and Early Risk Determination Committee were established. Until the establishment of the Early Risk Determination Committee on the 24th of September 2013, the task of Early Risk Determination was performed by the Corporate Governance Committee. The Corporate Governance Committee apart from its duties specified in the legislation, carries out the duties and responsibilities of the Nomination Committee and Compensation Committee as well.

Committee in Charge of Audit

Name-Surname	Title
Hakan AKBAŞ	Chairman
Jiří SCHWARZ	Member

Corporate Governance Committee

Name-Surname	Title
Jiří SCHWARZ	Chairman
Hamdi Yaman AKAR	Member

Early Risk Determination Committee

Name-Surname	Title
Hakan AKBAŞ	Chairman
Jiři SCHWARZ	Member

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

All members of the Committee in Charge of Audit and Early Risk Determination Committee, and Chairman of the Corporate Governance Committee were elected from the independent members of the Board.

The General Manager does not participate in any committee.

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

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

The committees benefit from opinions of independent specialists in subjects that they need regarding their activities. Costs of the consultancy services needed by the committees are covered by the Company.

The committees keep written records of all activities carried out by them. The committees convene in a frequency, deemed necessary for the effectiveness of their activities and set forth in the working principles. They submit reports containing information regarding their activities and meeting results to the Board of Directors.

The Corporate Governance Committee, which was established to monitor compliance of the Company with the corporate governance principles, carry out improvements in respect of this and submit their suggestions to the Board of Directors. It has two members both of whom are non-executive members of the Board of Directors.

The Company Committee in Charge of Audit has convened six times, the Corporate Governance Committee has convened five times and Early Risk Determination Committee has convened two times in 2013.

18. Risk Management and Control Mechanism
The Board of Directors carries out its operations in a transparent, accountable, fair and responsible manner.

The Board of Directors reviews the effectiveness of risk management and internal control systems a minimum of once a year. Information regarding the existence, functioning and effectiveness of internal controls and the internal audit is given in the annual report.

The current internal control system is audited by the Audit Group under the body of Akkök Sanayi ve Yatırım Geliştirme A.Ş., one of our main shareholders, within the framework of the annual internal audit plan, particularly regarding enhanced effectiveness and efficiency in Company operations, ensuring reliability in financial reporting and compliance with laws and regulations; audit results are reported to the Committee in Charge of Audit. In the aforementioned annual internal audit plan, primary risks within the framework of corporate risk management are prioritized. The effectiveness of the internal audit activities was reviewed by the Committee in Charge of Audit at meetings held throughout the year. At these meetings, when required, the opinions of the internal auditor, external auditor, or other Company executives were received.

The decision was made to acquire ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety (OHS) Administration System certifications at all of the Company's plants; a Quality Project Team was established to this end. The team cooperates with all departments in order to establish the preparation, audit and reporting standards required to receive the relevant certifications. By means of this study, which plays an important role in inter-corporate communication, the suggestions of employees are evaluated by the team and submitted for management approval. Within the scope of Quality, Environmental, and OHS Administration Systems, internal audits are carried out by our own certified personnel for all of our processes at least once a year.

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

The Board of Directors defines the strategic goals of the Company, determines the human and financial resources to be needed by the Company and audits performance of the management.

The Board of Directors supervises compliance of the Company operations with the legislation, the Articles of Association, the internal regulations and the established policies.

20. Financial Rights
Remuneration principles for the members of the Board of Directors and senior executives are recorded in writing, and by submitting this for the information of shareholders as an individual article on the General Assembly agenda, the shareholders were given the opportunity to express opinions. The Remuneration Policy for the Board of Directors and Executive Managers prepared for this purpose is included on the Company website under "Investor Relations/Our Policies."

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

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

Wages and all other benefits given to members of the Board of Directors and senior executives are disclosed to the public entirely through the annual activity report and footnotes to the financial statements.

Corporate Governance
MAJOR DEVELOPMENTS IN THE PAST YEAR

General Assembly
The Ordinary General Assembly Meeting of the Company for the year 2012 was held on June 27, 2013.Shareholders representing 76.145% of the Company's capital attended the meeting. Shareholders exercised their right to pose questions to the Company management and no motion outside the agenda was presented.

The Extraordinary meeting was held on December 13, 2013. Attended by shareholders representing 76.44% of the Company's capital. Shareholders exercised their right to pose questions to the Company management and no motion outside the agenda was presented.

Changes in the Articles of Association
At the Extraordinary General Assembly meeting of the Company held on December 13, 2013, amendment text concerning amendment and removal of the following articles of the Articles of Association were entered and subsequently approved: Amendment of the titles of Chapter I Organization - Founders - Title - Subject - Headquarters -Period, Chapter III: Form of the Share Certificates - Debenture, Chapter V: Auditors, the number of Chapter VII: Financial Provisions and Chapter VIII: Miscellaneous; amendment of Article 1: Organization, Article 4: Subject and Objective, Article 6: Definite Date of Establishment and Period, Article 7: Capital of the Company, Article 8: Transfer of Shares, Article 10: Issuance of Debenture and Profit Sharing Certificates, Article 11: Board of Directors, Article 12: Term of Office and Opening of the Membership, Article 14: Powers and Duties of the Board of Directors, Article 15: Representation of the Company, Article 16: Meetings of the Board of Directors and Quorum, Article 18: Auditors, Article 20: General Assembly of Shareholders and Resolution Quorum, Article 21: Presence of Commissary in the Meeting, Article 22: Invitation to the Meeting, Article 23: Right to Vote, Article 25: Annual Reports, Article 27: Determination and Distribution of the Net Profit, Article 28: Reserve Funds, Article 29: Amendment of the Articles of Association, Article 32: Legal Provisions and removal of Article 13: Guarantee Condition, Article 19: Duties of the Auditors and Article 31: Submission of the Articles of Association. The said amendment text was registered by the Istanbul Commercial Registry on December 20, 2013 and the updated version of the Articles of Association was published on the corporate website.

Capital Increase
Our Company's issued share capital was increased from TL 375,814,000.00 to TL 729,164,000.00 within the registered capital ceiling of our Company which is amounting to TL 1,500,000,000.00 and this issue was registered by the Istanbul Commercial Registry on March 20, 2013.

Sales and Transfer of the Company's Shares in Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş.
On April 26, 2013, the Company completed all transactions with regards to the transfer of shares in Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş. with a nominal value of TL 224,887,500.00, representing 45% of Akcez Company's total shares, where 22.5% of this total was transferred to Akkök Sanayi Yatırım ve Geliştirme Anonim Şirketi and 22.5% to ČEZ a.s.

Dissolution and Closure of the Company's Subsidiary Akka Elektrik Üretim A.Ş.
Considering that all the legal transactions and conditions concerning the liquidation -continuing since November 1, 2012- of Akka Elektrik Üretim A.Ş., which currently holds no licenses and is inactive, were fulfilled, it was decided at the Company's Ordinary General Assembly for the year 2012 held on December 24, 2013, that the dissolution of the said company would come into effect as of 24.12.2013 the date of the General Assembly meeting; liquidation surplus would be distributed to shareholders in proportion to their shares and the Company would abandon all commercial activities, transactions in official and legal entities, and liquidate itself. The aforementioned decision was registered by the Istanbul Commercial Registry on December 25, 2013.

Corporate Governance
RISK MANAGEMENT

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

Until the establishment of the Early Risk Determination Committee following a resolution by the Board of Directors on September 24, 2013, the Corporate Governance Committee was responsible for the early determination of risk, implementation of the risks identified and management of risk in general. Since that time, these duties have been the responsibility of the Early Risk Determination Committee. The Akenerji independent member of the Board of Directors Hakan Akbaş was appointed president of the Committee and Akenerji independent member of the Board of Directors Jiři Schwarz was appointed member of the Committee. To fulfill its duties and responsibilities, the Committee presents reports to the Board of Directors, every two months.

SUMMARY OF THE AFFILIATED COMPANY REPORT

In conjunction with this report, prepared in accordance with Article 199 of the Turkish Commercial Code, no legal action was taken or no provisions were made or avoided by the controlling company and its subsidiaries during the period January 1 to December 31, 2013 to cause any financial loss to the Company, according to known circumstances and conditions.

Corporate Governance
DIVIDEND DISTRIBUTION POLICY

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

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

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

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

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

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

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

DIVIDEND DISTRIBUTION PROPOSAL OF THE BOARD OF DIRECTORS

Our Company's consolidated financial statements, which have been prepared in accordance with the Capital Market legislation, reflect net period loss amounting to TL 127,081,836.00 and the unconsolidated financial statement which have been arranged as per Turkish Tax Procedure Code reflect net period profit amounting to TL 55,210,178.97

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

2- Not to distribute net period profit amounting to TL 55,210,178.97 (profit after tax) reflected in the unconsolidated financial statements, which have been prepared as per Turkish Tax Procedure Code, and set off against the losses of previous years.

3- To submit the abovementioned proposal of the Board of Directors for approval of our shareholders at the Ordinary General Assembly meeting for the year of 2013.

Sincerely,

Board of Directors

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

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT

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

1. As part of our audit, we have assessed whether the financial information and the assessment and explanations of the Board of Directors presented in the annual report of Akenerji Elektrik Üretim A.Ş. and its subsidiaries (collectively referred to as the "the Group") prepared as of 31 December 2013 are consistent with the audited consolidated financial statements as of the same date.

2. Management is responsible for the preparation of the annual report in accordance with "the Communique on Determining the Minimum Contents of Company Annual Reports".

3. Our responsibility is to express an opinion on whether the financial information provided in the annual report is consistent with the audited consolidated financial statements on which we have expressed our opinion dated 27 February 2014.

Our assessment is made in accordance with the principles and procedures for the preparation and issuing of annual reports in accordance with Turkish Commercial Code No. 6102 ("TCC"). Those principles and procedures require that an audit is planned and performed to obtain reasonable assurance whether the financial information provided in the annual report are free from material misstatement regarding the consistency of such information with the audited consolidated financial statements and the information obtained during the audit.

We believe that the assessment we have made is sufficient and appropriate to provide a basis for our opinion.

4. Based on our opinion, the financial information and the assessment and explanations of the Board of Director's in the accompanying annual report of Akenerji Elektrik Üretim A.Ş. are consistent with the audited consolidated financial statements as at 31 December 2013.

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

ORIGINAL TURKISH VERSION WAS SIGNED OFF

Ediz Günsel, SMMM
Partner

Istanbul, 5 March 2014

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR 31 DECEMBER 2013

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

Introduction

1. We have audited the accompanying consolidated balance sheet of Akenerji Elektrik Üretim A.Ş. (the Company) and its subsidiaries (collectively referred to as the ''Group") as at 31 December 2013 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

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

Independent auditor's responsibility

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

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

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

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Akenerji Elektrik Üretim A.Ş. and its subsidiaries as at 31 December 2013 and their consolidated financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Reports on independent auditor's responsibilities arising from other regulatory requirements

5. In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period 1 January – 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

6. Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the aforementioned activities were performed by the "Committee of Corporate Governance" since the beginning of 2013 up until 24 September 2014. The authorized committee, namely the "Early Determination of Risk Committee" stipulated under Article 378 is formed on 24 September 2014 which is comprised of 2 members and this committee continued to perform aforementioned activities. These 2 committees have met 6 times since the beginning of 2013 to the reporting date for the purposes of early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and have submitted the relevant reports to the Board of Directors.

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

ORIGINAL TURKISH VERSION WAS SIGNED OFF

Ediz Günsel, SMMM
Partner

Istanbul, 27 February 2014

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2013	31 December 2012
ASSETS			
Cash and cash equivalents	3	242,897,506	173,551,094
Trade receivables			
- Other trade receivables	5	85,066,252	78,907,245
- Due from related parties	24	6,994,363	5,160,356
Inventories	8	15,195,862	11,894,629
Other receivables			
- Other receivables	6	7,042,641	6,732,467
- Due from related parties	24	343,721	638,368
Prepaid expenses	7	12,511,677	7,434,616
Current period income tax assets		5,805,264	330,453
Derivative financial instruments	15	4,483,255	-
Other current assets	9	17,923,489	18,555,076
		398,264,030	303,204,304
Assets held for sale	11	-	222,482,337
Current Assets		398,264,030	525,686,641
Trade receivables	5	17,575,895	20,449,496
Other receivables		336,094	295,155
Financial assets	10	1,988,942	1,988,942
Property, plant and equipment	12	2,392,396,882	1,596,371,046
Intangible assets			
-Other intangible assets	13	121,186,496	124,069,486
Deferred tax asset	18	93,346,269	53,932,385
Prepaid expenses	7	52,774,780	389,156,898
Other non-current assets	9	123,513,256	111,599,976
Non-Current Assets		2,803,118,614	2,297,863,384
TOTAL ASSETS		3,201,382,644	2,823,550,025

The consolidated financial statements as of and for the year ended 31 December 2013 have been approved for issue by the Board of Directors ("BOD") on 27 February 2014 and signed on behalf of the BOD by General Manager Ahmet Ümit Consultant and Deputy General Manager Vratislav Domalip. These consolidated financial statements will be definitive following their approval in the General Assembly.

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2013	31 December 2012
LIABILITIES			
Short-term financial liabilities	4	4,868	158,345
Short-term portion of long term financial liabilities	4	206,444,281	227,744,067
Trade payables			
- Other trade payables	5	106,953,168	68,861,374
- Due to related parties	24	12,312,651	16,529,768
Current income tax liabilities	18	498,855	1,990,854
Other payables			
- Other payables	6	12,718,343	5,630,355
- Due to related parties	24	2,936,500	-
Derivative financial instruments	15	23,238,520	15,679,068
Liabilities related to employee benefits	16	1,128,065	1,098,104
Short term provisions			
- Short-term provisions related to employee benefits	16	2,721,933	2,412,255
- Other short term provisions	14	11,161,807	16,089,481
Deferred income		1,809,354	128,600,678
Current Liabilities		381,928,345	484,794,349
Financial liabilities	4	1,845,729,285	1,231,021,886
Derivative financial instruments	15	20,041,630	45,412,846
Other trade payables	5	123,975,785	115,894,568
Other payables		216,118	275,941
Deferred tax liabilities	18	52,215	42,411
Provisions for employment benefits	16	1,411,684	1,673,875
Non-Current Liabilities		1,991,426,717	1,394,321,527
Total Liabilities		2,373,355,062	1,879,115,876
EQUITY			
Share capital	17	729,164,000	375,814,000
Adjustment to share capital	17	101,988,910	101,988,910
Capital advances	17	-	353,035,872
Share premium	17	50,220,043	49,955,227
Hedge funds		(32,017,080)	(45,103,282)
Restricted reserves	17	11,803,700	11,803,700
Other funds		(4,322,722)	(4,322,722)
Retained earnings		98,272,567	19,258,262
Net (loss)/income for the year		(127,081,836)	79,014,305
Equity Attributable to Equity Holders of the Parent		828,027,582	941,444,272
Non-Controlling Interest		-	2,989,877
Total Equity		828.027.582	944.434.149
TOTAL LIABILITIES AND EQUITY		3.201.382.644	2.823.550.025

Provisions, Contingent Assets and Liabilities	14		

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2013	31 December 2012
CONTINUING OPERATIONS			
Revenue	19	771,028,564	801,981,352
Cost of sales (-)	19	(621,594,161)	(663,360,142)
GROSS PROFIT		149,434,403	138,621,210
General administrative expenses (-)	20	(43,861,348)	(43,667,095)
Other operating income	21	19,040,898	16,139,540
Other operating expense (-)	21	(48,931,219)	(29,343,885)
OPERATING PROFIT		75,682,734	81,749,770
Other income from investing activities	22	13,997,768	-
Other expense from investing activities (-)	22	-	(1,806,824)
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		89,680,502	79,942,946
Financial income	23	45,847,463	64,065,599
Financial expenses (-)	23	(326,344,899)	(94,140,944)
(LOSS) / INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS		(190,816,934)	49,867,601
Tax income expense from continuing operations			
Current income tax expense	18	(1,666,905)	(2,717,128)
Deferred tax income	18	42,726,800	2,903,149
NET (LOSS)/ INCOME FROM CONTINUING OPERATIONS		(149,757,039)	50,053,622
DISCONTINUING OPERATIONS			
Profit after tax from discontinued operations		22,675,203	31,062,150
NET (LOSS) / INCOME FOR THE YEAR		(127,081,836)	81,115,772
Net (loss) income attributable to:			
Equity holders of the parent		(127,081,836)	79,014,305
Non-controlling interest		-	2,101,467
		(127,081,836)	81,115,772
Income/(loss) per 1,000 shares	25	(174)	216
Income from continuing operations per share		(205)	133
Income from discontinued operations per share		31	83

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2013	31 December 2012
(Loss)/ income for the year		(127,081,836)	81,115,772
Amounts that will be reclassified to income statement			
Changes in hedge funds	15	16,357,753	(17,686,186)
Income tax on other comprehensive income			
Deferred tax (expense)/income		(3,271,551)	3,537,237
Other comprehensive income/(loss) (after tax)		13,086,202	(14,148,949)
Total comprehensive (loss) /income		(113,995,634)	66,966,823
Total comprehensive (loss) /income attributable to:			
Equity holders of the parent		(113,995,634)	64,865,356
Non-controlling interest		-	2,101,467
		(113,995,634)	66,966,823

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Share Capital	Capital Advances	Adjustment to share capital	Share Premium	Hedge funds	Other reserves	Restricted reserves	Retained earnings	Net income/(loss)	Equity attributable to equity holders of the parents	Non-Controlling interest	Total equity
1 January 2012	375,814,000	-	101,988,910	49,955,227	(30,954,333)	(4,322,722)	11,803,700	230,306,342	(211,048,080)	523,543,044	1,036,589	524,579,633
Transfers	-	-	-	-	-	-	-	(211,048,080)	211,048,080	-	-	-
Total comprehensive income	-	-	-	-	(14,148,949)	-	-	-	79,014,305	64,865,356	2,101,467	66,966,823
Capital advance	-	353,035,872	-	-	-	-	-	-	-	353,035,872	-	353,035,872
Changes in minority shares	-	-	-	-	-	-	-	-	-	-	(148,179)	(148,179)
31 December 2012	375,814,000	353,035,872	101,988,910	49,955,227	(45,103,282)	(4,322,722)	11,803,700	19,258,262	79,014,305	941,444,272	2,989,877	944,434,149

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

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2013	31 December 2012
A. Cash flows from operating activities		462,309,417	(190,536,194)
Net (loss) / income		(127,081,836)	81,115,772
Adjustmentds to reconcile net income		352,028,161	(18,922,174)
Depreciation and amortization of property, plant and equipment and intangible assets	12,13	60,182,620	54,174,708
DSİ interest expense	23	8,081,217	2,777,793
Provision for employment termination benefits		(262,191)	1,242,810
Provision for doubtful receivables	5	1,732,463	6,661,427
Provisions for impairment of property, plant and equipment	12	35,533,970	5,600,000
Cancellations of construction in progress		-	1,485,102
Tax income		(41,059,895)	(186,021)
Provision for vacation		9,252	48,361
Unrealized foreign exchange losses / (gains)		301,762,268	(67,894,296)
Provisions		4,684,237	12,921,725
Profit from discontinued operations		(22,675,203)	(31,062,150)
Income from the sales of non-current assets held for sale	21	(6,702,460)	(6,225,021)
Unearned credit finance income		36,510	(125,257)
Changes of shares of minority interests		(2,989,877)	(148,179)
Gain on sale of property, plant and equipment	22	13,695,250	1,806,824
Changes in working capital		197,435,910	(291,813,764)
Change in trade receivables		(9,995,997)	(5,976,682)
Change in other receivables		(56,467)	22,811,309
Change in inventories	8	(3,301,233)	(1,560,716)
Change in other current assets and prepaid expenses	9	(9,920,285)	(17,319,841)
Change in long-term trade receivables	5	2,873,601	9,289,657
Change in other non-current assets and prepaid expenses	9	324,468,838	(294,909,247)
Change in trade payables		34,108,687	(146,436,072)
Change in derivative financial instruments	15	(22,295,019)	19,170,499
Change in short-term other liabilities	9	(128,440,841)	128,196,630
Change in other liabilities	6	10,054,449	(4,643,525)
Change in long-term other liabilities		(59,823)	(435,776)
Cash generated from operations		422,382,235	(229,620,166)
Provisions paid		(7,661,967)	(13,273,367)
Taxes paid		(3,158,904)	(986,493)
Interest income	23	(5,450,556)	(4,660,165)
Interest expense	23	56,198,609	58,003,997
B. Net cash used in investing activities		(645,395,540)	(240,348,813)
Purchase of property, plant and equipment and intangible assets	12,13	(901,675,406)	(245,153,413)
Proceeds from sale of property, plant and equipment and intangible assets		(879,280)	147,615
Cash generated from the sales of non-current assets held for sale		251,860,000	-
Interest received		5,299,146	4,656,985
C. Net cash generated from financing activities		252,281,125	519,332,538
Proceeds from bank borrowings	4	494,098,627	620,269,189
Repayment of bank borrowings	4	(214,920,954)	(379,730,147)
Hedge funds		16,357,753	(17,686,186)
Capital increase		314,128	-
Capital advance received		-	353,035,872
Interest paid		(43,833,245)	(56,556,190)
Cash generated from the purchase of the shares		264,816	-
Net increase in cash and cash equivalents		69,195,002	88,447,531
Restricted cash		14,206,537	(3,156,287)
Cash and cash equivalents at the beginning of the period	3	146,765,053	61,473,809
Cash and cash equivalents at the end of the period	3	230,166,592	146,765,053

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Akenerji Elektrik Üretim A.Ş ("the Company" or "Akenerji") is engaged in the establishing, renting and operating facilities of electrical energy production plant, producing electricity and trading electricity to the customers. The Company was established by Akkök Sanayi Yatırım ve Geliştirme A.Ş. in 1989. Since 14 May 2009, the Company is a joint venture between Akkök Sanayi Yatırım ve Geliştirme A.Ş and CEZ a.s.

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

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

The Company is registered to the Capital Markets Board ("CMB"), and its shares are publicly traded in Istanbul Stock Exchange ("ISE"). As of 31 December 2013, 52,82% of its shares are open for trading (31 December 2012: 52.82%).

The consolidated financial statements as of and for the year ended 31 December 2013 have been approved for issue by the Board of Directors ("BOD") on 27 February 2014.

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

Subsidiaries	Nature of business	Registered address
Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret A.Ş. ("Akenerji Toptan")	Electricity trading	Gümüşsuyu / Istanbul
Ak-el Yalova Elektrik Üretim A.Ş. ("Ak-el")	Electricity production and trading	Gümüşsuyu / Istanbul
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Mem Enerji")	Electricity production and trading	Gümüşsuyu / Istanbul
Akkur Enerji Üretim Ticaret A.Ş. ("Akkur Enerji")	Electricity production and trading	Gümüşsuyu / Istanbul
Egemer Elektrik Üretim A.Ş. ("Egemer")	Electricity production and trading	Gümüşsuyu / Istanbul
Akel Kemah Elektrik Üretim ve Ticaret A.Ş. ("Akel Kemah")	Electricity production and trading	Gümüşsuyu / Istanbul
Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş. ("Akenerji Doğalgaz")	Natural gas trading	Gümüşsuyu / Istanbul
Aken B.V. in liquidation	Holding company and financial activities	Netherlands

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

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

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

The Group and its Turkish subsidiaries, associates and joint ventures maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements have been prepared under historical cost conventions except for financial assets and financial liabilities which are carried at fair value. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

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

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

2.2 Basis of consolidation

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

b) Subsidiaries are companies in which Akenerji has the power to control the financial and operating policies for the benefit of itself, either (1) through the power to exercise more than 50% of voting rights related to shares in the companies as a result of shares owned directly and/or indirectly by itself or (2) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

The table below sets out all subsidiaries and demonstrates the proportion of ownership interest as of 31 December 2013 and 2012:

	Direct and indirect ownership interest by the Company and its Subsidiaries (%)	
Subsidiaries	31 December 2013	31 December 2012
Akenerji Toptan [1]	100.00	90.00
Ak-el [1]	100.00	100.00
Mem Enerji [1]	100.00	99.00
Akkur Enerji [1]	100.00	99.00
Akka Elektrik [2]	-	90.00
Egemer [1]	100.00	100.00
Akel Kemah [1]	100.00	99.99
Akenerji Doğalgaz [1]	100.00	99.99
Aken BV [3]	100.00	100.00

(1) The financial statements of subsidiaries are consolidated on a line-by-line basis.
(2) This subsidiary was liquidated as of 31 December 2013.
(3) In subsidiaries,the Company's direct and indirect voting rights are above 50% ;although the subsidiaries are immaterial for the consolidated financial statements, they had been reflected to the consolidated financial statements at cost with any loss of value deducted.

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

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

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

2.2 Basis of consolidation (Continued)

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

c) Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

The table below sets out all associates and demonstrates the proportion of ownership interest ratios as of 31 December 2013 and 2012:

Associates	31 December 2013	31 December 2012
Akcez (*)	-	45%

(*) The Group's portion in Akcez shares has been transferred to Akkök Sanayi and Cez a.s. on 26 April 2013. Akcez Group was excluded from the consolidated financial statements beginning from the transfer date.

d) The minority shareholders' share in the net assets and results of Subsidiaries for the period are separately classified as minority interest in the consolidated balance sheets and statements of comprehensive income.

2.3 Amendments in Turkish Financial Reporting Standards

(a) Standards, amendments and interpretations effective from 1 January 2013 that are relevant and applied to the consolidated financial statements of the Group:

- Amendment to IAS 1, 'Financial statement presentation', regarding other comprehensive income; is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- Amendment to IAS 19, 'Employee benefits'; is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.
- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting¸; is effective for annual periods beginning on or after 1 January 2013. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
- Amendment to IFRSs 10, 11 and 12 on transition guidance¸; is effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

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

2.3 Amendments in Turkish Financial Reporting Standards (continued)

(b) Standards, amendments and interpretations effective from 1 January 2013 that are relevant and applied to the consolidated financial statements of the Group:

- IFRS 10, 'Consolidated financial statements' ; is effective for annual periods beginning on or after 1 January 2013. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.
- Amendment to IFRS 1, 'First time adoption', on government loans; ; is effective for annual periods beginning on or after 1 January 2013. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.
- Annual improvements 2011; is effective for annual periods beginning on or after

1 January 2013. These amendments include changes from the 2009-11 cycle of the annual improvements project, that affect 6 standards:

- IFRS 1, 'First time adoption'
- IAS 1, 'Financial statement presentation'
- IAS 16, 'Property, plant and equipment'
- IAS 32, 'Financial instruments: Presentation'
- IAS 34, 'Interim financial reporting'

- IFRS 11, 'Joint arrangements'; is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12, 'Disclosures of interests in other entities'; is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement' ; is effective for annual periods beginning on or after 1 January 2013. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

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

2.3 Amendments in Turkish Financial Reporting Standards (continued)

(b) Standards, amendments and interpretations effective from 1 January 2013 that are relevant and applied to the consolidated financial statements of the Group: (continued)

- IAS 27 (revised 2011), 'Separate financial statements'; is effective for annual periods beginning on or after 1 January 2013. IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 (revised 2011), 'Associates and joint ventures'; is effective for annual periods beginning on or after 1 January 2013. IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- IFRIC 20, 'Stripping costs in the production phase of a surface mine' is effective for annual periods beginning on or after 1 January 2013. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body.

(c) Not yet entered into force by the Group and not early adopted the standards to existing standards, amendments and interpretations

- Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting is effective for annual periods beginning on or after 1 January 2014.These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' - 'Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.
- IFRIC 21, 'Levies' is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

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

2.3 Amendments in Turkish Financial Reporting Standards (continued)

(c) Not yet entered into force by the Group and not early adopted the standards to existing standards, amendments and interpretations (continued)

- IFRS 9 'Financial instruments' – classification and measurement; is effective for annual periods beginning on or after 1 January 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions.
- Amendments to IFRS 9,'Financial instruments', regarding general hedge. These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.
- Amendment to IAS 19 regarding defined benefit plans; ; is effective for annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2012; is effective for annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 6 standards:

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

- Annual improvements 2013; is effective for annual periods beginning on or after 1 July 2014. The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:

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

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

2.4 Summary of Significant Accounting Policies

a) Revenue Recognition

Revenues are recognized on an accrual basis when the electricity is delivered (risk and rewards are transferred), the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of consideration received or receivable. Net sales represent the invoiced value of electricity delivered less sales returns and commission. Transmission revenue is netted off with its related costs in consolidated financial statements.

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

b) Trade Receivables and Impairment

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

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

c) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts
(Note 3).

d) Related parties

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

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

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

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

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the normal course of business (Note 24).

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

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

2.4 Summary of Significant Accounting Policies (continued)

e) Inventories

Inventories are valued at the lower of cost or net realisable value less costs to sell. Cost of inventories is comprised of the purchase cost and the cost of bringing inventories into their present location and condition. Inventories comprise of spare parts, lubricants and chemical materials required for the maintenance of the machines and equipments, and expensed as they are used. The cost of inventories is determined using the moving weighted average method (Note 8).

f) Functional and presentation currency

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

g) Property, plant and equipment

Property, plant and equipment acquired before 1 January 2005 are carried at restated cost in purchasing power of TL as at 31 December 2004 less accumulated depreciation and impairment losses. Property, plant and equipment acquired after 1 January 2005 are carried at cost less accumulated depreciation and impairment losses (Note 12). Land is not depreciated as it is deemed to have an indefinite life. Depreciation is provided on restated costs of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets. The mentioned asset’s useful lives are presented below:

	Years
Buildings	10-50
Land improvements	5-40
Machinery and equipment	5-40
Motor vehicles	4-10
Furniture and fixtures	2-50
Leasehold improvements	4-46

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

h) Intangible Assets

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

Licenses

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

Computer softwares

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

i) Impairment of non-financial assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognised in the statement of comprehensive income. Group has decided to shut down the production facility of Çerkezköy Doğalgaz KÇ Plant due to the current and expected market conditions at 31 December 2014. Impairment provision is provided for TL5,600,000 for the Çerkezköy steam turbine which is valued at TL11,466,010 (Note 12).

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

j) Borrowing costs and financial liabilities

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

k) Trade payables

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

l) Provisions, contingent liabilities, contingent assets

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

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial tables and are treated as contingent assets or liabilities (Note 14).

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

m) Employment termination benefits

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

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

n) Earnings per share

Earnings per share are determined by dividing net gain by the weighted average number of shares that have been outstanding during the related year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and allowable reserves. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year (Note 25).

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

2.4 Summary of Significant Accounting Policies (continued)

o) Current and deferred income tax

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

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

Deferred income tax assets and liabilities are recognised to the extent that they will impact taxes to be paid in the periods that temporary differences will disappear. Deferred income tax liabilities are recognised for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. Carrying value of deferred income tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilize deferred income tax assets partially or fully (Note 2.5).

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities (Note 18).

p) Reporting of cash flows

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

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

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

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

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

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

2.4 Summary of significant accounting policies (continued)

r) Subsequent events

Subsequent events consist of all events between balance sheet date and date of authorization for validity, even if they have been existed after public explanation of an announcement about profit or other financial information. In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the financial statements (Note 27).

s) Capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are calculated by reducing retained earnings in the period in which they are declared (Note 17).

t) Share premium

Share premium represents differences resulting from the sale of the Group's Subsidiaries' and Associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies (Note 17).

u) Derivative financial instruments

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

The fair value of over-the-counter forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated in reference to the market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2013. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The changes in fair value of the forward foreign exchange contracts are recognized in income statement. Group has recognized TL8,49,715 in financial income and TL5,731,738 in financial expense due to changes in fair value of forward contracts (31 December 2012: None).

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income
(Note 15).

v) Offsetting

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

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

2.4 Summary of significant accounting policies (continued)

y) Financial assets

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

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

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

Loans and Receivables

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

2.5 Comparatives and restatement of prior year financial statements

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

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

The Group has made required classifications in prior financial statements due to the current changes in presentation of condensed consolidated financial statements with the decision made by CMB on 7 June 2013. These classifications are mentioned below:

i) TL6,862,906 of prepaid expenses and TL571,710 advances given classified in “other current assets” at the consolidated financial statements dated 31 December 2012 has been reclassified under “prepaid expenses”.

ii) TL330,453 of prepaid taxes and funds classified in other current assets has been classified under current period income tax assets.

iii) TL158,345 of “other financial liabilities” at the consolidated financial statements dated 31 December 2012 has been reclassified under “short-term portion of long-term borrowings”.

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

2.5 Comparatives and restatement of prior year financial statements (Continued)

iv) TL1,824,066 of tax provisions classified in "other liabilities" at the consolidated financial statements dated 31 December 2012 has been reclassified under "liabilities related to employee benefits".

v) TL128,600,678 of advances received classified in "other short-term liabilities" at the consolidated financial statements dated 31 December 2012 has been reclassified under "deferred revenue".

vi) TL4,145,008 of advances given classified in "other current assets" and TL385,011,890 of advances given classified in "other non-current assets" at the consolidated financial statements dated 31 December 2012 has been reclassified under "prepaid expenses".

vii) TL2,412,255 of provision for allowance and premium classified in "other short-term liabilities" at the consolidated financial statements dated 31 December 2012 has been classified under "liabilities related to employee benefits".

viii) TL295,155 of long-term deposits classified in other non-current assets at the consolidated financial statements dated 31 December 2012 have been classified under other receivables.

ix) TL1,806,824 of fixed asset sale income classified in "other operating income" at the consolidated financial statements dated 31 December 2012 has been reclassified under "income from investing activities".

x) TL27,476,317 of net foreign exchange gains from financing activities at the consolidated financial statements dated 31 December 2012 has been presented in gross as TL62,101,639 under "financial income" as foreign exchange gains from financing activities and TL34,625,322 under "financial expense" as foreign exchange losses from financing activities. Out of the aforementioned financial income amount, TL2,696,205 of foreign exchange gain from trading activities has been reclassified under "other operating income" and out of the aforementioned financial expense amount, TL1,266,168 of foreign exchange loss from trading activities has been reclassified under "other operating expenses".

xi) TL488,894 of credit finance income and TL13,175 of credit finance expense classified in "other income and expense" at the consolidated financial statements dated 31 December 2012 have been reclassified under "other operating income and expenses".

xii) TL825,958 of unearned credit finance income and TL951,215 of unearned credit finance expense classified in "financial income and expense" at the consolidated financial statements dated 31 December 2012 have been reclassified under "other operating income and expenses".

xiii) TL5,318,498 of provision for lawsuits classified in "general administrative expenses" at the consolidated financial statements dated 31 December 2012 has been reclassified under "other operating expenses".

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

2.6 Critical accounting estimates and judgements

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

Deferred tax assets for the carry forward tax losses
Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductable temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Provision of 220,269,635 TL(31 December 2012: 164,658,323 TL) for deffered tax asset has been calculated due to unused prior years loss. 26,721,553 TL (31 December 2012: 31,498,033 TL) unused prior years loss deferred tex uncalculated. (Note:18)

Fair value of interest rate swap contracts
Interest rate swap contracts are determined using valuation techniques of fair value. Each balance sheet date, Group predicts the future changes of swap majorly based on market data.

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS

	2013	2012
Cash	83,743	37,165
Banks		
- time deposits	225,815,921	152,624,102
- demand deposits	16,997,842	20,889,827
	242,897,506	173,551,094

As of 31 December 2013, the average effective interest rate for TL time deposits of 8,37 % (2012: 6.57%), for USD time deposits 2,95% (2012: 2.47%) and for EURO time deposits 1,40% (2012: 1.48%).

The remaining day to maturity of time deposits as of 31 December 2013 is shorter than one year.

The details of cash and cash equivalents include the following for the purpose of the statements of cash flows as of 31 December 2013 and 2012:

	2013	2012
Cash and banks	242,897,506	173,551,094
Restricted cash (-)	(12,545,297)	(26,751,834)
Interest accruals (-)	(185,617)	(34,207)
Cash and cash equivalents	230,166,592	146,765,053

As of 31 December 2013 the Group's restricted cash is amounting to TL12,545,297 (2012: TL26,751,834) and is related with the loans borrowed by Group.

NOTE 4 - FINANCIAL LIABILITIES

The details of financial liabilities as of 31 December 2013 and 2012 are as follows:

	2013	2012
Short term bank borrowings	4,868	158,345
Short term portion of long term bank borrowings	206,444,281	227,744,067
Total short term financial liabilities	206,449,149	227,902,412
Long term bank borrowings	1,845,729,285	1,231,021,886
Total financial liabilities	2,052,178,434	1,458,924,298

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

The details of the short term bank borrowings as of 31 December 2013 and 2012 are as follows:

	Original Currency		Weighted average effective interest rate (%)		TL equivalent	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
TL	4,868	158,345	-	-	4,868	158,345
					4,868	**158,345**

The interest accruals amount for short and long term bank borrowings as of 31 December 2013 is TL26,888,950 (2012: TL14,523,586).

The details of the short term portion of the long term bank borrowings as of 31 December 2013 and 2012 are as follows:

	Original Currency		Weighted average effective interest rate (%)		TL equivalent	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
USD	78,833,987	102,572,819	4.29	4.01	168,255,379	182,846,308
EURO	12,138,806	19,091,618	3.75	3.14	35,645,602	44,897,759
TL	2,543,300	-	12.05	-	2,543,300	-
					206,444,281	227,744,067

The details of long term bank borrowings as of 31 December 2013 and 2012 are as follows:

	Original Currency		Weighted average effective interest rate (%)		TL equivalent	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
USD (*)	761,444,661	646,124,199	5.48	5.39	1,602,959,511	1,129,589,168
EURO (**)	32,455,398	44,389,508	3.71	3.77	92,769,774	101,432,718
TL	150,000,000	-	12.05	-	150,000,000	-
					1,845,729,285	1,231,021,886

(*) The amount of the loan obtained from consortium of T. Garanti Bankası A.Ş., Yapı Kredi Bankası A.Ş. and T. Vakıflar Bankası T.A.O is TL1,015,548,494 (USD475,822,749). The commission of TL22,191,828 has been deducted from the original amount. This amount is amortised through the life of the agreement.
The loan which amounts USD9,375,000 from IFC which is under short term portion of long term liabilities and long term portion amounts USD65,625,000 are paid at 22 January 2014. Group has used TL125,000,000 and USD20,000,000 long term credit from T,Garanti Bankası A.Ş., Yapı ve Kredi Bankası A.Ş., T,Vakıflar Bankası T,A,O, and T,İş Bankası A,Ş consortium.

(**) The amount of the loan obtained from HSBC PLC is TL34,315,791 (EUR11,685,950). The commission of TL2,535,503 has been deducted from the original amount. This amount is amortised through the life of the agreement.

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

NOTE 4 - FINANCIAL LIABILITIES (Continued)

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

The details of redemption schedule of the long term bank borrowings as of 31 December 2013 and 2012 are as follows:

	2013	2012
Up to 1-2 years	365,659,693	147,180,834
Up to 2-3 years	377,431,782	275,738,605
Up to 3-4 years	192,187,365	283,791,178
Up to 4-5 years	277,421,482	127,588,464
More than 5 years	633,028,963	396,722,805
	1,845,729,285	1,231,021,886

The details of the carrying values and fair value of the long term bank borrowings as of 31 December 2013 and 2012 are as follows:

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
USD borrowings	1,602,959,511	1,889,822,374	1,129,589,168	1,455,602,170
Euro borrowings	92,769,774	104,688,016	101,432,718	115,256,720
TL	150,000,000	145,505,889	-	-
	1,845,729,285	2,140,016,279	1,231,021,886	1,570,858,890

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

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

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

a) Short term other trade receivables:

	2013	2012
Trade receivables	88,521,959	84,678,009
Other short term trade receivables	4,068,523	446,699
Notes receivables and post-dated cheques	-	900,000
Provision for doubtful receivables (-)	(7,524,230)	(6,835,997)
	85,066,252	79,188,711
Unearned credit finance income (-)	-	(281,466)
	85,066,252	78,907,245

As of 31 December 2013, trade receivable maturities which less than 1 months and unearned finance income from credit sales does not exist. (2012: 5.56 %).

The movement for provision for doubtful receivables is as follows;

	2013	2012
Balance at 1 January	6,835,997	174,570
Current year charges	1,732,463	6,661,427
Released provisions	(925,147)	-
Current year released provisions	(119,083)	-
Balance at 31 December	7,524,230	6,835,997

As of 31 December 2013 the amount of receivables which are overdue and impaired is TL7,524,230 (31 December 2012: TL6,835,997). The aging list of these receivables as of 31 December 2013 and 2012 is as follows:

	2013	2012
1 to 3 months	163,459	917,054
3 to 12 months	620,852	-
More than 12 months	6,739,919	5,918,943
	7,524,230	6,835,997

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

The amount of trade receivables that are past due but not impaired is TL2.187.957 as of 31 December 2013 (2012: TL4, 865,521). The aging list of these receivables as of 31 December 2013 and 2012 is as follows:

	2013	2012
Up to 1 month	1,519,731	3,008,696
1 to 3 months	193,818	1,459,395
3 to 12 months	474,408	397,430
	2,187,957	4,865,521

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

NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

b) Long term other trade receivables:

	2013	2012
Long term other trade receivables (*)	17,575,895	20,449,496

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

c) Short term other trade payables:

	2013	2012
Suppliers	106,953,168	69,083,268
Unrecognized credit finance expenses (-)	-	(221,894)
	106,953,168	68,861,374

d) Long term other trade payables:

	2013	2012
Payables to DSI (*)	123,975,785	115,894,568

(*) The Group signed an agreement with the General Directorate of State Hydraulic Works (DSİ) Department of Investigation and Planning for the Water Usage of Ulubat Power Tunnel and Hydroelectric Energy Power Plant within the scope of the Emet-Orhaneli Çınarcık Dam Project. Even though the responsibility relating to the Energy Share Contribution Fee to be paid for the project, whose construction is ongoing and which has been taken over by the Group from DSİ according to this agreement, arises as the project starts operation, payments relating to this responsibility will start five years after the start of operations. According to the agreement, the obligations are recalculated in accordance with the Wholesale Price Index and payments will be made in 10 equal installments. The project has been completed as of the balance sheet date and TL123,975,785 (2012: TL115,894,568) has been recorded under long-term other payables of the Group; the first installment is to be paid in 2015 (Note 23.b).

NOTE 6 - OTHER RECEIVABLES AND PAYABLES

a) Other receivables:

	2013	2012
Receivables from tax office	6,677,213	6,583,586
Short term other receivables	365,428	148,881
	7,042,641	6,732,467

b) Other payables:

	2013	2012
Taxes, fees and other charges	12,565,293	5,554,855
Received deposit and guarantees	130,912	75,500
Other payables	22,138	-
	12,718,343	5,630,355

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

NOTE 7 - PREPAID EXPENSES

a) Short-term prepaid expenses

	2013	2012
Prepaid expenses	7,311,469	6,862,906
Advances given for purchases	5,200,208	571,710
	12,511,677	7,434,616

b) Long-term prepaid expenses

	2013	2012
Maddi ve maddi olmayan duran varlıklar için verilen avanslar	50,978,170	385,011,890
Prepaid expenses	1,796,610	4,145,008
	52,774,780	389,156,898

NOTE 8 - INVENTORIES

	2013	2012
Spare parts	15,017,550	11,679,272
Other raw materials	132,905	152,533
Operating supplies	45,407	62,824
	15,195,862	11,894,629

Cost of inventories recognized as expense and included in the cost of sales amounted to TL14,238,893 for the year ended 31 December 2013 (2012: TL3,186,716).

NOTE 9 - OTHER ASSETS

a) Other current assets:

	2013	2012
Deferred VAT	17,847,420	18,301,427
Personnel advances	39,600	37,471
Work advances	36,469	216,178
	17,923,489	18,555,076

b) Other non-current assets:

	2013	2012
Deferred VAT	123,513,256	111,599,976
	123,513,256	111,599,976

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

NOTE 10 - FINANCIAL ASSETS

Subsidiaries	2013	2012
Liquidation-Aken BV (Note 2.2)	1,988,942	1,988,942

NOTE 11 - NON-CURRENT ASSETS HELD FOR SALE

Group has sold its shares in Akcez, associate of the group with 45% ownership interest, to Akkök Sanayi and Cez a.s. for USD 140 million at 19 December 2012. Transfer of these shares will be realized on 30 April 2013 in accordance with the sales agreement.

On 26th April 2013 ownership of shares and control is completed. Profit from sale of asset is recorded under other income (Note:21)

The summary financial information of non - current assets held for sale is as follows:

26 April 2013					
	Assets	Liabilities	Sales	Net income for the year	Shareholding (%)
Akcez	1,609,991,992	1,065,197,459	683,158,279	50,389,340	45

31 December 2012					
	Assets	Liabilities	Sales	Net income for the year	Shareholding (%)
Akcez	1,599,533,215	1,105,128,023	1,727,959,000	69,027,000	45

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

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

(*) Construction in progress consists of the hydroelectricity terminals of Feke 1, Gökkaya, Himmetli, Kemah and combined natural gas terminals of Egemer Iskenderun Erzin.

(**) Hydroelectricity plants of the group, Himmetli, Feke1 and Gökkaya have been completed and capitalized. Furthermore, development project costs of Kemalpaşa plant has been capitalized.

(***) Group has sold Çerkezköy Doğalgaz KÇ Plants in December 2013 which Group had already stopped operations on 31 December 2012.

(****) Group has decided to shut down the production facility of Kemalpaşa Doğalgaz KÇ Plant due to the current and expected market conditions at 28 February 2014. Impairment provision is provided for TL35,533,970 for the Çerkezköy steam turbine which is valued at TL56,898,313 (Note 21).

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2012	Additions	Transfers	Disposals	Provision for Impairment	31 December 2012
Cost:						
Lands	3,719,977	-	-	-	-	3,719,977
Land improvements	622,517,054	3,107,311	361,134,291	(47,662)	-	986,710,994
Buildings	59,457,685	147,154	14,066,688	(7,903)	-	73,663,624
Machinery and equipment(***)	586,233,704	1,351,321	84,025,800	(2,806,457)	(5,600,000)	663,204,368
Motor vehicles	1,121,498	168,687	-	(270,042)	-	1,020,143
Furnitures and fixtures	7,329,227	906,921	-	(86,285)	-	8,149,863
Leasehold improvements	13,750,116	38,546	-	(16,448)	-	13,772,214
Construction in progress (*)(**)	471,438,353	239,132,751	(459,226,779)	(1,420,471)	-	249,923,854
	1,765,567,614	244,852,691	-	(4,655,268)	(5,600,000)	2,000,165,037
Accumulated depreciation:						
Land improvements	27,048,464	23,061,870	-	(17,833)	-	50,092,501
Buildings	1,987,933	1,671,168	-	(1,976)	-	3,657,125
Machinery and equipment	317,349,333	25,835,070	-	(974,008)	-	342,210,395
Motor vehicles	594,843	142,506	-	(151,880)	-	585,469
Furnitures and fixtures	4,551,501	478,446	-	(55,448)	-	4,974,499
Leasehold improvements	1,931,873	356,711	-	(14,582)	-	2,274,002
	353,463,947	51,545,771	-	(1,215,727)	-	403,793,991
Net Book Value	1,412,103,667					1,596,371,046

(*) Construction in progress consists of the hydroelectricity terminals of Feke 1, Gökkaya, Himmetli, Kemah and combined natural gas terminals of Egemer Iskenderun Erzin.

(**) Hydroelectricity plants of the group, Himmetli, Feke1 and Gökkaya have been completed and capitalized. Furthermore, development project costs of Kemalpaşa plant has been capitalized.

(***) Group has decided to shut down the production facility of Çerkezköy Doğalgaz KÇ Plant due to the current and expected market conditions at 31 December 2014. Impairment provision is provided for TL5,600,000 for the Çerkezköy steam turbine which is valued at TL11,466,010 (Note 21).

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense of TL57,273,035 has been charged to cost of sales (31 December 2012: TL50,996,119) and TL578,992 to general administrative expenses (31 December 2012: TL549,652).

The amount of capitalized borrowing costs for the year ended 31 December 2013 amounted to TL123,424,171 (31 December 2012: TL12,682,685).

Details of the guarantees, pledges and mortgages on property, plant and equipments as of 31 December 2013 and 2012 are explained in Note 14.

NOTE 13 - INTANGIBLE ASSETS

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

	1 January 2012	Additions	Transfers	31 December 2012
Cost				
Rights	7,310,587	300,722	(18,191)	7,593,118
Licenses	127,295,167	-	(11,715)	127,283,452
	134,605,754	300,722	(29,906)	134,876,570
Accumulated amortisation				
Rights	1,832,697	583,971	(18,191)	2,398,477
Licenses	6,375,356	2,044,966	(11,715)	8,408,607
	8,208,053	2,628,937	(29,906)	10,807,084
Net book value	126,397,701			124,069,486

Depreciation expense of TL320,903 (31 December 2012: TL313,596) has been charged to cost of sales. Remaining TL2,009,690 (31 December 2012: TL2,315,341) is charged to general administrative expenses.

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

NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

14.1 Provisions

There are various lawsuits against or in favour of the Group. The majority of these lawsuits constitutes doubtful receivables or labour lawsuits. Group management estimates the outcomes of these lawsuits and the financial effects thereof, and the required provisions are accounted for based on these estimates. The amount of provisions for the lawsuits as of 31 December 2013 is TL11,106,365 (31 December 2012 TL12,654,676).

	2013	2012
Provisions for lawsuits (**)	11,106,365	12,654,676
Expense accruals (*)	55,442	134,805
Other provisions	-	3,300,000
	11,161,807	16,089,481

(*) Expense accruals consist of periodical maintenance expenses.
(**) Provision for law-suits are generally due to Group's joint liability from labor cases and expropriation

The movement of the provision for expenses is as follows:

	2013	2012
1 January	134,805	919,048
Current year charges	2,198,491	93,420
Provision that are no longer required	-	(347,516)
Payments	(2,277,854)	(530,147)
31 December	55,442	134,805

The movement of provision for lawsuits is as follows:

	2013	2012
1 January	12,654,676	2,778,855
Current year charges	535,802	9,875,821
Released provisions (Note 21)	(2,084,113)	-
31 December	11,106,365	12,654,676

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

NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

14.1 Provisions (Continued)

The movement of other provisions is as follows:

	2013	2012
1 January	3,300,000	12,219,000
Current year charges	-	3,300,000
Payments	-	(12,219,000)
Terminated Provisions(*)	(3,300,000)	-
31 December	-	3,300,000

(*) The Group had cancelled the provision amounting TL3,000,000 for the damage in Bulam plant of Mem Enerji a subsidiary of the Group and TL300,000 for the TRT provision (Note 21)

14.2 Contingent Liabilities

a. Letters of guarantee given

The commitments and contingent liabilities of the Group that are not expected to result in material loss or liability is summarized as follows:

		2013		2012	
	Currency	Original currency	Local currency (TL)	Original currency	Local currency (TL)
Letters of guarantee given	TL	156,363,666	156,363,666	123,075,264	123,075,264
Letters of guarantee given	Euro	400,000	1,174,600	200,000	470,340
Letters of guarantee given	USD	91,053,798	194,336,122	11,256,000	20,064,946
			351,874,388		143,610,550

Letters of guarantee given generally consists of letters given to government agencies for the electricity transmission and distribution (mainly to EMRA and government agencies providing electricity transmission and distribution) and natural gas suppliers for the procurement of natural gas.

b. Purchase Commitments

The Group has signed an agreement with energy companies, for the energy supply of 866,624,298 kWh on 2013. In accordance with this agreement, the Group has supplied 867,502,469 kwh supplied to companies as of 31 December 2013.

The amount of the purchase agreement that the Group has signed with natural gas vendors is 233,400,000 Sm^{3}in 2013. Minimum purchase amount in 2013 is 114,750,000 Sm^3 and Group's shortage is 10,917,001 Sm^3 which has 2 years for redemption. Group has transferred this amount to Organize Sanayi Bölgesi and their purchse will complete the deal without penalty.

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NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

14.3 Contingent Assets

		2013		2012	
	Currency	Original currency	Local currency (TL)	Original currency	Local currency (TL)
Guarantee letters obtained	TL	106,618,002	106,618,002	68,809,840	68,809,840
Guarantee letters obtained	USD	13,950,958	29,775,529	14,452,392	25,762,834
Guarantee letters obtained	EURO	77,599,873	227,872,026	78,768,049	185,238,821
Guarantee letters obtained	GBP	535,259	1,879,510	535,259	1,536,623
			366,145,067		281,348,118

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

14.4 Guarantees, pledges and mortgages given by the Group

The Group's guarantees, pledges and mortgage ("GPM") positions in TL as of 31 December 2013 and 2012 are as follows:

		2013		2012	
	Currency	Original currency	Local currency (TL)	Original currency	Local currency (TL)
A. GPM's given for companies' own legal entity (*)	USD	291,053,798	621,196,122	211,256,000	376,584,946
	TL	156,363,666	156,363,666	123,075,264	123,075,264
	EURO	19,876,583	58,367,586	19,676,583	46,273,420
B.Total amount of GPM given for the subsidiaries and associates in the scope of consolidation (**)	USD	884,000,000	1,886,721,200	884,000,000	1,575,818,400
	EURO	56,000,000	164,444,000	56,000,000	131,695,200
C.Total amount of GPM given for the purpose of maintaining operating activities		-	-	-	-
D.Total other GPM's given	USD	-	-	-	-
			2,887,092,574		2,253,447,230

(*) Details of the guarantees which are given on behalf of the associations of Akenerji that are included within the scope of consolidation as of 31 December 2013 are as follows (TL):

Within the framework of the loan contract signed between Akenerji and the International Finance Corporation ("IFC") on 24 June 2010, the collateral of for which valued at USD100,000,000 is given for 51,078.79 m2 plot of land in Kemalpaşa Ulucak village, Kirovasi region İzmir district, Kemalpasa Deed Administration Plot No. L18B03C4A-L18B03D03DB, Isle Map No: 534, Parcel No. 11, registered with the İzmir Kemalpasa Title Deed Registry and the prefab factory buildings, structures, administrative buildings, social facility premises and plot of land of 11,923.64m2 located at Kemalpasa Bozüyük town, Yeni Mahalle district, Yafti region, Bilecik Bozüyük Plot No. 30 L1, Map No. 45, Parcel No.21 registered with the Bilecik Bozüyük Title Deed Registry.

NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

14.4 Guarantees, pledges, mortgages given by the Group (continued)

In addition, a “Account Pledge Agreement” is signed with IFC about the pledge on “Debt Service Reserve” account in favor of IFC via İş Bankası. An “Assignment of Claim Agreement” is signed between IFC and Akenerji Elektrik Üretim A.Ş. about the receivables (except for the insurance for third party liabilities) from insurances of Akocak and Uluabat. IFC is assigned to act as a “loss payee” in insurance policies of Akocak and Uluabat Elektrik plants.

Akenerji paid the full amount of IFC loan on 22 January 2014 and the process of terminating the collateral for the loan has begun and will be finalsed in 2014.

The rest of the letter of guarantees in the amount of TL351,874,388 consist of the guarantees given to the suppliers and customs offices.

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

(**) Details of the guarantees which are given on behalf of the associations of Akenerji that are included within the scope of consolidation as of 31 December 2013 are as follows (TL):

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

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

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

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

NOTE 14 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

14.4 Guarantees, pledges and mortgages given by the Group (Continued)

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

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

Ratio of GPMs given by the Group to equity is 349% as of 31 December 2013 (31 December 2012: 239%).

NOTE 15 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments held for hedging:

	2013		2012	
	Contract amount	Fair value	Contract amount	Fair value
Interest rate swaps	1,524,408,373	43,100,260	621,247,430	61,091,914
Forward Contracts	172,044,390	(4,303,365)	-	-
	1,696,452,763	38,796,895	621,247,430	61,091,914

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

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

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

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

NOTE 15 - DERIVATIVE FINANCIAL LIABILITIES (Continued)

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

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

As of 31 December 2013 Group has commitment to buy EUR22,224,209 and sell USD30,031,861 and buy USD20,000,000 and sell TL42,686,000.

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

	2013	2012
1 January	61,091,914	41,921,415
Charged to income statement		
- financial income/(expense)	1,076,036	386,686
Charged to comprehensive income statement		
- hedge funds	(16,357,753)	17,686,186
Charged to balance sheet		
- constructions in progress	(2,709,937)	1,097,627
31 December	43,100,260	61,091,914

NOTE 16 - PROVISION FOR EMPLOYMENT BENEFITS

Liabilities due to employment benefits

	2013	2012
Personel Taxes	607,423	597,011
Social Security Payment	497,306	462,887
Due to personel	23,336	38,206
	1,128,065	1,098,104

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

NOTE 16 - PROVISION FOR EMPLOYMENT BENEFITS (Continued)

Short-Term Provisions due to employment benefits

	2013	2012
Bonus Provisions	2,087,346	1,786,920
Vacation Provisions	634,587	625,335
	2,721,933	2,412,255

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

	2013	2012
Employment benefits short term provisions	2,412,255	674,595
Current Period	2,201,635	1,801,385
Paid Provisions	(1,764,167)	(63,725)
Terminated Provisions	(127,790)	-
	2,721,933	2,412,255

Employment benefits long term provisions

	2013	2012
Employment termination benefits	1,411,684	1,673,875
	1,411,684	1,673,875

The movement of employment termination benefits is as follows:

	2013	2012
At 1 January	1,673,875	955,285
Service Cost	292,135	1,102,102
Reversal of provision	(458,485)	-
Interest Cost	61,431	23,882
Paid compensation	(359,764)	(524,220)
Actuarial losses	202,492	116,826
At 31 December	1,411,684	1,673,875

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

Under the Turkish Labour Law, companies are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to the length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL3,254.44 for each year of service as of 31 December 2013 (31 December 2012: TL3,033.98).

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

NOTE 16 - PROVISION FOR EMPLOYMENT BENEFITS (Continued)

Termination benefits liability is not dependent on any funding legally and any funding requirement does not exist.

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

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

	2013	2012
Discount rate (%)	3,67	2,50
Probability of retirement (%)	93,00	92,00

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The amount payable consists of one month's salary limited to a maximum of TL3,438.22 for each period of service as of 1 January 2013 (1 January 2013: TL3,129.25). The maximum liability is revised semi annually.

NOTE 17 - EQUITY

Share capital

Akenerji adopted the registered capital system applicable to the companies registered on the Capital Markets Board (CMB) which defines limitations to registered capital for shares whose nominal value is TL1 ("One Turkish Lira"). As of 31 December 2013 and 2012 the share capital held is as follows:

	2013	2012
Limit on registered share capital (historical)	1,500,000,000	1,500,000,000
Issued capital	729,164,000	375,814,000

The Company's shareholders and share holding structure as of 31 December 2013 and 2012 are as follows:

	Share %	2013	Share %	2012
CEZ a.s.	37,36	272,425,943	37,36	140,409,411
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	20,43	148,989,090	20,43	76,789,568
Akarsu Enerji Yatırımları San, ve Ticaret A.Ş. ("Akarsu")	16,93	123,436,852	16,93	63,619,843
Publicly held	25,28	184,312,115	25,28	94,995,178
	100	729,164,000	100	375,814,000
Adjustment to share capital		101,988,910		101,988,910
Total paid-in capital		831,152,910		477,802,910

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

NOTE 17 - EQUITY (Continued)

Capital Increase

As of 31 December 2013 Group has increased its capital to TL729,164,000 from TL375,814,000. TL353,035,872 of the increase is paid by prior years paid capital advance and the rest TL314,128 is paid in cash during 2013.

Share Premium

Share premiums presented in the consolidated financial statements represent the proceeds from the excess of the amount of shares compared to their nominal values.

Retained Earnings and Legal Reserves

	31 December 2013	31 December 2012
Legal reserves	11,803,700	11,803,700
	11,803,700	11,803,700

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of a company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. Under the CMB, those amounts are required to be classified in "Reserves on retained earnings".

Dividend distribution

Dividends are distributed according to Communiqué Serial: IV, No: 27 on "Principles Regarding Distribution of Interim Dividends for quoted entities subject to Capital Market Board Law", principles on corporate articles and dividend distribution policy which is declared by Companies. In addition to the CMB, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué II-14.1 that sufficient reserves exists in the unconsolidated statutory books.

The remaining current year income and the reserves of the Group that can be subject to the dividend distribution is zero (31 December 2012: TL13,585,642).

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

NOTE 18 - TAX ASSETS AND LIABILITIES

	2013	2012
Corporate and income taxes payable	6,304,119	2,294,307
Prepaid taxes (-)	(5,805,264)	(303,453)
Taxes on Income	498,855	1,990,854

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

In Turkey, the effective rate of tax in 2013 and 2012 is 20%.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to offset against other liabilities to the government.

The details of taxation on income for the years ended 31 December 2013 and 2012 is as follows:

	2013	2012
Current income tax expense	(1,666,905)	(2,717,128)
Deferred tax income	42,726,800	2,903,149
Total Tax	41,059,895	186,021

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

	2013	2012
(Loss)/ income before tax	(190,816,934)	49,867,601
Tax calculated by using effective tax rate	38,163,387	(9,973,520)
Tax effect of exemptions	(1,014,016)	5,675,782
Losses not subject to tax (*)	(5,694,107)	(1,443,212)
Utilized carry forward tax losses	9,029,157	3,486,381
Other	575,474	2,440,590
Current year tax income	41,059,895	186,021

(*) The effect of the losses of subsidiaries in the scope of consolidation which do not have tax bases as of 31 December 2013 and 2012 in accordance with Turkish Tax Law.

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

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

Deferred Taxes

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

The rate applied in the calculation of deferred tax assets and liabilities is 20% (2012: %20)

	2013	2012
Deferred tax assets	93,346,269	62,189,713
Deferred tax liabilities	(52,215)	(8,299,739)
Deferred tax assets, net	93,294,054	53,889,974

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2013 and 2012 are as follows:

	Temporary Differences		Deferred tax assets/ (liabilities)	
	2013	2012	2013	2012
Carry forward tax losses	(220,269,635)	(164,658,323)	44,053,927	32,931,665
Derivative financial instruments	(38,796,895)	(61,091,914)	7,759,379	12,218,382
Investment incentive	(55,283,362)	(54,380,005)	11,056,672	10,876,001
Provisions for lawsuits	(11,106,365)	(12,654,676)	2,221,273	2,530,935
Provision for project cancelation	(6,479,445)	(5,659,860)	1,295,889	1,131,972
Provision for impairment of property, plant and equipment	-	(5,600,000)	-	1,120,000
HES claim reserves	-	(3,000,000)	-	600,000
Provision for employment termination benefits	(1,411,684)	(1,673,875)	282,337	334,775
Provision for doubtful receivables	(163,459)	(917,054)	32,692	183,411
Provision for unused vacations	(634,587)	(625,335)	126,917	125,067
Provision for TRT share	-	(300,000)	-	60,000
Unearned credit finance income	-	(250,119)	-	50,024
Property, plant and equipment	(131,124,417)	37,455,405	26,224,883	(7,491,081)
Loan commissions	2,535,503	3,803,254	(507,101)	(760,651)
Provision for EMRA charge	(1,648,586)	-	329,717	-
Unrecognised credit finance expense	-	240,034	-	(48,007)
Provision for bonus payments	(2,087,346)	(137,403)	417,469	27,481
Deferred tax assets, net			93,294,054	53,889,974

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

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred tax assets as of 31 December 2013 and 2012 are as follows:

	2013	2012
1 January	53,889,974	47,449,588
Charged to statement of income	42,923,215	2,903,149
Charged to equity	(3,519,135)	3,537,237
31 December	93,294,054	53,889,974

Analysis deferred tax assets and liabilities are as follows:

	2013	2012
Deferred tax assets:		
- Deferred tax assets to be recovered after 12 months	78,886,420	43,807,666
- Deferred tax asset to be recovered within 12 months	14,459,849	18,382,047
	93,346,269	62,189,713
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after 12 months	(52,215)	(808,658)
- Deferred tax liabilities to be recovered within 12 months	-	(7,491,081)
	(52,215)	(8,299,739)

Group provided deferred tax asset for carry forward tax losses amounting to TL220,269,635, as of 31 December 2013 (31 December 2012: TL164,658,323). Group did not provide deferred tax assets for the remaining prior period losses amounting to TL26,721,553 (31 December 2012: TL31,498,033) The expiration dates of recognized carry-forward tax losses are as follows:

Due Date	Losses
2014	104,569
2015	15,585,627
2016	113,704,896
2017	7,254,508
2018	83,620,035
	220,269,635

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

Due Date	Losses
2016	1,529,476
2017	3,492,077
2018	21,700,000
	26,721,553

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

NOTE 19 - REVENUE AND COST OF SALES

	2013	2012
Sales	771,837,927	806,910,118
Sales returns (-)	(809,363)	(4,928,766)
Sales (Net)	771,028,564	801,981,352
Cost of sales (-)	(621,594,161)	(663,360,142)
Gross Profit	149,434,403	138,621,210

NOTE 20 - EXPENSES BY NATURE

	2013	2012
Direct raw material expenses	514,247,578	566,930,053
Depreciation and amortization expenses (*)	60,182,620	54,174,708
Personnel expenses (**)	25,977,001	23,444,884
General production expenses	17,118,753	22,212,389
Other raw materials, spare parts and operating supplies expenses	14,238,893	3,186,716
Consultancy expenses	7,288,961	8,691,501
Insurance expenses (***)	7,103,147	6,270,879
Tax expenses	3,712,593	2,191,905
Rent expenses (****)	1,922,360	2,296,045
Office expenses	1,803,098	1,913,739
IT expenses	1,861,108	1,912,823
Vehicle expenses	1,783,440	1,500,568
Travel expenses	1,024,210	873,008
Advertising expenses	552,151	552,063
EMRA license expenses	187,780	274,968
Other expenses	6,451,814	10,600,988
Total	665,455,509	707,027,237

(*) Depreciation expense amounting to TL57,593,938 (2012: TL51,309,715) has been charged to cost of sales and TL2,588,682 (2012: TL2,864,993) has been charged to general administrative expenses.

(**) Personnel expense of TL11.283.145 (2012: TL12,991,009) has been charged to cost of sales, TL14.693.856 (2012: TL10,453,875) to general administrative expenses.

(***) Insurance expense of TL6,896,892 (2012: TL5,901,015) has been charged to cost of sales, TL206,255(2012: TL369,864) to general administrative expenses.

(****) Rent expense of TL214,963 (2012: TL829,245) has been charged to cost of sales, TL1,707,397 (2012: TL1,466,800) to general administrative expenses.

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

NOTE 21 - OTHER OPERATING INCOME AND EXPENSE

a) Other operating income

	2013	2012
Released provisions (*)	7,291,188	6,220,468
Profit from the subsidiary sale	6,702,460	-
Foreign exchange gain from trading activities	1,234,112	2,696,205
Due date differences (**)	618,641	475,719
Income from insurance reimbursements	416,531	1,847,563
Compensation revenue	368,370	492,221
Scrap sales	310,111	261,022
Risk sharing income (***)	136,418	2,541,001
Carbon certificate income	95,519	204,454
Other income and profits	1,867,548	1,400,887
Total	19,040,898	16,139,540

(*) As of 31 December 2013, released provisions amounting to TL7,291,188 includes Bulam Plant's damages provisions which is TL3,000,000, provision for lawsuits which is TL2,084,113, provisions for doubtful receivables which is TL 925,147, provisions for TRT share which is TL300,000, employment termination benefit which isTL 557,590, provision for unused vacation which is TL105,037, other provisions for cost no longer required which is TL319,301 (31 December 2012: released provisions balance has occurred other provisions for no longer required which is TL6,220,468, provision for lawsuits which is TL5,301,761, provision for bonus which is TL479,389, provisions for expense accurals which is TL347,516, employment termination benefit which is TL28,077 and provisions for unused vacation which is TL63,725).

(**) It consists of interest income for overdue trade receivables. Applied monthly interest rate is 1.40% as of 31 December 2013 (2012: 1.40%)

(***) The amount is related to the "Risk Sharing Agreement" signed with Sakarya Elektrik Dağıtım A.Ş. Sakarya Elektrik Perakende Satış A.Ş. ile, Elektra Enerji Toptan Satış ve İthalat İhracat A.Ş. ile, Limak Enerji Ticareti A.Ş. ile, Meram Elektrik Enerjisi Toptan Satış A.Ş. ile ve 2M Enerji Toptan Elektrik Ticaret A.Ş.

b) Other operating expenses

	2013	2012
Provision for steam turbine impairment (*)	35,533,970	5,600,000
Foreign exchange loss from trading activities	4,002,466	1,266,168
Çerkezköy plant expenses (**)	3,525,278	-
Project expenses (***)	819,585	-
Provision for doubtful receivables	1,732,463	6,661,427
Provision for lawsuits for condemnation	535,802	9,875,821
Other provision expenses	-	4,962,042
Other expenses	2,781,655	978,427
Total	48,931,219	29,343,885

(*) Group has decided to shut down the production facility of Kemalpaşa Doğalgaz KÇ Plant due to the current and expected market conditions. Impairment provision is provided for TL35,533,970 for the Çerkezköy steam turbine which is valued at TL56,898,313. Group has decided to shut down the production facility of Çerkezköy Natural Gas Plant due to the current and expected market conditions. Impairment provision is provided for TL5,600,000 for the Çerkezköy steam turbine in 2012

(**) Fixed asset expenses of Cerkezkoy Plant which sold in 2013

(***) Since the licence tender of Çamlıca and Salihler RES projects have been resulted against the company, provision amounting to TL819,585 has been accounted in the financial statements. Group has taken legal action for recovery of this provision amount.

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

NOTE 22 - OTHER INCOME AND EXPENSE FROM INVESTING ACTIVITIES

a) Income from investing activities

	2013	2012
Fixed asset sale income	13,695,250	-
Financial investing dividend income	302,518	-
Total	13,997,768	-

b) Expense for investing activities

	2013	2012
Fixed asset sale loss	-	1,806,824
Toplam	-	1,806,824

NOTE 23 - FINANCIAL INCOME AND EXPENSES

a) Financial income:

	2013	2012
Foreign exchange gains from financing activities	40,396,907	59,405,434
Interest income from financing activities	5,450,556	4,660,165
Total	45,847,463	64,065,599

b) Financial expense:

	2013	2012
Foreign exchange losses from financing activities	262,065,073	33,359,154
Interest expense from financing activities	56,198,609	58,003,997
Other financial expense(*)	8,081,217	2,777,793
Total	326,344,899	94,140,944

(*) The amount is related to the indexation difference of the liability due to Uluabat DSİ Water Use Agreement calculated by WPT as of the balance sheet date (Note 5.d).

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

NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Related party balances:

a) Receivables from related parties

	2013	2012
Sakarya Elektrik Perakende Satış A.Ş.("Sepaş") (**)	5,615,800	-
Akiş Gayrimenkul Yatırım A.Ş.("Akiş") (**)	783,357	734,075
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.("Üçgen") (**)	466,341	431,208
BSH Ev Aletleri San,ve Ticaret A.Ş.("BSH") (***)	-	1,216,341
EczacıbaşıYapı Gereçleri Sanayi ve Ticaret A.Ş.("Eczacıbaşı") (***)	-	1,011,901
Demirer Kablo Tesisleri Sanayi ve Ticaret A.Ş.("Demirer") (***)	-	241,995
Ak-Pa Tekstil İhracat Pazarlama A.Ş.("Akpa")	-	11,201
Akkök Sanayi Yatırım ve Geliştirme A.Ş.("Akkök")	-	6,608
Aksa Akrilik Kimya Sanayi A.Ş. ("Aksa")	-	3,360
Sakarya Elektrik Dağıtım A.Ş.("Sedaş")	-	862,959
Akkim Kimya Sanayi ve Ticaret A.Ş. ("Akkim")	-	308,167
Other	128,865	343,514
Unearned credit finance income (-)	-	(10,973)
	6,994,363	5,160,356

(*) Rish share from energy sales.
(**) Group sells Sepaş,Akiş and Üçgen Electricity. This amount is collected in subsequent period.
(***) As of 31 January 2013 it has been excluded from related party.

Maturity of trade receivables from related parties is approximately 20 days and there isn't any unearned financial income (2012: 6%).

b) Other financial receivables from related parties

	2013	2012
Sedaş	343,721	515,496
Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş.("Akcez")	-	122,872
	343,721	638,368

Maturity of other (financial) receivables from related parties due date is 1 year and applied annual interest rate for other financial receivables in TL is 10.70%, for USD other financial receivables is 3.89% and for EURO 3.83% (31 December 2012: for financial receivables in TL is 8.50%, for USD and EURO other financial receivables is 3.50%).

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

NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Related party balances: (continued)

c) Payables to related parties

	2013	2012
Aksa (*)	8,677,148	2,858,927
CEZ a,s, Turkey Daimi Temsilciliği (**)	809,566	618,154
Dinkal Sigorta Acenteliği A.Ş. ("Dinkal") (***)	656,957	5,041,496
Aktek Bilgi İletişim Teknolojisi Sanayi ve Ticaret A.Ş. ("Aktek") (****)	581,699	448,140
Cez a,s, (**)	535,239	428,647
Akkök (**)	474,844	985,859
Sedaş (*)	363,228	436,404
Ak-Han Bakım Yönetim, Servis, Hizmet, Güvenlik, Malzemeleri A.Ş. ("Ak-Han")	159,416	128,579
Çerkezköy Organize Sanayi Bölgesi ("ÇOSB") (*****)	-	5,565,867
Other	54,554	40,797
Unrecognized credit finance expense (-)	-	(23,102)
	12,312,651	16,529,768

(*) Due to Group's electricity purchases
(**) Due to Group's received consulting and accruals
(***) Insurance expenses for Group's ongoing and completed projects
(****) Due to IT expenses of Group
(*****) Çerkezköy Organize Sanayi Bölgesi has been excluded from being related party as of 1 January 2013

Maturity of trade payables to related parties is 30 days and there is not any accrued financial expense (31 December 2012: 6%).

d) Other financial payables to related parties

	2013	2012
AKEN B,V,	2,936,500	-
	2,936,500	-

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

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

NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties:

a) Sales to related parties

	2013	2012
Sepaş (*)	39,481,395	-
Akiş (**)	8,359,689	-
Üçgen (**)	4,938,396	5,036,756
Akkim (**)	210,888	2,832,223
Aksa	53,729	60,842
Sedaş	44,289	99,323,501
Akcez	5,578	254,267
Akport Tekirdağ Liman İşletrmesi A.Ş.	-	80,880
BSH(***)	-	11,401,782
Eczacıbaşı(***)	-	8,692,160
Demirer(***)	-	2,762,394
Diğer	866,539	7,842,527
	53,960,503	138,287,332

(*) Risk share due to energy sales
(**) The sales to related parties mainly consist of electricity sales.
(***) As of 01 January 2013 it has been excluded from related party.

b) Other transactions made for related parties

	2013	2012
Akkök (*)	125,930,000	-
Cez a.s. (*)	125,930,000	-
	251,860,000	-

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
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NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties: (continued)

c) Purchases from related parties

	2013	2012
Aksa(*)	48,591,534	20,517,540
Sepaş (**)	9,897,903	-
Dinkal(***)	7,670,404	7,483,602
Cez a,s, Turkey Daimi Tem,(****)	6,859,318	6,828,024
Akkök(*****)	5,307,388	9,596,021
Cez Trade Bulgaria EAD(*)	3,361,303	1,642,566
Aktek(******)	3,192,449	4,223,128
Akhan Bakım(*******)	1,724,591	1,457,747
Cez a,s,(****)	440,905	3,112,077
Ak-pa	217,281	192,765
Akkim	136,554	408,647
Ak Havacılık ve Ulaştırma Hiz,A.Ş.	123,911	-
Sedaş	3,134	403,682
ÇOSB(********)	-	57,633,451
Akcez	-	1,243,108
Akarsu Enerji Yatırımları Sanayi ve Ticaret A.Ş.	-	3,135,734
Üçgen	-	84,178
Other	2,565	352,423
	87,529,240	118,314,693

(*) Consists of Group’s energy purchases
(**) Risk share due to purchase of energy
(***) Group’s insurance costs
(****) Group’s received consulting costs
(*****) Consists Group’s rents and consulting services
(******) Group’s It service purchases
(*******) Reimbursement invoices to Group for maintanence and other sevices
(********) Çerkezköy Organize Sanayi Bölgesi has been excluded from being related party as of 1 January 2013

iii) Key management compensation as of 31December 2013 and 2012:

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

	2013	2012
Salaries and wages	2,811,845	3,204,421
Bonus premium	1,993,755	1,360,634
Attendance fee	1,073,899	789,593
	5,879,499	5,354,648

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

NOTE 25 - EARNINGS PER SHARE

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

	2013	2012
Net (loss) /income	(127,081,836)	81,115,772
Weighted average number of issued shares	729,164,000	375,814,000
(Losses)/ income per 1,000 shares	(174)	216

Nominal value of each of the issued share as of 31 December 2013 and 2012 is 1 Kr.

NOTE 26 - FINANCIAL RISK MANAGEMENT

Financial risk management

Financial Risk Factors

The Group's activities expose it to a variety of financial risks. These risks are liquidity risk, market risk (exchange rates, interest rates), credit risk and funding risks.

Management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses financial instruments to hedge certain risk exposures.

Risk management is carried out by a Finance Department where policies are approved by the Board of Directors. Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of business, the group aims to maintain flexibility in funding by keeping committed credit lines available.

The following tables detail the Group's contractual maturities for its non-derivative financial liabilities. The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes both interest and principal amounts.

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

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

The analysis of the financial liabilities according to their maturities as of 31 December 2013 and 2012 is as follows:

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

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

2012	Carrying value	Total contractual cash outflow	3 months or less	3 - 12 months	1 - 5 years	5 year and more
Financial liabilities	1,458,924,298	1,631,907,237	41,261,641	224,342,903	939,965,835	426,336,858
Trade payables	201,285,710	201,530,706	85,636,138	-	11,589,457	104,305,111
Other non current liabilities	5,906,296	5,906,296	5,552,838	77,517	275,941	-
	1,666,116,304	1,839,344,239	132,450,617	224,420,420	951,831,233	530,641,969

(1) Maturity analysis was applied only to financial instruments. Legal obligations are not included in the maturity analysis.
(2) These amounts are contractual undiscounted cash flows. Balances with maturities less than 3 months are equal to their carrying values due to the negligible discounting effect.

Derivative financial liabilities:

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

2012	Carrying value	3 months or less	3 - 12 months	1 - 5 years	5 year and more
Financial liabilities	61,091,914	610,935	15,068,133	45,412,846	-

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

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

(b) Market Risk

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed using interest rate swaps and natural hedges that arise from offsetting interest rate sensitive assets and liabilities. To decrease the interest rate risk, the cash equivalents which are not used, are invested to the time deposits by the Group.

The table of the interest position of the Group as of 31 December 2013 and 2012 is as follows:

Financial instruments with fixed interest rates	2013	2012
Cash and cash equivalents	225,815,921	152,624,102
Trade receivables	109,636,510	104,517,097
Other receivables	7,722,456	7,665,990
Financial liabilities	168,679,993	90,713,212
Trade payables	119,265,819	85,391,142
Financial instruments with floating interest rates		
Financial liabilities	1,883,498,441	1,368,211,086
Trade payables	123,975,785	115,894,568

The Group has analyzed various scenarios including refinancing the existing situation alternative financing options and to avoid the hedging risk. According to these scenarios, if annual interests of floating interest rated loans were 1 basis point high/low with all the other parameters are constant, current year income before tax have been TL564,889 lower/higher as a result of interest expense of floating interest rated loans and swap transactions (2012: TL1,104,568).

Foreign exchange risk

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated assets and liabilities to local currency. Foreign exchange risk arises from future obligations as well as foreign currency denominated assests and liabilities. These risks are monitored and limited by the monitoring of the foreign currency position.

The details of the foreign currency assets and liabilities as of 31 December 2013 and 2012 are as follows:

	2013	2012
Assets	287,024,624	495,318,146
Liabilities	2,048,127,142	1,633,614,869
Net foreign currency position	**(1,761,102,518)**	**(1,138,296,723)**

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NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

Assets and liabilities denominated in foreign currency held by the Group at 31 December 2013 and 2012 and their TL equivalent are as follows:

	2013				2012			
	TL Equivalent	USD	Euro	Other	TL Equivalent	USD	Euro	Other
Cash and cash equivalants	133,340,045	59,142,420	2,407,598	12,094	105,147,153	42,352,159	12,607,979	3
Other trade receivables	979,126	67,228	284,570	-	712,358	8,124	282,105	12,000
Due from related parties	343,721	-	117,051	-	286,620	-	121,879	-
Other receivables	79,436	24,150	9,499	-	11,031	4,150	1,545	-
Current Assets	134,742,328	59,233,798	2,818,718	-	106,157,162	42,364,433	13,013,508	12,003
Other non-current assets	152,282,296	11,138,201	43,762,994	-	389,160,984	10,964,249	157,169,755	-
Non-current Assets	152,282,296	11,138,201	43,762,994	-	389,160,984	10,964,249	157,169,755	-
Total Assets	287,024,624	70,371,999	46,581,712	12,094	495,318,146	53,328,682	170,183,263	12,003
Short-term portion of long term financial liabilities	203,900,981	78,833,987	12,138,806	-	227,744,066	102,572,819	19,091,618	-
Other trade payables	123,698,232	3,222,689	39,435,068	290,189	21,158,349	5,337,210	4,951,413	-
Deferred income	15,017	7,036		-	128,347,200	72,000,000	-	-
Other short-term provisions	55,442	-	18,880	-	134,805	-	57,322	-
Current Liabilities	327,669,672	82,063,712	51,592,754	290,189	377,384,420	179,910,029	24,100,353	-
Financial liabilities	1,720,456,616	761,444,661	32,455,398	-	1,256,171,802	646,124,199	44,389,508	-
Other payables	854	400	-		58,647	32,900	-	-
Non-current Liabilities	1,720,457,470	761,445,061	32,455,398	-	1,256,230,449	646,157,099	44,389,508	-
Total Liabilities	2,048,127,142	843,508,773	84,048,152	290,189	1,633,614,869	826,067,128	68,489,861	-
Net Foreign Currency Assets/(Liabilities) Position	(1,761,102,518)	(773,136,774)	(37,466,440)	(278,095)	(1,138,296,723)	(772,738,446)	101,693,402	12,003

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro. The following table details the Group's sensitivity to a 10% increase and decrease in the TL against relevant foreign currencies, all other variables held constant.

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

	31 December 2012	
	Profit / Loss	
	Appreciation of Foreign currency	Depreciation of Foreign currency
10% increase / decrease in US Dollar exchange rate		
(Expense)/income	(137,748,355)	137,748,355
US Dollar Net Effect	(137,748,355)	137,748,355
10% increase / decrease in Euro exchange rate		
Income/(expense)	23,915,237	(23,915,237)
Euro Net Effect	23,915,237	(23,915,237)
10% increase/decrease in other exchange rates		
Income/(expense)	3,445	(3,445)
Other currencies net effect	3,445	(3,445)
Total Net Effect	(113,829,673)	113,829,673

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

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

(c) Funding risk

The funding risk of the current and future debt requirements is managed through rendering the availability of the qualified lenders. The Group's bank loans are provided by various financially strong financial institutions.

(d) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Group monitors capital on the basis of the ratio of net debt to total equity. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total equity is calculated as the difference between assets and liabilities. Additionally, the Group calculates the total equity/total assets ratio. Group's constructions in progress is financed by miscellaneous potential financial institutions as mentioned in the funding risk. Completion periods and cash outflows of investments are assessed and valorized within capital risk management by the Group. The periods after the completion of investments expect a significant reduction in the ratio of net debt/total capital.

Net debt/total equity ratio as of 31 December 2013 and 2012 are as follows:

	2013	2012
Trade payables and due to related parties	243,241,604	201,285,710
Total financial liabilities	2,052,178,434	1,458,924,298
Other liabilities	15,870,961	5,906,296
Total debt	2,311,290,999	1,666,116,304
Less: Cash and Cash Equivalents (Note 3)	(242,897,506)	(173,551,094)
Net debt	2,068,393,493	1,492,565,210
Total equity	828,027,582	944,434,149
Net debt/total equity ratio	250%	158%

(e) Credit Risk

The Group is exposed to credit risks due to its open receivable position with future collection dates and time deposits. If counterparties fail on the fulfillment of the agreement, the Group is exposed to the risk upon holding the financial instruments. Management covers the risk by limiting the average risk of counterparties (except for related parties) on agreements and by obtaining guarantees if necessary.

The Group has internal credit procedures, the credit rating system and internal policies for credit risk management related with the trade receivables from its customers. According to these procedures, the Group separately approves, increase or decrease the credit limits for customers with significant balances. The credit limits are determined in accordance with the historical payment performances, financial strengths, commercial relations, commercial growth potential, and management styles. Credit limits are reviewed every year and the group use bank guarantees, marketable securities and other guarantees for the customers which considered as high risk.

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

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

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

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

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NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

The exposure of the Group to credit risk as of 31 December 2012 based on types financial instruments is as follows:

	Trade Receivables		Other Receivables		Bank deposits	
2012	Related Party	Other	Related Party	Other	Related Party	Other
Maximum credit risk exposure as of the reporting date	5,160,356	99,356,741	638,368	7,027,622	-	173,513,929
- Secured portion of the maximum risk by guarantees	*2,651,808*	*36,364,955*	-	-	-	-
Not due /not impaired Financial asset's carrying value	5,113,620	94,491,220	638,368	7,027,622	-	173,513,929
Overdue but not impaired Financial asset's carrying value	46,736	4,865,521	-	-	-	-
- Secured portion by guarantees	*38,306*	*2,855,982*	-	-	-	-
Net carrying value of Impaired assets	-	-	-	-	-	-
- Overdue (gross)	-	*6,835,997*	-	-	-	-
- Impairment (-)	-	*(6,835,997)*	-	-	-	-
- Secured portion by guarantees						

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial instruments

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

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

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

Monetary assets

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

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

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

Monetary liabilities

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

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

Fair value estimation:

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

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

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

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

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

NOTE 26 - FINANCIAL RISK MANAGEMENT (Continued)

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

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

Derivative financial liabilities	2013	2012
Level 1	-	-
Level 2	38,796,895	61,091,914
Level 3	-	-
	38,796,895	61,091,914

NOTE 27 - SUBSEQUENT EVENTS

The short term portion of the long term loan which amounts USD9,375,000 and long term portion which amounts USD65,625,000 from IFC are paid at 22 January 2014. The process of terminating the collateral for the loan has begun after the loan was paid and will be finalised in 2014 (Note 14). Group withdraw TL125,000,000 and USD20,000,000 long term credit from T. Garanti Bankası A.Ş., Yapı ve Kredi Bankası A.Ş., T,Vakıflar Bankası T.A.O. and T.İş Bankası A.Ş consortium on 15 January 2014. There are no collateral regarding to the new loan.

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