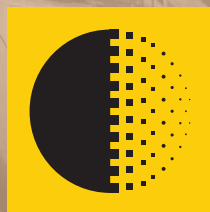


2016

ANNUAL REPORT



ODAS

*In memory of our
Honorary Chairman Mr. Korkut Özal...*

“

We will continue to unearth our country’s underground resources and use them to support the economy.

”

Burak Altay

Deputy Chairman of the Board of Directors / CEO

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Odaş Elektrik Üretim Sanayi Ticaret AŞ
Consolidated Financial Statements Concerning
For The Period January 1- December 31, 2016
Independent Auditor's Report

To the Board of Directors of
Odaş Elektrik Üretim Sanayi Ticaret AŞ

Introduction

We have audited the accompanying consolidated statement of financial position of Odaş Elektrik Üretim Sanayi Ticaret AŞ and its subsidiaries (the Group) as at 31 December, 2016 and the consolidated statement of profit and loss for the year then ended and statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the consolidated financial statements

The Company's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with Turkey Accounting Standards which is issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statement that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by Capital Market Board and standards on auditing which is part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Our audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Qualified Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Odaş Elektrik Üretim Sanayi Ticaret AŞ and its subsidiaries as at December 31, 2016 and result of its consolidated financial performance and its consolidated cash flow for the year then ended in accordance with Turkey Accounting Standards.

Report of Other Responsibilities Arising from Regulatory Requirements

1. In accordance with Article 378 of Turkish Commercial Code no:6102, Board of Directors of publicly listed 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 Odaş Elektrik Üretim Sanayi Ticaret AŞ In accordance with the fourth paragraph of 398th article of the same law, the auditor report that is about Early Identification of Risk System and Its Committee is presented to The Group's Board of Directors on March 10, 2017.
2. No considerable matter has come to our attention that causes us to believe that the Company's bookkeeping method, financial statements and articles of incorporation for the period 1 January – 31 December 2016 are in compliance with the article 402 fourth paragraph of Turkish Commercial Code and provisions of the Company's articles of association in relation to financial reporting.
3. In accordance with the fourth paragraph of Article 402 of the Turkish Commercial Code, the Board of Directors submitted to us necessary explanations and provided required documents within the context of audit.

As Bağımsız Denetim ve YMM AŞ
(Member of NEXIA INTERNATIONAL)

O. Tuğrul ÖZSÜT
Partner



13.03.2017
İstanbul, Türkiye

2010

ODAŞ is founded.

2011

Şanlıurfa Combined Cycle Natural Gas Power Plant with an installed power of 140 MW is brought into use.

2012

Odaş Enerji Elektrik Perakende Satış Anonim Şirketi becomes a part of Odaş Group.

2013

Odaş Natural Gas Wholesaling is founded.

Şanlıurfa Combined Cycle Natural Gas Power Plant manages to achieve an installed power rating of 140 MW.

2014

0.25 MW solar power plant is brought into use.

Investment in Çan-2 Thermal Power Plant with an installed power of 340 MW begins.

Çan Kömür ve İnşaat AŞ's Environmental Impact Assessment (ÇED) for Çan-2 Thermal Power Plant is approved.

2015

ODAŞ begins working on gold and antimony mining operations. Under these operations, 96% of Anadolu Export and 100% of Suda Maden AŞ are acquired.

Köprübaşı Hydroelectric Power Plant with an installed power rating of 8.2 MW is brought into use.

ODAŞ is listed on the Istanbul Stock Exchange in the BIST 100 index.

2016

Antimony and antimony trioxide production begins at Suda Maden AŞ

Consolidated Financial Data (TRY Million)

	2014	2015	2016
Net Sales	622	485	517
Net Profits for the Period	27	-0,5	-9
EBITDA*	54	37	60
Cash and Cash Equivalents	71	62	108
Short-Term Financial Liabilities	104	115	165
Long-Term Financial Liabilities	136	251	473
Shareholders' Equity	96	169	158
Total Assets	419	648	952

Net Debt

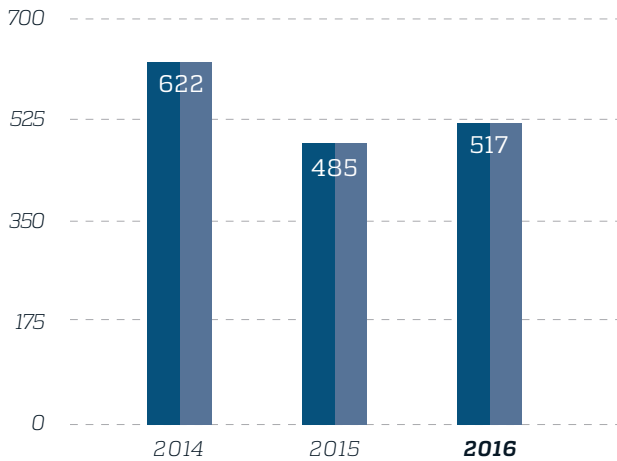
	169	304	530
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KPIs

	2014	2015	2016
Net Debt / EBITDA (x)	3,1	8,2	8,8
EBITDA Margin (%)	%9	%8	%12
Shareholders' Equity / Total Assets	%23	%26	%17

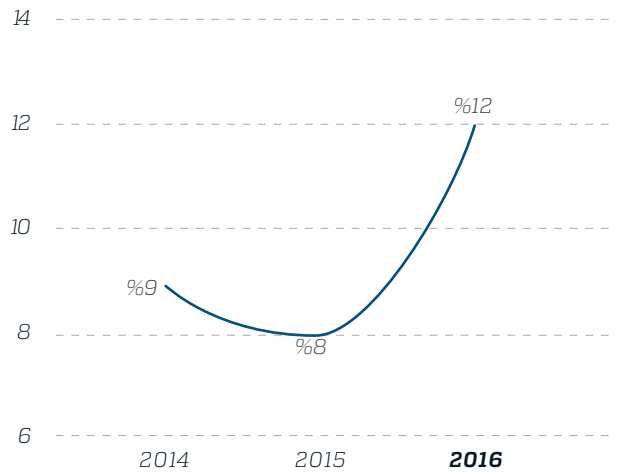
Net Sales

TRY Million



EBITDA Margin (%)

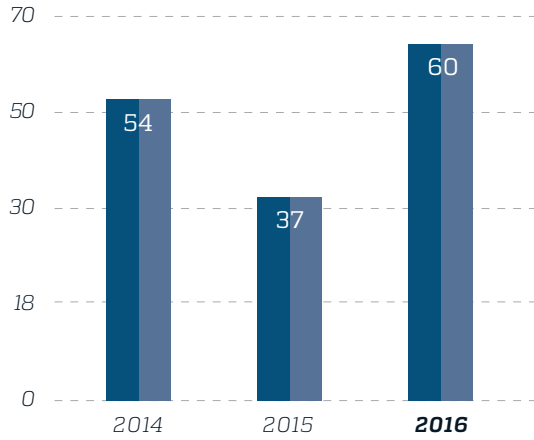
%



*Earnings Before Interest, Taxes Depreciation, Amortisation

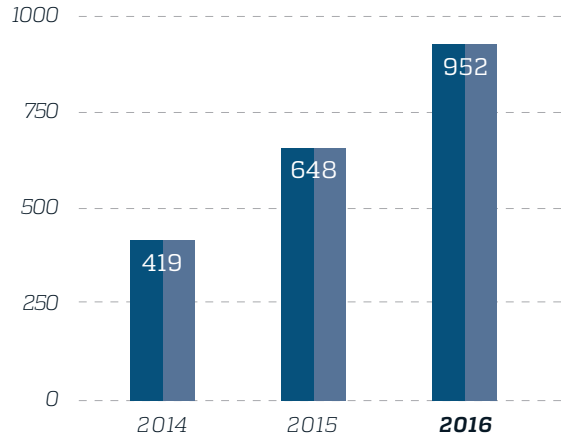
EBITDA

TRY Million



Total Assets

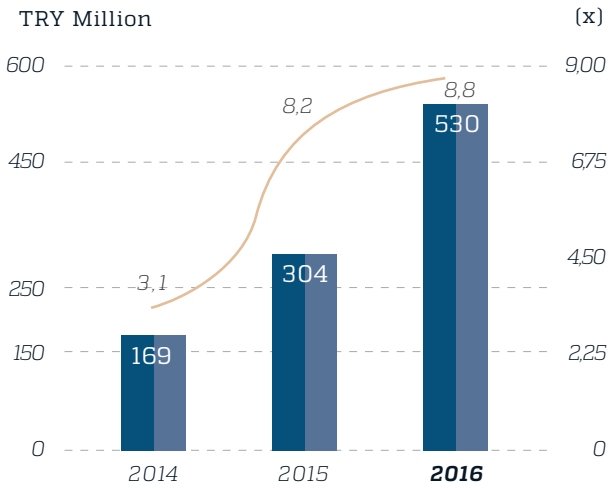
TRY Million



Net Debt / Net Debt -EBITDA (x)

TRY Million

(x)

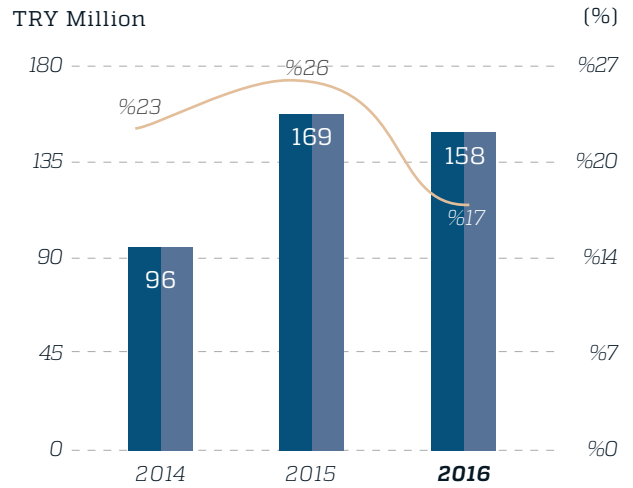


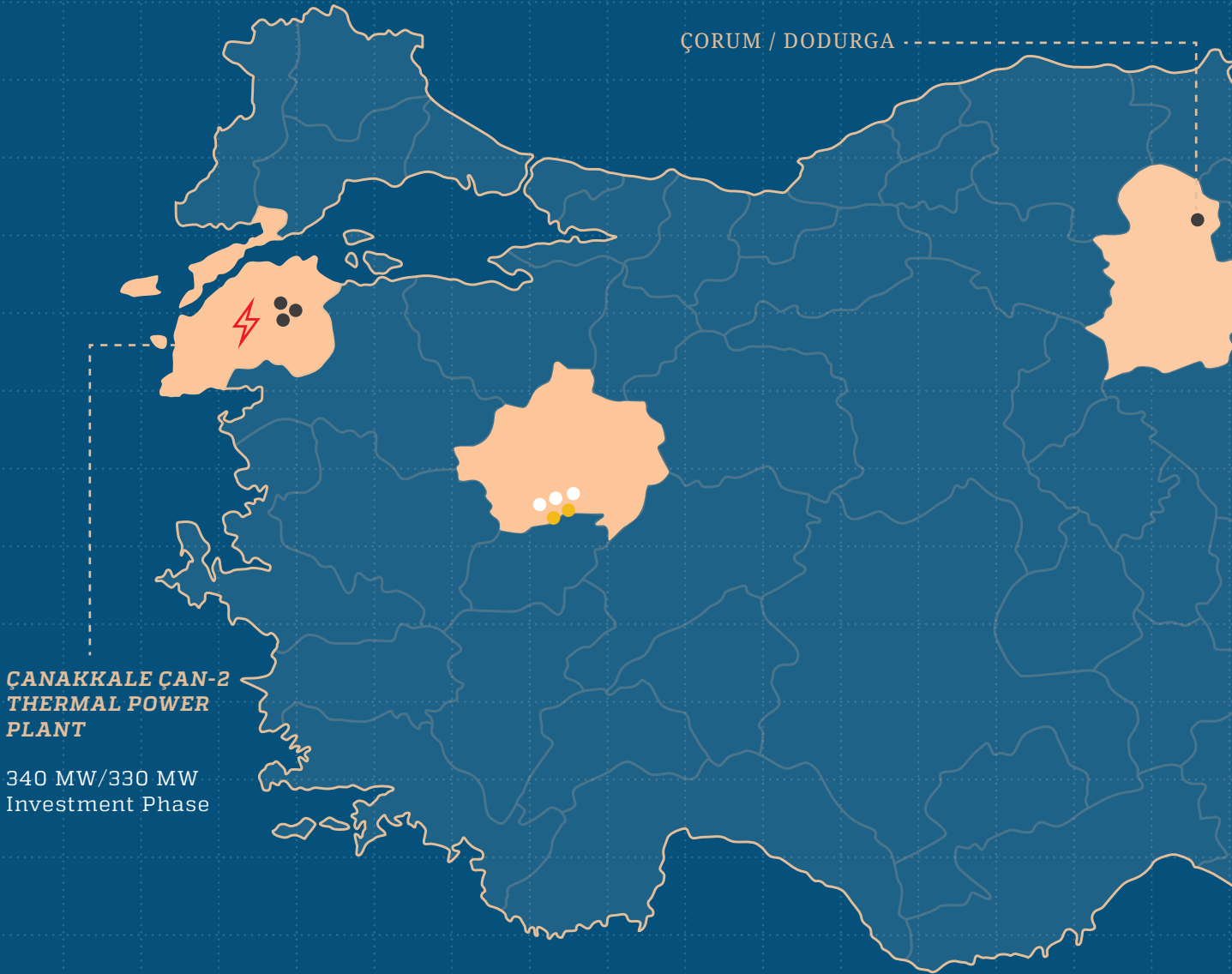
Shareholders' Equity

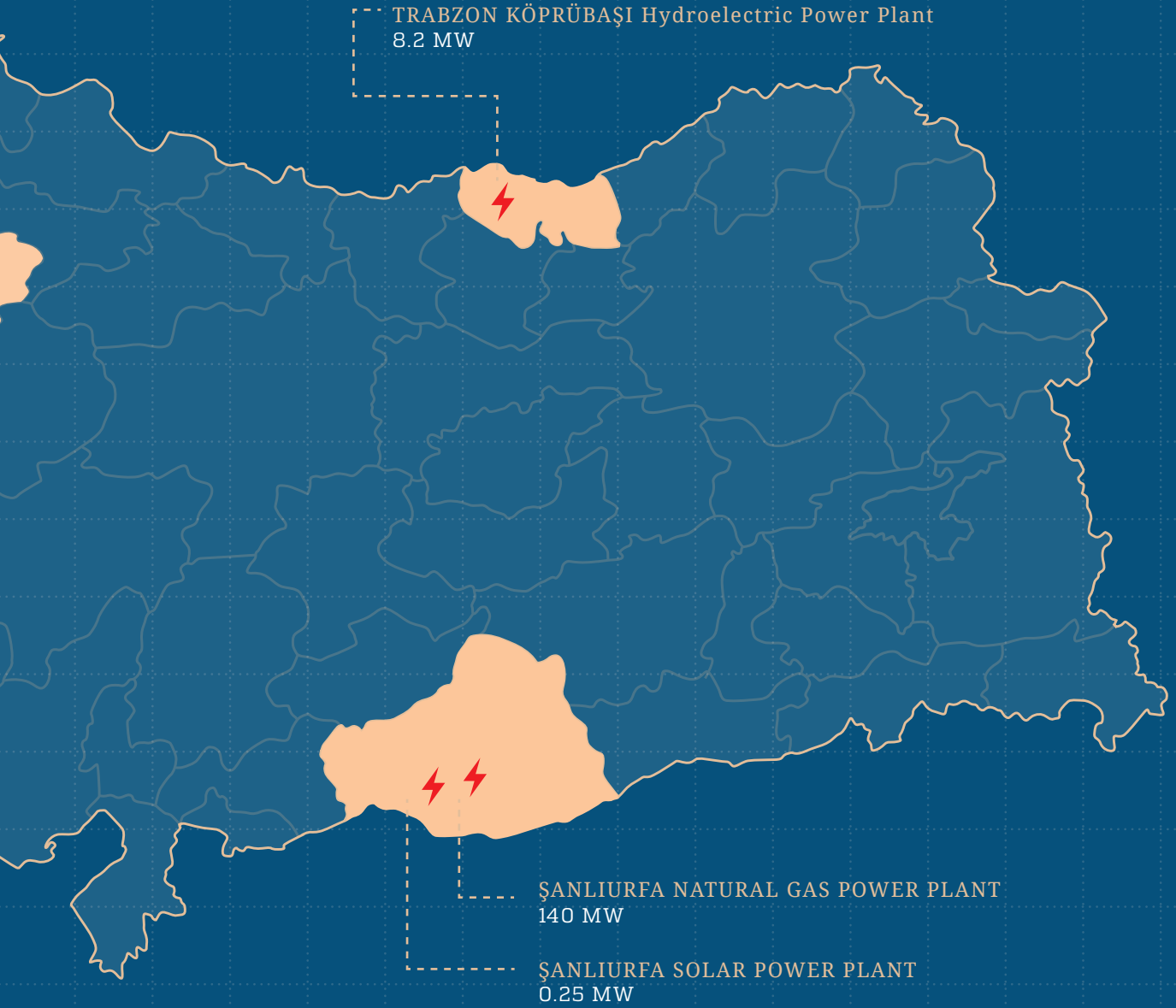
TRY Million

Shareholders' Equity / Total Assets (%)

(%)







Investment in
Progress



Antimony Mining
Sites



Gold Mining Sites



Electricity Generation



Coal Mining Sites

“

Steps taken in 2016 are shaping the future of ODAŞ.

”

***340 MW ÇAN II
Thermal Power
Plant will cover
the group's
affordable base
power needs.***

The work on Çan-2 Thermal Power Plant is in progress, and the plant is scheduled to be brought into use by the last quarter of 2017.

In parallel to the investment development process, the flue gas desulphurization (FGD) system, one of the major equipment of the plant in terms of environmental sensitivities, will be built with the latest technology. In order to achieve this, General Electric (GE) (Alstom Power SPA), one of the largest and most experienced firms of the world, has been chosen as the contractor.

***A Brand New
Road Map for
Precious and
Strategic Metal
Mining.***

While the initial assessment revealed the existence of 348,000 ounces of gold and 2.8 million ounces of silver resources, work on the production of antimony, the chemical element whose supply risks are most critical, had already commenced. These efforts made the firm the only producer of trioxide and metal forms of antimony in the region.

***Coal
Mining***

The group is on track to becoming a major player in coal as of 2017, through the acquisition of new sources to complement existing ones.

***Köprübaşı
Hydroelectric
Power Plant***

The construction of the hydroelectric power plant operating at Trabzon province's Köprübaşı district with an installed capacity rating of 8.2 MW, belonging to Küçük Enerji Üretim Ticaret Sanayi Ltd. Ş, a 90% subsidiary of the group, was completed. The Ministry's approval was granted on 02.10.2015, and the commercial operations of the power plant commenced.

Upon the decision to use local equipment suppliers during the investment in the power plant, from 2016 onward, the guaranteed purchase price is \$9.3/KWh.

“

Having achieved value creating successes, as well as progressive investments in the sector, ODAŞ continues to further its strategy of diversification of energy sources with the efforts of its experienced management.

”

Abdulkadir Bahattin Özal

Chairman of the Board of Directors

■ Having completed his primary and secondary education at TED Ankara College, Mr. Özal attended Üsküdar Cumhuriyet High School, followed by ITU Control and Computer Engineering Department in 1985, and Boğaziçi University Physics Engineering Department in 1988. Thereafter, he entered business life and established and managed numerous firms in the construction, import, export and energy sectors. In cooperation with Mr. Burak Altay, Mr. Özal has implemented more than ten projects in the energy sector, as well as completing investments in five power plants over five years. Currently he serves as the Chairman of the Board of Directors of the firm, as the founding partner of ODAŞ Group.

Mustafa Ali Özal

Member of the Board of Directors

■ Having graduated from Gazi University's Department of Economics, Mr. Özal took on a career in business in 1982. He served as an executive and board member at various firms operating in a number of sectors. Mr. Özal continues to serve as a board member in the firm.

Yavuz Baylan

Independent Member of the Board

■ Having graduated from Istanbul University's Department of Economics, Mr. Baylan served as a chief public accountant at the Ministry of Finance for eight years, followed by a career in financial consultancy in the private sector from 1981 onward. In 1987, he was a pioneer in the establishment of BDO Turkey, and became a sworn financial consultant in 1989. Mr. Baylan continues to serve as an independent board member in the firm.

Burak Altay

Deputy Chairman of the Board

■ Having graduated from Koç University's Department of Business Administration, Mr. Altay taught courses as a research assistant at Koç University while studying for his master's degree at Marmara University's Faculty of Law. After beginning his career in entrepreneurship as Alstom Power's representative in Turkey, Mr. Altay then developed numerous start-up projects in the energy sector with Mr. Bahattin Özal, leading to successful investments in energy. Mr. Altay continues to serve as the Deputy Chairman of the Board as a founding partner of ODAŞ Group.

Hafize Ayşegül Özal

Member of the Board of Directors

■ Having completed her education in 1972, Mrs. Özal began working at Aköz Foundation in 1994, and was appointed as Foundation Director in 1996. Currently, she is a board member of Aköz Foundation, offering scholarships to 250 students and providing support to people in need. Mrs. Özal continues to serve as a board member in the firm.

Salih Erez

Independent Member of the Board

■ A graduate of Koç University's Department of Business Administration, Mr. Erez continues to serve as a board member at Haznedar Refrakter San. AŞ, Durer Refrakter Malzemeleri San. ve Tic. AŞ, and Haznedar Yatırım ve Pazarlama AŞ, along with his position as an independent board member in our firm.

MISSION

To provide value-creating products and services for our country and shareholders through a swift and flexible approach to high-return investments, taking social and environmental concerns into account.

VISION

To become a pioneering firm achieving sustainable profitability by standing out with strategic investments in the energy and mining sector.

STRATEGY

While maintaining its value-creating investments in the energy sector and standing out with its high level of internal efficiency, ODAŞ intends to achieve added synergies through operations in the mining industry, and to diversify its revenues.

“

ODAŞ engages in electricity generation, natural gas sales, and mining, and focuses on local sources of energy!

”



ODAŞ Group Companies

Çan Kömür ve İnşaat AŞ (Çanakkale)

%92

Thermal Power Plant Using Domestic Coal

Odaş Enerji Elektrik Perakende Satış Anonim Şirketi

%100

Elektrik Perakende Satışı

Küçük Enerji Üretim ve Ticaret Ltd.Ş (Trabzon)

%90

Koprubasi Regulator and Hydroelectricity Power Plant

ODAŞ Doğal Gaz Toptan Satış Sanayi ve Ticaret AŞ

%90

Natural Gas Wholeselling

Hidro Enerji Elektrik Üretim Sanayi AŞ (Trabzon)

%100

Generation Licence for Volkan Hydroelectricity Generation Plant

Ena Elektrik Üretim Ltd. Ş (Bilecik)

%80

Electricity Wholesale

Ağrı Elektrik Üretim Sanayi Ticaret AŞ

%70

Anadolu Export Maden Sanayi ve AŞ

%96

Precious Metal Mining

Suda Maden AŞ

%100

Precious and Strategic Metal Mining

Çan Kömür ve İnşaat AŞ

As part of our vision to move towards local coal resources with high calorific value in order to employ the most advantageous methods of power generation currently available in the sector, in September 2013 the Group acquired 92% of Çan Kömür ve İnşaat AŞ, which holds an already paid royalty in Çanakkale province's Çan district. Drilling was performed in line with the Joint Ore Reserves Committee's (JORC) standards on the existing license site. The average calorific value of the reserves identified in 2013 was 3,481 kcal/kg. This figure ranks top among all local lignite resources used in power plants in Turkey. This translates not only to a reduction in investment costs per MW, but also to a competitive advantage in terms of production costs.

Work to put these advantages to good use led to the commencement of the investment process for a 340 MW power plant. Standing at €0.5 million per MW, the investment costs envisaged for the power plant are significantly lower than those of comparable peers. The plans are in place to get the coal-power plant with a capacity of 340 MW operational as of the last quarter of 2017.

The high calorific value of the coal also provides the option to sell it directly to the market. Therefore, it is possible to sell the coal as a retail product and/or to industrial enterprises using coal during the production phase.

ODAŞ Enerji Elektrik Perakende Satış AŞ

A fully-owned subsidiary of ODAŞ Group, ODAŞ Enerji Elektrik Perakende Satış AŞ (ODAŞ Energy Electricity Retail - formerly Voytron) was established in 2009. The firm's growth strategy is based on developing an extensive electricity distribution network within the vertical integration structure of the group, and making electricity

available to end-consumers.

As of 31.12.2016, ODAŞ Enerji Elektrik Perakende supplies electricity to 23,116 independent electricity meters in its extensive network of customers. Thanks to the wholesaling license received from the Energy Market Regulatory Authority, the firm can sell the electricity purchased in the market through bilateral agreements.

As the lower limit for eligible consumer status was reduced even further in 2016, and as the prevailing trend will take the limit to virtually zero in the coming years, the firm has plans in place to increase the volume of electricity sold to individual households.

Making good use of the advantages provided by being a part of ODAŞ group, the firm has managed to stand out among the leading wholesalers of the sector. The single-most important advantage the firm offers for the group lies perhaps in its vertical integration achievement. The nature of the electricity market leads to a high level of volatility, with prices varying on a hourly, daily, and monthly basis. The firm's ability to fix the electricity sale price through bilateral agreements enables a guarantee of minimum cash flow for the group. Furthermore, authorized to engage in imports incase the prices remain above the normal levels, ODAŞ Enerji Elektrik Perakende is able to import power from countries such as Bulgaria and Greece.

Küçük Enerji Üretim ve Ticaret Ltd. Ş

The firm, which became a 90% subsidiary of ODAŞ as of December 2012, owns the Köprübaşı Regulator and Hydroelectric Power Plant located on Manahoz Creek in Trabzon province, with an installed power capacity of 8.2 MW. The power plant began commercial operations in October 2015.

The electro-mechanic equipment used in the construction of the power plant was procured from a local firm, marking it a first in Turkey for a power plant of such scale and leading to a guaranteed purchase price of \$9.3/KWh instead of \$7.3/KWh for a five-year period from 2016 onward.

ODAŞ Doğal Gaz Toptan Satış Sanayi ve Ticaret AŞ

A 90% subsidiary of ODAŞ Elektrik Üretim Sanayi Ticaret AŞ (ODAŞ), ODAŞ Doğal Gaz Toptan Satış Sanayi ve Ticaret AŞ was set up to provide long-term reliable natural gas supplies for ODAŞ Natural Gas Power Plant in Şanlıurfa, as well as to extend ODAŞ Enerji Elektrik Perakende AŞ's existing sales network in the electricity sector to the natural gas sector. As of March 2013, the firm holds a natural gas wholesale license granted by the Energy Market Regulatory Authority.

Hidro Enerji Elektrik Üretim Sanayi AŞ

A 100% subsidiary of ODAŞ, the firm holds a generation license for Volkan Hydroelectric Power Plant on Balkodu Creek in Trabzon, with an installed power capacity of 1.9 MW.

Ena Elektrik Üretim Ltd.Ş

A 80% subsidiary of ODAŞ, the firm applied for a generation license for Hisar Regulator and Hydroelectric Power Plant. Following the completion of the licensing procedures with the Energy Market Regulatory Authority a "Share Transfer

Agreement" was signed with a foreign firm to ensure the transfer of all our shares in Ena Elektrik Üretim Limited Şirketi for a price of TRY 1 million.

Ağrı Elektrik Üretim Sanayi Ticaret AŞ

In December 2012, ODAŞ acquired 70% of the company's shares.

Anadolu Export Maden Sanayi ve Ticaret AŞ

In January 2015, ODAŞ Elektrik Üretim Sanayi Ticaret AŞ acquired 96% of Anadolu Export Maden Sanayi ve Ticaret AŞ's shares. Anadolu Export Maden Sanayi holds a gold mining license for Karaağaç in Kütahya and Uşak provinces, and currently engages in prospecting operations.

Suda Maden AŞ

A 100% subsidiary of ODAŞ Group, the firm holds a total of four mining licenses in the Kütahya-Uşak region; two for operating and two for prospecting. Precious metal works carried out under these licenses have revealed the existence of gold (Au) and antimony (Sb), as well as copper (Cu) and silver (Ag), leading to the inclusion of all in the prospecting framework. Antimony and antimony trioxide are currently produced on the site, while the licenses held by the firm cover an area in Kütahya and Uşak, near the Karaağaç gold mining license site.

ODAŞ's Investor Relations Department enables communications between the Board of Directors and existing and potential shareholders, foreign and local analysts, and portfolio managers, and ensures perfect compliance with the firm's obligations to capital market regulations, ensuring observance of the CMB's Corporate Governance Principles in line with the principles of honesty, accountability, transparency, and reliability in operations.

Investor Relations Activities

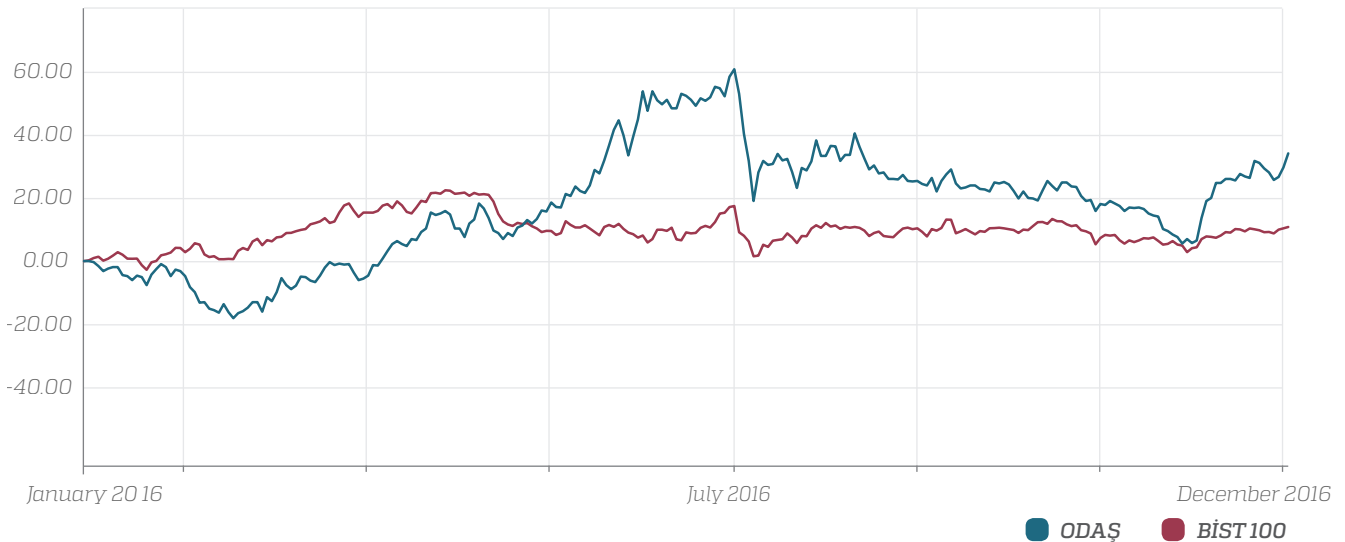
In 2016, the Investor Relations Team, along with the senior management of the firm, had contacts with a total of 96 foreign and local corporate investors, analysts, and portfolio managers, and provided a picture of the firm's existing operations and investments, with reference to actual financial and operational data.

Furthermore, in June 2016, a site visit to Çan-2 Thermal Power Plant by 22 analysts and portfolio managers from Turkey was organized.

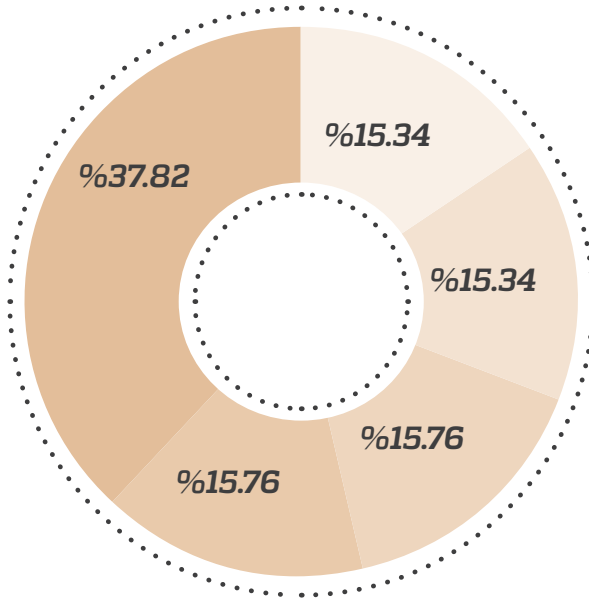
Investor Relations & Share Performance

37.46% of ODAŞ's 47,600,180 shares, each worth a nominal value of TRY 1, are traded on the Istanbul Stock Exchange in the BIST 100 index. As of 31.12.2016, the firm has a total market valuation of TRY 402 million, with shares having been traded in the TRY 5.16 - 10.13 range throughout 2016.

Comparison of ODAŞ's performance versus the BIST 100



Shareholding Structure



%37.82
Istanbul Stock Exchange
Free Float

%15.34
Burak Altay

%15.34
A. Bahattin Özal

%15.76
BB Enerji Yatırım

%15.76
Korkut Özal*

Full Name/Title	Total Par Value (TRY)	%
Korkut Özal*	7.500.000	%15,76
A. Bahattin Özal	7.300.000	%15,34
Burak Altay	7.300.000	%15,34
BB Enerji Yatırım	7.500.000	%15,76
Free Float Istanbul Stock Exchange	18.000.180	%37,82
TOTAL	47.600.180	%100,00

* Mr. Korkut Özal passed away on 02.11.2016.

617,4 GWh
Electricity
Generation

847 GWh
Electricity
Sales

500 MW
Installed
Power Target

Overall Electricity Generation

In 2016, a total of 617.4 GWh of electricity was generated by the firm.

Overall Electricity Sales

ODAS Energy Electricity Retail Co., serving 23.105 units of subscribed user meters by December 31, 2016, sold 847 GWh of electricity as wholesale.

Existing Capacity and Investments

Currently ODAŞ operates a 140 MW combined cycle natural gas power plant, a 0.25 MW solar power plant, and a 8.2 MW hydroelectric power plant.

In the electricity generation business, ODAŞ opted for a medium-scale yet profitable generation policy, rather than focusing on high installed power ratings. To do so, it began the investment for a 340 MW thermal power plant in Çan. Currently, the site is scheduled to become operational as of the last quarter of 2017. The 8.2 MW hydroelectric power plant investment at Köprübaşı, on the other hand, has been operational on a commercial basis since October 2015.

Electricity Generation

ODAŞ Urfa CCNGPP (140 MW)	2016	2015	2014
---------------------------	------	------	------

Total Electricity Generation at Urfa (Net)	581	534	583
Average Spot Price (TRY/MWh)	140	138	164
Odaş's Average Sale Price in Urfa (TRY/MWh)	290	278	313
Price Premium	%106	%101	%91

Köprübaşı Hydroelectric Power Plant (8.2 MW)	2016
--	------

Total Electricity Generation at Köprübaşı (GWh)	35,9
---	------

Overall Electricity Generation	617.4 GWh
---------------------------------------	------------------

Electricity Retail

Operational Data for ODAŞ Energy Electricity Retail	2016	2015	2014
---	------	------	------

Overall Electricity Sales (GWh)	847	1.320	1,850
Total Meter Count	23.105	19.548	33.678

Outlook of the Sector

As of the end of December 2016, the total installed power capacity of the sector is 78,497.4 MW, and natural gas accounts for 33.3% of the overall installed power base. A glance at the development of the installed power reveals that the private sector's share is growing rapidly, and that the private sector accounts for most of the investments. As of the end of 2016, 25.6% of the overall installed power capacity is provided by the power plants owned by EÜAŞ and its subsidiaries.

In 2016, the overall installed power figure grew by 7% over that of the previous year. The increase in the installed power for unlicensed generation also contributed to the picture, and brought about a 9% increase in the renewable energy sector. The share of generation based on renewable sources of energy grew by 2% over the previous year, reaching 32.1%. Despite the increase in the installed power bases, the actual electricity generation figure for Turkey grew by just 3.9% over the previous year, due to the rise in electricity consumption (4%) falling short of expectations. The fall in industrial consumption which predated the last quarter was compensated somewhat by the rise in

the consumption of electricity for heating against the cold climate prevailing in the last quarter of the year, leading to an increase of 4% in 2016.

In the electricity retail sector, on the other hand, after the limit for eligible consumer status was set to 3600 KWh/year at the beginning of the year, competition for sales gained pace, against a background of low costs in the sector. However, the disruption in natural gas in the last quarter of the year and increased pressure on exchange rates leading to a rise in costs resulted in a rather ordinary state of affairs once again.

In the first half of the year, the fall in oil prices followed by an increase in sales positions in the natural gas market, reduced the costs. The fall in costs was followed in the early third quarter by a substantial (10%) discount in natural gas tariff prices applied by BOTAŞ. By the end of the year, however, buying positions were once again on the rise, due to the rising cost caused by exchange rates, and the increase in natural gas consumption.

“

We also have an eye on the energy of our employees! Prioritizing the achievement of its employees' potential, as well as their development and professional satisfaction, ODAŞ continues to create opportunities in this area, and implements projects to create a comfortable and peaceful environment at work.

”

Human Resources

Every individual employed at ODAŞ is chosen in line with the goal of sustainable growth, building a young and dynamic family of employees to add value to the country and the industry, with a corporate emphasis on cooperation and diversity. Our human resources policies are developed on the basis of “creativity and flexibility, transparency and sustainability, sensitivity towards the society and the environment, and a focus on occupational health and safety”. In light of this, ODAŞ provides all the support required for both personal and technical issues regarding the development of all individuals in the ODAŞ family, with a view to enabling them to reach to the very peak of their capabilities. Furthermore, the priority targets of human resources policies include the development of practices to bring about a high level of job satisfaction and comfort, through increasing employees’ quality of life. Operating with the vision of becoming a pioneering firm generating sustainable profits by standing out with strategic investments in the energy and mining sectors, ODAŞ carries out its operations with a total of 225 employees as of the end of 2016, 13% of which are in managerial positions. 15% of employees are female, and 85% are male. 48% are university graduates. All technical staff involved in the production channel, on the other hand, are at least vocational high school graduates, have received all professional qualification training, and hold the relevant certifications required.

Recruitment Activities

By welcoming qualified human resources staff into the family, ODAŞ implements detailed reference checks, as well as group interviews attended by management, case studies, professional presentations, competence-based personal interviews, foreign language proficiency testing by professional entities, and personality tests. Under this work, 94 new members joined the ODAŞ family in 2016. Furthermore, 18 vocational high school students and university students were provided internships.

Training and Development Activities

Considering the professional and personal development of all its employees a priority, ODAŞ allocates all resources required for training to achieve such development, in line with the required strategic planning. On the other hand, performance and competence assessment systems inform the formulation of personal development plans, with feedback from both management and the employees.

For this purpose, in 2016, practical professional development training for specialist and management levels was procured

from professional training agencies, as well as technical development training on a number of issues, including, but not limited to, occupational safety, for production staff. Furthermore, all employees are encouraged to attend seminars and conventions regarding their areas of expertise, with the aim of creating professional awareness.

Performance Management

ODAŞ assesses its employees’ annual performance through competence-based performance assessment forms. Following the assessment process, all results are calibrated per individual firm, and finalized in the light of mutual feedback gained through effective communications with the employees. The results of the performance assessments are used for various purposes, such as personal development planning, practical training analysis, determination of rotation requests and needs, identification of potential management candidates, and last but certainly not least, establishment of wages for subsequent periods. Accordingly, as of the end of 2016, individual performance assessments and personal feedback sessions were carried out for all employees. Moreover, an assessment center procedure entailing assessment of management skills, as well as development planning, is kept in place for the management level, and is implemented by an international agency.

Remuneration and Benefits Management

ODAŞ’s Remuneration and Benefits Management System is based on the following criteria; wage market and policy, existing wage structure and payment capabilities, individual performance, and narrow-band job tiers. Regular market analyses performed in line with research and studies by independent consultants specializing in the field, lead to the application of a fair and market-competitive remuneration and benefits policy.

Internal Audit Activities

One of ODAŞ’ fundamental human resources policies is to develop a common language based on open communications with its young and dynamic family of employees. The objective is to generate innovative and solution-oriented ideas through transparent and non-hierarchical sharing, hence continuously improving the firm’s performance, leading to the development of an excellence-focused culture embraced by all.

Our Social Responsibility Policy

We embrace social responsibility as a corporate culture, with our values as its building blocks and in line with the environmental and social needs of the society in which we live.

Our basic management philosophy is to operate with an awareness of our social and environmental responsibilities and turn these into our corporate values.

Support for Sports

ODAŞ Group acted as sponsor for the traditional oil wrestling events organized by Çan Municipality.

Social Facility

Within the framework of the social responsibility activities performed by ODAŞ, a park was built at Trabzon Köprübaşı as a place for the people of Beşköy Neighborhood to rest and where children can play.

Support for Karaağaç, Kütahya

Various elements of the renovation work, such as marbling, concrete, and paintwork for Karaağaç Elementary School, Wedding Hall, and Neighborhood Mosque, in Kütahya Province, were covered by our firm.

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Social Events

ODAŞ Group provided the necessary support for the village of Semedeli's 5th Fish Tournament held with the participation of the public near Çanakkale's Çan district.

"Our Energy Makes You Smile"

Çan Kömür ve İnşaat AŞ, a member of ODAŞ Group, collected 425 aid packages from the people of Çan and our sub-contractors as part of a charity project. The aid packages were distributed to families identified as being in need by the District Governorship and Municipality of Çan, marking the launch of the "Our energy makes you smile" campaign.

We Support Education

Çan Kömür ve İnşaat AŞ, a member of ODAŞ Group, constructed a modern conference hall at Etili Elementary School, a regional school located 6km from our construction site in Çan, to serve as a model. The hall has a capacity for twelve teachers and 176 pupils and will provide a venue where teachers and pupils can comfortably hold their meetings, celebrations and shows.

Çan Neighborhood Representative Building

Çan Kömür ve İnşaat AŞ, a member of ODAŞ Group, contributed to the reconstruction of the neighborhood representative building in the area.

“

Since day one, ODAŞ had continually maintained its core principles of corporate governance, and thus continues to achieve its strategic objectives without ever compromising its convictions.

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CHAPTER I - COMPLIANCE STATEMENT FOR CORPORATE GOVERNANCE PRINCIPLES

ODAŞ (the firm) applies the utmost diligence in compliance with the Capital Markets Board's Corporate Governance Principles, and embraces the concepts of equality, transparency, accountability, and responsibility among the corporate governance principles while proceeding towards its objectives. In 2016, ODAŞ complied completely with the mandatory principles under Communiqué No. II-17.1 on the Identification and Application of Corporate Governance Principles, and did its best to comply with the optional principles.

On these foundations, the efforts to ensure compliance with corporate governance principles, which began in 2013 and continued through to 2016, are still on track with the use of numerous mechanisms implemented within the firm's framework. In the early phase of the efforts, the Articles of Incorporation were revised to provide the shareholders with an egalitarian, accountable, responsible and transparent structure. In conjunction with the amendment of the Articles of Incorporation to entail the rights stipulated in the Corporate Governance Principles, the management structure was also reviewed to achieve the objective of "better management".

The firm's website was updated to provide the maximum amount of accurate and complete information to the public, swiftly and on a real-time basis.

This statement shows ODAŞ's embracement of a transparent and open form of management, and its intent to develop a responsible and accountable management perspective with respect to all shareholders, particularly small shareholders.

Justification for Delays in the Implementation of Certain Corporate Governance Principles

The firm's Corporate Governance Committee continues its efforts to develop corporate governance practices. The difficulties experienced with certain principles, and ongoing debates in national, as well as international platforms, regarding compliance with certain principles have so far prevented complete compliance with some principles. That said, the principles which have yet to be implemented have not lead to any conflicts of interests between stakeholders. Plans are in place to effect the required structural changes and internal arrangements for the implementation of the limited number of optional principles which have not been

implemented so far.

Comments on comprehensive work carried out at our firm with respect to Corporate Governance Principles, and principles which have yet to be complied with, are noted in the subsequent sections of the report.

- Even though the Articles of Incorporation do not specify so, no one at the firm has unlimited decision-making authority.

- According to Article 4.6.5 of the "Corporate Governance Principles", the remuneration and other benefits provided to the members of the Board of Directors and other senior executives are disclosed to the public through the annual report. However, the disclosure does not provide such information with reference to specific individuals, but rather is based on a distinction between the Board of Directors and senior executives.

CHAPTER II - SHAREHOLDERS

Investor Relations Department

At our firm, the Investor Relations Department serves to facilitate the exercise of shareholder rights, enabling communications between the Board of Directors and existing and potential shareholders, as well as local and foreign analysts and portfolio managers, and executing required procedures in compliance with the CMB's Corporate Governance Principles. The department reports to the Corporate Governance Committee, as well as to Burak ALTAY, Deputy Chairman of the Board of Directors and the Chief Executive Officer.

In 2016, the Investor Relations Department had a total of 97 meetings with individual and institutional investors.

Accordingly, the Investor Relations Department is responsible for;

- Make promotion on Company activities to current domestic and international investors or future ones.

- Reply any inquiries regarding company transactions from domestic or international corporate investors and analysts excluding any information undisclosed publicly or any type of information which shall be regarded as commercially classified or confidential.

■ Notifying shareholders and Turkish and foreign institutional investors on a proactive and regular basis through conferences and investor meetings, about the developments concerning the firm.

■ Responding to the questions received from shareholders, save for confidential information and trade secrets currently withheld from public.

■ Performing analyses of the performances of other firms operating in the same sector from a comparative perspective regarding the performance of the firm's shares.

■ Ensuring that General Assembly meetings are carried out in accordance with the Articles of Incorporation and other internal regulations of the firm.

■ Preparing documents that shareholders can use as a reference for General Assembly meetings, and publishing such documents on the firm's website three weeks in advance of the General Assembly for investors to review.

■ Keeping a record of voting results through the General Assembly minutes and offering the reports of voting results to shareholders.

■ Ensuring compliance with, referral to, and monitoring of obligations arising from any Capital Market Regulations applicable to the shareholders of public corporations, along with the obligations regarding financial reporting, corporate governance, and public disclosure.

■ Regularly reviewing the contents of the "Investor Relations" section of the website, applying updates where required.

■ Preparing presentations on and summaries of the firm's operations and finances for the relevant operating quarters.

■ Preparing and updating the list of people with access to insider information, within the framework of the Material Cases Communiqué.

■ Management and monitoring all procedures with the Capital Markets Board, Borsa İstanbul AŞ, Merkezi Kayıt Kuruluşu AŞ, and any other capital markets agencies.

■ Ensuring the flow of information both ways, between shareholders and the senior management and the firm's Board of Directors.

ODAŞ Investor Relations Department

Full Name	Title	Phone	E-mail
Melih Yüceyurt	Director of Finance and Investor Relations	0216 474 1 474	yatirimciiliskileri@odasenerji.com
Mehmet Erdem Aykın	Investor Relations Manager	0216 474 1 474	yatirimciiliskileri@odasenerji.com

Exercise of the Shareholders' Right to Information

Any information requests submitted to the Investor Relations Department are responded to diligently in accordance with the principle of equality and without any discrimination between investors, provided that they do not concern confidential information or trade secrets currently withheld from the public. Accordingly, in 2016, any information requests submitted by the shareholders on various issues were responded to clearly and in detail via telephone and e-mail on a verbal and written basis. Every question was answered to the satisfaction of investors, provided that they did not concern trade secrets.

Furthermore, the "Investor Relations" section of the firm's website (www.odasenerji.com) makes complete, accurate, and up-to-date information available to investors. In 2016, public disclosure of any developments that may affect the exercise of shareholder rights was achieved through the material disclosures on the Public Disclosure Platform (KAP), as well as the firm's website.

As the shareholders' right to demand the appointment of a special auditor is subject to regulations, the Articles of Incorporation does not stipulate any arrangements

regarding the appointment of a special auditor. During the year, no request regarding the appointment of a special auditor was received.

General Assembly Meetings

The General Assembly meetings are carried out in accordance with the Turkish Code of Commerce, the Capital Markets Law, and the Corporate Governance Principles, in a manner that provides adequate information to and the extensive participation by shareholders. The Ordinary General Assembly of the firm convenes at least once a year, and discusses and decides on the matters on the agenda drawn up by the Board of Directors in accordance with Article 413 of the Turkish Code of Commerce. The notices and announcements regarding the General Assembly meeting are published through any means of communication including electronic communications, so as to reach the highest number of shareholders, and according to the minimum time frames stipulated in the Turkish Code of Commerce, the Capital Markets Law, and other regulations concerned.

The firm's Ordinary General Assembly Meeting for the year 2015 was held on Thursday, April 28, 2016, at 2pm, at the corporate headquarters located at the address of Fatih Sultan Mehmet Mah. Poligon Cad. Buyaka 2 Sitesi No: 8B 2. Kule Kat: 17 Tepeüstü Ümraniye/ISTANBUL. The 2015 Ordinary General Assembly Meeting was held under the oversight of the Government Commissar appointed by the Turkish Ministry of Customs and Trade. The agenda, minutes, and attendance sheet for the meeting are published on the firm's website.

Invitations to General Assembly meetings are extended by the Board of Directors in accordance with the provisions of Turkish Code of Commerce, the Capital Markets Law, and the Articles of Incorporation. The Board of Directors' resolution for the General Assembly meeting is followed immediately by necessary disclosures to inform the public, via KAP and the Electronic General Assembly Meeting System (EGKS).

The General Assembly meeting announcements are made at least three weeks in advance via the website www.odasenerji.com, so as to reach out to the highest number of shareholders possible, as well as through other procedures

stipulated in the regulations, not to mention the ads published in the Trade Registry Gazette of Turkey, and one of the daily newspapers with a high circulation figure.

Prior to the General Assembly meetings, the disclosure document regarding the items in the agenda is drawn up and announced to the public, in compliance with the legal procedures and regulations regarding all disclosures. Within the framework of the items on the agenda for the General Assembly meeting, financial statements and reports, dividend payment proposals, and independent audit reports including the audited annual report, as well as any proposed amendment texts and justification thereof in case of Articles of Incorporation amendments, the disclosure policy, remuneration policy, dividend policy, resumés of all prospective Board of Directors members including independent ones, and other documents which are to serve as the basis of the items on the agenda, are made easily available for review by shareholders, at the corporate headquarters and on the website.

The General Assembly meetings are held simultaneously in physical and electronic form, at the corporate headquarters, and via the Electronic General Assembly Meeting System. The venue for General Assembly meetings is arranged to enable participation by all shareholders. The agenda of the General Assembly is set clearly to enable the consideration of each proposal under a separate item, so as to prevent different interpretations. At the General Assembly meeting, the agenda items are conveyed to the shareholders in an objective, detailed, clear and understandable way, and the shareholders are given the opportunity to explain their opinions and ask questions under equal conditions. The questions directed by the shareholders during the general assembly meeting are responded accordingly by the board members and the senior executives of the firm.

Templates for proxy appointment letters for those who are employing a proxy to represent them at the General Assembly meeting, are made available to shareholders via newspaper ads and the website. The voting procedure applicable at the meeting is presented to shareholders via the website and newspaper ads. The items on the agenda at the General Assembly meetings are voted on by raising hands in an open ballot.

Following the General Assembly meeting, the meeting minutes are registered in the firm's minutes book. The meeting minutes are available through KAP, EGKS, and the corporate website. The General Assembly meetings, the attendance sheet, agenda, and announcements are made available for review by all local and foreign investors simultaneously.

The firm's preparations for the Electronic General Assembly Meeting for the 2015 Ordinary General Assembly were carried out in compliance with the regulations, under Article 1527 of the Turkish Code of Commerce. The invitation for the meeting was made on 25.03.2016 through announcement on the Public Disclosure Platform (KAP), Merkezi Kayıt Kuruluşu AŞ's Electronic General Assembly System (EGKS), the corporate website, and in Issue 9047 of the Turkish Trade Registry Gazette dated 05.04.2016, so as to cover the agenda, and in line with the requirements of the Law and the Articles of Incorporation. A review of the attendance sheet revealed that, out of the 47,600,180 shares, each worth a nominal value of TRY 1, representing the firm's total capital figure of TRY 47,600,180, shares corresponding to TRY 15,027,000 were represented in proxy, while shares corresponding to TRY 15,040,468 were represented in person, amounting to a total attendance representing a capital figure of TRY 30,067,468, leading to the observation that the quorum for meeting stipulated in the Turkish Code of Commerce, the Capital Markets Law, and the Articles of Incorporation were met. Thereafter, the General Assembly meeting was opened by the President of the Council. At the Ordinary General Assembly for 2015, the shareholders were given the opportunity to ask questions. When discussing the last item of the agenda "Wishes and Requests", the questions received from the shareholders were responded to, providing them with information. There were no written requests submitted by the shareholders of the corporation for inclusion within specific items in the agenda with respect to the Ordinary General Assembly Meeting for 2015.

Donations and grants worth a total of TRY 192,941 during the period were presented to the shareholders, under a separate item of the agenda. Furthermore, an upper limit of TRY 200,000 was set for donations and grants for 2016, under Article 19, Paragraph 5 of the Capital Markets Law.

The agenda for the General Assembly meeting, as well as the attendance sheet and meeting minutes are made available for review by shareholders at the corporate headquarters. Furthermore, the Investor Relations section of the corporate website presents the documents pertaining to the General

Assembly meeting, for review by shareholders and all stakeholders. The controlling shareholders, members of the Board of Directors, executive directors and their spouses and family members (both blood and in-law relatives) up to second degree did not engage in any material transaction which may lead to conflicts of interest with the corporation or subsidiaries.

Voting Rights and Minority Rights

The voting procedure for General Assembly meetings is announced to the shareholders at the beginning of the meeting. The firm avoids practices which could complicate the exercise of voting rights.

At the Ordinary and Extraordinary General Assembly meetings of the firm, group (A) shareholders are accorded 15 votes for each share, while group (B) shareholders are accorded 1 vote for each share. The shareholders can appoint proxies from both within and outside the shareholders, to represent them at the General Assembly meetings.

Proxies who hold shares in their own right as well, are authorized to vote in consideration of the shares of the shareholders they represent, in addition to the shares they themselves hold. The Board of Directors shall establish the formal requirements of the proxy appointment letter within the framework of the Capital Markets Board regulations. The proxy appointment letter should be in writing.

The proxy is required to cast votes in line with the will of the shareholder who appointed the proxy, provided that such instructions are noted on the proxy appointment letter. The relevant regulations of the Capital Markets Board shall apply with respect to proxy voting. The votes in General Assembly meetings are cast by raising hands, showing the documents attesting proxy voting, in line with the regulations of the Capital Markets Board. However, a secret ballot can be employed, upon the request of shareholders who hold one twentieth of the firm's capital, among those shareholders present at the meeting.

Group A shares are privileged in terms of the appointment of the members of the Board of Directors, and the exercise of voting rights at the General Assembly, within the framework of Articles 7, 8, and 10 of the Articles of Incorporation (Board of Directors, nomination for the Board of Directors, election of the Chairman and the Deputy Chairman, representation of the firm, and right to vote in the General Assembly).

Dividend Rights

The firm's dividend payment decisions are made with reference to the Turkish Code of Commerce, Capital Markets Regulations, the Regulations and Decisions by the Capital Markets Board (CMB), Tax Codes, and the provisions of other applicable regulations, as well as the firm's Articles of Incorporation. The dividend payment is based on a balanced and consistent policy between the interests of shareholders, and the interests of the firm, in line with the Principles of Corporate Governance.

Each year, the Board of Directors resolution regarding dividend payments is submitted for the approval of shareholders at the General Assembly, as a separate item on the agenda. The firm's dividend payment policy is announced in the annual report, as well as on the firm's website. The firm's Ordinary General Assembly for 2015 discussed the Board of Directors' proposal regarding the dividend payment, and culminated in the decision to withhold dividend payment as no dividends payable arose in the financial statements drawn up for 2015, in accordance with the principles of the Tax Procedure Code.

The firm does not have any preference shares in terms of dividend payment. Every share of the firm is entitled to an equal share of the dividends.

The firm can pay out advance dividends within the framework of Article 20 of the Capital Markets Law. The form and timing of dividend payment shall be established by the General Assembly, with reference to the relevant Board of Directors' proposal.

The principles of dividend payments shall abide by the provisions of the Capital Markets Board Communiqué No. II-19.1 and other applicable provisions, with reference to the establishment of the responsibilities and the dividend to be paid.

Share Transfers

The approval of the Energy Market Regulatory Board shall be sought for each instance of direct or indirect acquisition of shares representing 5% or more of the firm's capital, by a natural or legal person, and existing shareholders acquiring additional shares to increase their shareholdings above 5% of the legal person's capital, and/or any share transfers causing a fall of the shareholding of an existing shareholder below the above-mentioned limits. The transfer shall be followed by material disclosures required as per the Capital Markets Regulations.

This provision shall also apply in case of acquisition of voting rights.

Even if no share transfers occur, the establishment and removal of concessions on existing shares, or the issuance of dividend shares shall be submitted to the approval of the Energy Market Regulatory Board, regardless of the rates stipulated above.

In the case of transfers of Group (A) shares, the Board of Directors is entitled to withhold approval for the transfer and registration to the share registry, on the grounds of realizing the corporation's objective, and maintaining economic autonomy within the framework of the provision of Article 493 of the Turkish Code of Commerce. No restrictions shall be introduced on the transfer of group (B) shares to be traded at the stock exchange.

In cases where banks and/or financial institutions obtain the control of the firm and/or engage in a subsidiary relationship with the firm due to default in terms of the requirements of credit agreements within the framework of irrevocable project financing, bringing about a case where the market share limits stipulated in applicable regulations are exceeded, such excess shall be eliminated within the time frame granted to such banks and/or financial institutions by the Energy Market Regulatory Authority.

Without prejudice to the provisions above, the transfer of registered shares shall be subject to the applicable provisions of the Turkish Code of Commerce, Capital Markets Regulations, and Energy Market Regulatory Authority regulations.

PUBLIC DISCLOSURE AND TRANSPARENCY

Disclosure Policy

The Corporate Disclosure Policy was established with the Board of Directors' resolution dated 30.12.2013 no. 2013/34, and is published on the website. The Corporate Disclosure Policy was established and is implemented under the authority of the Board of Directors. The Board of Directors reserves the right to revise the policy at any time, in line with the applicable regulations.

The disclosure policy and any revisions thereof shall be published on the firm's website, following the approval of the Board of Directors. The Investor Relations Department is responsible for overseeing and monitoring the Disclosure Policy.

Corporate Website and its Contents

The firm's website address is www.odasenerji.com.tr; the Investor Relations section of the website contains the issues noted in the CMB's Corporate Governance Principles. The website is set up to provide open, clear, and simultaneous disclosure to shareholders, stakeholders, and the entire public. The information provided on the website is updated continuously. The information provided on the website is presented in English language as well, to enable it to be accessed by international investors.

Annual Report

The firm's annual report is drawn up in line with the details required in the Turkish Code of Commerce and the Capital Markets Regulations, so as to provide the shareholders, the public, and all other stakeholders with access to complete and accurate information on the firm's operations.

STAKEHOLDERS

Disclosure of Information to Stakeholders

The website was revised as required to provide disclosure to stakeholders on matters concerning them. Any and all information concerning the firm is presented to stakeholders in line with the Corporate Governance Principles. Stakeholders, investors, and analysts can access the firm's financial reports, annual reports, and other information, using the firm's website. Furthermore, certain material announcements and messages are conveyed to all employees via e-mail.

The Audit Committee is responsible for ensuring and overseeing compliance with the regulations, while the Corporate Governance Committee is responsible for reviewing and concluding the complaints received from the shareholders and stakeholders, on matters of concern from a corporate governance perspective.

Stakeholders' Participation in Management

No model was developed regarding the stakeholders' participation in the firm's management. On the other hand, the requests and proposals voiced in meetings with employees

and other stakeholders are taken into consideration by the management, leading to the development of relevant policies and practices.

Human Resources Policy

ODAŞ's Human Resources Policy is based on the objective of becoming an employer which increases the quality of life of its employees, and which elevates their performance capabilities.

The mission of Human Resources is to set up human resources systems which will create a culture bent on achieving excellence, and embraced by every individual, so as to enable a dynamic, motivated and high-quality work force improve the Group's performance in a sustainable manner through innovative, creative, and solution-focused ideas enabled by the development of a shared language based on open communications between all employees. The Human Resources Policy is implemented through the three fundamental processes below, aiming to enable the employees to make optimal use of their potential:

- Identifying and stating the objectives.
- Developing the concept of communications with employees, through open communications and a network of timely constructive feedback.
- Preparing the grounds for continuous employee development by planning development activities to enable them to perform their current duties in the best possible way, and to prepare them for potential assignments in the future.

All managers and shift supervisors are responsible for managing effective and transparent relationships with employees, with the Human Resources Department assuming the role of central coordinator. All managers and supervisors are obliged to treat their employees fairly and justly, without exerting any subordinate-superior pressure. Thanks to due application of the principle of equality, one of the leading pillars of ODAŞ's management perspective, no negative employee feedback or complaints were received with respect to discrimination.

ODAŞ abides by the principle of announcing job descriptions and assignments, as well as performance assessment and rewards criteria to its employees. Job analyses and assessments regarding all positions within the organization are performed in detail, and are reviewed periodically in parallel to the growth of the firm. These assessments lead to the identification of all competences and qualifications required for the performance of the job. Thereafter, the hiring processes are managed with reference to such previously established criteria for individual positions. Furthermore, feedback meetings are held annually with the employees, with a view to identifying the need for improvement, and informing regulatory and preventive actions.

Code of Conduct and Social Responsibility

The firm's Code of Conduct is drawn up in writing, and is made available to the employees. The Code of Conduct is defined, updated, and published by the Board of Directors.

ODAŞ's Code of Conduct constitutes integral parts of ODAŞ's Policies and Values, and all employees, including the Board of Directors and the executives are required to abide by the code.

ODAŞ's Code of Conduct

Honesty

Truth and honesty in all our business processes and relations are the most important values to us. We always maintain truth and honesty in our dealings with the employees and all other parties.

Equality

Any discrimination on the grounds of age, language, religion, race, medical status, gender, or marital status constitutes a violation of the rules of the workplace. Employees can report their complaints on this issue directly to the Human Resources Department. The reporting of such complaints cannot be prohibited.

Employees are required to abide by the principles of professional confidentiality stipulated in the law.

As ODAŞ Group employees, we take good care of maintaining the privacy and confidentiality of information on our customers, employees, and other persons and entities with whom we deal.

We protect the confidential documents regarding the operations of the group companies, and use such information exclusively for the objectives of ODAŞ Group, sharing them with relevant parties within the framework of the authorities established.

Prevention of Conflicts of Interest

ODAŞ employees are prohibited from deriving personal benefits for themselves, their families or relatives or friends by making use of the employee's status in the firm. Employees are also prohibited from engaging in close relationships with individuals or organizations which may benefit from confidential information to which the employee is party, or business decisions he/she may make. When performing their duties, employees take care to maintain the interests of the firm, and avoid any acts or behavior which would give either them or their friends or relatives benefits.

Where the private interests of the employee conflict or may conflict with those of ODAŞ, one can talk about the existence of a conflict of interest. Deriving improper personal benefit by abusing one's position is also considered a conflict of interest.

No employee can derive personal benefit for their family members or friends through the firm's operations, use the firm's properties, information, and positions for their personal interests, or compete with the firm. ODAŞ employees can extend/receive gifts to/from various persons, agencies and entities they are in contact with due to their position, only within the framework of the rules established by the firm.

Employees should protect the firm's assets and ensure their efficient use, with a view to protecting and making good use of company property.

Social Responsibility

The firm implemented social responsibility projects in 2016 with reference to the environmental and social requirements of the society in which we live and within the framework of the Social Responsibility Policy.

BOARD OF DIRECTORS

Composition and Formation of the Board of Directors

The firm shall be represented and administered by a Board of Directors composed of at least 5 (five) members to be elected by the Board of Directors in accordance with the Turkish Code of Commerce, and the Capital Markets Law and Regulations.

The members of the Board of Directors are elected as follows, with a tenure until the Ordinary General Assembly Meeting convenes to review the accounts for the year 2016:

Full Name	Title	Independent Status	Executive / Non-Executive	Duties Assumed in Other Committees
A. Bahattin Özal	Chairman of the Board of Directors	Non-Independent	Non-executive	N/A
Burak Altay	Deputy Chairman of the Board of Directors (Chief Executive)	Non-Independent	Executive	N/A
Mustafa Ali Özal	Member of the Board of Directors	Non-Independent	Non-executive	N/A
Hafize Ayşegül Özal	Member of the Board of Directors	Non-Independent	Non-executive	N/A
Yavuz Baylan	Member of the Board of Directors	Independent	Non-executive	Audit Committee (Committee Chair) / Corporate Governance Committee (Committee Chair) / Early Detection of Risk Committee (Committee Member) Non-Executive
Salih Erez	Member of the Board of Directors	Independent	Non-executive	Audit Committee (Committee Member) / Corporate Governance Committee (Committee Member) / Early Detection of Risk Committee (Committee Chair)

Board Member Resumés

Abdulkadir Bahattin Özal **(Chairman of the Board of Directors)**

Having completed his primary and secondary education at TED Ankara College, Mr. Özal attended Üsküdar Cumhuriyet High School, followed by ITU Control and Computer Engineering Department in 1985, and Boğaziçi University Physics Engineering Department in 1988. Thereafter, he entered into business life and established and managed numerous firms in the construction, import, export and energy sectors. In cooperation with Mr. Burak Altay, Mr. Özal has implemented more than ten projects in the energy sector, as well as completing investments in five power plants over five years. Currently he serves as the Chairman of the Board of Directors of the firm, as the founding partner of ODAŞ Group.

Burak Altay **(Deputy Chairman of the Board of Directors)**

Having graduated from Koç University's Department of Business Administration, Mr. Altay taught courses as a research assistant at Koç University while studying for his master's degree at Marmara University's Faculty of Law. After beginning his career in entrepreneurship as Alstom Power's representative in Turkey, Mr. Altay then implemented more than ten projects in the energy sector with Mr. Bahattin Özal, completing investments in five power plants within just five years. Mr. Altay continues to serve as the Deputy Chairman of the Board as a founding partner of ODAŞ Group.

Mustafa Ali Özal

(Member of the Board of Directors)

Having graduated from Gazi University's Department of Economics, Mr. Özal took on a career in business in 1982. He served as an executive and board member at various firms operating in a number of sectors. Mr. Özal is a member of the Board of Directors.

Hafize Ayşegün Özal

(Member of the Board of Directors)

Having completed her education in 1972, Mrs. Özal began working in Aköz Foundation in 1994, and was appointed as Foundation Director in 1996. Currently, she is a board member of Aköz Foundation, offering scholarships to 200 students and providing support to people in need. Mrs. Özal is a member of the Board of Directors.

Yavuz BAYLAN

(Independent Member of the Board of Directors)

Having graduated from Istanbul University's Department of Economics, Mr. Baylan served as a chief public accountant at the Ministry of Finance for eight years, followed by a career in financial consultancy for the private sector, from 1981 onward. In 1987, he was a pioneer in the establishment of BDO Turkey, and became a sworn financial consultant in 1989. Since March 2013, Mr. Baylan has been serving as an independent board member at our firm.

Salih Erez

(Independent Member of the Board of Directors)

A graduate of Koç University's Department of Business Administration, Mr. Erez continues to serve as a board member at Haznedar Refrakter, Durer Refrakter Malzemeleri, and Haznedar Yatırım ve Pazarlama, along with his position as an independent board member in our firm which he has held since September 2015.

Deputy Chairman of the Board of Directors Burak ALTAY, also serves as the Chief Executive Officer of the firm. In its meeting dated 01.04.2016 no. 2016/02, in the capacity of the Nomination Committee, the Corporate Governance Committee submitted to the Board of Directors the report drawn up with respect to independent members of the Board of Directors. Accordingly, they were found to have met the following independence criteria stipulated in the Corporate Governance Principles of the Capital Markets Board and this was submitted to the Board of Directors, shareholders, and all related parties; Mr. Yavuz Baylan and Salih Erez were elected as independent members

of the Board of Directors.

Written statements submitted by each independent board member, with respect to their independent status, stipulate the following:

i. That they neither personally, nor through their spouses or relatives by blood or marriage up to third degree, have been involved in the last five years in an executive employment relationship assuming substantial duties and responsibilities, or held, individually or jointly, more than 5% of the capital or voting rights or preferred shares, or engaged in any substantial commercial relationship with any affiliates of ODAŞ Elektrik Üretim ve Ticaret AŞ ("ODAŞ Energy") or any corporations in which the firm has management control or substantial influence, or shareholders which maintain the firm's management control or substantial influence in the firm, and legal persons which hold management control of such shareholders.

ii. That they have not been a shareholder (5% or more) or executive with significant duties and responsibilities, or board member in the firms which have provided or bought significant amounts of services or products within the framework of agreements, including but not limited to the auditing (including tax audits, statutory audits, internal audits), rating, and consulting of the firm, during the last five years, in the time frame of such provision or purchase of services or products.

iii. That they have the professional training, expertise and experience to duly perform the duties to be assumed on the grounds of being an Independent Member of the Board of Directors.

iv. That they are not a full-time employee of a government agency or entity.

v. That they are considered a resident of Turkey as per the Income Tax Law.

vi. That they have robust ethical standards, the professional reputation and the experience to enable free decision-making, taking into account the rights of stakeholders, and contributing positively to the operations of ODAŞ Energy, while maintaining impartiality in conflicts of interest which may arise between the shareholders.

vii. They will be able to set aside time required for the firm's business, to perfectly perform the requirements of the job assumed, and to monitor the operations of ODAŞ Energy.

viii. They have not served as a member of the Board of Directors of the firm for more than six years in the last ten years.

ix. They are not an independent board member for more than three firms where the firm or the controlling shareholders of the firm hold the control of management and/or more than five corporations whose shares are listed in the stock exchange.

During the reporting period, no events to abolish the independent status of the independent board members took place.

No restrictions regarding the assumption of duties or positions outside the firm are imposed on the board members.

The members of the Board of Directors do not currently engage in any business which would lead to any conflicts of interest with the firm, and do not engage in operations to compete with the firm in the same fields of operation.

Operating Principles of the Board of Directors

The frequency of the board meetings of the firm, as well as the quorum for meeting and resolution are established in the Articles of Incorporation. Accordingly, the Board of Directors shall convene with a simple majority of the membership, as the firm's operations and procedures require. The Board resolutions are made with the majority of the members present at the meeting. The Board of Directors meetings are held at the corporate headquarters of the firm, or in an available facility in the city where the corporate headquarters is located. The Board of Directors can also convene in another city, on the basis of a board resolution for doing so.

The secretariat services for the Board of Directors meetings are provided by the legal department.

The agenda of the Board of Directors is set through consultations the Chairman has with other members of the board, and with the General Director and/or Chief Executive Officer.

The managers' requests will be taken into consideration when setting the agenda.

In 2016, the Board of Directors met a total of 25 times. No dissenting comment was registered in the resolution minutes against any resolutions made in such meetings. However, should such a dissent arise, all aspects to reflect the dissenting opinion shall be registered in the minutes.

Where the Capital Markets Regulations require so, important resolutions of the Board of Directors are announced to the public through Material Disclosures. In 2016, a total of 33 Material Disclosures were made.

None of the members of the Board of Directors, including the Chairman, weighted voting rights and/or veto powers. In the meetings, each member has one vote.

No insurance has yet been procured to cover the losses the firm may incur due to fault on the part of board members in the performance of their duties.

Number, Structure and Independence of Committees Formed under the Board of Directors

Two committees, the Audit Committee and the Corporate Governance Committee, were established through the Board of Directors' resolution dated 21.03.2013, in the process of the public offering of the firm's shares. Furthermore, the Early Detection of Risk Committee was established through the Board of Directors' resolution dated 25.12.2013. The Corporate Governance Committee have also assumed the authorities, duties, and responsibilities regarding the performance of the duties of the Nomination Committee and the Remuneration Committee.

The duties and working principles of the committees established within the framework of the Corporate Governance Principles, entered into force through the Board of Directors' resolution dated 25.12.2013, and were announced on the Public Disclosure Platform. Furthermore, the Duties and Working Principles establishing the general procedures regarding the activities to be performed by all committees were updated as of 12.06.2015 and announced to stakeholders on the Public Disclosure Platform and the corporate website.

Audit Committee

The Audit Committee was structured in accordance with the Corporate Governance Principles of the Capital Markets Board. The committee is composed of at least two members. The committee is composed of two non-executive independent members of the Board of Directors. Mr. Yavuz Baylan serves as the committee chair, while Mr. Salih Erez serves as the committee member. Special consideration was paid to ensure that the Committee Chair had previously served in a similar capacity, and has the expertise to analyze financial statements, as well as a strong grasp of accounting standards, and substantial qualifications.

The purpose of the committee reporting to the Board of Directors is to assist the Board of Directors with respect to the firm's accounting system, public disclosure of financial data, independent audits, and overseeing the operation and effectiveness of the internal control system in line with the Capital Markets Regulations and the principles stipulated therein, as well as to consider and report to the Board of Directors any issues it observes during its assessments. The arrangement that requires the convening of the committee at least on a quarterly basis was implemented through the Duties and Working Principles of the Audit Committee.

Corporate Governance Committee

The Corporate Governance Committee is set up to support and assist the Board of Directors by working on monitoring the firm's compliance with the corporate governance principles in accordance with the Capital Markets Regulations, implementing the principles, identifying any failure of implementation, working to improve its efficiency, identifying the candidates to be elected to the Board of Directors, establishing the company's perspective, principles, and applications regarding remuneration, assessing the performance and career planning of the board members and executive staff, overseeing investor relations operations, and making applicable proposals to the Board of Directors.

Members of the Corporate Governance Committee

Full Name	Affiliation with the Firm	Independent Status
Yavuz Baylan (Head)	Independent Member of the Board of Directors	Independent
Salih Erez (Member)	Independent Member of the Board of Directors	Independent
Melih Yüceyurt (Member)	Director of Finance and Investor Relations	Non-Independent

The committee is set up in accordance with the Articles of Incorporation. It is composed of at least two members. If the committee is composed of two members, both shall be appointed among the non-executive board members. In cases where the committee is composed of more than two members, the majority will be non-executive board members. The Chief Executive Officer/General Director of the firm cannot be a member of the committee. The Committee Chair shall be appointed from among the independent members of the Board of Directors. The director of the Investor Relations Department shall be appointed as a member of the Corporate Governance Committee. Furthermore, individuals who are experts in their field, but not members of the Board of Directors, can also be appointed as members of the Corporate Governance Committee. The Board of Directors appoints the members of the Corporate Governance Committee in the first Board of Directors meeting to follow the General Assembly which elected the Board of Directors. The Corporate Governance Committee shall serve until the election of the next Board of Directors. The Corporate Governance Committee shall convene at least three times per year.

Where necessary, the committee shall convene at the corporate headquarters, upon an invitation issued by the Committee Chair through the secretariat of the Board of Directors. The committee shall convene with a simple majority and shall resolve with a majority. Once taken, decisions shall be registered in written form, to be signed by the committee members during the next meeting, and duly archived.

The Corporate Governance Committee shall be composed of a total of three members, two independent non-executive board members, and one official of the firm.

Early Detection of Risk Committee

The Early Detection of Risk Committee is composed of at least two non-executive members of the Board of Directors. The committee is composed of two independent members of the Board of Directors. Mr. Salih Erez serves as the Committee Chair, while Mr. Yavuz Baylan serves as a committee member.

The Early Detection of Risk Committee is set up in line with the Turkish Code of Commerce, the Articles of Incorporation, and the Corporate Governance Principles Communiqué of the Capital Markets Board, with a view to submitting recommendations to the Board of Directors, with respect to the early detection of risks which could threaten the existence, development, and continuation of the firm, as well as the application of the measures regarding identified risks, and the management of the risks.

The committee reports to the Board of Directors. The arrangements regarding the convening of the committee are established in the duties and working principles of the Early Detection of Risk Committee.

Risk Management and Internal Control Mechanism

In line with its nature, ODAŞ issues its financial statements on a consolidated basis in accordance with the regulations. For the operating group covering electricity generation, electricity wholesale, and mining operations, UFRS based financial statements are drawn up on a quarterly basis. At ODAŞ level, on the other hand, transactions between electricity generation and electricity wholesale are written off, with consolidated financial statements being produced. The periodical financial results and performance of the firms included in the consolidation framework are analyzed, leading to consolidated financial reporting. ODAŞ's internal control operations are executed within the framework of the regulations, under the responsibility of the Audit Committee. In quarterly periods where financial statements are disclosed to the public, the consolidated financial statements are submitted to the Board of Directors of the firm, after being checked and approved by the committee for audit.

The new Turkish Code of Commerce which entered into force on July 1, 2012 rendered risk management activities a requirement for publicly traded corporations. The Early Detection of Risk Committee reporting to the Board of Directors was set up through the Board of Directors'

resolution dated 25.12.2013, with a view to submitting comments and recommendations to the Board of Directors, with respect to the early detection of the risks that could threaten the existence, development, and continuation of the firm, as well as the application of measures regarding identified risks, and the management of the risks.

The work and observations of the directorates specified in the organizational chart of the firm within the framework of the risk management policy play a major role in this context. In 2016, the firm initiated the process to set up the ISO 27001 Information Security Management System.

The consulting services in preparation for certification were received from the company İNNOVA. A project team was set up with responsible individuals indicated from all departments of the headquarters.

The decision to execute the following steps for the project is taken under the coordination of the project team and Innova:

Project Steps

Plans are in place to have the ISO 27001: 2013 Information Security Management System Installation Project implemented in five consecutive main phases.

1. Phase: The assessment of the existing state of affairs and the preparation of the detailed project plan (identification of the existing state of the enterprise and preparation of an assets inventory)
2. Phase: Seminars (providing security awareness training to employees and affiliated parties)
3. Phase: Risk assessment and risk monitoring
4. Phase: Preparation of the set of documentation (preparation of the policies, procedures and instructions concerning the information security management system and the updating of existing ones)
5. Phase: Continuous improvement activities

Strategic Objectives of the Company

ODAŞ intends to establish a bidirectional strategy to reinforce its position in the sector. Thanks to this two-way strategy, the material values accumulated will lead to an expansion of the areas of operations, generating additional synergies through vertical and horizontal integration. Accordingly, plans are in place for the rapid integration of precious metal and minor mining production and direct sales within electricity generation and sales, currently our primary field of operations.

Remuneration

In accordance with the Corporate Governance Principles, the “Remuneration Policy” applicable to the members of the Board of Directors and senior executives was developed in written form and approved in the Board of Directors meeting held on 25.12.2013, followed by announcement to shareholders through KAP and publication on the corporate website.

According to the Articles of Incorporation, the monthly salaries and per diem fees for members of the Board of Directors are set by the General Assembly.

In the Ordinary General Assembly Meeting for year 2015, held on 28.04.2016, the decision was taken to pay the members of the Board of Directors a net wage of TRY 6,000 per month.

The financial benefits provided to members of the Board of Directors and senior executives composed of group directors of the firm in the year 2016 are stated below:

	Benefit Total
Executive Board	885.438 TL
Executives	2.730.406 TL

Payments to the members of the Board of Directors cover monthly wages. The wages payable to the members of the Board of Directors are the cash payments set with reference to the firm's profitability, performance, and internal positions, and effected regularly and continuously at certain periods of each month.

The payments to senior executives cover monthly wages. The wages payable to senior executives are set with reference to the position and the nature of the work, competence, experience, performance and remuneration policies applied in the same sector for similar positions, the firm's internal positions, inflation, and the ability of the firm to achieve the financial targets set for the year.

When setting the remuneration policies, care is taken to exclude incentive systems which would harm the interests of the shareholders, employees and customers. The wages are reviewed and updated once a year. The firm does not extend any credits or loans to any board members or executives, nor extends personal loans through a third party.

Furthermore, no guarantees or underwriting is extended for such persons.

GOVERNMENT SUBSIDIES AND GRANTS

Odaş Elektrik Üretim San.Tic. AŞ

ODAŞ holds an Investment Incentive Certificate dated 15.04.2014 and numbered E-102704, issued with the latest revisions of the Ministry of Economy's General Directorate of Incentive Implementation and Foreign Investment.

The Investment Incentive Certificate was issued for the completely new investment carried out in the central district of Şanlıurfa, and grants VAT exemption and customs duty exemption incentives. The overall figure of the investment based on the incentive certificate, to be financed completely by liabilities, is TRY 127,000,000.

The project was completed within the time frame stipulated in the Investment Incentive Certificate. The Ministry of Economics approved the Incentive Completion Visa (Incentive Closing) with the letter dated 04.01.2017 no. 672.

Küçük Enerji Üretim ve Tic. Ltd.Ş

The Köprübaşı Regulator and Hydroelectric Power Plant within the framework of Küçük Enerji Üretim ve Tic. Ltd. Ş, a member of ODAŞ Group, is the subject of the Investment Incentive Certificate dated 31.12.2013 numbered A-113287, issued with the latest revisions of the Ministry of Economy's General Directorate of Incentive Implementation and Foreign Investment.

The Investment Incentive Certificate was issued for the completely new investment carried out in Trabzon province's Köprübaşı district, and covers the period 18.12.2013 - 18.12.2016. The certificate grants VAT exemption and customs duty exemption subsidies. The overall figure of the investment based on the incentive certificate and financed by liabilities and shareholders' equity, was TRY 28,571,000.

The project was completed within the time frame stipulated in the Investment Incentive Certificate. The Ministry of Economics approved the Incentive Completion Visa (Incentive Closing) with the letter dated 22.12.2016 no. 140259.

Çan Kömür ve İnşaat AŞ

The firm holds an Investment Incentive Certificate dated 06.02.2015 and numbered 117824, issued by the Ministry of Economy's General Directorate of Incentive Implementation and Foreign Investment. The investment covered by the certificate concerns the power plant (Çan-2 Thermal Power Plant) project based on local coal, with an installed power rating of 340 MW.

The Investment Incentive Certificate was issued for the completely new investment carried out in Çanakkale province's Çan district, and covers the period 13.08.2014 - 13.08.2017. The certificate extends the subsidy elements of employer support for insurance premium, interest subsidy, VAT exemption, and customs duty exemption, as well as tax discount.

DIVIDEND PAYMENT POLICY

The profits of the firm are measured and distributed in accordance with the Turkish Code of Commerce, the Capital Markets Regulations, and widely recognized accounting principles. The net profits established once the amounts the firm is required to pay or set aside, such as overhead expenses and various elements of depreciation, as well as the taxes the legal person of the firm is required to pay, and any and all financial liabilities, are deducted from the revenues identified as of the end of the operating period, as shown in the annual balance sheet, shall be allocated as follows in the respective order, once losses for previous years, if any, are deducted.

Primary Statutory Reserves:

5% statutory reserves shall be set aside as per the applicable provision of the Turkish Code of Commerce.

Primary Dividend:

The primary dividends shall be set aside in line with the Turkish Code of Commerce and the Capital Markets Regulations, from the remaining figure, with reference to the amount to be calculated with the addition of donations, if any, made during the year.

Once the above-mentioned figures are deducted, the General Assembly shall be entitled to decide on the payment of the dividends to the members of the Board of Directors,

officials, servants, laborers, foundations established for various purposes, and similar persons and entities.

Second Dividend:

The General Assembly shall be entitled to pay the amount remaining after the deduction of the amounts specified in Sub-Paragraphs (a), (b), and (c) out of the net profits, in full or in part, as secondary dividend, or as extraordinary reserves.

Secondary Statutory Reserves:

One tenth of the amount established after the deduction of a dividend figure amounting to 5% of the paid-in capital, from the portion decided to be paid out to shareholders and other persons entitled to profits, shall be set aside as the secondary statutory reserves as per Article 519, Paragraph 2 of the Code of Commerce.

Unless the primary dividend figure established for those entitled to dividend is paid in cash and/or in the form of shares, no decision to set aside other statutory reserves, transfer profits to the next year, or pay dividends to the Board of Directors, persons entitled to shares as per the Articles of Incorporation, officers, servants, laborers, foundations established for various purposes, and similar persons and/or institutions can be taken before the statutory reserves required by law are set aside.

The dividends for the shares shall be paid out to all existing shares as of the term of operations, regardless of the issuance and acquisition dates of the shares, and without the application of the per diem principle.

The firm can pay out advance dividends within the framework of Article 20 of the Capital Markets Law.

If dividend payable arises in accordance with the applicable communiqués, a dividend payment resolution to be taken by the Board of Directors with respect to the payable annual dividends of the firm shall be submitted to the General Assembly under the regulations of the Capital Markets Board and Turkish Code of Commerce. The dividend payment shall be completed within the statutory time frames, should the General Assembly approve so.

Küçük Enerji Üretim ve Tic. Ltd.Ş

The General Assembly shall take the decision, on the basis of the proposal of the Board of Directors, on the date on which the dividend shall be paid to shareholders. Dividend payments shall be made within the statutory time frame. The CMB's applicable regulations, communiqués and provisions shall be observed for other dividend payment methods.

In accordance with the General Assembly resolution, the dividend payment can be in the form of fully cash, or fully in bonus issues, or partly in cash and partly in bonus issues. An equilibrium between the interests of the shareholders and those of the firm shall be sought with respect to the implementation of the dividend payment policy.

The Board of Directors shall inform the shareholders at the General Assembly if dividends shall not be paid and if so, the reason for this and where the retained profits shall be used instead.

LAWSUITS

There are various lawsuits filed with respect to the commercial operations, brought against group subsidiary Küçük Enerji Üretim ve Ticaret Ltd. Ş to the tune of TRY 21,452.44, and Odaş Enerji Elektrik Perakende Satış AŞ to the tune of TRY 13,919,883.00 (mostly with respect to

loss and illegal electricity use fees, transmission fees, distribution fees, and meter read fees paid to the applicable distribution firms, which are the actual respondents of the matter regarding such amounts collected from customers to which electricity was previously sold).

Given the changes in regulations, as of December 31, 2016, these lawsuits are expected to be concluded in favor of the firm, yet the final verdicts have yet to be issued. Nevertheless, it was noted that in any case the amounts in question in the lawsuits regarding the loss-illegal electricity use fees filed by the customers shall be reflected onto the distribution firms. The Group management does not foresee a negative result regarding such lawsuits, and such lawsuits would not have a significant effect on the operating results, financial status, and liquidity position of the group. Given that the probability of such lawsuits being concluded to the detriment of the Group is lower than the probability of them not causing any liability as per the Group management's assessment as of December 31, 2016, no accounting procedures were applied for the liabilities in the lawsuits, as shown in the financial statements. ODAŞ Enerji Elektrik Perakende Satış AŞ initiated debt enforcement proceedings for outstanding receivables of TRY 4,177,622.22 with respect to invoices issued. The procedures led to the collection of TRY 222,642.89.



“ Having prioritized shareholders’ equity profitability and efficiency in terms of the internal rate of return in all its investments, ODAŞ aims to achieve growing profitability figures in all its operations!

”





Odaş Elektrik Üretim Sanayi Ticaret AŞ
Consolidated Financial Statements Concerning
For The Period January 1- December 31, 2016
Independent Auditor's Report

To the Board of Directors of
Odaş Elektrik Üretim Sanayi Ticaret AŞ

Introduction

We have audited the accompanying consolidated statement of financial position of Odaş Elektrik Üretim Sanayi Ticaret AŞ and its subsidiaries (the Group) as at 31 December, 2016 and the consolidated statement of profit and loss for the year then ended and statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the consolidated financial statements

The Company's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with Turkey Accounting Standards which is issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statement that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by Capital Market Board and standards on auditing which is part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Our audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Qualified Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Odaş Elektrik Üretim Sanayi Ticaret AŞ and its subsidiaries as at December 31, 2016 and result of its consolidated financial performance and its consolidated cash flow for the year then ended in accordance with Turkey Accounting Standards.

Report of Other Responsibilities Arising from Regulatory Requirements

1. In accordance with Article 378 of Turkish Commercial Code no:6102, Board of Directors of publicly listed 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 Odaş Elektrik Üretim Sanayi Ticaret AŞ In accordance with the fourth paragraph of 398th article of the same law, the auditor report that is about Early Identification of Risk System and Its Committee is presented to The Group's Board of Directors on March 10, 2017.
2. No considerable matter has come to our attention that causes us to believe that the Company's bookkeeping method, financial statements and articles of incorporation for the period 1 January – 31 December 2016 are in compliance with the article 402 fourth paragraph of Turkish Commercial Code and provisions of the Company's articles of association in relation to financial reporting.
3. In accordance with the fourth paragraph of Article 402 of the Turkish Commercial Code, the Board of Directors submitted to us necessary explanations and provided required documents within the context of audit.

As Bağımsız Denetim ve YMM AŞ
(Member of NEXIA INTERNATIONAL)

O. Tuğrul ÖZSÜT
Partner



13.03.2017
İstanbul, Türkiye

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ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31,2016

Consolidated Statement of Financial Position (TRY)

(Currency is TRY unless otherwise is indicated.)

		Current Period Audited Consolidated	Prior Period Audited Consolidated
ASSETS	Notes	31.12.2016	31.12.2015
Current Assets			
Cash and cash equivalents	53	107.779.705	61.572.618
Financial Investments		-	-
Trade Receivables	6-7	50.191.425	66.603.761
Trade receivables from related parties	6	-	-
Trade receivables from third parties	7	50.191.425	66.603.761
Receivables from Financial Sector Operations	8	-	-
Financial sector operations receivables from related parties	8	-	-
Financial sector operations receivables from third parties	8	-	-
Other receivables	6-9	9.601.324	11.255.215
Due from related parties	6	8.317.046	7.955.572
Due from third parties	9	1.284.278	3.299.643
Derivative Financial Instruments	46	-	-
Inventories	10	17.672.644	10.858.227
Biological Assets	11	-	-
Prepaid expenses	12	4.101.186	1.817.485
Assets Related to Current Term Tax	25-40	201.008	71.113
Other Current Assets	29	85.052.469	41.932.192
SUBTOTAL		274.599.761	194.110.611
Fixed Assets Classified for Sale	39	664.533	662.669
TOTAL CURRENT ASSETS		275.264.294	194.773.280
Non-current Assets			
Financial Investments	4	-	-
Trade receivables	6-7	-	-
Trade receivables from related parties	6-7	-	-
Trade receivables from third parties	6-7	-	-
Receivables from Financial Sector Operations	8	-	-
Financial sector operations receivables from related parties	8	-	-
Financial sector operations receivables from third parties	8	-	-
Other receivables	9	397.769	581.257
Other receivables from related parties	6	-	-
Other receivables from third parties	9	397.769	581.257
Derivative Financial Instruments	46	-	-
Investments Valued by Equity Method	4	200.000	200.000
Biological Assets	11	-	-
Investment Property	13	-	-
Tangible fixed assets	14	579.948.339	401.777.920
Intangible fixed assets	17	19.481.619	18.583.054
Goodwill	18	-	-
Other intangible fixed assets	17-18	19.481.619	18.583.054
Prepaid expenses	12	1.346.644	2.405.590
Deferred tax assets	40	7.621.404	1.960.380
Other non-current assets	29	71.276.642	27.342.432
TOTAL NON-CURRENT ASSETS		676.272.417	452.850.633
TOTAL ASSETS		951.536.711	647.623.913

The financial statements were approved by the Board of Directors Resolution dated March 13,2017 and numbered 2017/2 in the consolidated financial statements for ending period on the date of December 31, 2016

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31,2016

Consolidated Statement of Financial Position (TRY)

(Currency is TRY unless otherwise is indicated.)

		Current Period Audited Consolidated	Prior Period Audited Consolidated
LIABILITIES	NOTES	31.12.2016	31.12.2015
Short Term Liabilities			
Short term loans	47	84.404.442	65.157.661
Short term finance lease liabilities	47	1.535.433	1.271.114
Short-term parts of long term loans	47	69.232.771	48.977.830
Other financial liabilities	47	10.034.044	7.769
Trade payables	6-7	94.910.994	54.501.328
Due to related parties	6	-	-
Trade payables to third parties	7	94.910.994	54.501.328
Employee benefit obligations	27	419.951	444.744
Other payables	6-9	4.247.239	6.842.582
Due to related parties	6	43.631	672.125
Other trade payables to third parties	9	4.203.608	6.170.457
Deferred income	12	16.246.538	12.568.101
Other short term liabilities	40	-	-
Diğer Kısa Vadeli Yükümlülükler	29	22.439.877	25.802.224
SUBTOTAL		303.471.289	215.573.353
Liabilities related to assets classified for sale	39		
TOTAL SHORT TERM LIABILITIES		303.471.289	215.573.353
Long term liabilities	47	470.698.380	247.394.701
Long term finance lease liabilities	47	2.649.973	3.517.748
Other payables	6-9	500	500
Due to related parties	6-9	-	-
Other trade payables to third parties	9	500	500
Long term provisions	27	699.978	429.617
Long term provisions for employee benefits	27	533.486	313.461
Other long term provisions	25	166.492	116.156
Deferred tax liabilities	40	16.159.081	12.066.331
Other long term liabilities		-	-
TOTAL LONG TERM LIABILITIES		490.207.912	263.408.897
EQUITY			
Equity of Parent Company		155.897.497	165.496.397
Paid-in share capital	30	47.600.180	47.600.180
Share premiums/discounts	30	88.194.062	88.194.062
Not to be reclassification of profit or loss accumulated other comprehensive income or expenses (-)	3	(26.340.830)	(26.340.830)
Effects of combination of entities or businesses under common control	3	(26.340.830)	(26.340.830)
Reclassification of profit or loss accumulated other comprehensive income or expenses	30	(42.850)	(4.785)
Other Gains/Losses	30	(42.850)	(4.785)
Restricted profit reserves	30	639.252	639.252
Other equities	30	21.868.966	21.868.966
Retained earnings/losses	30	33.408.057	34.101.259
Net profit/loss for the period	41	(9.429.340)	(561.707)
Non-controlling shares	30	1.960.013	3.145.264
TOTAL EQUITY		157.857.510	168.641.661
TOTAL LIABILITIES		951.536.711	647.623.913

The financial statements were approved by the Board of Directors Resolution dated March 13,2017 and numbered 2017/2 in the consolidated financial statements for the ending period on the date of December 31, 2016.

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited regarding of January-December 31, 2016 period

Consolidated Profit or Loss and Other Comprehensive Income Statement

(Currency is TRY unless otherwise is indicated.)

		Cari Dönem İncelemeden Geçmiş Konsolide	Geçmiş Dönem İncelemeden Geçmiş Konsolide
STATEMENT OF PROFIT/LOSS	Dipnot Referansları	01.01 - 31.12.2016	01.01 - 31.12.2015
Revenue	31	517.421.052	484.914.175
Cost of sales (-)	28-31	(451.159.848)	(442.065.066)
Gross profit/loss from commercial activities		66.261.204	42.849.109
GROSS PROFIT/LOSS		66.261.204	42.849.109
General administrative expenses (-)	33	(11.054.979)	(9.200.406)
Marketing expenses (-)	33	(1.857.933)	(1.841.606)
Other operating income	34	4.909.621	14.150.960
Other operating expenses (-)	34	(7.759.884)	(10.539.254)
OPERATING PROFIT/LOSS		50.498.029	35.418.803
Gain from investing activities	34	36.175	44.949
FINANCING EXPENSE BEFORE OPERATING PROFIT/LOSS		50.534.204	35.463.752
Financial income	37	36.014.309	32.510.342
Financial expenses (-)	37	(98.806.075)	(69.254.365)
PROFIT/LOSS BEFORE ONGOING OPERATIONS TAX		(12.257.562)	(1.280.271)
Ongoing Operations Tax Loss/Income		1.533.359	(96.332)
Period Tax Income/Loss	40	(25.398)	(31.495)
Deferred Tax Income/Loss	40	1.558.757	(64.837)
PROFIT/LOSS FROM ONGOING OPERATIONS		(10.724.203)	(1.376.603)
PROFIT/LOSS FROM DISCONTINUED OPERATIONS	39	1.864	1.669
PROFIT/LOSS FOR THE PERIOD		(10.722.339)	(1.374.934)
Profit/loss distribution for the period			
Non-controlling Shares	30	(1.292.997)	(813.226)
Parent Company Shares	30	(9.429.342)	(561.708)
Earnings Per Share			
Earnings per share from continuing operations	41	(0,198095)	(0,012670)
Earnings per share from discounted operations	41		
OTHER COMPREHENSIVE INCOME			
Not to be reclassified to profit or loss	38	(38.065)	(22.971)
Tangible assets revaluation losses and earnings			
Intangible assets revaluation losses and earnings			
Actuarial losses and earnings calculated unde employee benefit	38	(47.581)	(28.714)
Tax Effect	38	9.516	5.743
OTHER COMPREHENSIVE INCOME		(38.065)	(22.971)
TOTAL COMPREHENSIVE INCOME		(10.760.404)	(1.397.905)
DISTRIBUTION OF TOTAL COMPREHENSIVE INCOME			
Non-controlling shares		(1.297.687)	(826.813)
Parent company shares		(9.462.817)	(571.092)

The financial statements were approved by the Board of Directors Resolution dated March 13,2017 and numbered 2017/2 in the consolidated financial statements for the ending period on the date of December 31, 2016.

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31,2016

Consolidated Statement of Changes in Equity

(Currency is TRY unless otherwise is indicated.)

						EquitiesTo Be Reclassification of Profit or Loss							
						Accumulated Other Comprehensive Income or Expenses			Retained Earnings				
	Paid-in Share Capital	Other Equity Shares	The Effect of Associations Including Enterprises or Enterprises Subject to Joint Control	Share Premiums / Discounts	Minority Interests	Other Gain/ Loss	Restricted Reserves	Retained Earnings/ Losses	Net Income/ Loss for the Period	Equity of the Parent Company	Non- controlling Interest	Equities	
Balance at January 1, 2015	42.000.000		(26.405.410)	45.134.869		(27.756)		7.335.449	27.153.018	95.190.170	920.243	96.110.413	
Adjustments Related to Changes in Accounting Policy								5.469.304		5.469.304		5.469.304	
Profit Distribution						22.971		(5.000.000)		(5.000.000)		(5.000.000)	
Other Comprehensive Income/Expense										22.971		22.971	
Minority Interest								(217.260)		(217.260)		(217.260)	
Transfers		21.868.966					639.252	26.513.766	(27.153.018)	21.868.966		21.868.966	
Total Comprehensive Income													
Capital Increase	5.600.180			43.059.193						48.659.373		48.659.373	
The Effect of Associations Including Enterprises or Enterprises Subject to Joint Control			64.580							64.580		64.580	
Net income for the period									(561.708)	(561.708)	2.225.021	1.663.313	
Balance at December 31, 2015	47.600.180	21.868.966	(26.340.830)	88.194.062		(4.758)	639.252	34.101.259	(561.708)	165.496.397	3.145.264	168.641.661	
Balance at January 1, 2016	47.600.180	21.868.966	(26.340.830)	88.194.062		(4.758)	639.252	34.101.259	(561.708)	165.496.396	3.145.264	168.641.661	
Adjustments Related to Changes in Accounting Policy													
Profit Distribution													
Other Comprehensive Income/Expense						(38.065)				(38.065)		(38.065)	
Increase/Decrease Due to Change in Shareholding in the Subsidiaries Not Resulting from Control Loss								(131.495)		(131.495)		(131.495)	
Transfers								(561.707)	(561.707)				
Total Comprehensive Income													
Capital Increase													
The Effect of Associations Including Enterprises or Enterprises Subject to Joint Control													
Net income for the period									(9.429.340)	(9.429.340)	(1.185.251)	(10.614.591)	
Balance at December 31, 2016	47.600.180	21.868.966	(26.340.830)	88.194.062		(42.850)	639.252	33.408.057	(9.429.341)	155.897.497	1.960.013	157.857.510	

The financial statements were approved by the Board of Directors Resolution dated March 13,2017 and numbered 2017/2 in the consolidated financial statements for the ending period on the date of December 31, 2016.

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31,2016

Consolidated Statement of Cash Flow (TRY)

(Currency is TRY unless otherwise is indicated.)

	Notes	01.01 - 31.12.2016	01.01 - 31.12.2015
A. CASH FLOWS FROM OPERATING ACTIVITIES		(55,147,541)	25,515,384
Profit/Loss For The Period		(9,429,340)	(561,708)
Adjustments To Reconcile Net Profit/Loss For The Period		(8,526,170)	371,696,72
- Adjustments related to amortization and depreciation expenses	10-31-33-34	8,197,347	6,459,453
- Adjustments related to provisions		720,422	800,209
Provision for termination indemnities	27	8,793	
Provision for tax liabilities	40		31,495
Provision for vacation pay	27	163,650	106,352
Provision for doubtful receivables	7	309,593	132,405
Provision for other payable and expense (Mine Restoration)	19	50,337	4,639
Maturity differences in sales	34	(3,288,486)	(545,138)
Maturity differences in purchases	34	3,476,535	1,070,456
-Adjustments related to interest income and expenses		(14,614,302)	9,747,912
Accrued income	29	(54,687,621)	(24,391,026)
Accrued expense (Interest and Other)	29	22,439,877	25,802,224
Adjustments related to interest incomes	37	(17,949,484)	(8,980,465)
Adjustments related to interest expenses	37	35,592,925	17,317,179
-Adjustments related to tax expense/income	40	(1,568,274)	1,106,580
-Adjustments related to loss/gain from disposal of the fixed assets	35	(36,175)	(44,949)
-Adjustments related to cause to cash flow from investment and financial activities	14-17-39	(1,864)	16,852,475
Other adjustments related to reconciliations of profit/loss		(1,223,323)	2,247,992
Minority Interest	30	(1,223,323)	2,247,992
Changes In Business Capital		(37,192,031)	(11,092,580)
-Adjustments related to inventories increase/decrease	10	(6,814,417)	(10,675,191)
-Adjustments related to trade receivables increase/decrease	7	11,348,375	(24,093,966)
-Adjustments related to other receivables from operations increase/decrease		(30,649,382)	33,193,298
Changes in other receivables	9	1,837,379	(6,270,794)
Changes in other assets	29	(32,486,761)	39,464,092
-Adjustments related to trade payables increase/decrease		14,844,490	335,096
Changes in trade payables	7	14,844,490	335,096
-Adjustments related to other payables from operations increase/decrease		(3,746,973)	5,253,430
Changes in prepaid expenses	12	(1,224,755)	2,103,677
Changes in employee benefit provisions	27	(197,236)	175,895
Changes in other payables	9	(2,595,343)	2,879,058
Employee benefit provisions	27	270,361	94,800
-Adjustments related to other increase/decrease in business capital		(22,174,124)	(15,105,246)
Period income tax and liabilities	25-40	-	(9,635)
Changes in deferred income	12	3,678,437	1,378,316
Changes in other liabilities	29	(25,852,561)	(16,473,927)
Cash Flows from activities		(55,147,541)	25,515,384
Dividend Paid	30	-	(5,000,000)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		(183,230,151)	(195,993,337)
Cash outflows from purchasing of obtaining of the control of subsidiaries	3	-	(3,094,300)
Cash outflows arising from purchases of tangible fixed assets	14	(181,847,606)	(189,632,792)
Cash outflows arising from purchases of intangible fixed assets	17	(1,422,149)	(3,339,512)
Cash outflows arising from sales of tangible fixed assets	14	39,604	73,267
Cash outflows arising from purchases of intangible fixed assets	17	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		284,584,779	166,142,603
Cash inflows from exported instruments based on share and other equity	30	-	48,659,373
Cash inflows from borrowings		677,173,948	390,086,638
Cash outflows from borrowings		(427,609,313)	(272,137,907)
Cash inflows from factoring activities	7-47	159,900,000	-
Cash outflows from factoring activities	7-47	(119,900,000)	-
Cash outflows related in debt payments of financial leasing contracts	37	(603,456)	(465,501)
Paid interest		(4,376,400)	-
BEFORE THE EFFECT OF THE FOREIGN CURRENCY CONVERSION, DIFFERENCES		46,207,087	(4,335,350)
IN CASH AND CASH EQUIVALENTS NET INCREASES/DECREASES		46,207,087	(9,335,350)
CASH AND CASH EQUIVALENTS NET INCREASE/DECREASE		46,207,087	(9,335,350)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		61,572,618	70,907,968
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		107,779,705	61,572,618

The financial statements were approved by the Board of Directors Resolution dated March 13,2017 and numbered 2017/2 in the consolidated financial statements for the ending period on the date of December 31, 2016.

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31,2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

1. ORGANIZATION AND CORE BUSINESS OF THE COMPANY

Odaş Elektrik Üretim Sanayi Ticaret AŞ (“Odaş” or “The Company”) operates as producing electricity by natural gas combined cycling. Company has been established in Istanbul in September 28, 2010.

The Company has business via establishing production plant, setting plants into operation, lease, producing electricity energy, selling produced electricity and/or created capacity to clients.

The company has got the producing license from Energy Market Regulatory Authority (EMRA) at July 14, 2011. According to this license company will produce electricity from the power plant that will be established in Şanlıurfa for 49 years. The production plants' planned installed capacity is 140 Mw. At October 28, 2011 first phase of the plant which has 54 Mw capacities has been settled into operation. On April 30, 2012 the second phase of the plant which is 56 Mw has settled into operation. On August 2012, company has increased 128 Mw its installed capacity in two stages by adding 18 Mw to turbine capacity. Also company has started 12 Mw third phase additional steam turbine investment in year 2012. Steam turbine investment was completed and settled into operation on the year 2013 and total settled power plant reached to 140 Mw.

As of December 31, 2016 and December 31, 2015 group's capital and share percentages are given below;

Hissedar	31.12.2016		31.12.2015	
	Amount	Rate	Amount	Rate
Korkut Özal Inheritance (*)	7.500.000	15,8%	7.500.000	15,8%
A. Bahattin Özal	7.300.000	15,3%	7.300.000	15,3%
Burak Altay	7.300.000	15,3%	7.300.000	15,3%
BB Enerji Yatırım San. ve Tic. AŞ	7.500.000	15,8%	7.500.000	15,8%
Public Shares	18.000.180	37,8%	18.000.180	37,8%
Total Capital	47.600.180	100%	47.600.180	100%

(*) Mr. Korkut Özal 's shares with the amount of TL 7.500.000 at 15.8% due to his death on November 02, 2016 have been issued with joint ownership to Müjgan Özal, Abdulkadir Bahattin Özal, Mustafa Ali Özal, Fatimetüz Zehra Özal, Hafize Ayşegül Özal, Mehmet Fatih Özal, Korkut Enes Özal and Hafize Büşra Özal. The distribution list is as follows;

Shareholder	Share Amount	Share Percentage
Müjgan Özal	1.875.000	3,95%
Fatimetüz Zehra Özal	1.125.000	2,37%
Hafize Ayşegül Özal	1.125.000	2,37%
Mustafa Ali Özal	1.125.000	2,37%
Abdulkadir Bahattin Özal	1.125.000	2,37%
Mehmet Fatih Özal	375.000	0,79%
Korkut Enes Özal	375.000	0,79%
Hafize Büşra Özal	375.000	0,79%
Total	7.500.000	15.80%

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31, 2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

1. ORGANIZATION AND CORE BUSINESS OF THE COMPANY (Continued)

Odaş Elektrik Üretim Sanayi Ticaret AŞ is registered to Trade Registry in Turkey and its registered centre address is below:

Fatih Sultan Mehmet Mh. Poligon Cd. Buyaka 2 Sitesi No: 8B 2. Kule Kat : 17
Tepeüstü, Ümraniye/ İstanbul.

Subsidiaries

Odaş Enerji Elektrik Perakende Satış AŞ (Prior Title: Voytron Elektrik Toptan Satış Dış Ticaret AŞ)

The company bought at the rate of %100 share of Odaş Enerji Elektrik Perakende Satış AŞ on September 28, 2012, and Odaş Enerji is included in consolidation. The company has changed its title on October 27, 2015.

Odaş Enerji Elektrik Perakende Satış AŞ ("Odaş Enerji" or "Company") is established at the date of September 17, 2009 in address given below and registered. Odaş Enerji operates in selling produced electricity and/or created capacity to directly consumers in accordance with electricity market regulations.

Company centre address is Fatih Sultan Mehmet Mah. Poligon Cad. Buyaka 2 Sitesi No: 8B 2. Kule Kat: 17 Tepeüstü Ümraniye / İstanbul.

Odaş Enerji, had the 20 year duration license of wholesale taken from Energy Market Regulatory Authority (EMRA) as at March 11, 2010.

As of December 31, 2016, the capital of the company is TRY 25.000.000 and the shareholding structure is as follows:

December 31, 2016 December 31, 2015

Odaş Elektrik Üretim Sanayi Ticaret AŞ	100%	100%
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Hidro Enerji Elektrik Üretim Sanayi AŞ :

The company bought at the rate of %100 share of Hidro Enerji Elektrik Üretim Sanayi AŞ on November 27, 2012, and Hidro Enerji is included in consolidation.

Hidro Enerji Elektrik Üretim Sanayi AŞ (Hidro Enerji) is established on the date of April 5, 2005. Hidro Enerji engages in establishment of electric power generation plant, operation, leasing, electricity power generation, and sale of generated electricity power and / or the capacity to consumers.

Company centre address is Fatih Sultan Mehmet Mah. Poligon Cad. Buyaka 2 Sitesi No: 8B 2. Kule Kat: 17 Tepeüstü Ümraniye / İstanbul.

Hidro Enerji, had 49 year duration production license taken from Energy Market Regulatory Authority (EMRA) as at September 20, 2012. The license is given for Volkan Hydro Electric Power Plant which will be build in Trabzon. Total power of the plant is 1.913 MWm / 1.857 MWe.

As of December 31, 2016, the share capital of Hidro Enerji Elektrik Üretim Sanayi A.Ş. is TRY 615.000 and the shareholding structure is as follows:

December 31, 2016 December 31, 2015

Odaş Elektrik Üretim Sanayi Ticaret AŞ	100%	100%
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ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31, 2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

1. ORGANIZATION AND CORE BUSINESS OF THE COMPANY (Continued)

Ağrı Elektrik Üretim Sanayi AŞ :

The company bought at the rate of %70 share of Ağrı Elektrik Üretim Sanayi AŞ on November 27, 2012, and Ağrı Elektrik is included in consolidation. Ağrı Elektrik Üretim Sanayi AŞ (Ağrı Elektrik) is established on the date of April 13, 2011.

Ağrı Elektrik operates in establishment of electric power generation plant, operation, leasing, electricity power generation, and sale of generated electricity power and / or the capacity to consumers.

Company centre address is Fatih Sultan Mehmet Mah. Poligon Cad. Buyaka 2 Sitesi No: 8B 2.Kule Kat:17 Tepeüstü Ümraniye / İstanbul.

As of December 31, 2016, the capital of Ağrı Elektrik Üretim Sanayi AŞ is TRY 12.600.000 and the shareholding structure is as follows:

	December 31, 2016	December 31, 2015
Odaş Elektrik Üretim Sanayi Ticaret AŞ	70%	70%
Abdulkadir Bahattin Özal	15%	15%
Burak Altay	15%	15%

The 49 years production license was given on behalf of Ağrı Elektrik has been revoked, cash collateral is given regarding the licence revocation has been taken back on 26.01.2016

Küçük Enerji Üretim ve Ticaret Ltd. Ş:

The company bought at the rate of %90 shares of Küçük Enerji Üretim ve Ticaret Ltd. Ş on December 27, 2012, and Küçük Enerji is included in consolidation.

Küçük Enerji Üretim ve Ticaret Ltd. Ş (Küçük Enerji) is established on the date of May 1, 2007. Küçük Enerji operates in establishment of electric power generation plant, operation, leasing, electricity power generation, and sale of generated electricity power and / or the capacity to consumers.

Company centre address is Fatih Sultan Mehmet Mah. Poligon Cad. Buyaka 2 Sitesi No: 8B 2.Kule Kat:17 Tepeüstü Ümraniye / İstanbul.

Küçük Enerji had the 49 year production license taken from Energy Market Regulatory Authority (EMRA) as at April 12, 2012. The license is given for Köprübaşı Regulatory and Hidroelectric Power Plant which will be built in Trabzon. Total power of the plant is (2 x 4,097) MWm / (2 x 3,975) MWe.

As of December 31, 2016, the share capital of Küçük Enerji Üretim ve Ticaret Ltd. Ş is TYR 2.650.000 and the shareholding structure is as follows

	December 31, 2016	December 31, 2015
Odaş Elektrik Üretim Sanayi Ticaret AŞ	90%	90%
Abdulkadir Bahattin Özal	5%	5%
Burak Altay	5%	5%

Köprübaşı Regulatory and Hidroelectric Power Plant has started to electricity production on 2015.

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31, 2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

1. ORGANIZATION AND CORE BUSINESS OF THE COMPANY (Continued)

Ena Elektrik Üretim Ltd. Ş:

The company bought at the rate of %80 share of Ena Elektrik Üretim Ltd. Ş as of December 27, 2012, and Ena Elektrik is included in consolidation.

Ena Elektrik Üretim Ltd. Ş (Ena Elektrik) is established as the date of January 17, 2007. Ena Elektrik operates in establishment of electric power generation plant, operation, leasing, electricity power generation, and sale of generated electricity power and / or the capacity to consumers.

December 31, 2016 December 31, 2015

Odaş Elektrik Üretim Sanayi Ticaret AŞ	80%	80%
Hidayet Büküm	20%	20%

The share transfer agreement has been signed regarding the sale of all shares which the company owned by 80% of Ena Elektrik on June 29, 2015. The share transfer has not been actualised yet and the company has pre-production licence. It is going to finalize after completing the licensing process in the presence of EMRA.

Ena Elektrik has been classified as Non-current Assets Held for Sale and Discontinued Operations at consolidated financial table as of December 31, 2016.

Yel Enerji Elektrik Üretim Sanayi AŞ :

The company bought at the rate of %75 share of Yel Enerji Elektrik Üretim Sanayi AŞ as of January 10, 2013, and Yel Elektrik is included in consolidation.

Yel Enerji Elektrik Üretim Sanayi AŞ (Yel Elektrik) is established as the date of October 22, 2007. Yel Elektrik Üretim Sanayi AŞ engages in establishment of electric power generation plant, operation, leasing, electricity power generation, and sale of generated electricity power and / or the capacity to consumers.

İR:17517 numbered mining license is purchased by Yel Enerji Elektrik Üretim Sanayi Ticaret AŞ in Çanakkale, Bayramiç Town and its transfer process is completed.

The entire %100 percent of shares of company have been transferred to Çan Kömür ve İnşaat AŞ by ex-shareholders. Çan Kömür is a subsidiary of main company with %92 percent of shares. Shares have been transferred by their nominal value and company has been considered in scope of consolidation.

Company centre address is Fatih Sultan Mehmet Mah. Poligon Cad. Buyaka2 Sitesi No: 8B 2.Kule Kat:17 Tepeüstü Ümraniye / İstanbul.

As of December 31, 2016, Yel Enerji Elektrik Üretim Sanayi Ticaret AŞ has a capital of TRY 100.000 and its shareholding structure is as follows:

December 31, 2016 December 31, 2015

Odaş Elektrik Üretim Sanayi Ticaret AŞ	-	75%
Abdulkadir Bahattin Özal	-	12,50%
Burak Altay	-	12,50%
Çan Kömür ve İnşaat AŞ	100%	-

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31, 2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

1. ORGANIZATION AND CORE BUSINESS OF THE COMPANY (Continued)

Odaş Doğalgaz Toptan Satış Sanayi ve Ticaret AŞ :

The company is a co-founder at the rate of %80 share of Odaş Doğalgaz Toptan Satış Sanayi ve Ticaret AŞ and Odaş Doğalgaz is included in consolidation as of January 11, 2013.

According to Law No: 4646, Energy Market Regulatory Authority (EMRA) issued the notification, the decision and commitments specified in the regulations, and with the adoption of the issues, Odaş Doğalgaz Toptan Satış Sanayi ve Ticaret A.S. operates in Natural Gas Liquefied Natural Gas (LNG), Compressed Natural Gas (CNG) purchasing from the production, import, wholesale companies and other sources of law will be allowed and to wholesale to customers which are exporter distribution, LNG, CNG, wholesale companies, eligible consumers and permitted by law to customers.

Company centre address is Fatih Sultan Mehmet Mah. Poligon Cad. Buyaka2 Sitesi No: 8B 2.Kule Kat:17 Tepeüstü Ümraniye / İstanbul.

Odaş Doğalgaz Toptan Satış Sanayi ve Ticaret AŞ, had the 30 year duration license of natural gas wholesale from Energy Market Regulatory Authority (EMRA) as at March 20, 2013.

As of December 31, 2016, the capital of Odaş Doğalgaz Toptan Satış Sanayi ve Ticaret AŞ is TRY 4.312.000 and the shareholding structure is as follows:

	December 31, 2016	December 31, 2015
Odaş Elektrik Üretim Sanayi Ticaret AŞ	90,02%	90,02%
Tahsin Yazan	9,98%	9,98%

Çan Kömür ve İnşaat AŞ :

The company purchased at the rate of %92 share of Çan Kömür ve İnşaat Anonim Şirketi as of September 9, 2013, and Çan Kömür is included in consolidation.

Company centre address is Fatih Sultan Mehmet Mah. Poligon Cad. Buyaka 2 Sitesi No: 8B 2.Kule Kat:17 Tepeüstü Ümraniye / İstanbul.

Çan Kömür engaged in, domestic coal based power generation plant establishment, commissioning, hiring, producing electric power generation and sale of generated electricity power and/or the capacity to customers.

Çan Kömür ve İnşaat AŞ's licensing certificate for the Çan-2 Thermal Power Plant Production Facility, which is continued to be constructed in Çanakkale province-Çan district and which is under construction and which is in the capacity of 340 MWm / 330 MWe installed, is certified by the Energy Market Regulatory Authority dated January 28, 2016 and with the decision numbered 6083- 2 and was delivered to Çan Kömür ve İnşaat AŞ on January 28, 2016.

As of 31 December 2016, Çan Kömür ve İnşaat AŞ has a capital of TRY 102.000.000 and its shareholding structure is as follows:

	December 31, 2016	December 31, 2015
Odaş Elektrik Üretim Sanayi Ticaret AŞ	92%	92%
Mustafa Koncagül	8%	8%

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31, 2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

1. ORGANIZATION AND CORE BUSINESS OF THE COMPANY (Continued)

About the Project finance regarding the investment of Çan-2 Thermic Power Plant, the amount of 116 million Euro poject finance loan contract has been signed with the consortium of Yapı Kredi Bankası AŞ ve Halk Bankası AŞ In the framework of this loan contract, the amount of 94 million Euro bridge loan has been used.

Regarding Çan-2 Thermic Power Plant Production Facility, implementary development plan belongs to “Çan-2 Thermic Power Plant Are” and “Solid Waste Storage Area” has been approved by Çanakkale Special Provincial Administration, Provincial Assembly.

YS Madencilik San. ve Tic. Ltd. Ş

Yel Enerji Elektrik Üretim Sanayi AŞ is co-founder at the rate of %70 share of YS Madencilik Sanayi ve Ticaret Ltd. Ş and as a co-founder and YS Madencilik Sanayi ve Ticaret Ltd. Ş is included in consolidation as of December 12, 2014.

YS Madencilik operates purchasing, selling, manufacturing, installation, importing and exporting every kind of natural stone and manufactured and semi-manufactured of mineral ores.

Company centre address is Fatih Sultan Mehmet Mah. Poligon Cad. Buyaka 2 Sitesi No: 8C 3.Kule Kat:13 Tepeüstü Ümraniye / İstanbul.

As of December 31, 2016, the capital of Yel Enerji Elektrik Üretim Sanayi AŞ is TRY 10.000 and its shareholding structure is as follows:

	December 31, 2016	December 31, 2015
Yel Enerji Elektrik Üretim Sanayi AŞ	70%	70%
Süleyman Sarı	30%	30%

Through its strategy, company aims to establish coal supply and trade center in the geography close to their mine. To begin earlier than predicted for the coal trade, thermal power plant will provide the main input of coal requirement. Before starting large production in Çan II coal mine field will be come into operations in coordination with the time required to cycle thermal power plant, it is targeted to partial start for trial production and sales from smaller scale coal mines planned to participate in the following period under the responsibility of subsidiaries.

Anadolu Export Maden Sanayi ve Ticaret AŞ

The company is a partner at the rate of %96 share of Anadolu Export Maden Sanayi ve Ticaret AŞ which is established on the date of December 30, 2014 and Anadolu Export is included in consolidation as of January 22, 2015.

Anadolu Export operates purchasing, selling, manufacturing, installation, importing and exporting every kind of natural stone and manufactured and semi-manufactured of mineral ores.

Company centre address is Fatih Sultan Mehmet Mah. Poligon Cad. Buyaka 2 Sitesi No: 8C 3.Kule Kat:13 Tepeüstü Ümraniye / İstanbul.

As of December 31, 2016, the capital of Anadolu Export Maden Sanayi ve Ticaret A.S. is TRY 50.000 and its shareholding structure is as follows:

	December 31, 2016	December 31, 2015
Odaş Elektrik Üretim Sanayi Ticaret AŞ	96%	96%
Burak Altay	4%	4%

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31, 2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

1. ORGANIZATION AND CORE BUSINESS OF THE COMPANY (Continued)

License transfer purchase agreement was signed between Stratex International PLC (Stratex) and Anadolu Export to complete the search in the gold field called Karaağaç and decide on business investment based on research results. Regarding this transfer, application had been made to General Directorate of Mining Affairs. The transfer transaction was completed as of August 19, 2016. Superficial studies were conducted in the field, construction of drilling is planned that may raise the proven reserves ratio and increase the reserves in the coming period.

Suda Maden AŞ

The company purchased all shares of Suda Maden AŞ as of October 28, 2015, and Suda Maden is included in consolidation.

Suda Maden operates extraction, manufacturing and selling, every kind of natural stone mineral ores.

Company centre address is Fatih Sultan Mehmet Mah. Poligon Cad. Buyaka 2 Sitesi No: 8C 3.Kule Kat:13 Tepeüstü Ümraniye / İstanbul.

As of December 31, 2016, the capital of Suda Maden AŞ is TRY 44.900.000 and its shareholding structure is as follows:

	December 31, 2016	December 31, 2015
Odaş Elektrik Üretim Sanayi Ticaret AŞ	100%	100%

The company has 4 licences including 2 operating license and 2 exploration in Murat mountain located Kütahya-Uşak area. The company, which was bought on October 28, 2015, has 4 mining licenses in Murat Mountain in Kütahya-Uşak region, two businesses and two searches. By the year of 2016, the company has started antimony mining and antimony trioxide production and sales.

3Y Proje Geliştirme Yatırım San. ve Tic. AŞ

Odaş Elektrik Üretim Sanayi Ticaret AŞ is co-founder at the rate of %90 share of 3Y Proje Geliştirme Yatırım San. ve Tic. AŞ and 3Y Proje Geliştirme Yatırım San. ve Tic. AŞ is included in consolidation as of June 24, 2016.

The company operates in establishing, running, renting, generating electricity, producing and selling electricity and / or capacity to customers. It is also developing domestic, renewable and green projects, biomass energy projects.

Company centre address is Fatih Sultan Mehmet Mah. Poligon Cad. Buyaka 2 Sitesi No: 8C 3.Kule Kat:13 Tepeüstü Ümraniye / İstanbul.

The company entered the liquidation process as of March 02, 2017.

As of December 31, 2016, the capital of 3Y Proje Geliştirme Yatırım San. ve Tic. AŞ is TRY 50.000 and the shareholding structure is as follows:

	December 31, 2016	December 31, 2015
Odaş Elektrik Üretim Sanayi Ticaret AŞ	90,00%	-
Rubicon Madencilik Sanayi ve Ticaret AŞ	10,00%	-

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31,2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

1. ORGANIZATION AND CORE BUSINESS OF THE COMPANY (Continued)

Parent Company and consolidated subsidiaries EMRA license information as of December 31, 2016 is as follows:

License Owner	License Type	License No	License Duration	Effective Date
ODAŞ ENERJİ PERAKANDE	Whole sale	ETS/2461-2/1599	20 Years	11.03.2010
ODAŞ ELEKTRİK	Production	EÜ/3323-2/2005	49 Years	14.07.2011
HİDRO ENERJİ	Production	EÜ/4027-2/2427	49 Years	20.09.2012
KÜÇÜK ENERJİ	Production	EÜ/3769-4/2314	49 Years	12.04.2012
ODAŞ DOĞALGAZ	Natural Gas Whole sale	DTS/4318-4/291	30 Years	20.03.2013
ÇAN KÖMÜR	Production	EÜ/6083-2/03428	17 Years	28.01.2016
ENA ELEKTRİK	Associate/Production	ÖN/5298-3/03165	30 Months	12.11.2014

*Ağrı Elektrik production license was revoked by application in 2016.(Note:50)

*Çan-2 Thermic Power Plant License is approved by Energy Market Regulatory Authority's 28.01.2016 dated and 6083-2 numbered decision and submitted on 08.02.2016. (Note:50)

Parent Company and consolidated subsidiaries licenses information of is as follows:

License Owner	License Group	License Type	License No	Effective Date	Due Date
SUDA MADEN	IV. Group	Operating	34412	04.04.2014	04.04.2034
SUDA MADEN	IV. Group	Operating	43169	13.04.2015	13.04.2025
SUDA MADEN	IV. Group	Exploration	201200931	22.06.2012	22.06.2019
SUDA MADEN	IV. Group	Exploration	201200932	22.06.2012	22.06.2019
YS MADENCİLİK	IV. Group	Exploration	201600088	18.02.2016	18.02.2023
YS MADENCİLİK	IV. Group	Exploration	201600084	18.02.2016	18.02.2023
YS MADENCİLİK	IV. Group	Exploration	201600085	18.02.2016	18.02.2023
YS MADENCİLİK	IV. Group	Exploration	201600087	18.02.2016	18.02.2023
YS MADENCİLİK	IV. Group	Exploration	201600086	18.02.2016	18.02.2023
YEL ENERJİ	IV. Group	Operating	17517	05.01.2015	05.01.2025
ANADOLU EXPORT	IV. Group	Operating	1061765	21.02.2011	21.02.2021
ANADOLU EXPORT	IV. Group	Operating	2357078	24.12.2010	24.12.2020

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31, 2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

a. Basis of Presentation

Accounting Policies Applied

Group keep legal books and present financial statements in accordance with Turkish Commercial Code and accounting principles defined by tax legislations. Financial statements of the Group are subjected to adjustments and reclassifications in order to make the appropriate notifications of Capital Market Board. And also financial statements are based on legal book records of the Group.

The consolidated financial statements of Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/IFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communique numbered II-14.I "Comminuque on The Principles Of Financial Reporting In Capital Markets" announced by the Capital Markets Board Of Turkey (CMB) on June 13, 2013

which is published on Official Gazette and valid after April 01, 2013 the ended interim financial report. TAS/IFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (IFRS) by the comminiques announced by the POA.

Series II, No: 14.1 "Capital Markets Financial Reporting in the Communiqué on Principles Regarding the" What's statement, businesses, preparation of financial statements in the Public Oversight, Accounting and Auditing Standards Board ("UPS") issued by Turkey Accounting / Financial Reporting Standards ("TAS / TFRS ") are based. Therefore, the accompanying financial statements IAS / IFRS 'financial statements and notes have been prepared in accordance with CMB be enforced by and in accordance with the format by including the mandatory information is presented.

Functional and presentation currency

Functional currency of the report is TRY and decimal parts of the amounts were rounded up. As of December 31, 2016 released by the Central Bank of the Republic of Turkey U.S. dollar exchange rate of 1 U.S. dollar = TRY 3.5192 (December 31, 2015: TRY 2.9076), 1 EURO = 3,7099 TRY (December 31, 2015: TRY 3,1776), 1 GBP = TRY 4,3189 (December 31, 2015: 4,3007), 1 CHF = TRY 3,4454 (December 31, 2015: TRY 2.9278).

Adjusting financial tables in hyperinflation periods

The companies, who are preparing their financial tables according to CMB Accounting Standards, are not using inflation accounting according to a decision given in March 17, 2005 that will be in effect since January 01, 2005. The preparing and presenting financial tables are not done in accordance with TAS/TAS 29" Financial Reporting in Economies with High Inflation" according to the decision given by CMB.

Base of Consolidation

Consolidation is prepared in structure of Odaş Elektrik Üretim Sanayi Ticaret AŞ which is parent company.

Consolidated financial reports are prepared in accordance with TAS 27 - Consolidated and Separated Financial statements of Turkish accounting standard.

Consolidated financial reports contain all subsidiaries of the parent company.

- It eliminates participation amount at each subsidiary and percentage amount of main partnership which are equivalent to amount in equities of each subsidiary.

- It determines amount of minority percentage in consolidated profit and loss of period and amount of minority percentage determines separately from amount of main subsidiary from amount of net actives of consolidated main subsidiary. The amount of minority percentage from net actives contains; calculated minority percentages in merge date in accordance with TFRS 3; minority percentage from all transactions made after merge date.

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31,2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- All expenses, income, transactions and balances incurred of group are eliminated.
- Subsidiary income, expenses and dividends including all balances and transactions are eliminated. Profits and loss which are added to cost of current and non-current assets due to transactions in subsidiaries are eliminated. Loss in group can show an impairment which should be in account in assets section of consolidated financial reports. The differences which rise during elimination of loss and profits which resulted by transactions in group apply in accordance with TAS 12 "Income Taxes" standard.
- Necessary adjustments are made during preparation of consolidated financial statements when one of subsidiaries needs to use different accounting principles for similar transactions or events.
- The consolidated financial reports of the partnership and subsidiaries are prepared at the same time with financial statements. Accounting policies are accepted for consolidated financial reports, same transactions and transactions in same condition.
- All income and expenses of a subsidiary take in account consolidated financial reports after acquisition date according to TFRS 3 and this situation continues till the date of partnership lose its control power on subsidiary. When subsidiary sold; the difference between the income resulted by this transaction and the book value of subsidiary will be shown as loss or profit in consolidated comprehensive income statement. About this transaction if there is a currency translation loss or profits which are related directly to equity take into account in accordance with "TAS 21 Currency Change Effects".
- Minority interest can be shown at equities section in consolidated statement of financial position separately from equities amount of partnership. The Group's loss or profit amount for minority interest should be shown also seperately on financial statements.

Comparative Information and Restatement of Prior Period Financial Statements

Group has presented the consolidated statement of financial position as of December 31, 2016 comparatively with the date of 31 December 2015. Consolidated profit or loss and other comprehensive income statement and the consolidated cash flow statement for 1 January-31 December 2016 period presented comparatively with consolidated profit or loss and other comprehensive income, consolidated statement of cash flow for 1 January-31 December 2015 period. Consolidated changes in equity statement for the 1 January - 31 December 2016 period presented comparatively with 1 January - 31 December 2015 period.

a. Changes in Accounting Policies

If adjustments on accounting policies are applied retroactive, the group should adjust the previous opening balance in the report. The group should provide comparative data which is presented in accordance with the new accounting policies in terms of current years.

Changes in accounting policy need to application for previous periods and also for current period or if group cannot determine the change effect of the financial statements as in cumulative, it wouldn't make any application for previous periods.

b. Changes and Errors in Accounting Estimates

If the effect of a change in accounting estimate creates a difference in an asset, a foreign source or equity, then the asset must be corrected during the same period as when the book value of the foreign source or equity is adjusted.

The effect of a change in accounting estimate being reflected on financial statements for future reference means that the transactions, events and conditions will be applied to the means happening after the date of the changes.

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31,2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

c. Continuity of Business

The group prepared the consolidated financial statements in the yearly period based on the continuity of the business.

d. Netting/Deduction

Financial assets and liabilities are presented net if the required legal right is already present, the presence of intention is to pay the related assets and liabilities in accordance with the net fair value, or if the acquisition of assets and the fulfillment of obligations are intentional simultaneously.

e. Comparative Information and Adjustment of Prior Period Financial Statements

The financial statements of the Group are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. In order to comply with the presentation of the financial statements in the current period, comparative information is reclassified when necessary and significant differences are disclosed.

Amendments and interpretations in the standard

TAS – TFRS Amendments

New and amended standards and interpretations

The accounting policies adopted in preparation of the yearend financial statements as at December 31, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRYK interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2016 are as follows:

TAS 1: Disclosure Initiative (Amendments to TAS 1)

Amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income arising from equity accounted investments The amendments had no significant effect on the financial position or performance of the Group.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue based amortisation for intangible assets. The amendments had no effect on the financial position or performance of the Group.

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31,2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)

POA of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments: either at cost, in accordance with TFRS 9 or using the equity method defined in TAS 28 The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Group and had no effect on the financial position or performance of the Group.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

Amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. The amendment is not applicable for the Group and had no effect on the financial position or performance of the Group.

TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to TFRS 10 and TAS 28)

Amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are not applicable for the Group no effect on the financial position or performance of the Group.

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. The amendments had no effect on the financial position or performance of the Group.

Annual Improvements to TFRSs - 2012-2014 Cycle

POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- a) TAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located.
- b) TAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report.
- c) TFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan.
- d) TFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with TFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report

The amendments had no significant effect on the financial position or performance of the Group.

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31, 2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

TFRS Standards issued but not yet effective and not early adopted:

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

TFRS 9 Finansal Araçlar – Sınıflandırma ve Açıklama

In January 2016, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. Effective date for TFRS 15 is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31, 2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Annual Improvements – 2011–2013 Cycle

IAS 7 'Statement of Cash Flows (Amendments)

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Company/Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled sharebased payments, share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

ODAŞ ELEKTRİK ÜRETİM SANAYİ TİCARET AŞ

Audited as of December 31,2016

Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds. The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- a) IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- b) IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.
- c) IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Policy Decisions published by POA (2012-13 Period)

In addition to explanations above, policy decisions declared by POA in order to apply Turkey Accounting Standards. “Financial Table Examples and User Guide” was in use as of declaration date, however, other decisions applicated validity for beginning annual report periods after December 31,2012.

1. Financial Table Examples and User Guide

POA published “Financial Table Examples and User Guide” on May 20,2013 in order to provide standard form of financial statement and facilitate its audit. Financial table examples that located on this regulation published for becoming sample to companies who have to applicate TAS except banking, insurance, individual retirement or financial institution that establish for capital activity. The group complied with the required classification and the presantion principles in order to fullfill the requirements of this regulation.

2. Accounting for Business Combination Under Common Control

According to decision i) business combination under common control (pooling of interest) must be accounted by this method, ii) therefore, goodwill do not take place on the financial tables and iii) while combination of rights method is applying, on the beggining of report period financial table should fix and present as comparatively. This situation adjudicated.

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Explanatory Notes to the Financial Statements

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

3. Accounting of Usufructary Notes

Usufructary notes should be accounted in which the cases as financial liability in which the cases the as equity instruments were clarified. This decision does not have any affect to the company's financial tables.

4. Accounting of Participation Investment as Mutual

If a company has its own share on the business who have participation investment, this situation is defined mutual participation relation . The subject of accounting od mutual participation is evaluated depending on the type of investment and different accounting basics that applied.With this decision, subject was evaluated under three main title and each of their accounting basics were determined.

- i) The case is that having subsidiarity main partnerships own equity
- ii) The case is that participations or sunbsidiarities have investor of business's equity's financial instruments
- iii) Bussiness's depending on equity financial instruments, company who have investment interms of TAS 39 and TFRS 9

Aforesaid decision has no effect on Group's financial statements.

Resolutions are published by POA (2015 Period)

1. Capitolization of Exchange Rate as Borrowing Cost (Outline)

Featured assests in TAS 23 Borrowing Cost standard are defined as assets that necessarily take a long time to be able to get ready for their intended use or sale and organized basis of borrowing costs accounting related to featured assets. According to TAS 23 first paragraph, it is stated that the acquisition, construction or production of a featured assest related with directly borrowing cost form part of this assest cost, on the other hand, other borrowing costs will be recognized as an expense.

Methods can be considered to what extent the exchange rate can take into consideration as interest cost adjustment in borrowing from foreing currency:

Seasonal Approach

In this method, the found amount (real interest cost) which is borrowing in foreign currency denominated interest cost in foreign currency is translated into functional currency is not accepted borrowing cost directly. In this amount, adjustment can be made as a part of or all exchange rate of principal amount. Adjustment in real interest cost is done based on 'representative interest cost'.

Representative Interest Cost is a interest cost which is expected to occur in current period based on interest rate at date of borrowing if borrowing in foreign currency had denominated in functional currency.

Representative Interest Cost is considered as limit borrowing cost of the borrowing cost will be capitalized.

Although there is a chance real interest cost can be higher than representative interest cost, considering that probability of meeting such kind of situation is low for business, only main accounting principles are taken on resolutions when representative cost is higher than real interest cost.

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Cumulative Approach

In the cumulative approach , the investment project is considered as a whole.In this context, when calculating the cost of borrowing will be capitalized, unlike seasonal approach, adjustment are made cumulatively by considering uncapitalized exchange rate osses which occurred previous periods and recorded as loss exchange,

Although there is a chance real cumulative interest cost subject to higher representative cumulative interest cost, considering that probability of meeting such kind of situation is low for business, only main accounting principles are taken on resolutions when representative cumulative cost is higher than real cumulative interest cost.

d. Summary of Important Accounting Policies

Cash and Cash Equivalents

Cash can be implied as cash in the group and cash equivalent can be implied as short term investments which have unimportant risk to lose value, higher liquidity and can be converted easily to cash.

Cash equivalents are assets which are used for investment purpose, kept for short term cash liabilities and they cannot be used for other purposes.(Note:53)

Trade Receivables

Trade Receivables are the receivables sourced from group which are come from a debtor cause of a direct supply of goods or services. They are valued by using effective interest method thought discounted cost.

Without a specified term, short-term trade receivables are valued on their amount of invoice when accrued interest has insignificant effects. (Note:7)

In case of receivables become impossible to collect, group will make a provision as a risk provision. This provision amount is the difference between the book value of receivables and possible collection amount of receivables. Possible collection amount is the rediscounted value which is calculated with effective interest method on amount of original trade receivables, collectible guarantees and other cash transactions. (Note: 7)

If the amount of low value decreases after written as a loss, the amount of decrease will record in other income in the current period.

Related Parties

The group will consider as a related party if one the conditions below are met.

a) If the party directly or indirectly with one or more agent:

- i) Controls the enterprise, controlled by enterprise or is present under the same control with the enterprise (including parent companies, subsidiaries and subsidiaries at the same line of business);
- ii) Has share which allows it to have big impact on the group; or
- iii) Has associated control on the group;

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- b) If the party is an affiliate of the group;
- c) If the party is an business partnership where the group is a party;
- d) If the party is a member of the key personnel in the group or Company's main partnership;
- e) If the party is a close family member of any person mentioned in the a or d parts;
- f) If the party is an enterprise which is controlled, partnered or under important effect or any person mentioned in d) or e) parts has right to vote in important decisions of the party;
- g) If the party has profit plans about a possible leaving job of related parties' employees.

Financial Instrument

Financial assets

Financial assets are recorded with their appropriate value and expenses directly related to purchase except financial assets reflected to profit or loss of the appropriate value difference and recorded on their appropriate value. In the case of purchase or selling of financial assets which are bound to a contract that has a condition on deliverance date of financial instruments set by the market are recorded at the date of transaction or deducted from records

Financial assets are classified as “financial assets reflected to profit or loss of the realizable value difference”, “financial assets kept in hand till its maturity”, “marketable financial assets” and credits and receivables.

Effective Interest Method

It is the method in which interest income of financial asset distribute to related period and amortized cost of financial asset gain value. Effective interest rate; Estimated future cash value which will be charged in a shorter time period during the expected lifetime of financial instrument or in case in which life time of financial instrument is appropriate, is the reduced rate of net present value of related financial assets.

Financial assets which will keep in hand till maturity, marketable debt instruments, credits and receivables, which are classified as financial assets, and related interest income of these assets are calculated by using effective interest method.

- a) Net realizable value difference of financial assets which recorded as profit/(loss)

Financial assets measured at fair value through profit and loss are the assets which are the owned one to sell or buy. If a financial asset is bought to sell in short term, it will classify in this category and in current assets.

Financial assets which constitute derivative products that have not an effective protection tool against financial risk are also considered as financial assets reflected to profit or loss of the appropriate value difference. Assets in this category are classified as current assets.

- b) Financial assets held to maturity

Debt instruments with constant terms which has constant and determinable payment plan, for which group has an in tention to keep in hand till its maturity can be classified as financial assets kept in hand till its maturity. Financial assets kept in hand till its maturity can be shown in financial statement by the amortized cost according to effective interest method deducted from amount of decrease in value.

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

c) Assets available for sale

The group has equity instruments which are not open to capital market but ready to be sold. Since their appropriate value could not be defined in an accredited way, they are shown with their cost values.

d) Loans and receivables

Loans and receivables which are not in the capital market and have steady and computable payments are classified in this category. Credits and receivables are shown by deducting loss in value decrease from the cost which was calculated by using effective interest method. (Note:7)

Financial Liabilities

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Agreement which represents right of group on assets after deducting all liabilities can be count as financial instrument on equity. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value difference recorded as profit and loss or other financial liabilities.

a) Financial liabilities at fair value through profit and loss

Financial liabilities at fair value difference recorded as profit and loss are stated at their fair value, and they revalue at financial statement date and every reporting period. Change in fair value record in comprehensive income statement. The net gain or loss recognized in comprehensive income statement incorporates any interest paid on the financial liability.

b) Other financial liabilities

Other financial liabilities, including borrowings, are initially recorded at fair value after deduction of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Inventories

Inventories are valued on the basis of the weighted average cost method by considering the cost or the net realizable value, whichever is the lowest. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. The cost of inventories cover all purchasing costs, conversion costs and other expenses made to bring the inventories into their current state and condition. When net realizable value of inventories is less than their cost, inventories will be valued according to their realizable value and the difference will be record as an item in comprehensive income statement.

In cases where impairment of inventories are no longer valid or net realizable value is increased, impairment of inventories which was recorded as loss in previous comprehensive income statement will be a provision no longer required. The amount of provision no longer required is limited with the amount of provision which was allocated in previous periods. (Note: 10)

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Tangible Fixed Assets

Tangible assets are reflected to financial statements according to their acquisition date: if they are acquired before January 1, 2005 they will state on acquisition cost which are rearranged with buying power of TRY in December 31, 2004 and if they are acquired after January 1, 2005, they will state with its acquisition cost after deduction of accumulated depreciation and accumulated impairment loss. Depreciation is calculated according to normal amortization method on amounts which are rearranged according to inflation.

There is no applicable amortization method for land in the report because of their nature and useful life is unlimited. Tangible fixed assets are amortized with rates below according to their economic useful life.

	Years
Natural Gas Power Plant	40
Land Improvements	8-50
Buildings	50
Plant, Machinery and Equipment	4-15
Motor Vehicles	5
Furniture and Fixtures	3-15
Special Costs	lease term (in days) or the less than useful life

If book value of an asset is bigger than the recovered value of this asset, book value of this asset can be discount to its recovered value. Recovered value of an asset is bigger than net sales price or value at use. Net sales price can calculate after deduction of all cost to sell from its fair value. Value at use will determine after addition of discounted amounts at the date of statement of financial position to estimated cash flows in future in condition of continuing to use the related asset.

The loss or profit from sales of tangible asset determine with comparison of arranged amounts and collected amounts and it is reflected to income and expense accounts in related period.

Maintenance or repair cost of tangible asset can be recorded as expense under normal conditions. However, in exceptional cases if maintenance and repair are resulted with improvement in tangible assets, the cost in question can be recorded as asset and it will be counted in amortization of related asset with remaining useful life.(Note: 14)

Intangible Assets

Intangible assets are consists of acquisition rights, information systems, computer software and special costs. These elements record on acquisition cost and after the date of acquisition they will amortize by using normal amortization method according to their expected useful life. Expected useful life of intangible assets is like below;

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Explanatory Notes to the Financial Statements

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Years

Rights

3-49

Computer programs

3

Preparation and Development Activities

License or Royalty Contract Duration

In case of decrease in value, the book value of intangible assets can be discounted to its recovered value. Recovered value is the value that whichever is higher between useful value and net selling price. (Note:17)

Leasing Transactions

Financial Leasing Transactions

The group reflect fixed assets acquired through financial leasing with their current value from the rental start date in statement of financial position or if it's lower than present value they will reflect from their current value of minimum lease payments on statement of financial position date (they added to related fixed assets section in financial statements). Acquisition expenses of fixed assets which are subjected to financial leasing transaction added to its cost. Liability from financial leasing transaction can be split as payable interest and principal debt. Interest expenses calculate from its constant interest rate and it will be added to its related period's account.

As of reporting date, unpaid but accrued financial leasing interest costs recorded as expense and calculated interest provisions have been set off and stated Deferred Financial Leasing Borrowing Costs. (Note:20 Leasing Operations, Note:47 Financial Instruments)

Operational Leasing Transactions

Lease contracts where all the risks and benefits of renting property in the hands of the leaser are known as operational leasing. For an operational lease payments, during the rental period will be recorded as expenses according to the direct method.

Investment Properties

Rather than sell goods and services for use in the production and administrative purposes at normal course of business, lands and buildings which are held in hand to obtain lease or capital gains or to obtain both, can be classified as Investment Properties and they can be recorded as values which comes after deduction of accumulated depreciation from cost according to its cost method except lands. The cost of construction, which construct by the company, of property for investment purposes determine on cost at the date of completion of rehabilitation and construction works. Asset at this date becomes a property for investment purposes and cause of that it transfer to properties account section.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Borrowing Costs

Group reflects borrowing costs as financing cost during credit period in its comprehensive income statement. Financing cost which is sourced from credits is recorded to comprehensive income statement when they occur.

Energy producing plants can be evaluated as a specialty asset depending on conditions. Acquiring, constructing, or borrowing costs that can be directly related to producing of a specialty asset can be capitalized as a part of specialty asset's cost by firms. Firms can book the other borrowing costs as an expense in their occurred period

Acquiring, constructing, or borrowing costs that can be directly related to producing of a specialty asset is added to cost of the asset. This kind of borrowing costs is capitalized as a part of specialty asset's cost for a dependable measure and for a possible situation that it can make an economic contribution to company.

Acquiring, constructing, or borrowing costs that can be directly related to producing of a specialty asset are borrowing costs that will not appear in case that there will be no expense done related to specialty asset.

If a company is get into debt in order to acquire a specialty asset, the borrowing cost amount that will be capitalized will be determined by deducting income that is gained via temporary exploiting aforesaid funds from borrowing cost of the aforesaid borrowing in the related period.

In the case of a company uses a part of the funds that it is get in to debt for general purposes in order to finance a qualifying asset; the borrowing cost amount that can be capitalized; is determined via using capitalizing rate that will be applied to expenses that related asset. This capitalizing rate is the weighted average of the all existing borrowing of the related period to borrowing costs, except the borrowings that is done for acquiring the qualifying asset. The borrowing cost amount that is capitalized for a period, cannot exceed consisted the borrowing cost in related period.

When the all necessary proceedings virtually is completed for asset's intended usage and getting ready for sale, the capitalizing of borrowing costs will end. In the situation of a qualifying asset is completed in parts and every part can be used while other parts Continue to constructing; When the all necessary proceedings virtually is completed for certain part's intended usage and getting ready for sale, the capitalizing of borrowing costs of the related part will end.

Provisions, Contingent Liabilities and Assets

Provisions

Provisions which are present in group as of the statement of financial position date can be accounted in case where there is a legal liability sourced from past or a structural liability and it is highly possible to realize exit of resources to fulfil this liability, there is a reliable estimated amount of liability.

In cases where here is more than one a like liability, the need for the possibility of exit of resources which can provide economic profit evaluate by taking in account of all same liabilities in same quality. Even if there is a little possibility to realize exit of resources for a liability in same quality, group allocates provision. Group does not allocate provision for operational loss in future. In cases when the value effect of money is important, amount of provision determine with present value of expenses which will be needed to fulfil liability.

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Contingent Liabilities and Assets

Assets and liabilities which are related to the cases whether it will or will not realize one or more than one cases, which are not entirely in group's control to realize in future, and which are sourced from past, can be accepted as contingent liabilities and assets.

Group does not reflect assets and liabilities related to condition to its records. Contingent liabilities are explained in explanatory notes of financial statements during the possibility of exit for an economic profit is not far and contingent assets are explained in explanatory notes of financial statements if the possibility of enter for economic profit is high.

Employee Benefits

a) Defined Benefit Plan

Provisions for severance benefit reflect upon to actuarial work according to TAS 19 "employee benefit".

Liability of severance benefit means value of estimated total provisions for possible liabilities which will occur in future cause of ending the agreement between group and its personnel for defined reasons according to Turkish Labour Law or retirement of personnel according to related law as of statement of financial position date.

Group calculates severance benefit by predicting discounted net value of deserved benefits or based on the information from group's experience about fire a personnel or quit of the personnel and reflects to its financial statements.

b) Defined Contribution Proportions

Group has to pay social insurance premium to Social Insurance Intuition. There will be no other liability if the group Continues to pay the premiums. These premiums reflect to personnel expenses in its accrual periods.

Revenue

Revenue is recognized on accrual basis at the fair value of the amount received or to be received. Net sales are calculated after the sales returns and sales discounts.

Sales Income

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of transactions can be measured reliably.

Income is fair value that is the amount which is taken or will be taken when electricity delivery realised. According to accrual basis, income is recorded in the period that the amounts to be invoiced. Net sales are shown in the amount on invoiced electricity delivery after deduction from sales commission and taxes. Obtained from transmission fee revenue is shown by net off related costs in the financial statements.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

TEİAŞ Electricity Sales Revenue; contains all sales transactions are made by market participant on the free market reconciled by PMUM (Market Financial Settlement Center) and sales arising from settlement center due to presence of the free market.

Free Consumer Electricity Sales; according to consumer limit is published by EMRA, sales made to all consumers within the definition of free consumer. (For example; While this limit is 4,500 kwh per year in 2014, it was taken 4,000 kwh per year in 2015)

Bilateral Agreements Electricity Sales; Physical or service sales to both wholesale companies or private manufacturing companies. Primary Frequency Control (PFC) contains service sales related with power plants liability in relevant legislations to transfer this liability to someone else.

Energy Imbalance; According to legislation, all imbalance receivables and payables are reconciled within responsible party when group companies are merged to create balance group. The responsible party for the balance distributes this amount of compensation to group members. Group imbalance items contains the amount of positive imbalance receivables, negative imbalance payables and zero balance payable/receivable.

Interest Revenue

Interest revenues are recorded as income on accrual basis.

Rent Revenues

Rent revenues are recorded as income on periodical accrual basis.

Effects of Change in Exchange Rate

Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates occurred Turkish Republic Central Bank at the dates of the transactions. Monetary assets and liabilities based on foreign currency were valued with exchange rates at the end of the period. Exchange gains or losses arising from settlement and translation of monetary foreign currency items have been included in the financial income, net in the accompanying comprehensive income statements.

Calculated Taxed on Corporation Revenue

Deferred taxes are calculated by taking into account statement of financial position liability. They are reflected considering the tax effects of temporary differences between legal tax base and reflected values of assets and liabilities in financial statements. Deferred tax liability is calculating for all taxable temporary differences however discounted temporary differences which occurs from deferred tax assets is calculated in condition to be highly possible to have benefit from these differences by obtaining taxable profit in future.

Receivable and liability for deferred tax occurs where there are differences (which are reducible in future and taxable temporary differences) between book value and tax value of asset and liability sections. Deferred tax asset and liability is recording without considering time where group can use timing differences.

Corporate tax rate in Turkey is 20%. This rate can be applied to tax base which if found out after adding expenses, which are not accepted to reduce from tax according to tax law, to its commercial income and deducting exceptions in law(exception like affiliate income), discounts (like investment discount). In case of not distributing dividends, it will not be necessary to pay another tax.

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

There are not taking of withholding tax for corporate who obtain income in Turkey with a base or permanent representative and dividend payment to corporate that has a base in Turkey. Dividend payment except these above is taxable for withholding tax at 15% (10% before the date of 22.07.2006). Adding profit to capital cannot be count as distribution of dividend and applied for withholding tax.

Financial loss which is showed in declaration form according to Turkish Tax Regulation in condition not to pass for 5 years can be deducted on corporate income for period. However, fiscal loss cannot be deducted from previous year's profits.

Earnings per Share

Earnings per share presented at the bottom of the consolidated Comprehensive Income Statement are calculated by dividing the net profit for the period to the number of shares. In case of increasing capital from sources in group in period, when calculating weighted average of number of shares, the value found after that is accepted also to use as valid at the beginning of period.

Subsequent Events

Subsequent events cover all events between authorization dates for publishing statement of financial position and statement of financial position date even if they are related to an announcement related to profits or if they occur after publishing financial information to public.

In case of occurring events which are necessary to make adjustments after statement of financial position date, group adjusts the amounts in financial statements in an appropriate way to this situation. Subjects which are not necessary to make adjustment occurred after statement of financial position date is explained in explanatory notes of financial statements if they will affect economic decision of financial statements user.

Statement of Cash Flow

In cash flow statement group reports cash flows in period based on classification as operating, investing and financing activities. Cash flows sourced from operating activities shows cash flows sourced from Group's activities. Cash flow related to investing activities shows cash flows that group use at present time or they gain from investing activities such as intangible asset investing and financial investing. Cash flow related to financing activities shows the resources used by group and back payment of these resources for financing activities. Cash and cash equivalents are consist of cash and bank deposit, investment with certain amount at 3 months term or less than 3 months, short term with high liquidity.

e. Important Accounting Estimates, Assumptions and Evaluation

Preparing of financial statements make need of using estimates and assumptions which will effect income and expense amount which are reported at account period, explanation of contingent assets and liability and amount of assets and liabilities which are reported as of statement of financial position date. These estimates and assumptions give the most reliable information about group managements' present events and transactions. Although realized results can show differences from assumptions. The estimates and assumptions may cause significant adjustments on book value of assets and liabilities in financial reporting is stated below.

Borrowing cost of credits which are used for financing of natural gas station and hydro electric power is added to cost of natural gas station and by group in scope of TAS-23 "Borrowing Cost".

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Deferred Tax Assets

Group accounted deferred tax and liabilities in order to temporary timing differences arising from diversity between financial tables that determine tax and prepared financial tables in accordance with CMC reporting standards. Assets of deferred tax estimated the amount of recoverable partially or completely. During the assesment, future profit projections and other tax assets expiration dates and potential tax planning strategies were considered.

Determination of Fair Value

Several accounting policies and disclosures of the group require determination of fair value of both financial and non-financial assets. Assumptions are used to determine fair value and relevant additional information is presented in the notes specific to asset or liability.

According to levels,the valuation methods are listed as follows;

Level 1: Recorded prices (unadjusted) in active market for identical assets and liability

Level 2: Directly (through prices) observable data and indirectly (derived from prices) observable data for assets or liabilities and except recorded prices in Level 1

Level 3: Data is not based on observable market data relevant with assets and liabilities (unobservable data)

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3.BUSINESS COMBINATIONS

A business combination under common control is a transaction in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the transaction.

Goodwill amounting to TRY 26.340.830 arising from the acquisition of entities subject to common control has been shown under the account of "Effect of Associations Including Enterprises or Enterprises Subject to Joint Control" as a balancing account, since the financial statements cannot be used for the recognition of entities under common control subject to jointly controlled entitlements.

Amounts that has been resulted from business combinations under common control and take place on "The Effect of Business Combinations Including Common Controlled Entity or Companies" are shown as below;

Company Name	Acquisition Cost	Acquired equity Share Value	Ventures or businesses under common control, Including Effects of Mergers
Voytron Elektrik	23.342.950	(729.287)	24.072.237
Hidro Enerji	150.490	51.398	99.092
Ağrı Elektrik	70.000	20.616	49.384
Küçük Enerji	2.065.876	44.768	2.021.108
Yel Enerji	-	(96.256)	96.256
Anadolu Export	-	(2.753)	2.753
Total	25.629.316	(711.514)	26.340.830

4. JOINT VENTURES

The company has purchased 200.000 entity shares of EMOC (Energy Market Operating Corporation) with the cost of TRY 200.000 in order to be founding partners as shareholders. The total capital of the company to become a partner organization TRY 61.572.570 shares, equivalent to TRY 61.572.570. The total shares acquired is equivalent to 0,0032% of the total capital. Partnership is only meant to have say in the energy market, is shown with historical cost amounting to TRY 200.000 in the financial statement. (31.12.2015: TRY 200.000)

5.5.SEGMENT REPORTING

There is no segmental reporting because the entity has a distinguishable activity segment that has different characteristics in terms of risk and return in the product or service group presentation than other business segments and no distinguishable geographical segment with different risk and return characteristics.

The sales and cost details of the parent company and subsidiaries are shown in the footnotes of 28-Qualifications and 31-Revenue and Cost of Sales.

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(Currency is TRY unless otherwise is indicated.)

6. RELATED PARTIES

i) Balances of the Company with its' related parties as of December 31, 2016 and December 31, 2015.

a) Other receivables from related parties:

	31.12.2016	31.12.2015
Hidro Kontrol Elektrik Üretim AŞ	11.483	-
Öztay Enerji Elektrik Üretim Sanayi AŞ	20.748	6.491
Bahattin Özal	115.761	115.760
Burak Altay	656.243	553.643
Korkut Özal Inheritance (*)	3.904.431	3.611.203
Süleyman Sarı	120.750	120.750
Mustafa Koncagül	3.490.000	3.498.923
Eylül Elektromekanik Enerji San ve Ltd Ş	-	29.541
Geokoax Jeotermal Enerji Sanayi Ticaret AŞ	-	24.200
TOTAL	8.319.416	7.960.511
Deduction: Unaccrued financial incomes	8.319.416	7.960.511
TOTAL	8.317.046	7.955.572

(*)Due to the death of Mr. Korkut Özal on the date of 02.11.2016, the above mentioned amounts of debt are jointly owned by Müjgan Özal, Abdulkadir Bahattin Özal, Mustafa Ali Özal, Fatimetuz Zehra Ozal, Hafize Ayşegül Özal, Mehmet Fatih Özal, Korkut Enes Özal and Hafize Büşra Özal and legally passed. The distribution list is as follows:

Shareholder	Receivable Amount
Müjgan Özal	976.108
Fatimetüz Zehra Özal	585.665
Hafize Ayşegül Özal	585.665
Mustafa Ali Özal	585.665
Abdulkadir Bahattin Özal	585.665
Mehmet Fatih Özal	195.222
Korkut Enes Özal	195.222
Hafize Büşra Özal	195.222
TOTAL	3.904.431

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6. RELATED PARTIES (Continued)

b) Other payables to related parties:

	31.12.2016	31.12.2015
Öztay Enerji Elektrik Üretim Sanayi AŞ	3.649	49.573
Hidro Kontrol Elektrik Üretim AŞ	-	123.416
Ena Elektrik Üretim Sanayi AŞ	-	516.847
Hafize Ayşegül Özal	20.000	20.000
Esin Ersan	20.000	20.000
TOTAL	43.649	729.836
Deduction: Unrealised financial gains	(18)	(57.711)
TOTAL	43.631	672.125

ii) Significant sales to related parties and major purchases from related parties:

a) Product sales to related parties:

	January 01 - December 31, 2016	January 01 - December 31, 2015
Hidro Kontrol Elektrik Üretim AŞ	63.175	376.150
Öztay Enerji Elektrik Üretim Sanayi AŞ	-	4.475
Arsin Enerji Elektrik Üretim San. Tic. AŞ	30.077	-
Öztay Enerji Elektrik Üretim Sanayi AŞ	8.063	-
Burak Altay	6.159	3.330
Korkut Özal	6.574	6.566
TOTAL	114.048	390.521

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6. RELATED PARTIES (Continued)

b) Sales of services to related parties

	January 01 - December 31, 2016	January 01 - December 31, 2015
Öztay Enerji Elektrik Üretim Sanayi AŞ	340.449	201.008
Akra Madencilik Sanayi Ve Ticaret AŞ	1.492	-
HK Yatırım Elektrik Üretim San.Tic.Ltd.Ş	1.492	-
Tron Enerji Yatırım Sanayi Ve Ticaret AŞ	1.371	-
Eylül Elektromekanik Enerji San ve Ltd Ş	44.975	143.261
TOTAL	389.780	344.269

c) Service purchases from related parties

	January 01 - December 31, 2016	January 01 - December 31, 2015
Hidro Kontrol Elektrik Üretim AŞ	-	466.680
Öztay Enerji Elektrik Üretim Sanayi AŞ	198.337	684.411
HK Yatırım Elektrik Üretim San.Tic.Ltd.Ş	-	732
TOTAL	198.337	1.151.824

d)Financing expenses from related parties

	January 01 - December 31, 2016	January 01 - December 31, 2015
Öztay Enerji Elektrik Üretim Sanayi AŞ	-	8.398
Arsin Enerji Elektrik Üretim San. Tic. AŞ	1.808	-
TOTAL	1.808	8.398

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6. RELATED PARTIES (Continued)

e) Financing income from related parties

January 01 -
December 31, 2016

January 01 -
December 31, 2015

Korkut Özal	268.265	476.908
Bahattin Özal	9.171	22.000
Burak Altay	50.938	63.312
Hidro Kontrol Elektrik Üretim AŞ	4.223.196	1.844.471
Arsin Enerji Elektrik Üretim San. Tic. AŞ	139.583	-
Mustafa Koncagül	541.144	264.518
Öztay Enerji Elektrik Üretim Sanayi AŞ	710.517	723.515
TOTAL	5.942.815	3.394.723

f) Purchases of goods from related parties

January 01 -
December 31, 2016

January 01 -
December 31, 2015

Hidro Kontrol Elektrik Üretim AŞ	117.714	-
Öztay Enerji Elektrik Üretim Sanayi AŞ	165.074	-
Arsin Enerji Elektrik Üretim San. Tic. AŞ	28.904	-
TOTAL	311.692	-

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6. RELATED PARTIES (Continued)

The interest rates is applied due from related parties and to related parties for the period is as below:

	January 01 - December 31, 2016	January 01 - December 31, 2015
Interest rates for the first period	15%	16%
Interest rates for the second period	15%	16%
Interest rates for the third period	15%	15%
Interest rates for the fourth period	15%	15%

Total amount of salary and alike benefits in 12-month fiscal period provided to top management in 2016 is as follows:

a) **Short Term Benefits to Employees:** Total amount of salary and alike benefits in 12-month fiscal period provided to top management in 2016 is TRY 3.615.844 (31.12.2015: TRY 2.731.318)

b) **Post-separation benefits:** Severance payment is made to personnel in case of earning it according to applicable law. There is no extra payment other than Labor Law.

c) **Other Long term Benefits:** None.

d) **Benefits due to Dismissal:** None

e) **Share-based Payments:** None

7. TRADE RECEIVABLES AND PAYABLES

Trade receivables	31.12.2016	31.12.2015
Customer Current Accounts	49.869.350	66.623.107
-Receivables from related parties	-	-
-Other receivables	49.869.350	66.623.107
Notes Receivables	771.707	672.205
Doubtful Receivables	845.665	536.072
Provision of Doubtful Receivables(-)	(845.665)	(536.072)
	50.641.056	67.295.313
Deduction: Unaccrued financel expenses	(449.631)	(691.551)
TOTAL	50.191.425	66.603.761

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(Currency is TRY unless otherwise is indicated.)

7. TRADE RECEIVABLES AND PAYABLES(Continued)

Provision for doubtful receivables as of December 31, 2016 and as of December 31, 2015. The movement is as follows:

	31.12.2016	31.12.2015
Opening Balance	536.072	403.667
Additional provisions	543.130	132.405
Payments (-)	(233.537)	-
TOTAL	845.665	536.072

(*)Consist of Odaş Enerji which is one of the subsidiaries of the group) energy sales trade receivables which is under execution procedure.

Trade Payables	31.12.2016	31.12.2015
Supplier Current Accounts	92.029.016	27.784.088
-Due to related parties	-	-
-Other supplier payables (*)	92.029.016	27.784.088
Notes Payables	3.189.000	1.472.993
Other Trade Payables	-	25.697.096
TOTAL	95.218.016	54.954.177
Deduction: Unaccrued finance income	(307.021)	(452.848)
TOTAL	94.910.994	54.501.328

(*) The related amount of TRY 30.000.000 is a debt arising from the factoring transactions related to unbilled receivables which are issued as informal recourse with İş factoring and its risks are assumed by the buyers and classified as commercial debt.

8. RECEIVABLES AND LIABILITIES FROM FINANCE SECTOR OPERATIONS

None. (None, December 31, 2015)

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9. OTHER RECEIVABLES AND PAYABLES

Short-term Other Receivables	31.12.2016	31.12.2015
Other receivables from related parties	8.319.417	7.960.511
Other receivables	1.075.807	874.266
Receivables from Tax Office	-	-
Deposits and guarantees given	216.974	2.732.219
Receivables from personnel	1.652	1.652
TOTAL	9.613.850	11.563.709
Deduction: Unaccrued finance expenses	(12.526)	(308.495)
-Other receivables from related parties	(2.371)	(4.939)
-Other receivables	(10.155)	(303.556)
TOTAL	9.601.324	11.255.215

Long-term Other Receivables	31.12.2016	31.12.2015
Deposits and guarantees given	397.769	581.257
TOTAL	397.769	581.257

Short-term Other Payables	31.12.2016	31.12.2015
Due to related parties	43.649	729.836
Other payables	298.034	2.127.336
Taxes and funds payables	3.454.337	3.813.831
Deposits and guarantees taken	93.742	93.742
Received advances	361.448	290.760
TOTAL	4.251.211	7.055.505
Deduction: Unaccrued finance expense	(3.972)	(212.923)
- Due to related parties	(18)	(57.711)
- Other payables	(3.954)	(155.212)
TOTAL	4.247.239	6.842.582

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9. OTHER RECEIVABLES AND PAYABLES (Continued)

Details of taxes and funds payables are as follows:

	31.12.2016	31.12.2015
TRT Share	608.296	436.342
Municipality Consumption Tax	866.350	933.385
Energy Fund	390435	518.003
Wage Earners Income Tax Deduction	344.420	308.772
Value Added Tax	453.464	1.255.741
Other Tax Liabilities	791.372	361.588
TOTAL	3.454.337	3.813.831

Long-term Other Payables	31.12.2016	31.12.2015
Deposits and guarantees received	500	500
TOTAL	500	500

10. INVENTORIES

	31.12.2016	31.12.2015
Semi-manufactured	9.253.885	7.642.257
Finished goods	2.523.829	-
Other inventories	5.894.929	3.215.970
TOTAL	17.672.644	10.858.227

(*) The amount of TRY 7.642.257 consists of Suda Maden's antimony inventories consist of mining costs and it is valued at prime cost.

(**)The amount of TRY 4.135.458 consists of stocks of antimony which are valued at semi-finished goods and finished goods cost of which is the new mining product of Suda Maden.

(***)The amount of TRY 4.652.389 consist of consumable material will be used in cycle power plant in Şanlıurfa for the upcoming periods. The remaining part of TRY 1.218.000 consist of container cost which is used for transport and storage of the materials of Çanakkale Power Plant. These containiers are purchased from seller. The remaining amount of TRY 24.540 is related to cost of other stocks of Suda Mine and Küçük Enerji.

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11. BIOLOGICAL ASSETS

None. (None, December 31, 2015).

12. PRE-PAID EXPENSES VE DEFERRED INCOME

Short-term Pre-paid Expenses

31.12.2016

31.12.2015

Expenses related to the coming months

822.943

383.777

Advances associated with cost

3.278.244

1.433.708

TOTAL

4.101.186

1.817.485

Long-term Pre-paid Expenses

31.12.2016

31.12.2015

Expenses related to the coming years

1.346.644

2.405.590

TOTAL

1.346.644

2.405.590

As of December 31, 2016, the amount of TRY 644.306 of the Expenses for Future Years, the Installment Risk Profit Share Insurance Cost of Çan Kömür and the amount of TRY 275.000 have been paid in return for Çan Kömür's Royalty contract. When the coal extraction process has not yet been realized due to the royalty payments, it is expensed in the idle capacity expenses and losses. When the coal extraction process starts, it will be related to the raw material cost.

Deferred Income

31.12.2016

31.12.2015

Advances Received (*)

16.246.538

12.568.101

TOTAL

16.246.538

12.568.101

(*)The amount of TRY 837.262 advances received consists of advances received from clients of Odaş Enerji. The remaining amount of TRY 15.409.276 consists of advances received by daily production to EPIAŞ by Odaş.

13. INVESTMENT PROPERTY

None. (None, December 31, 2015).

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14. TANGIBLE FIXED ASSETS

	01.01.2016	Addition	Transferred assets from acquired companies	Disposal	Transfer	31.12.2016
Cost						
Lands	5.669.920	2.164.013	-	-	-	7.833.933
Land improvements	150.000	-	-	-	-	150.000
Buildings	568.137	-	-	-	-	568.137
Plant, machinery and equipment	224.503.048	712.022	-	-	1.961.372	227.176.441
Vehicles	767.999	793.045	-	(51.422)	-	1.509.622
Furniture and fixtures	3.221.853	665.941	-	-	-	3.887.796
Construction in progress	185.327.933	177.512.586	-	-	(2.683.573)	360.156.946
Research expenses	251.203	-	-	-	-	251.203
Total	420.460.093	181.847.606	-	(51.422)	(722.201)	601.534.078
Accumulated Depreciation						
Land improvements	(57.812)	(18.750)	-	-	-	(76.563)
Buildings	(96.631)	(23.723)	-	-	-	(120.354)
Plant, machinery and equipment	(16.961.192)	(6.161.873)	-	-	-	(23.123.064)
Vehicles	(349.320)	(212.781)	-	47.993	-	(514.108)
Furniture and fixtures	(1.217.218)	(534.431)	-	-	-	(1.751.649)
Research expenses	-	-	-	-	-	-
Total	(18.682.173)	(6.951.557)	-	47.993	-	(25.585.738)
Net Book Value	401.777.920	174.896.049	-	(3.429)	(722.201)	575.948.340

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14. TANGIBLE FIXED ASSETS (Continued)

	01.01.2015	Additions	Transferred assets from acquired companies	Disposals	Transfer	31.12.2015
Cost						
Arsa ve araziler	3.966.112	1.621.624	82.184	-	-	5.669.920
Yer Altı ve Yer Üstü Düzenleri	-	-	150.000	-	-	150.000
Binalar	127.023	305.715	135.398	-	-	568.137
Tesis, makine ve cihazlar	171.065.990	283.626	4.163.802	-	48.989.630	224.503.048
Araçlar	327.390	377.157	160.503	(97.051)	-	767.999
Mobilya ve demirbaşlar	1.441.209	1.117.587	883.457	(220.401)	-	3.221.853
Yapılmakta olan yatırımlar	47.487.691	186.232.798	8.202.674	-	(56.595.230)	185.327.933
Arama Giderleri	-	-	251.203	-	-	251.203
Total	224.415.415	189.938.507	14.029.221	(317.452)	(7.605.600)	420.460.093
Accumulated Depreciation						
Buildings	-	(18.750)	(39.062)	-	-	(57.812)
Land improvements	(423)	(23.723)	(72.484)	-	-	(96.631)
Plant, machinery and equipment	(10.976.437)	(5.110.662)	(874.094)	-	-	(16.961.192)
Vehicles	(120.540)	(145.255)	(135.425)	51.900	-	(349.320)
Furniture and fixtures	(420.890)	(454.487)	(504.866)	163.025	-	(1.217.218)
Research expenses	-	-	-	-	-	-
Total	(11.518.290)	(5.752.877)	(1.625.931)	214.925	-	(18.682.173)
Net Book Value	212.897.125	183.827.208	12.761.712	(102.527)	(7.605.600)	401.777.920

The fixed assets are acquired through financial lease is shown above as “Plant, Machinery and Equipment” consist of machinery and equipment. The cost of assets are acquired through financial lease TRY 57.542.073 as of December 31, 2016 and accumulated depreciation of leased assets are TRY 6.762.423.

TRY 170.310.017 amount of plant, machinery and equipments belong to Natural Gas Cycle Plant.

Since Natural Gas Cycle Plant started to produce at October 28, 2011 by completing first stage, in 2011 TRY 56.522.392 amount has been capitalized and by completing second stage at April 30, 2012, TRY 73.735.610 amount has been also capitalized, and totally the amount of “1 Machinery and equipment’s

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14. TANGIBLE FIXED ASSETS (Continued)

has reached to TRY 130.258.002 at the end of 2012. At the date of October 23, 2013 making a Temporary Acceptance third stage fully activated as amount of TRY 37.455.752. Also at the end of the 2013 solar energy panel activated with amount of TRY 758.260. Plant machinery and equipment amount reached to TRY 166.901.15 at the end of 2013. As the date of December 31, 2014 the capitalized amount of TRY 2.813.491 was added to the natural gas cycle power plant costs. The TRY 280.304 Plant, machinery and equipment has been capitalized in 2015. It consist of additional spending for stage II was capitalized before. In 2016, a total of TRY 315,071,22 additional expenditure was capitalized.

The other facility, which is in operation with Odaş Electricity, is TRY 171.647.907 , with the total cost of the plant and the cost of the machine and equipment. TEİAŞ has set off TRY 502.526 by which calculating its unit price in 07.05.2013 for the total spending of TRY 1.853.876 is done for transferring energy line by Odaş Elektrik Üretim San. AŞ in 2011 and 2012. The remaining net cost of TRY 1.351.350 is capitalized in May 07, 2013 which is date the cost of related tangible assets can be measured safely and amortization has been begun.

The group/subsidiaries of Küçük Enerji has completed the construction of “Köprübaşı Regulatory and Hydroelectric Power Plant” with the power of 8,195 MWm / 7,949 MWe in Trabzon was completed in 2015. The total transferring amount from the investment of hydroelectric power plant to “Property, plant and equipment” is TRY 48.989.630 in December 31, 2015. In 2016, additional expenditure amounting to TRY 396.951 relating to the hydroelectric power plant has been capitalized and the cost of the plant has been added.

The other plant consists of value added expenses related to the investment expenditures of Suda Maden and the production facility in use from the subsidiaries of the group entitled "Machinery and equipment entitled".

As of December 31, 2016, total capitalized capital amounting to TRY 1.961.372 has been capitalized together with the capitalized amount from investment account.

In 2015, the total amount of the call expenses from the Buyer to the Subsidiary of Suda Maden is TRY 251.203, the total amount of expenditure made by the company in relation to the 201200931 and 201200932 numbered exploration licenses and details of the footnote 19 are included.

As of December 31, 2016, the investment project and the amount of investment spending regarding construction in progress based on subsidiary as follows;

Company /Subsidiary	Investment Details	Amount
Çan Kömür	Çan II Thermal Power Plant	359.839.344
Hidro Enerji	Volkan HES	150.283
YS Madencilik	Coal Mine Preliminary Exploration and License Costs	167.319
Toplam		360.156.946

Commercial enterprise pledge with amount of TRY 500.000.000 in favour of Alternatifbank AŞ over entire Odaş I Combined Power Plants and Power Plant Equipments such as Engine, Turbine and Power Plant which consist 7 pieces called Warstila W18GV50SG, a piece of Genpower Power Plant, three pieces of Sperre

Compressor+ Air Dryer, Air Condition Unit, a piece of domestic need Transformer, three pieces of oil tanks and oil Pumps, 28 pieces of Alfa Laval Radiators, Transformator Station, Power Transmission Line Equipments, Remote Control Room and Panel Board Room, Generator, Oiled Transformator with three phases, Console of Oil Unit, Waste Hot Boiler, Drum, Condenser, Condense Pumps, Water Pumps, Cooling, Water Pumps, DegazorUnit, Cooling Tower Fans, R/O Water Smoothing Unit, Crane, Fire Tank, Turbine Remote Control Room and Panel Board Room Equipments and Other Materials which is used for production

The commercial enterprise and components which are subjected to Commercial Enterprise Pledge is safeguarded by insurance policies which give guarantee against to Machine Breakdown, Loss of Profit, and Fire etc.

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15. DECOMMISSIONING, RESTORATION AND ENVIRONMENTAL REHABILITATION FUNDS FROM INTEREST ON RIGHTS

None. (None, December 31, 2015).

16. SHARES OF MEMBERS ON BUSINESS COOPERATIVE AND SIMILAR FINANCIAL INSTRUMENTS

None. (None, December 31, 2015).

17. INTANGIBLE FIXED ASSETS

	01.01.2016	Additions	Trans- ferred as- sets from acquired companies	Disposals	Transfer	31.12.2016
Cost						
Rights	7.318.941	323.080	-	-	-	7.642.021
Other intangible assets	6.301.196	151.179	-	-	-	6.452.375
Preparation and Development Expenses	7.457.932	947.891	-	-	722.201	9.128.024
Total	21.078.069	1.442.149	-	-	722.201	23.222.420
Accumulated Amortization						
Rights	(1.466.959)	(578.360)	-	-	-	(2.045.318)
Other intangible assets	(211.747)	(115.046)	-	-	-	(326.793)
Preparation and Development Expenses	(816.307)	(552.385)	-	-	-	(1.368.691)
Total	(2.495.015)	(1.245.790)	-	-	-	(3.740.802)
Net Book Value	18.583.054	176.359	-	-	722.201	19.481.619

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17. INTANGIBLE FIXED ASSETS (Continued)

	01.01.2015	Additions	Trans- ferred as- sets from acquired companies	Disposals	Transfer	31.12.2015
Cost						
Rights	505.836	2.481.202	4.331.903	-	-	7.318.941
Other intangible assets	6.166.708	134.488	-	-	-	6.301.196
Preparation and Development Expenses	2.159.786	723.822	4.574.324	-	-	7.457.932
Total	8.832.330	3.339.512	8.906.227	-	-	21.078.069
Accumulated Amortization						
Rights	(81.632)	(97.178)	(1.288.149)	-	-	(1.466.959)
Other intangible assets	(131.229)	(80.518)	-	-	-	(211.747)
Preparation and Development Expenses	(141.916)	(674.391)	-	-	-	(816.307)
Total	(354.777)	(852.087)	(1.288.149)	-	-	(2.495.015)
NET BOOK VALUE	8.477.554	2.487.425	7.618.078	-	-	18.583.054

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17. INTANGIBLE FIXED ASSETS (Continued)

As the date of December 31, 2016 the details of intangible assests are as follows:

Company/Subsidiary	Maddi Olmayan Duran Varlık/Hazırlık ve Geliştirme Giderleri	Tutar
Çan Kömür	Çan 2 Thermic Power Plant License and Amendment Fees	27.410
Odaş Enerji	Procurement License and Amendment Fees	317.567
Odaş Doğalgaz	Natural Gas Wholesale License and Amendment Fees	64.450
Hidro Enerji	Production License and Amendment Fees	20.800
Küçük Enerji	Production License and Amendment Fees	15.000
Odaş Elektrik	Production License and Amendment Fees	123.767
Yel Enerji	Mine License Cost	2.414.413
Suda Maden	Site License and Mine License Costs	4.310.550
Odaş Enerji	Computer Software	147.318
Odaş Enerji	Website	4.600
Odaş Elektrik	Computer Software	180.398
Odaş Elektrik	Website Software	38.159
Odaş Elektrik	Çan Kömür Assets Purchase Cost	5.915.802
Çan Kömür	Preparation and Development Expenses (*)	2.340.352
Çan Kömür	Computer Software	297.666
Yel Enerji	Preparation and Development Expenses (*)	620.031
Yel Enerji	Computer Software	4.001
Suda Maden	Computer Software	35.403
Suda Maden	Preparation and Development Expenses (*)	5.618.704
Anadolu Export	Site License and Mine License Costs	177.092
Anadolu Export	Preparation and Development Expenses (*)	548.937
Total		360.156.946

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17. INTANGIBLE FIXED ASSETS (Continued)

(*) Expenditures made by Group for the development of mineral resources already existing (drilling , evaluation and topographical, geological studies) were capitalized in accordance with TAS 38 Intangible Assets Standard.

At Yel Energy, the IR:4327 (17517) numbered license transfer has been held on July 15, 2015, amortization has started when intangible assets are ready to use mean necessary conditions available for management's operations.

The amount of preperation and development expenses recorded to assets of Çan Kömür consist of land measure, test and drilling, engineering and architectural works, property damage fees, construction equipment rental fees. These expenditures recorded as development costs and started to be amortized. Development costs belong to coal mining area located in Çanakkale, Çan District, Yaylaköy Village with license number IR 17448 in July 09, 2013. The operating rights of coal mining (existed before) obtained by operating agreement called 'royalty agreement'.

Preparation and Development Expense capitalized in Suda Maden AŞ consist of drilling, sampling, mine development expenses regarding 34412 and 43169 numbered operating license in antimony area.

Preparation and Development Expenses activated in Anadolu Export are the amounts related to gold-silver mine drilling in Kütahya Karaağaç, analysis and geophysical values. Drilling works are ongoing and will commence when the amortization process reaches the necessary position and condition for the intangible asset to operate as intended by the management.

18. GOODWILL

None. (None, December 31, 2015)

19.EVALUATING AND RESEARCHING OF MINE RESOURCES

Expenditures made for the preparation and development of the Group's already existing mineral resources are capitalized as Intangible Assets.

As of December 31, 2016 the total development expenditure capitalized amount on the basis of the subsidiaries are as follows:

Subsidiaries

The Amount of Preparation and Development Expenditures

Çan Kömür	2.340.352
Suda Maden	5.618.704
Anadolu Export	548.937
Yel Enerji	620.031
Total	9.128.024

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19. EVALUATING AND RESEARCHING OF MINE RESOURCES (Continued)

Amounts related to amortization of capitalized amounts and net book value amounts as preparation and development expense are included in Note:17.

At Yel Enerji, the capitalized amount of TRY 620.031 as development expenditures is regarding the amount of drilling activities for coal mine license which is IR:17517 number and 1.205,11 hectares located in Bayramiç district in Çanakkale. Transferring of mine license has realized at July 15, 2015 and preparation and development expenditures have been activated in accordance with the TMS-38 Intangible Assets standard and the accounting policy applied by the Group. Amortization process will be began when intangible assets is ready to use (taken over the license) means required conditions available for management's aim. Therefore development expenses is capitalized and amortization begun to be calculated.

The amount of preparation and development expenses recorded to assets of Çan Kömür consist of land measure, test and drilling, engineering and architectural works, property damage fees, construction equipment rental fees in July 09, 2013. These expenditures recorded as development costs and started to be amortized in 2014. Development costs belong to coal mining area located in Çanakkale, Çan District, Yaylaköy Village with license number IR 17448. The operating rights of coal mining (existed before) obtained by operating agreement called 'royalty agreement'. Total expenditures for coal mining activities are amount of 2.340.352 TRY as of December 31, 2016

Suda Maden has 2 exploration license and 2 operating license. Regarding 34412 and 43169 numbered operating license, the total expenditures such as drilling, mapping, shaft drilling is TRY 5.618.704 as of December 31, 2016. It has been capitalized and amortized by years and calculated amount is added to production costs.

Moreover, regarding the received exploration license 201200931 and 201200932 numbered on June 22, 2012, exploration expenses such as preliminary study projections, sampling, section and map preparation is capitalized, the amount of TRY 251.023 is classified as research expenses since no mining license. (Not:14)

Preparation and Development Expenses of TRY 548,937 costing capital activated in Anadolu Export are the amounts related to gold-silver mine drilling in Kütahya Karaağaç, analysis and geophysical values. Drilling works are ongoing and will commence when the amortization process reaches the necessary position and condition for the intangible asset to operate as intended by the management.

20. LEASING OPERATIONS

Operating Leases

Group as Lessee

Lease Agreements:

There are two leases subject to the Group's operating leases.

The first of the lease is related to office and stores buildings within 5 years at starting date of August 01, 2013.

Second is related to business office rental of one year at starting date of January 11, 2013.

All operating leases has carried a clause related to review of the circumstances based on market conditions in case of group uses renewal rights. There is no right to purchase the asset at the end of the lease term rented by the Group.

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20.LEASING OPEATIONS (Continued)

The payments are recognized as an expense	31.12.2016	31.12.2015
Minimum lease payments	1.140.757	856.440

Group has 9 rental agreements regarding investment stage.

The payments are recognized as active	31.12.2016	31.12.2015
Minimum lease payments	363.678	216.995

21. SERVICE CONCESSION ARRANGEMENTS

None. (None, December 31, 2015).

22. IMPAIRMENT OF ASSETS

None. (None, December 31, 2015).

23. GOVERNMENT INCENTIVES

Odaş Elektrik Üretim Sanayi ve Ticaret AŞ has investment incentive certificate 21.12.2011 dated and 102704-B numbered which is drawn up by Economy Ministry of Turkish Republic Incentive Application and Foreign Capital General Directorate 15.04.2014 dated and E-102704 numbered investment incentive certificate is prepared instead of this certificate. The certificate of investment is about natural gas cycle plant (7x19)+17=150 MW powered, it is prepared referring to Energy Market Regulatory Authority EU/3323-2/2005 numbered and 14.07.2011 dated Production License.

The investment incentive certificate is given for whole new investment in Şanlıurfa, and it involves the 24.05.2011-24.05.2014 period. VAT exemption and customs duty indemnity are benefited by this certificate. The absolute amount of this investment financed by liabilities and it is total investment amount is TRY 127.000.000.

The project has been completed within the period stipulated in the Investment Incentive Certificate and approved by the Ministry of Economy with the letter of 672 of 04.01.2017 dated 04.01.2017 (Incentive Closure) .

Aforesaid investment is completed within the stipulated period according to Investment Incentive Certificate. In order to make Incentive Completion Visa (Incentive Closed) has been applied to Ministry of Economy.

Çan Kömür ve İnşaat AŞ has Investment Incentive Certificate is prepared by Ministry of Economy of the Republic of Turkey and General Directorate of Foreign Capital and Incentives Implementation.Aforesaid investment is power plant based on domestic coal (Çan 2 Thermic Plant) with 340 MW installed capacity and incentive certificate is arranged according to EPDK's ÖN/5117-5/03070 associate license number and dated 10.07.2014.

Investment incentives Certificate is given for the full new investment carried out in Çanakkale (Çan 2 region) and covers the period 13.08.2014-13.08.2017. With the certificate, employer's share of insurance premiums support, interest support , tax discount rate support, VAT exception and exemption from customs duty incentives are benefited. Total amount of the investment is TRY 340.000.000 based on incentive certificate.

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23.LEASING OPEATIONS (Continued)

Küçük Enerji Üretim ve Tic. Ltd. Ş has investment incentive certificate 31.12.2013 dated and A-113287numbered which is drawn up by Economy Ministry of Turkish Republic Incentive Application and Foreign Capital General Directorat. The certificate of investment is about hydroelectric power plant (Köprübaşı Reg. ve Hydroelectric Power Plant) (2x4,097)=8,195 MW powered, it is prepared referring to Energy Market Regulatory Authority EÜ/3769-4/2314 numbered and 12.04.2012 dated Production License.

Investment Incentive Certificate is given for the full new investment carried out in Trabzon Köprübaşı third region and covers the period 18.12.2013-18.12.2016. With the certificate, VAT exception incentives are benefited. Total amount of the investment is 28.571.000 TRY based on incentive certificate. This amount is financed by 4.243.400 TRY of capital sources and remaning 24.327.600 TRY of foreign sources.

The project has been completed within the period stipulated in the Investment Incentive Certificate and approved by the Ministry of Economy with the letter dated 22.12.2016 and numbered 140259 of the Income Completion Visa (Incentive Close).

24.BORROWING COSTS

In the period of 01.01.2016 to 31.12.2016, 56.000.000 EUR loan was used on 11.02.2016 for Çan II Power Plant, amount of 20.000.000 EUR loan was used on 23.06.2016 and 18,000,000 EUR loan was used on 27.10.2016 so that tottaly amount of 94,000,000 EUR loan. Net financing costs of 15,392,290 TRY relating to investment loans have been added to the investment cost.

Besides, group has adopted to ‘cyclical approach’ method related to qualifying assets cost and capitalizing the exchange difference in current period concerning the amount of 94.000.000 Euro investment credit used from Çan Kömür. The amount of 24.046.055 TRY exchange loss amount regarding principal exchange difference of investment credit used has been associated with qualifying assets cost (Çan II Power Plant Project).

In the calculations, if the same credit was used as TRY under the same conditions, 18,50, 17,50 and 18,00 basis interest rates are taken for calculated interest amount from 01.01.2016 to the date of 31.12.2016 accordingly periodic approach method as follows;

01.01.2016-31.12.2016

Interest accrual if credit used as TRY currency	39.554.850
Total USD credit interest accrual added to qualifying assets cost	15.508.795
Exchange difference will be added to qualifying assets cost	24.046.055
Total exchange difference expense of credit principal	39.438.198
Exchange difference expense added to qualifying assets cost	24.046.055

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25. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other long-term provisions	31.12.2016	31.12.2015
Other payable and expense provisions (*)	166.492	116.156
Total	166.492	116.156

(*) At 11th paragraph of TFRS 6 stated: When a company assume the investigation and evaluation of mine resources, it reflects removal and restoration liabilities resulting in given period at financial statement according to TAS 37 - Provisions , Contingent Liabilities and Contingent Assets standard.

Within the scope of the Çan 2 thermal power plant, the area to be picked up in the open operation will be used as an ash storage area as stated in the EIA report. After completing the economic life of the site, it will be organized with the following location study and afforestation will be done. After open operation, closed operation will be started. There will be no pickling work on the ground during closed operating periods.

Within the scope of the Çan 2 thermal power plant, the area to be picked up in the open operation will be used as an ash storage area as stated in the EIA report. After completing the economic life of the site, it will be arranged with a subsequent location study and afforestation will be abandoned. The estimated cost for terraces and trees will be around 300.000 TL.

About 150.000 acres will be stripped. Becuase of the extension project, 100 tree is needed per acres. Due to regional soil structure, the cost of plantation is expected around 2.000 TRY per acres. The total cost for 150 acres is calculated as $150 \times 2.000 \text{ TRY} = 300.000 \text{ TRY}$. After the surface mining completed its economic life, this study will be done and carried out about 20 years. The rediscounting amount of total cost of 300.000 TRY is 166.492 TRY.

Yel Enerji and Suda Mine, it is foreseen that no stripping work will be done on the evaluation made by the technical team. For this reason no provisions have been calculated.

Assets related with current tax period	31.12.2016	31.12.2015
Pre-paid taxes and funds	201.008	71.113
Total	201.008	71.113

This is the amount related tax assets which are paid in the period but setoff and given back regarding group and its subsidiaries.

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25. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Pledges

-Pledge of Share Agreements Made with Yapı Kredi Bankası AŞ:

As the guarantee of the loan on the General Loan Agreements signed between Yapi Kredi Bank and Kucuk Enerji Uretim ve Tic Ltd Sti, Kucuk Enerji Uretim's partners' signed a Pledge Agreement in Yapi Kredi Bank's benefit. The total value of the pledged amount is 2.650.000 shares with a nominal value of 1 TRY.

Share pledge agreement stays valid until the obligations under guarantee by the pledge agreements are paid in full.

-Yapı Kredi Bankası AŞ Commercial Enterprise Agreements

According to General Loan Agreement made between Yapı Kredi Bankası AŞ and ODAŞ Elektrik Üretim Sanayi Ticaret AŞ signed on 16.11.2016, in favor of Yapı Kredi Bankası AŞ, Commercial Business Pledge was established in the first place and first place in the value of TRY74.000.000.

-Alternatifbank AŞ Commercial Enterprise Agreements

Commercial enterprise pledge with amount of TRY 450.000.000 TRY in favour of Yapı Kredi Bankası AŞ over entire Odaş I Combined Power Plants and Power Plant Equipments such as Engine, Turbine and Power Plant which consist 7 pieces called Warstila W18GV50SG, a piece of Genpower Power Plant, three pieces of Sperre Compressor+Air Dryer, Air Condition Unit, a piece of domestic need Transformer, three pieces of oil tanks and oil Pumps, 28 pieces of Alfa Laval Radiators, Transformator Station, Power Transmission Line Equipments, Remote Control Room and Panel Board Room, Generator, Oiled Transformator with three phases, Console of Oil Unit, Waste Hot Boiler, Drum, Condenser, Condense Pumps, Water Pumps, Cooling Water Pumps, DegazorUnit, Cooling Tower Fans, R/O Water Smoothing Unit, Crane, Fire Tank, Turbine Remote Control Room and Panel Board Room Equipments and Other Materials which is used for production. Net book value of Odaş I Combined Power Plants is TRY 153.778.019 .

The commercial enterprise and components which are subjected to Commercial Enterprise Pledge is safeguarded by insurance policies which give guarantee against to Machine Breakdown, Loss of Profit, and Fire and so on.

Shares Pledge Agreement Signed With The Consortium of Yapı Kredi Bankası AŞ Esenyurt Commercial Branch and Halk Bankası AŞ Kozyatağı Commercial Branch.

In accordance with General Loan Contracts signed between the consortium of Yapı Kredi Bankası AŞ Esenyurt Commercial Branch and Halk Bankası AŞ Kozyatağı Commercial Branch and Çan Kömür ve İnşaat AŞ, as an assurance of borrowings given, pledge of share agreements are made over all shares of Çan Kömür ve İnşaat AŞ's shareholders on behalf of Yapı Kredi Bankası AŞ Esenyurt Commercial Branch and Halk Bankası AŞ Kozyatağı Commercial Branch. The total value of the amount pledged 1.020.000 shares with a nominal value of 100 TRY . Agreements are valid until liabilities are wholly paid in accordance with pledge of share agreements.

Warranty

According to General Loan Contracts signed between the consortium of Yapı Kredi Bankası AŞ Esenyurt Commercial Branch and Halk Bankası AŞ Kozyatağı Commercial Branch Consortium and Çan Kömür ve İnşaat AŞ, as an assurance of borrowings given, Yapı Kredi Bankası AŞ as the guarantee of the loan given in accordance with the General Loan Agreement signed between Esenyurt Commercial Branch and Halk Bankası AŞ Kozyatağı Commercial Branch has become a voucher in favor.

The Credit Agreement signed between Yapı Kredi Bankası AŞ Esenyurt Commercial Branch and Küçük Enerji Üretim ve Ticaret Ltd. Ş and As a guarantee of the loan given in accordance with the Tadili Contract dated in 26.01.2016, Yapı Kredi Bankası AŞ Esenyurt Commercial Branch Odaş Enerji Elektrik Perakende Satış AŞ has been a guarantor of legal personality.

Odaş Elektrik Üretim Ticaret AŞ can also be a guarantor for all non-cash loans with the cash loans required for short-term operating capital needs of group companies which are in the status of subsidiary.

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25. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Conveyances

Transfer of claim between Alternatifbank AŞ and PMUM;

According to General Loan Agreement made between Alternatifbank AŞ and ODAŞ Elektrik Üretim Sanayi Ticaret AŞ, as an assurance of given borrowings, conveyances are signed about transferring of income from energy sales to TEİAŞ by ODAŞ Elektrik Üretim Sanayi Ticaret AŞ on behalf of Alternatifbank AŞ The conveyances signed totally TRY 450.000.000 ; until the liabilities assured by the conveyances, the conveyances are valid.

Transfer of claim between Yapı Kredi Bankası AŞ Esenyurt Commercial Branch and EPİAŞ ;

According to General Loan Agreement made between Yapı Kredi Bankası AŞ Esenyurt Commercial Branch and Küçük Enerji Elektrik Üretim Tic Ltd Ş, as a guarantee of the loan granted in accordance with Yapı Kredi Bankası AŞ beneficiary of Küçük Enerji Elektrik Üretim ve Tic Ltd Ş to receive all rights and revenues from EPİAŞ ,Yapı Kredi Bank signed a contract with the date of 26 January 2016 and number 02701.

EPİAŞ transfer of claim agreement signed with the consortium of Yapı Kredi Bankası AŞ Esenyurt Commercial Branch and Halk Bankası AŞ Kozyatağı Commercial Branch.

Yapı Kredi Bankası AŞ Esenyurt Commercial Branch and Halk Bankası AŞ Kozyatağı Commercial Branch to Çan Kömür ve Insaat AS will receive all the rights and revenues for the benefit of Yapı Kredi Bankası AŞ and Halk Bankası AS as a guarantee of the loan given in accordance with the General Loan Agreements signed between Yapı Kredi Bank and Halk Bank The contract is signed.

Guarantees

Given guarantees by the group are as follow:

GUARANTEES, PLEDGES, HYPOTHECS	31.12.2016	31.12.2015
A) Total amount of TRI was given for its own legal entity	186.455.357	671.303.342
Partnerships includes scope of full consolidation		
B) Total amount of TRI was given in order to conduct ordinary business and to guarantee third parties debt	173.936.349	109.985.846
C) Total amount of TRI was given on behalf of main partner		
D) Total amount of TRI was given on behalf of main partner		
E) Total amount of TRI was given to third parties except C article		
Total	360.391.706	781.289.188

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25. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The ratio of guarantees, pledges and hypothecs to equity is 2,31. (31.12.2015 : 4,74)

Received guarantees by the group are as follow:

	31.12.2016	31.12.2015
Received Guarantee Letters	41.680.169	31.003.157
Received Guarantee Cheques	-	-
Received Guarantee Bills	395.204	567.228
Mortgages	-	-
	42.075.373	31.570.385

Given and received guarantees by the group are as follow:

	31 Aralık 2016	31 Aralık 2015
Received Guarantee Letters	41.680.169	31.003.157
Odaş	2.030.504	2.331.895
Odaş Enerji	300.000	1.122.500
Küçük Enerji	-	-
Çan Kömür	39.349.666	27.548.762
Received Guarantee Notes	395.204	567.228
Odaş	105.954	87.228
Küçük Enerji	-	400.000
Odaş Enerji	-	-
Çan Kömür	289.250	80.000
Total	42.075.373	31.570.385

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25. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Unfavourable Cases:

As of December 31, 2016, there are lawsuits against group's subsidiaries of Küçük Enerji Üretim ve Ticaret Ltd. Ş regarding damages caused by using of explosives in tunnelling operations. Scout has been doing regarding lawsuits, most of the cases in the expert stage and it not clear yet how the cases will be resulted.

There are various lawsuits against Odaş Enerji Elektrik Perakende Satış AŞ ,regarding trade activities (leakage losses, transmission costs, distribution costs, costs of meter reading from customers who previously carried out electricity sales) in total amount of TRY 13.919.883,00. There is no clear evidence how these cases will be ended as of December 31, 2016. In addition, the total amount of opened cases relating to leakage losses cost is specified by the customer will be reflected in the distribution companies.

Group management does not expect a negative result from relating cases andthese cases have no significant effect on group's operations, financial statement and liquidity. As of December 31,2016 ,since the cases's possibility of ended up against group is lower than possibility of not being liability, it has not been any recognition process regarding the lawsuit liabilities in the financial statements.

26. COMMITMENTS

None. (31 Aralık 2015 None.)

27. EMPLOYEES BENEFIT OBLIGATIONS

Kıdem tazminatı ve izin karşılığı

The Company and its subsidiaries has to make a certain severance payment to its personnel who fires from company for several reasons like retirement after working at least one year at company except reassignment and bad behavior. Compensation which company has to pay is at amount of one month salary for each servicing year and this amount is limited to TRY 4.297,21 as of December 31, 2016. (December 31, 2015: TRY 3.828.37)

As of December 31,2016 and December 31,2015, calculated provision for severance payment and provision for vacation as follows.

	31.12.2016	31.12.2015
Provision for severance payment	118.620	62.247
Provision for vacation	414.866	251.214
TOTAL	533.486	313.461

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27. EMPLOYEES BENEFIT OBLIGATIONS (Continued)

It needs a calculation which can be doing with some assumptions for calculation of company's liabilities in accordance with TAS 19 (Benefits Provided to Personnel). Company is calculated severance payment based on completion of personnel service time in past years at company and experience about having rights to have severance pay, by using projection method in accordance with TAS 19 and Company is reflected this amount to its financial statements.

Provisions for severance payment allocates after calculating present value of potential liability which Company will pay to its personnel in case of retirement. As related to this, assumptions, which are used to calculate the liability amount between of December 31, 2016 and December 31, 2015 are depicted below:

	31.12.2016	31.12.2015
Discount rate	%8,75	%8,80
Estimated increase rate	%5,25	%5,00

Employees benefit obligations movements as of December 31, 2016 - December 31, 2015 are as follows

Provision for severance payments

	31.12.2016	31.12.2015
Opening balance	62.247	78.436
Additional provisions/payment (-)	56.373	(16.189)
Period-end balance	118.620	62.247

Actuarial gain/(loss) movements as of December 31, 2016 - December 31, 2015 are as follows:

	31.12.2015	31.12.2015
Transfer	62.247	78.436
Payment	41.598	37.304
Interest cost	5.444	7.875
Current service cost	(38.251)	(32.654)
Actuarial gain/(loss)	47.581	(28.714)
Balance	118.620	62.247

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27. EMPLOYEES BENEFIT OBLIGATIONS (Continued)

Provision for vacation as of December 31, 2016 - December 31, 2015 are as follows:

	31.12.2016	31.12.2015
Opening balance	251.214	144.864
Additional provisions	163.652	106.350
Period-end balance	414.866	251.214

Payables within employee benefit;

	31 Aralık 2016	31 Aralık 2015
Due to personnel	71.878	210.943
Social security premium payables	348.073	233.801
TOTAL	419.951	444.744

The salaries of the employees and their employers, which are to be paid by the end of the month and which are to be declared at the end of the following month and which have been accrued on the payroll basis as of the relevant dates, Premium debts. The Authority did not benefit from the advantage of postponing the premiums borne by the Law No. 6736.

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28. EXPENSES ACCORDING TO THEIR QUALIFICATIONS

Cost of sales according to their nature between January 1, 2016–December 31, 2016 and January 1, 2015 – December 31, 2015 periods are as follows:

	January 01- December 31, 2016	January 01- December 31, 2015
Usage of natural gas	113.165.481	115.580.736
Imbalance energy amount of TEİAŞ	17.307.117	12.948.010
TEİAŞ accepted load amount	9.533.228	6.441.064
TEİAŞ zero balance adjusting item	-	6.251.716
Maintenance expenses	1.194.840	6.155.748
Depreciation and amortisation	5.684.502	4.732.705
The debt amount TEİAŞ DGP	427.087	594.329
Other expenses	1.310.839	1.257.193
Personnel expense	3.333.827	2.886.549
PFK liability transfer service cost	-	660.509
Insurance expense	1.191.564	980.332
Cost of energy trade from bilateral agreements	96.582.445	81.158.610
GOP purchase price of the system	67.426.641	124.406.892
Electricity import	-	27.331
TEİAŞ Yek receivable amount	44.635.460	26.011.047
TEİAŞ other expenses	1.338.877	535.888
Distribution companies system usage cost	74.580.985	46.262.145
TEİAŞ adjustments for previous period	168.803	749.670
TEİAŞ electric quality service cost	275.413	429.818
TEİAŞ market operating fee	612.319	50.014
TEİAŞ system usage fee	5.543.497	2.038.831
TEİAŞ Interconnection Capacity Allocation Cost	3.797.135	1.571.630
Distribution companies other expenses	-	1.297
The debt amount of TEİAŞ GIB	1.237.854	-
Imbalance of group companies	559.947	-
Container purchase cost	225.000	333.000
Cost expense of antimony	1.026.988	-
Total	451.159.848	442.065.066

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28. EXPENSES ACCORDING TO THEIR QUALIFICATIONS (Continued)

Cost of sales resulting from natural gas power plant electricity production activities is as follows:

	January 01- December 31, 2016	January 01- December 31, 2015
Usage of natural gas	99.896.864	102.804.599
Imbalance energy amount of TEİAŞ	17.262.560	12.837.028
TEİAŞ accepted load amount	9.533.228	6.441.064
TEİAŞ zero balance adjusting item	-	6.251.661
Depreciation and amortisation	4.447.512	4.444.084
Other expenses	1.095.479	1.245.085
Personnel expense	3.297.111	2.853.084
Maintenance expenses	1.194.840	6.155.748
Insurance expense	1.114.811	980.332
PFK liability transfer service cost	-	660.509
TEİAŞ other expenses	997.504	275.581
TEİAŞ adjustments for previous period	168.766	719.365
The amount of debt of TEİAŞ DGP	427.087	594.329
TEİAŞ electric quality service cost	275.413	429.818
TEİAŞ market operating fee	595.640	48.054
TEİAŞ system operating fee	5.052.324	1.938.425
The amount of debt of TEİAŞ GIB	1.096.393	-
Imbalance of group companies	559.947	-
Total	147.015.479	148.678.766

	January 01- December 31, 2016	January 01- December 31, 2015
Container purchase cost	225.000	333.000
Total	225.000	333.000

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28. EXPENSES ACCORDING TO THEIR QUALIFICATIONS (Continued)

Cost of sales resulting from Hydro Power Plant electricity production is as follows:

	January 01- December 31, 2016	January 01- December 31, 2015
Imbalance energy amount of TEİAŞ	44.556	110.981
TEİAŞ zero balance adjusting item	-	56
TEİAŞ Yek receivable amount	2.176.941	-
Depreciation and amortisation	1.236.990	288.621
Other expenses	215.360	12.109
Personnel expense	36.716	33.465
Insurance expense	76.753	-
TEİAŞ other expenses	36.613	15.555
TEİAŞ adjustments for previous period	36	-
The amount of debt of TEİAŞ GIB	28.123	-
TEİAŞ market operating fee	16.680	1.960
TEİAŞ system operating fee	491.173	100.406
Total	4.359.941	563.153

The details of cost of electricity sales from wholesale are as follow;

	January 01- December 31, 2016	January 01- December 31, 2015
Cost of energy trade from bilateral agreements	96.582.445	81.158.610
Distribution companies system usage cost	74.580.985	46.262.145
GOP purchase price of the system	67.426.641	124.406.892
Electricity import	-	27.331
Yek receivable amount	42.458.518	26.011.047
TEİAŞ adjustments for previous period	-	30.306
TEİAŞ other expenses	304.760	244.752
Reactive capacitive goods cost (-)	3.797.135	1.571.630
The amount of debt of TEİAŞ GIB	113.338	-
Distribution companies other expenses	-	1.297
Total	285.263.821	279.714.010

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28. EXPENSES ACCORDING TO THEIR QUALIFICATIONS (Continued)

The details of cost of natural gas sales are as follow;

	January 01- December 31, 2016	January 01- December 31, 2015
Natural Gas Sales Cost	13.268.618	12.776.137
Total	13.268.618	12.776.137

Cost of sales resulting from sales of Antimony is as follows:

	January 01- December 31, 2016	January 01- December 31, 2015
Cost expense of antimony (-)	1.026.988	-
Total	1.026.988	-

Bilateral Agreements Energy Cost of Trade Goods; Cost of Voytron Elektrik's electricity purchase from producing companies out of system.

Distribution Companies Cost of System Usage Goods; Voytron Elektrik use distribution companies' distribution piping systems on their direct sales to consumers and these distribution companies do meter readings. Voytron pays this price to distribution companies and charges it from consumers.

TeİAŞ Energy Imbalance Amount; Due to Odaş's being responsible party from balance in day-ahead market

Göp System Purchase Amount; Electricity rates taken from PMUM day-ahead market (TEİAŞ)

Energy Imbalance; Negative incidence of difference with Voytron's consumption estimates in day-ahead market.

TEİAŞ Retroactive Adjustment Item; Mistakes on PMUM conciliation shown on this item on the following term.

TEİAŞ Accepted Load Cycling Amount; The amount acquired with multiplication of bid price and quantity given by System Operator's offer valid for conciliation term related with balancing units in the scope of balancing power market and system losses deducted from Embarkation Direction Amount.

Keyat Amount According to TEİAŞ EPYHY Article 25; The amount acquired with multiplication of Accepted and Implemented Embarkation bid price calculated by Electricity Market Balancing and Settlement Regulation, 2 tag value of balancing power market's balancing unit's offer valid for conciliation term.

TEİAŞ Zero Balance Adjustment Item; The amount is reflected to market participants in proportion of zero balance adjustment item. It is based on the basis of market operator's profit or loss from operations done for wholesale electricity market. In a billing period, will be accrued receivables to market participant and payables should be balanced with conciliation of compensating mechanism and conciliation of imbalance of related parts to balancing and without energy sales and purchases in the scope of day-ahead market, market operating fee, transmission fee and overdue receivables.

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28. EXPENSES ACCORDING TO THEIR QUALIFICATIONS (Continued)

TEİAŞ System Usage Fee; The amount confirmed by EPDK and calculated by TEİAŞ based on thrust-transmit power reflected income ceilings reflected to system usage fee signed market participant, using TEİAŞ transmission system.

YEK Credit Balance; The amount reflected to participants by considering energy imbalance amount reconciliated from Renewable Energy Sources Backstopping Mechanism and payment liability rate(ÖYO) calculated in the scope of YEKDEM.

PFK Liability Transfer Service Fee; In case of productive facilities in the scope of electricity market ancillary services regulations obligated to participate primer frequency control service (PFK), want to transfer PFK liabilities to another company in related conciliation term, fee is assigned by companies.

TEİAŞ Electricity Quality Service Fee; It is declared in Transmission System System Usage and Calculation of System Operating Tariff's Procedure Declaration's 5th section approved in 3575 numbered assembly resolution Energy Market Regulatory Authority. Electricity Quality Service Fee on transmission system invoices are related to other related system users and producers within the scope of 4628 numbered Electricity Market Law and secondary legislation Electricity Market Network Regulations, Electricity Market Ancillary Services Regulations.

TEİAŞ Market Operating Fee; It is accrued to cover operating cost and amortisation of investment expenses without electricity energy sale and purchase. Market operating income ceiling is shared to market participants by considering organized wholesale electricity market facilities by market operators.

TEİAŞ Non-controllable Fee; It is related to get peripheral service from other system users and producers within the scope of 4628 numbered Electricity Market Law and secondary legislation Electricity Market Network Regulations, Electricity Market Ancillary Services Regulations. Cost of peripheral services concludes to prevent constraint of energy flow on transmission system. Non-controllable costs reflected to all users equally and take part as non-controllable fee item on transmission system usage and system operating invoices.

Interconnection Capacity Allocation Fee; Capacity and time limit of publicly interconnection are considered for electricity import and export. Interconnection lines within scope of the licences are presented to market participants by tendering procedure after line base determined and declared by system operator. Price capacity allocation after tender comprise price capacity allocation fee for that term.

29. OTHER ASSETS AND LIABILITIES

	31.12.2016	31.12.2015
Advances given to suppliers	491.575	54.657
Income accruals(*)	54.697.621	24.391.026
Deferred VAT	29.179.811	16.312.769
Work advances	427.400	940.650
Advances given to personnel	256.062	233.089
Total	4.359.941	563.153

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29. OTHER ASSETS AND LIABILITIES (Continued)

(*)Information about Process of Income-Expense Accruals and Advances Given-Received

Odaş Enerji, wholesale company; purchase datas taken from system will be explained on the system of Market Financial Settlement Center ("PMUM") between following month's 15-20th day. Within the same day, after explanation invoice will be made out. Invoices made out to TEİAŞ and customers are added to sales figure and recorded as Income Accruals as contra account. Invoices made out by TEİAŞ are added to cost figure and recorded as Expense Accruals.

Payments to TEİAŞ are made daily according to estimated consumption and recorded to 159 Advances Given. Account will be deducted by making out invoices.

Odaş, production company; purchase datas taken from system will be explained on the system of Market Financial Settlement Center ("PMUM") between following month's 15-20th day. Within the same day, after explanation invoice will be made out. Amount of invoices made out to TEİAŞ are added to sales as matching principle at the end of the periods and recorded as Income Accruals as contra account. Invoices made out by TEİAŞ are added to cost figure and recorded as Expense Accruals.

Production figure is conjecturally recorded to PMUM system daily and production cost put into bank account following day. Amount in the bank account is recorded to Advances Taken Account and advances will be deducted by making out invoices.

Detail of income accruals are as below:

	31.12.2016	31.12.2015
Accrued electricity sales income	46.737.017	22.605.234
Accrued interest income of time deposit	124.545	268.912
Other accrued interest income	7.332.763	1.498.418
Other accrued income	503.296	18.463
Total	54.697.621	24.391.026

Other Tangible Fixed Assets

	31.12.2016	31.12.2015
Given advances (*)	71.276.642	27.342.432
Total	71.276.642	27.342.432

(*) The given advances as of December 31, 2016 includes expenses for Çan-2 thermal power plant in the amount of 69.594.971 TRY, expenses for Köprübaşı hydroelectric plant in the amount of TRY 178.908, expenses for Yel Enerji mining site in the amount of TRY 142.325 and Anadolu Export's gold site in the amount of TRY 1.358.738.

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29. OTHER ASSETS AND LIABILITIES (Continued)

Other short term liabilities

	31.12.2016	31.12.2015
Accrued expenses	22.439.877	25.802.224
Total	22.439.877	25.802.224

Accrued expenses details are as follows:

	31.12.2016	31.12.2015
Accrued electricity purchase cost	19.572.219	23.968.926
Accrued distribution company cost	2.587.161	1.636.847
Accrued interest	5.158	157.642
Other accrued expenses	275.339	38.809
Total	22.439.877	25.802.224

30. EQUITY, RESERVES AND OTHER EQUITIES

Paid-in Capital

Paid-in Capital structure of the Company between December 31, 2016 and December 31, 2015 given on the following table:

Nominal capital of the company is TRY 47.600.180 and the upper limit of registered capital is TRY 210.000.000. The company's application to registration of capital system is accepted by Capital Market Board.

Equity	31.12.2016		31.12.2015	
	Share Amount	Rate	Share Amount	Rate
Korkut Özal's Inheritance (*)	7.500.000	%15,76	7.500.000	%15,76
A. Bahattin Özal	7.300.000	%15,34	7.300.000	%15,34
Burak Altay	7.300.000	%15,34	7.300.000	%15,34
BB Enerji Yatırım San. Ve Tic. AŞ	7.500.000	%15,76	7.500.000	%15,76
Public Share	18.000.180	%37,80	18.000.180	%37,80
Paid-in Capital	47.600.180	100%	47.600.180	100%

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30. EQUITY, RESERVES AND OTHER EQUITIES (Continued)

(*) Because of death of Korkut Özal in November 02, 2016, share amount that he was owned at the amount of 7.500.000 TRY with the share of 15,8%. Ownership of this amount is distributed to Müjgan Özal, Abdulkadir Bahattin Özal, Mustafa Ali Özal, Fatimetüz Zehra Özal, Hafize Ayşegül Özal, Mehmet Fatih Özal, Korkut Enes Özal ve Hafize Büşra Özal. Detail of distribution is as below:

Shareholder	Share Amount	Share Rate
Müjgan Özal	1.875.000	3,95%
Fatimetüz Zehra Özal	1.125.000	2,37%
Hafize Ayşegül Özal	1.125.000	2,37%
Mustafa Ali Özal	1.125.000	2,37%
Abdulkadir Bahattin Özal	1.125.000	2,37%
Mehmet Fatih Özal	375.000	0,79%
Korkut Enes Özal	375.000	0,79%
Hafize Büşra Özal	375.000	0,79%
Total	7.500.000	15.80%

The company's issued capital is TRY 47.600.180 and in question issued capital is paid in cash and fully by means free collusion.

This capital is divided into two registered share with total amount of TRY 47.600.180. One is the amount of TRY 3.000.000 with nominal value, (A) share group and other is TRY 44.600.180 with nominal value, (B) share group.

In the framework of this agreement's 7,8, and 10 articles (The Board of Directors, nominate to the Board, president and vice president elected, representing the company and right to vote in the General Assembly), (A) group shares has the right of determination of board member and use of the right to vote in the General Assembly. (B) group shares has no special rights and privileges.

In capital increases, to represent the increased capital (A) Group shares ratio to (A) Group share and (B) Group shares ratio (B) Group share will be issued. In capital increases, when board of directors decided to issue only (B) group, right to receive shares is given to (A) group the ratio of its capital.

The Board of Directors is authorized to take decisions to increase the issued share capital , limiting the right to buy new shares to be issued ,preference shares to be issued and The issue of share issue premium by issuing new shares of (A) and / or (B) group up to the registered capital in accordance with Capital Market Law and Capital Market Board's regulations between the years 2014-2018. The shares representing the capital are monitored in records within the framework of dematerialization principles.

Authority to restrict the right to buy new shares is not used in a manner to cause inequality among shareholders. New shares cannot be issued unless issued shares are fully sold.

When shares representing five per cent or more of the Company's capital with direct or indirect acquisition by a natural or legal person or as a result of the acquisition of shares that does not exceed five percent of the share capital of the entities belonging to a common or transfer of shares results of falling below ratio compared to above belonging to one common share EMRA approval will be received each time adn required disclosures will be stated in accordance with the Capital Market Legislation. This provision also valids if the voting rights is acquisitioned.

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30. EQUITY, RESERVES AND OTHER EQUITIES (Continued)

Board of Directors is authorized to take decisions for not given approval to transfer and refusing from registration in the share register while transferring (A) group share within the framework of TTK 493 showing reason for carrying out company's goal and protection of independency of company. To transfer (B) group share will be traded in stock market can not be restricted.

Share Premium

The amount of TRY 48.000.000 difference occurred as a result of selling of newly issued 12.000.000 shares offered to public higher price than nominal cost has been recognized as share Premium as of May 13 and 14 , 2013. The amount of TRY 2.865.131 expenses for new issue shares and its public offer, in accordance with, have been deducted from share premium

Besides, The amount of TRY 44.241.422 difference occurred as a result of selling of newly issued 5.600.180 shares offered to public higher price than nominal cost has been recognized as share Premium as of April 27, 2015. The amount of TRY 1.182.229 expenses for new issue shares and its process of issuance and selling, in accordance with, have been deducted from share premium and shown at equity.

	31.12.2016	31.12.2015
Share Premium	88.194.062	88.194.062
Total	88.194.062	88.194.062

Actuarial gain / loss of funds

Actuarial gain / loss of movement of funds are as follows.

	31.12.2016	31.12.2015
Beginning period balance	(4.785)	(27.756)
Current year actuarial gains / (losses)	(38.065)	22.971
Total	(42.850)	(4.785)

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30. EQUITY, RESERVES AND OTHER EQUITIES (Continued)

Previous Years' Profit/Loss

Accumulated profit/loss except net profit for the period is shown like below;

Retained earnings	31.12.2016	31.12.2015
Retained earnings/(loss)	34.101.259	7.335.449
Dividend distribution (-)	-	(5.000.000)
Legal reserves (-)	-	(639.252)
Transfers (-)	-	5.252.048
Change in minority interest (-)	(131.495)	-
Period profit/(loss)	(561.707)	27.153.014
Total	33.408.057	34.101.259

Dividend Distribution

Publicly trading companies distribute its dividends according to the regulations that came into force by the CMB on February 1st, 2014, dividend notification code II-19.1

The partners distribute their profits according to the profit distribution policy and legislative provisions determined by the general assembly. A minimum distribution rate under the declared notification has not been determined. Companies pay dividends based on their contacts or based on dividend distribution policies. Dividend can be paid in fixed or varying installments, if agreed during the general meeting.

As for payments in installments; dividend notification No. II-19.1 of the provisions contained in Article 5 shall be complied with. In addition to that, partnerships whose shares are traded in the stock exchange can distribute cash dividends in advance, according to their earnings obtained on their interim financial statements.

According to the TCC, as long as the reserves to be set aside and the dividend rate stated in the real agreement or dividend distribution policy are not separated; another reserve cannot be set aside, any profit cannot be transferred to the following year, and the usufruct of their prospective owners, board members, partners and everyone else other than shareholders will not be given any dividends from the obtained profit, just as well as if the shareholders are not paid their determined dividend fully in cash.

Group has a decision which held in 25.05.2015 in General Assembly to distribute total 5.000.000 TRY gross dividend after leaving the legal provisions of 2014 profit as of 29.05.2015. Dividend payment has been carried out in June.

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30. EQUITY, RESERVES AND OTHER EQUITIES (Continued)

Legal Reserves

According to Turkish Commercial Code, legal reserves divided into two; I. and II. Legal Reserves. According to Turkish Commercial Code, primary reserve is 5% of statutory profit until reached 20% of paid capital. Secondary reserve is 10% of distributed profit which exceeds 5% of paid capital. According to Turkish Commercial Code, until legal reserves doesn't exceed 50% of paid capital, can be used just to clarify losses. There is no possibility to use in another way.

As of December 31, 2016, the amount of restricted reserves is TRY 639.252. (31.12.2015: TRY 639.252)). This all amount consist of legal reserves.

Minority Interest

Details of minority interest are shown below;

Minority Interest	31.12.2016	31.12.2015
Capital	3.883.453	(3.907.203)
Retained earnings/(loss)	(630.443)	(51.287)
Period profit/(loss)	(1.292.997)	813.226
Total	1.960.013	(3.145.264)

Other Equities

The other equities are shown as below;

	31.12.2016	31.12.2015
Other Equities	21.868.966	21.868.966
Total	21.868.966	21.868.966

The Suda Maden purchase is evaluated within the scope of IFRS 3 Business Combinations-standard. This process has been determined an acquisition rather than a business combination transaction. The total amount paid for the asset and the difference amount consists of the between assets and liabilities are calculated by taking the book values of the company's into account, the difference amount of TRY 21.868.966 is recognised at equities.

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31. REVENUE AND COST OF GOODS SOLD

Details of sales are given below:

Revenue

	January 01- December 31, 2016	January 01- December 31, 2015
Domestic sales	520.035.548	485.047.078
<i>Free Consumer Electricity Sales</i>	<i>230.230.983</i>	<i>278.588.277</i>
<i>Electricity Sales income from TEİAŞ</i>	<i>209.673.404</i>	<i>186.573.144</i>
<i>Bilateral Agreements Electricity Sales</i>	<i>62.405.618</i>	<i>5.311.786</i>
<i>Sales to Group Companies</i>	<i>444.937</i>	<i>88.771</i>
<i>PFK Sales</i>	<i>-</i>	<i>-</i>
<i>Solar Energy Sales</i>	<i>172.645</i>	<i>141.400</i>
<i>GDDK Incomes</i>	<i>-</i>	<i>122.510</i>
<i>Distribution Companies Income from Natural Gas Sales</i>	<i>15.412.871</i>	<i>13.310.142</i>
<i>Energy Imbalance</i>	<i>-</i>	<i>-</i>
<i>Income from Underground Sources Sales</i>	<i>1.416.589</i>	
<i>Other Incomes</i>	<i>278.500</i>	<i>911.050</i>
Overseas Sales	812.089	-
<i>Overseas Underground Sources Sales</i>	<i>812.089</i>	<i>-</i>
Sales returns (-)	(3.426.585)	(132.902)
Sales Discounts	-	-
Total	517.421.052	484.914.175

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31. REVENUE AND COST OF GOODS SOLD (Continued)

The details of electricity sales from natural gas power plant are shown below:

	January 01- December 31, 2016	January 01- December 31, 2016
Domestic sales	196.406.221	171.403.871
<i>Electricity Sales income from TEİAŞ</i>	<i>173.918.116</i>	<i>171.173.701</i>
<i>Bilateral Agreements Electricity Sales</i>	<i>21.870.523</i>	-
<i>Sales to Group Companies</i>	<i>444.937</i>	<i>88.770</i>
<i>Solar Energy Sales</i>	<i>172.645</i>	<i>141.400</i>
Sales returns	(774.998)	-
Total	195.631.223	171.403.871

The details of sales from container sales are shown below:

	January 01- December 31, 2016	January 01- December 31, 2016
Container Sales	278.500	911.050
Total	278.500	911.050

The details of electricity sales from wholesale activity are shown below:

	January 01- December 31, 2016	January 01- December 31, 2016
Domestic sales	294.584.050	298.650.408
<i>Free Consumer Electricity Sales</i>	<i>230.230.983</i>	<i>278.588.277</i>
<i>Electricity Sales income from TEİAŞ</i>	<i>23.817.970</i>	<i>14.627.836</i>
<i>Bilateral Agreements Electricity Sales</i>	<i>40.535.096</i>	<i>5.311.786</i>
<i>GDDK Incomes</i>	-	<i>122.510</i>
Sales returns (-)	(558.911)	(132.902)
Total	294.025.139	298.517.506

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31. REVENUE AND COST OF GOODS SOLD (Continued)

The details of natural gas sales from wholesale activity are shown below:

	January 01- December 31, 2016	January 01- December 31, 2015
Domestic sales	15.412.871	13.310.141
<i>Income from Natural Gas Sales</i>	<i>15.412.871</i>	<i>13.310.141</i>
<i>Sales Returns</i>	<i>(1.995.136)</i>	
Total	13.417.735	13.310.141

The details of electricity sales from Hydroelectric Power Plant activity are shown below:

	January 01- December 31, 2016	January 01- December 31, 2015
Domestic sales	11.937.318	771.607
<i>Teiaş/Epiaş Electricity Sales Income</i>	<i>11.937.318</i>	<i>771.607</i>
Total	11.937.318	771.607

The details of sales from antimony sales activity are shown below:

	January 01- December 31, 2016	January 01- December 31, 2015
<i>Domestic Sales</i>	<i>1.416.589</i>	-
<i>Antimony Sales Income</i>	<i>1.416.589</i>	-
Overseas Sales	812.089	-
<i>Overseas Antimony Sales Income</i>	<i>812.089</i>	-
<i>Sales Returns</i>	<i>(97.541)</i>	-
Total	2.131.137	-

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31. REVENUE AND COST OF GOODS SOLD (Continued)

Teiaş Electricity Sales; Market participant's sales made in market reconciled by PMUM (Market Financial Settlement Center) and sales arising from settlement center due to presence of the free market.

Free Consumer Electricity Sales; according to consumer limit is published by EMRA, sales made to all consumers within the definition of free consumer. (For example; While this limit is 4,500 kwh per year in 2014, it was taken 4,000 kwh per year in 2015)

Bilateral Agreements Electricity Sales; Physical or service sales to both wholesale companies or private manufacturing companies. Primary Frequency Control (PFC) contains service sales related with power plants liability in relevant legislations to transfer this liability to someone else.

Energy Imbalance; according to legislation, all imbalance receivables and payables are reconciled within responsible party when group companies are merged to create balance group. The responsible party for the balance distributes this amount of compensation to group members. Group imbalance items contains the amount of positive imbalance receivables, negative imbalance payables and zero balance payable/receivable.

List of the companies according to natural gas sales activity between January 1, - December 31, 2016 period are as follows:

Title	Ratio
Enerji Piyasaları İşletme Anonim Şirketi	65%
Türkiye Elektrik İletim AŞ-Yükve Tevzi Daire Baş	21%

List of firms from electricity sales from Hydroelectric Power Plant activity between January 1, - December 31, 2016 period are as follows:

Title	Ratio
Enerji Piyasaları İşletme AŞ	98%

List of top ten from electricity sales of wholesale activity between January 1, - December 31, 2016 period is as follows:

Title	Ratio
Vodafone Telekomünikasyon AŞ	30%
Aksa Elektrik Satış AŞ	11%

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31. REVENUE AND COST OF GOODS SOLD (Continued)

List of the companies according to natural gas sales of wholesale activity between January 1, - December 31, 2016 period is as follows:

Title	Ratio
Botaş-Boru Hatları İle Petrol Taşıma AŞ	38%
Socar Gaz Ticareti AŞ	30%
Doğal Enerji İthalat AŞ	30%

List of the companies according to sales from antimony sales activity between January 1, - December 31, 2016 period is as follows:

Title	Ratio
Rjh Trading Limited	19%
Gürok Turizm Ve Maden AŞ	15%
Gizem Seramik Frit Ve Glazür San. Ve Tic AŞ	14%
Sica Societe Industrielle Et Chimique De Iaisne	13%

Cost of goods sold consists of following:

	January 01- December 31, 2016	January 01- December 31, 2015
Cost of goods sold (production)	152.414.445	149.381.240
Cost of goods sold (trade)	298.520.403	292.490.148
Other costs	225.000	193.678
Total	451.159.848	442.065.066

32. CONSTRUCTION CONTRACTS

(None, December 31, 2015.)

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33. GENERAL OPERATING EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	January 01- December 31, 2016	January 01- December 31, 2016
Marketing, sales and distribution expenses	1.857.933	1.841.606
General administration expenses	11.054.979	9.200.406
Total	12.912.912	11.042.012

Marketing, sales and distribution expenses

Details of marketing, sales and distribution expenses according to their nature between January 1– December 31, 2016 and January 1 – December 31, 2015 periods are as below:

	January 01- December 31, 2016	January 01- December 31, 2016
Personnel expense	1.097.121	974.239
Electricity sales commission expense	242.031	382.615
Consultancy expenses	-	65.162
Other expenses	84.156	33.591
Advertising expense	1.400	4.392
Annual license costs	66.249	127.138
Shipping expense	102.664	133.384
Travel expenses	16.887	-
Tax expense	10.235	27.137
Fuel expense	62.971	26.670
Car rent expense	149.336	67.275
Communication expense	24.884	-
Total	1.857.933	1.841.606

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33. GENERAL OPERATING EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (Continued)

General Administration Expenses

Details of general administration expenses according to their nature 1 January – 31December 2016, and 1 January – 31December 2015, periods are as below:

	January 01- December 31, 2016	January 01- December 31, 2015
Personnel expense	4.880.162	4.352.487
Office rent expense	1.591.588	1.410.408
Consultancy expense	1.097.139	636.379
Amortization expense	988.862	689.191
Tax expenses	329.673	384.531
Travel expenses	266.595	178.584
Sharing common expenses	-	-
Shipping expense	58.453	29.294
Dues contribution share	271.684	191.037
Provision for unused vacation	163.649	106.352
Notary expense	103.171	68.095
Severance payment provisions	8.793	12.523
Fuel expense	78.695	50.902
Insurance expense	21.406	413
Representation and hospitality expenses	76.278	66.868
Accounting and Financial Advisor expenses	-	313.467
Declaration and Agreement Stamp Duty Tax	118.931	621
Other expenses	999.900	709.253
Total	11.054.979	9.200.406

There is no Research and Development Expenses belong to date of 1 January-31 December 2016 and 1 January-31 December 2015.

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34. OTHER OPERATIONAL INCOME AND EXPENSE

Other Operational Income

	January 01- December 31, 2016	January 01- December 31, 2016
Rediscount interest income	840.489	4.548.351
Exchange rate income	2.558.150	7.676.838
Prior Year Revenues and Profits	95.441	129.856
Other Income and Profits related to operations	935.854	1.691.291
Cancellation of provisions for doubtful receivables (Note:7)	233.536	-
Other Extraordinary Income	246.151	104.624
Total	4.909.621	14.150.960

Other Operational Expense

	January 01- December 31, 2016	January 01- December 31, 2016
Exchange rate expense	3.462.323	4.363.492
Provision Expenses	543.130	132.405
Rediscount interest expense	1.272.628	2.284.922
Other Extraordinary Expenses and Losses	1.129.274	1.106.454
Prior Period Expenses and Losses	13.145	879.466
Other Ordinary Expenses and Losses	509.354	839.643
Idle Capacity Expenses and Losses	830.030	932.871
Total	7.759.884	10.539.254

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35. EXPENDITURES AND REVENUES FROM INVESTING ACTIVITIES

Revenues from Investing Activities between 1 January – 31December 2016, and 1 January – 31 December 2015, periods are as below;

	January 01- December 31, 2016	January 01- December 31, 2015
Investing Activity Revenue (*)	36.175	44.949
Total	36.175	44.949

(*) Income arising from selling fixed assets in relevant period.

36. EXPENSES CLASSIFIED BY PRINCIPLE TYPES

Details of expenses according to principle types as of January 1- December 31, 2016 and January 1 - December 31, 2015 periods are as below:

Depreciation and amortization expense

	January 01- December 31, 2016	January 01- December 31, 2015
Cost of sales	5.684.502	4.732.705
General administration expenses	988.862	689.191
Idle Capacity Expenses and Losses	565.274	1.037.557
Transferred to Antimony Cost (*)	77.461	-
Total	7.316.099	6.459.453

(*) There is an amortization charge amounting to TRY 881.338 which is transferred to Antimony cost but is not included in the cost of goods transferred to sales cost. (2015: None.)

Personnel expenses

	January 01- December 31, 2016	January 01- December 31, 2015
Cost of sales	3.333.827	2.886.549
General operating expenses	4.880.162	4.352.487
Marketing, sales and distribution expenses	1.097.121	974.239
Total	9.311.110	8.213.275

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36. EXPENSES CLASSIFIED BY PRINCIPLE TYPES (Continued)

Insurance expenses	January 01- December 31, 2016	January 01- December 31, 2016
Cost of sales	1.191.564	980.332
General administration expenses	21.406	413
Total	1.212.970	980.745

Consultancy expenses	January 01- December 31, 2016	January 01- December 31, 2016
Marketing, sales and distribution expenses	-	65.162
General administration expenses	1.097.139	636.379
Total	1.097.139	701.541

37. FINANCIAL EXPENSE AND INCOME

Financial Income	January 01- December 31, 2016	January 01- December 31, 2016
Interest income	17.949.984	8.980.465
Rediscount interest income	7.258.919	2.771.914
Gain on sale of marketable securities	9.192	8.863
Foreign exchange gain	10.796.214	20.749.100
Total	36.014.309	32.510.342

Financial Expense	January 01- December 31, 2016	January 01- December 31, 2016
Loss on sale of marketable securities	3.879	97.140
Foreign exchange losses	53.570.540	46.224.446
Rediscount interest expense	6.638.731	5.615.599
Interest and commission expense	35.592.925	17.317.179
Total	98.806.075	69.254.365

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38. ANALYSIS OF OTHER COMPREHENSIVE INCOME

Details of other comprehensive income/(expense) as of January 1 - December 31, 2016 and January 1- December 31, 2015 periods are as below:

Not reclassified on gain/(loss) January 01- December 31, 2016 January 01- December 31, 2015

Actuarial gains/(loss) (Note:27)	(47.581)	(28.714)
Deferred tax revenue/(expense) (Note:40)	9.516	5.743
Total	(38.065)	(22.971)

39. FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Share transfer agreement was signed with FERRIT S.R.O (Czech Republic) on June 29, 2015, regarding the selling of all stocks which company has 80 percent of Ena Elektrik Üretim Ltd. Ş in group portfolio. Transfer of shares has not been realized yet, will be held after licensing process by EMRA. As of December 31 2015, Ena Elektrik Üretim Ltd. Ş is classified as assets held for sale. As of December 31, 2016, the net asset value of Ena Elektrik is TRY 664.533. (31.12.2015: TRY 662.669)

The sale process is evaluated as discounted operations in accordance with TFRS 5 standard "Fixed Assets Held for Sale and Discounted Operations" and net profit/loss arising from Ena Elektrik Üretim Ltd. Ş's operations in 31.12.2016 is classified as income and expenses related discounted operations in the 01.01.2016 – 31.12.2016 consolidation profit or loss and comprehensive income statement.

Comparatively income statement of Ena Elektrik Üretim Ltd. Ş is as follow:

January 01- December 31, 2016 January 01- December 31, 2015

Incomes	57.066	26.926
Expenses (-)	(49.450)	(28.319)
Period income before tax	7.616	(1.393)
Tax (-)	(5.752)	3.479
Period Net Profit/Loss	1.864	1.669

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40. TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Tax expense/income in comprehensive income statement for periods ended at December 31, 2016 - December 31, 2015 is as below :

	31.12.2016	31.12.2015
Tax expense for the period	(25.398)	(31.495)
Deferred tax income/ expense	1.558.757	(64.837)
Deferred tax reflected in equity (*)	9.516	5.743
Deferred Tax Income /Liability	1.542.875	(90.589)

(*)TAS 19 Employee benefits changes made to the standard actuarial gains / losses is the amount of deferred tax on the amount.(Note:38)

Current Tax

Corporate tax rate is 20% in Turkey. This rate can be applied to the amount after addition of expenses which are not accepted to discount according to Turkish law to company's operating income and deduction of exceptions in tax law like subsidiary income and discounts like investment discount from company's operating income.

As of December 31, 2003, there was an act which predicted to change in Tax Procedure Law, Income Tax Law and Corporate Tax Law ("Act numbered as 5024"), it predicts that income and corporate taxpayer, who determines its profit according to statement of financial position base, keep their financial statements with inflation adjustment starting after January 1, 2004. These taxpayers also have to make inflation adjustment for their financial statements at December 31, 2003. It is an obligation that taxpayers, who have to make inflation adjustment according to the general declaration published by Ministry of Finance as of February 28, 2004, have to make adjustments in their statement of financial position after January 1, 2004 if there is the case which obligates adjustment.

Company will calculate tax amount for the period according to declaration numbered 338 if there are conditions (such as increase in price index in last 12 periods at 100% and 10% for current period) needs for adjustments in the direction of 5024 numbered Law and mentioned declarations.

There are not taking of withholding tax for corporate who obtain income in Turkey with a base or permanent representative and dividend payment to corporate that has a base in Turkey. Dividend payment except these above is taxable for withholding tax at 15% (10% before July 22nd, 2006). Adding profit to capital cannot be count as distribution of dividend and applied for withholding tax.

Companies calculate pre-paid corporate tax at 20% on their profit for each 3 months and they declare that amount at fourteenth day of second month in following period and they pay it till evening of seventeenth day of same month. Pre-paid taxes which are paid in the year belong to same year and it will be deducted from corporate tax amount which is calculated according to corporate tax declaration for the following year. Pre-paid corporate tax remained after deduction can be deducted from any financial payables to government.

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40. TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Current period tax assets:

The details of current period tax assets at December 31, 2016 - December 31, 2015 is as below:

	31.12.2016	31.12.2015
Prepaid taxes and funds (*)	201.008	71.113
Total	201.008	71.113

(*) Current period tax assets is a tax assets related to group that has no corporate tax base in releveant years but has prepaid advance tax and stoppage in year or to companies that have prepaid advance tax and stoppage more than corporate tax base.

Current period tax expense:

Period profit and calculation as of December 31,2016 - December 31, 2015 is as below:

	31.12.2016	31.12.2015
Profit/loss before tax	121.746	156.567
Non-deductible expenses	5.243	910
To be offset prior year losses	-	-
Corporate tax base	126.988	157.477
Tax Expense For The Period (*)	25.398	31.495

(*) Regarding 2016 period tax expenses in the amount of 25.398 TRY consist of group's subsidiaries of Odaş Doğalgaz tax expense regarding 2016 year. Due to the absence of the tax base in the parent company and other subsidiaries (absence of tax base, if there is financial loss for period or companies in which financial profit after deduction of previous years' losses) tax expense is not calculated.

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40. TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)(Continued)

Deferred Tax

Company calculates deferred tax assets and liabilities with recorded values in statement of financial position items by considering difference effects which occurs as a result of evaluation for values in statement of financial position items and Tax Procedure Law.

Differences in question generally sourced from accounting of expenses and incomes for different reporting periods according to CMB declarations and Tax Law. The rate which will apply for deferred tax receivables and liability which is calculated according to liability methods on temporary differences will occur after December 31, 2008 is 20%. Turkish tax legislation makes possible that the main partner of company can organize tax statement via financial statement of its consolidated subsidiaries and affiliates. Therefore, with company has deferred tax assets and company has deferred liabilities are not net off their tax position. It is stated separately.

The deferred assets and deferred tax liabilities in the consolidated financial statements are reflected as of December 31, 2016 - December 31, 2015 in the following manner:

	31.12.2016	31.12.2015
Deferred Tax Assets	7.621.404	1.960.380
Deferred Tax Liabilities	(16.159.081)	(12.066.331)
Total	8.537.677	(10.105.951)

Detail of accumulated temporary differences using tax rates of deferred tax assets and liabilities as of December 31, 2016, and December 31, 2015 is as below:

	Accumulated Temporary Differences		Tax Rate	Deferred Tax Assets / (Liabilities)	
Deferred Tax Assets / (Liabilities)	31.12.2016	31.12.2015		31.12.2016	31.12.2015
Accrued Financial Losses (*)	21.901.420	17.929.430	20%	4.380.284	3.585.886
Tax Reduction from Cash Capital Increase	-	-	-	3.026.927	-
Fixed Assets	(82.379.836)	(70.501.905)	20%	(16.475.967)	(14.100.381)
Severance Indemnities and Provisions	503.251	168.385	20%	100.650	33.677
Rediscount	151.166	339.210	20%	30.233	67.842
Doubtful Receivables	422.298	536.070	20%	84.460	107.214
Establishment and Formation Expenses	10.505	11.565	20%	2.101	2.313
Provisions for Other Payables and Expenses	1.568.175	1.204.140	20%	313.635	240.828
Expense Accrual	-	(216.655)	20%	-	(43.331)
Toplam	(57.823.021)	(50.529.760)		(8.537.677)	(10.105.951)

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40. TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)(Continued)

(*) Group's parent company Odaş Elektrik Üretim AŞ has been notified in the Corporate Tax Increase Maturity Report for years 2012,2013 and 2015 and 50% of the available tax losses are taken into consideration according to the profit and loss projections made in the related years. Furthermore, from the subsidiaries of Küçük Enerji, the tax base increase notification has been provided for years 2011-2012-2013-2014-2015 and 50% of the tax losses have been considered as tax liability.

The deferred tax assets and liabilities of Odaş and its subsidiaries as of December 31, 2016, and December 31, 2015, is as below:

Odaş Deferred Tax Assets / Liabilities	31.12.2016	31.12.2015
Opening balance	(10.902.532)	(9.349.413)
Current year deferred tax gain/(expense)	(5.048.842)	(1.551.218)
Deferred tax reflected in shareholders' equity	3.201	(1.901)
Deferred Tax Assets / (Liabilities)	(15.948.173)	(10.902.532)
Subsidiaries Deferred Tax Assets / Liabilities	31.12.2016	31.12.2015
Balance from the previous period, the deferred tax	796.582	350.041
Subsidiary removed from consolidation transferee deferred tax	-	(539)
Purchased Company prior period deferred tax	-	(844.779)
Current year deferred tax income / (expense)	6.607.700	1.273.534
Deferred tax in equity	6.214	18.324
Deferred Tax Assets / (Liabilities)	7.410.496	796.581

Balances related to subsidiaries' deferred tax assets and liabilities as of December 31, 2016, and December 31, 2015 is as below:

Subsidiaries Deferred Tax Assets	31.12.2016	31.12.2015
Odaş Doğalgaz Toptan Sat. San. ve Tic. AŞ	-	231.429
Voytron Elektrik Toptan Satış Dış Tic. AŞ	503.518	1.004.607
Küçük Enerji İnşaat Ltd. Ş	958.455	705.607
Çan Kömür ve İnşaat AŞ	5.724.493	18.736
Suda Maden AŞ	434.937	-
Deferred Tax Assets	7.621.404	1.960.380

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40. TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Subsidiaries	Deferred Tax Liabilities	31.12.2016	31.12.2015
Ağrı Elektrik Üretim Sanayi Ticaret AŞ		(4.462)	(48.802)
Hidro Enerji Elektrik Üretim Sanayi AŞ		(3.981)	(3.135)
Anadolu Export Maden Sanayi ve Ticaret AŞ		(36.891)	(9.643)
Yel Enerji Elektrik Üretim Sanayi AŞ		(68.989)	(77.654)
YS Madencilik San. Tic. Ltd. Ş		(4.383)	(4.010)
Odaş Doğalgaz Toptan Sat. San. ve Tic. AŞ		(92.002)	-
Suda Maden AŞ		-	(1.020.556)
3Y Proje Geliştirme Yatırım San. ve Tic. AŞ		(200)	-
Deferred Tax Liabilities		(210.908)	(1.163.799)

The distribution of accumulated financial losses and amortization period by years as of December 31, 2016, and December 31, 2015, is like below;

	31.12.2016		31.12.2015	
Amortization Date	Recorded Part	Unrecorded Part	Recorded Part	Unrecorded Part
2016	-	-	-	43.088
2017	-	177.412	-	40.424
2018	180.196	279.721	999.855	362.670
2019	3.396.185	11.901.652	3.263.107	12.594.149
2020	10.202.676	442.836	13.666.470	-
2021	8.122.363	3.348.704	-	-

Subsidiaries have deductible tax losses that can be net off from taxable income for the next period (oncoming 5 years) as of balance sheet date, is shown above table. Deferred tax assets consisting of tax losses which was predicted to be unusable losses is not recorded.

Odaş Enerji Perakende Satış Dış Tic. AŞ, one of the subsidiaries has deductible losses, only expects profit in 2017. In the projections, 36.039 TRY useable financial loss is recorded as tax assets over the total 180.196 TRY taxable profit. The subsidiary has 999.885 TRY financial loss transferred from 2013 and will be ended in 2018, 11.754.761,60 TRY financial loss transferred from 2014 and will be ended in 2019 and 8.173.385,64 TRY financial loss transferred from 2016 and will be ended in 2021.

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40. TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)(Continued)

In the projections of Küçük Enerji which has useable financial loss expects profit in 2017, the amount of 788.050 TRY useable financial loss is recorded as tax asstes over the total 3.940.251 TRY taxable profit. The subsidiary has 559.930 TRY financial loss transferred from 2015 and will be ended in 2020 and 5.020.024,97 TRY financial loss transferred from 2016 and will be ended in 2021. (The Institution benefited from the Corporate Tax Basis for the year 2015 and 559.030 TRY, which is 50% of the tax loss amounting to 1.119.859 TRY, was taken into consideration.)

In the projections of main partner Odaş Elektrik Üretim AŞ which has useable financial loss expects profit in 2017, the amount of 2.192.051 TRY useable financial loss is recorded as tax asstes over the total 25.790.090 TRY taxable profit. The parent company has 6.218.211 TRY financial loss transferred from 2015 and will be ended in 2020 and 4.742.042 TRY financial loss transferred from 2016 and will be ended in 2021. (The Institution benefited from the Corporate Tax Basis for the year 2015 and 6.218.211 TRY, which is 50% of the tax loss amounting to 12.546.611 TRY, was taken into consideration.)

In the projections of the subsidiary Suda Maden AŞ expects profit in 2017, the amount of 1.364.144 deductible loss is recorded as tax asstes over the total 6.820.720 TRY taxable profit. In 2016, the institution has a financial profit of 11.267.138,64 TRY and deducted a deductible total financial loss of 18.087.858,40 TRY.

Other possible financial losses are not recorded as deferred tax assets because the subsidiaries with other available tax losses are in the investment phase, the energy prices are not foreseen for a long time and the excess volatility is not shown.

Besides, the subsidiary of Çan Kömür has useable reduced corporate tax related investment incentive certificate which details are given “23. Government Incentives”.

The investment of Çan Kömür is on stage II but because investment involves primary investment subjects according to fifth article of special conditions of investment incentive certificate, it will take advantage from 5. Zone support. Accordingly, the investment contribution rate is 40% and Reduced Corporate Tax is 80%. This means, company can benefit the amount of 64.822.544 TRY (40% of total investment which is 162.056.360 *40%) reduced corporate tax related investment gain. If it used as advance, reduced corporate tax can bu used until 50% of total investment until investment is done. Tax deduction to be applied will be 16% (20%*0,80).

If company has gain from other oeperations related those amounts, it can benefit from advance reduced corporate tax. However, Çan Kömür has no other gain to benefit from advance reduced corporate tax. The only operation is to mine coal and use it in thermic power plant. The company has just been investment stage.

To acceptance Çan Kömür starts investment, it will be needed 5 million TRY investment spending in the scope of incentive certificate and recorded to investment certificate by applying Ministry. Because the investment has not been completed yet, there is even no partially operations regarding investment, gain obtained from investment is not certain and there is not other gain to use advance reduced corporate tax, when there is gain from investment, the useable reduced corporate tax will be reflected to financial statements as assets when the date of investment is done or partially operated. Besides, there are things may cause risk in deferred tax assets like transfer, selling of investment before completed.

In addition, Çan Kömür received a capital increase decision on July 24, 2015 and paid 19.315.160 TRY in cash portion of the capital increase. Article 8 of the "Law on the Amendment of Certain Laws and Decrees on the Decree Law" published in the Official Gazette dated April 7, 2015 and the Article added to the Article 10 entitled "Other Discounts" Tax deduction from the Institutional Tax has been introduced. Accordingly, the corporation has transferred the tax deduction amounting to 3.026.927 TRY for the years 2015 and 2016 but not for the profit, as the tax base does not exist and reflected it as tax assets to its records.

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41. EARNING PER SHARE

	31.12.2016	31.12.2015
Net profit /(loss)	(9.429.342)	(561.707)
Weighted average number of ordinary share	47.600.180	44.333.408
Profit/(loss) per share with nominal value of 1 TRY	0,198095	(0,012670)

42. SHARE-BASED PAYMENT

None. (None, 31 December 2015.)

43. INSURANCE CONTRACTS

None. (None, 31 December 2015.)

44. THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATE

None. (None, 31 December 2015.)

45. FINANCIAL REPORTING IN HYPERINFLATION ECONOMIES

Prepared financial tables before the period of January 01,2005, in order to show change of purchasing power of TRY, inflations adjustments were made using general wholesale price index under TAS 29. In this standard, financial tables prepared with currency on the high inflation periods, conditioning using adjustment coefficient, financial statements of Money expressed in terms of current purchasing power is predicted.

CMC took a decision on March 17,2005, with this decision, companies who operate in Turkey and prepare financial table in accordance with accounting and reporting principles which are adopted by CMC (CMC Financial Reporting Standard) proclaimed unnecessary application of inflation accounting as of 01.01.2005. Therefore, conditioning with started on 01.01.2005, Financial Reporting on the high inflation economies standard (TAS 29) that is published by IASC, were not applied.

46. DERIVATIVE INSTRUMENTS

None. (None, 31 December 2015)

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47. FINANCIAL INSTRUMENTS

Short-Term Financial Liabilities	31.12.2016	31.12.2015
Bank loans	84.404.442	65.157.661
Financial leasing liabilities (*)	1.662.434	1.423.261
Deferred financial leasing costs (-) (**)	(127.002)	(152.147)
Installments of principal and interest of loans	69.232.771	48.977.830
Short-Term Financial Liabilities - Net	155.172.646	115.406.605
Long-Term Financial Liabilities	31.12.2016	31.12.2015
Bank loans	470.698.380	247.394.701
Financial leasing liabilities (*)	2.858.405	3.870.426
Deferred financial leasing costs (-) (**)	(208.432)	(352.677)
Long-Term Financial Liabilities - Net	473.348.353	250.912.449

(*) Finansal kiralama işlemlerinden borçlar: Kiracıların finansal kiralama yapanlara olan ve vadesi 1 yılı geçen borçlar izlenmektedir.

(*)Financial leasing liabilities: Renters and that those who lease term debt not exceeding one year are followed.

(**)Deferred financial leasing costs (-): Financial leasing liabilities at the date of lease rental payments on the leased asset represents the difference between the present value of lease borrow.

Cycle power plant used in the lease is made for motors and transformers.

As of December 31, 2016 redemption schedule of long-term loan liabilities are as follows:

Long-Term Loans Liabilities	31.12.2016
2018	116.642.671
2019	105.233.632
2020	94.847.519
2021	73.710.511
2022	55.084.931
2023	25.179.117
Total	1.960.380

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47. FINANCIAL INSTRUMENTS (Continued)

Long-Term Loans Liabilities 31.12.2016

1-2 Years	116.642.671
2-3 Years	105.233.632
3-4 Years	94.847.519
4-5 Year	73.710.511
5 Years and over	80.264.048
Total	470.698.380

As of December 31, 2015 redemption schedule of long-term loan liabilities are as follows:

Long-Term Loans Liabilities 31.12.2016

2017	43.339.511
2018	26.521.869
2019	23.522.989
2020	13.109.903
2021	4.112.851
2022	3.176.573
2023	25.179.117
Çan Kömür (*)	132.324.886
Total	247.394.701

(*) Çan Kömür's total loan amount of TRY 132.324.966 has revised into the long term situation.

As of December 31, 2016 redemption schedule of long-term finance lease liabilities is as follows:

Payment Year	Financial Leasing Liabilities	Deferred Financial Leasing Costs
--------------	-------------------------------	----------------------------------

2018	1.143.359	123.655
2019	1.143.359	70.402
2020	571.687	14.375
Total	2.858.405	208.432

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47. FINANCIAL INSTRUMENTS (Continued)

Other Financial Liabilities	31.12.2016	31.12.2015
Other financial liabilities (*)	10.034.044	7.769
Total	10.034.044	7.769

(*) The amount of TRY 34.044 consists of borrowings related to the expenditures made with credit cards owned by the company and the amount of TRY 10.000.000 consists of factoring liabilities.

The maturity of the Group's loans and interest amounts are as follows:

	Annual Interest Rate %		Exchange Value		TRY	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
TRY Loans	13%-16%	10%-13%	-	-	84.404.442	65.157.661
Short-term Loans					84.404.442	65.157.661
EURO Loans	5%-6%	3%-6,50%	18.274.953	13.517.451	61.418.463	42.953.052
USD Loans	5,50%-6,50%	6,50%	2.608.334	2.072.079	7.814.308	6.024.778
TRY Loans	13%-16%	10%-13%	-	-		
Short-term payments and interests of loans					69.232.771	69.232.771
Total short-term loans			-	-	69.232.771	69.232.771
EURO Loans	5%-6%	3%-6,50%	131.493.433	69.105.674	441.923.131	219.590.190
USD Loans	5,50%-6,50%	6,50%	9.604.877	9.562.702	28.775.251	27.804.511
TRY Loans	13%-16%	11%-15%	-	-		
Total long-term loans					470.698.380	247.394.701

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Capital Risk Management

While group tries to ensure the continuity of its activities , on the other hand, aims to increase its profitability by using the optimization of the debt and equity balance.

The capital structure of the group consist of; borrowings includes financial payables stated at note:47, cash and cash equivalents stated at note:53 and equity instruments contain prepaid capital, capital reserves, profit reserves and retained earnings.

The risks associated with each class of capital with the capital cost are evaluated by senior management. The management aims to balance structure of capital via obtain new payable or repayment of existing debt or dividend payments, issued new shares based on its evaluation.

Group used long-term USD and EURO loan for investments. Group is trying to minize short-term loan liability by equivalent debt structure to holding period of existing investment. Regarding used EURO and USD loan if it is used as TRY , the risks are recorded as stated note:37.

Group analyses equity according to leverage ratio which is consistent with other companies. Aforesaid ratio is calculated by dividing net debt to total equity. Net debt (the current and non-current loan as shown in the balance sheet) is obtained by subtracting cash and cash equivalents from total loans.

Group management aims to reach a higher level profit and equity in order to manage existing debts.

Group's current period capital risk management strategy does not differ compared to previous periods.

b) Financial Risk Factors

Group is exposed to market risk (exchange rate risk, fair value interest rate risk, cash flow interest rate risk and price risk) credit risk and liquidity risk due its operations. The Group's overall risk management program focus on the minize the impact of uncertainty in financial markets on group's potential financial performance.

b.1) Credit risk

The risk of financial loss to group due to default of agreement of one of the parties is defined as credit risk. The Group has operations only dealing with creditworthy counterparties and try to reduce the risk of credit by obtaining sufficient collateral where possible. Credit risk and customers credit ratings that group exposure to them are continuously monitored.

Credit evaluations are performed continuously over the balance of customers' trade receivables.

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

31.12.2016	Receivables				Bank Deposits	Deriva- tives	Other
	Trade Receivables		Other Receivables				
	Related Parties	Other Parties	Related Parties	Other Parties			
As at reporting date maximum amount of credit risk exposed (A+B+C+D+E) *	-	50.191.425	8.317.046	1.682.047	107.433.857	-	71.768.216
- Maximum amount of risk exposed	-	-	-	614.743	-	-	-
- Part of the risk covered by guarantees							
A. Net value of financial assets neither due nor impaired	-	31.121.541	8.317.046	1.028.886	107.433.857	-	71.768.216
B. Conditions renegotiated, otherwise to be classified as past due or impaired	-	-	-	-	-	-	-
C. Past due but not impaired	-	19.069.884	-	38.418	-	-	-
D. Net book value of Impaired assets	-	845.665	-	-	-	-	-
-Past due (gross book value)	-	(845.665)	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-	-
- Part covered by guarantess	-	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-	-
- Part covered by guarantess	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

* In determining the amount, the increase in credit reliability such as guarantees received are not taken into account.

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(Currency is TRY unless otherwise is indicated.)

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Aging of assets that is overdue but is not impairment as follows:

31.12.2016	Receivables				Bank Deposits	Deriva- tives	Other
	Trade Receivables		Other Parties				
	Related Parties	Other Parties	Related Parties	Other Parties			
Overdue 1-30 days	-	8.083.857	-	-	107.433.857	-	71.768.216
Overdue 1-3 months	-	4.718.167	-	-	-	-	-
Overdue 3-12 months	-	6.267.860	-	4.848	107.433.857	-	71.768.216
Overdue 1-5 years	-	-	-	33.570	-	-	-
Overdue above 5 years	-	-	-	-	-	-	-
Part covered by guarantess	-	-	-	-	-	-	-
Total	-	19.069.884	-	38.418	-	-	-

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

31.12.2015	Receivables				Bank Deposits	Deriva- tives	Other
	Trade Receivables		Other Receivables				
	Related Parties	Other Parties	Related Parties	Other Parties			
As at reporting date maximum amount of credit risk exposed (A+B+C+D+E) *	-	66.603.761	7.955.572	3.880.900	61.535.260	-	20.249.716
- Maximum amount of risk exposed	-	3.313.475	-	-	-	-	-
- Part of the risk covered by guarantees							
A. Net value of financial assets neither due nor impaired	-	62.077.466	7.955.572	3.880.900	61.535.260	-	20.249.716
B. Conditions renegotiated, otherwise to be classified as past due or impaired	-	-	-	-	-	-	-
C. Past due but not impaired	-	4.526.295	-	-	-	-	-
D. Net book value of Impaired assets	-	536.072	-	-	-	-	-
-Past due (gross book value)	-	(536.072)	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-	-
- Part covered by guarantess	-	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-	-
- Part covered by guarantess	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Aging of assets that is overdue but is not impairment as follows:

31.12.2015	Receivables				Bank Deposits	Deriva- tives	Other
	Trade Receivables		Other Parties				
	Related Parties	Other Parties	Related Parties	Other Parties			
Overdue 1-30 days	-	3.817.817	-	-	-	-	-
Overdue 1-3 months	-	172.437	-	-	-	-	-
Overdue 3-12 months	-	536.041	-	-	-	-	-
Overdue 1-5 years	-	-	-	-	-	-	-
Overdue above 5 years	-	-	-	-	-	-	-
Part covered by guarantess	-	-	-	-	-	-	-
Total	-	4.526.295	-	-	-	-	-

Risk control for customers are not secured by collateral, financial position for the customers, past experience and other factors, taking into account, individual limits are determined results from customer credit quality of the evaluation and the use of credit limit is regularly monitored.

The details of credit quality for receivables that is not due, is not subject to impairment and conditions have been met again.

	31.12.2016	31.12.2015
Group 1	1.396.413	677.651
Group 2	29.235.416	56.109.518
Group 3	30.721.521	7.817.545
Total	61.353.349	64.604.713

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Group 1 – New customers (less than 3 months)

Group 2 – Existing customers have no default in the previous years (customer exist more than 3 months)

Group 3 - Existing customers have default in the previous years but collection is done although delayed.

b.2) Liquidity Risk

Main responsibility relevant with liquidity risk management belongs to Board of Directors. The board short of the Group management has built an appropriate liquidity risk management for medium and long term funding and liquidity requirements. The Group manages liquidity risk by following forecast and actual cash flows regularly and ensuring the continuation of adequate of funds and reserves by matching the maturity profiles of financial assets and liabilities.

In this context, taken care to compatible maturity of receivables and payables, net working capital management objectives are being put in order to protect short-term liquidity and kept at a certain level of balance sheet ratios.

Medium and long- term liquidity management is done according to the group's cash flow projections based on the dynamics of financial markets and industry, cash flow cycle is monitored and tested according to various scenarios.

The following table shows the maturity of the Group's derivative financial liabilities. Non-derivative financial liabilities are required to be paid at the earliest date and is based on an undiscounted. Payable interest over aforesaid liabilities included in the table below. The amounts when receivables or payables are not constant is determined by using interest rate acquired reporting date yield curve.

Liquidity risk table regarding derivate and non-derivate financial liabilities is presented below.

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

31.12.2016

Terms according to agreement	Book Value	Total of cash outflows according to agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 Year (IV)
Non-derivate financial Liabilities	731.385.169	773.867.034	77.503.397	165.493.820	429.835.863	101.033.953
Bank loans	634.458.902	676.940.777	14.867.896	134.062.503	426.976.424	101.033.953
Financial leasing liabilities	4.599.217	4.599.217	909.594	831.217	2.858.398	-
Trade payables	92.029.016	92.029.016	61.641.230	30.387.784	-	-
Other payables	298.034	298.034	84.676	212.316	1.042	-
Terms according to agreement	Book Value	Total of cash outflows according to agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 Year (IV)
Derivate financial Liabilities (Net)	-	-	-	-	-	-
Derivate cash inflows	-	-	-	-	-	-
Derivate cash outflows	-	-	-	-	-	-

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

31.12.2015

Terms according to agreement	Book Value	Total of cash outflows according to agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 Year (IV)
Non-derivate financial Liabilities	425.477.154	446.475.841	110.509.026	194.350.038	128.693.858	12.922.919
Bank loans	364.065.062	385.063.748	88.312.183	159.012.805	124.815.841	12.922.919
Financial leasing liabilities	5.319.317	5.319.318	737.261	711.630	3.870.426	-
Trade payables	53.481.184	53.481.184	20.517.229	32.963.623	333	-
Other payables	2.611.591	2.611.591	942.354	1.661.979	7.258	-
Terms according to agreement	Book Value	Total of cash outflows according to agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 Year (IV)
Derivate financial Liabilities (Net)	-	-	-	-	-	-
Derivate cash inflows	-	-	-	-	-	-
Derivate cash outflows	-	-	-	-	-	-

b.3) Market Risk

Market risk is the risk of fluctuations of fair value of financial liabilities due to changes occurring in market prices or future cash flows will adversely affect the business.

These, foreign currency risk, interest rate risk and financial instruments or commodity price changes risk.

In the current year, there is no change on market risk that group exposed or methods that management or measurement of exposed risk.

b.3.1) Foreign Currency Risk Management

Transactions denominated in foreign currencies causes exchange rate risk. These risks are monitored and classified by analysis of foreign currency position.

The distribution of monetary and non-monetary assets and liabilities in terms of foreign currency are as follows:

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Currency Position

31.12.2016

	TRY (Functional Currency)	USD	EURO	GBP
1. Trade Receivables	330.805	94.000	-	-
2a. Monetary financial assets (including cash and cash equivalents)	25.336.381	204.530	6.635.105	237
2b. Non-monetary financial assets	40.961.523	1.333.709	9.763.272	10.922
3. Other	-	-	-	-
4. Current Assets (1+2+3)	66.628.708	1.632.239	16.398.376	11.159
5. Trade Receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total Assets (4+8)	66.628.708	1.632.239	16.398.376	11.159
10. Trade payables	(16.819.511)	(125.317)	(4.414.808)	-
11. Financial Liabilities	(54.268.491)	(1.991.415)	(12.738.970)	-
12a. Monetary financial liabilities	(351.920)	(100.000)	-	-
12b. Non-monetary financial liabilities	-	-	-	-
13. Short Term Liabilities (10+11+12)	(71.439.922)	(2.216.732)	(17.153.778)	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	(493.425.658)	(9.665.907)	(123.833.364)	-
17. Long Term Liabilities (14+15+16)	(493.425.658)	(9.665.907)	(123.833.364)	-
18. Total Liabilities (13+17)	(564.865.580)	(11.882.639)	(140.987.142)	-
19. Off-balance Sheet Derivatives Net	-	-	-	-
Asset/Liabilities Position (19a-19b)				
19a. Amount of Hedge Total Asset	-	-	-	-
19b. Amount of Hedge Total Liabilities	-	-	-	-
20. Net Foreign Currency asset/ (liabilities)	(498.236.871)	(10.250.400)	(124.588.766)	11.159
Position (9-18)	(539.198.394)	(11.584.108)	(134.352.037)	237
21. Net asset/liabilities position of foreign currency monetary items. (=1+2a+5+6a-10-11-12a-14-15-16a)	-	-	-	-
22. Fair Value of Financial Instruments used for foreign Exchange Hedge				
23. Export	-	-	-	-
24. İmport	-	-	-	-

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Currency Position

31.12.2015

	TRY (Functional Currency)	USD	EURO	GBP
1. Trade Receivables	-	-	-	-
2a. Monetary financial assets (including cash and cash equivalents)	1.972.323	649.035	26.242	419
2b. Non-monetary financial assets	13.133	205	3.945	-
3. Other	38.373	-	-	8.922
4. Current Assets (1+2+3)	2.023.828	649.240	30.187	9.342
5. Trade Receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total Assets (4+8)	2.023.828	649.240	30.187	9.342
10. Trade payables	3.857.971	11.807	1.203.311	-
11. Financial Liabilities	50.860.043	1.696.521	14.453.437	-
12a. Monetary financial liabilities	290.760	100.000	-	-
12b. Non-monetary financial liabilities	-	-	-	-
13. Short Term Liabilities (10+11+12)	55.008.774	1.808.328	15.656.747	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	251.061.682	9.933.948	69.919.982	-
17. Long Term Liabilities (14+15+16)	251.061.682	9.933.948	69.919.982	-
18. Total Liabilities (13+17)	306.070.456	11.742.275	85.576.730	-
19. Off-balance Sheet Derivatives Net	-	-	-	-
Asset/Liabilities Position (19a-19b)	-	-	-	-
19a. Amount of Hedge Total Asset	-	-	-	-
19b. Amount of Hedge Total Liabilities	-	-	-	-
20. Net Foreign Currency asset/ (liabilities)	(304.046.628)	(11.093.035)	(85.546.543)	9.342
Position (9-18)	(304.098.134)	(11.093.241)	(85.550.488)	419
21. Net asset/liabilities position of foreign currency monetary items. (=1+2a+5+6a-10-11-12a-14-15-16a)	-	-	-	-
22. Fair Value of Financial Instruments used for foreign Exchange Hedge	-	-	-	-
23. Export	-	-	-	-
24. İmport	-	-	-	-

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The Group is mainly exposed to USD and EURO exchange rate risk.

The table below shows the Group's US dollar and Euro exchange rate and a 20% increase in sensitivity to a decrease. 20% rate is the rate used by senior management when reporting foreign currency risk the expected rate in question refers to a possible change in foreign exchange rates. The sensitivity analysis covers only the period at the end of the open foreign currency denominated monetary items and shows the effects of changes in exchange rates of 20% at the end of the period of aforesaid items. Stated positive increase in Positive value , profit / loss and other equity items.

Sensitivity Analysis of Foreign Exchange Position

Sensitivity Analysis of Foreign Exchange Position

31.12.2016

	Profit / Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change in 20% of the U.S. Dollar against TRY;				
1 - Net asset / liability of USD	(12.300.480)	12.300.480	-	-
2 - Amount hedged for USD risk (-)	-	-	-	-
3- Net Effect of U.S. Dollar (1+2)	(12.300.480)	12.300.480	-	-
Change in 20% of the EURO against TRY;				
4 - Net asset / liability of EUR	(149.506.519)	149.506.519	-	-
5 - Amount hedged for EUR risk (-)	-	-	-	-
6- Net Effect of EURO (4+5)	(149.506.519)	149.506.519	-	-
Change in 20% of the GBP against TRY;				
7- Other foreign currency net asset / liability	13.391	(13.391)	-	-
8- Part of hedged protected from other currency risk (-)	-	-	-	-
9- Net Effect of GBP (7+8)	13.391	(13.391)	-	-
TOTAL (3+6+9)	(161.793.607)	161.793.607		

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Sensitivity Analysis of Foreign Exchange Position

31.12.2015

Equity

	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change in 20% of the U.S. Dollar against TRY;				
1 - Net asset / liability of USD	(13.311.642)	13.311.642	-	-
2 - Amount hedged for USD risk (-)	-	-	-	-
3- Net Effect of U.S. Dollar (1+2)	(13.311.642)	(13.311.642)	-	-
Change in 20% of the EURO against TRY;				
4 - Net asset / liability of EUR	(102.655.851)	102.655.851	-	-
5 - Amount hedged for EUR risk (-)	-	-	-	-
6- Net Effect of EURO (4+5)	(102.655.851)	102.655.851	-	-
Change in 20% of the GBP against TRY;				
7- Other foreign currency net asset / liability	11.210	(11.210)	-	-
8- Part of hedged protected from other currency risk (-)	-	-	-	-
9- Net Effect of GBP (7+8)	11.210	(11.210)	-	-
TOTAL (3+6+9)	(115.956.284)	115.956.284		

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b.3.2) Interest rate risk management

Leading to fluctuations in the fair value of financial instruments or future cash flows by changes in market interest rates cause the necessity of dealing with interest rate risk of the Group.

Hedging is evaluated as regular in order to be compatible with interest rate expectations and defined risk. Thus, it is aimed that the creation of optimal hedging strategy, reviewing of the balance sheet and keeping interest expenses under control at different interest rates.

b.3.3) Price Risk

Because there are no share certificates as classified trading financial assets at group's financial statement, price is not available. (31.12.2015: None)

49. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATION AND PROTECTION OF FINANCIAL HEDGE ACCOUNTING EXPLANATION)

Fair Value

Fair value is defined as price between willing parties who are into making a sale or purchase.

Financial assets and liabilities in foreign currency are converted to market prices at statement of financial position date.

Methods and assumptions below are used to predict fair value of each financial instrument in case when it is possible to determine fair value of these instruments.

Financial Assets

The fair value of certain financial assets carried at cost, including cash at banks, marketable securities plus the respective accrued interest are considered to approximate their respective carrying values. The carrying values of the trade receivables net of provisions for uncollectible receivables are considered to approximate their fair values. The carrying value of the financial assets is considered to approximate their fair values.

Financial Liabilities

Values of monetary liabilities and trade payables are considered close to their fair value because of short term nature. Bank loans are stated with their discounted cost and transaction cost will be added to initial cost of loans. Book value of loans is considered close to its fair value because of updates in changed market conditions and interest rates. Book value of trade payables is considered as close to its fair value cause of being short termed.

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49. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATION AND PROTECTION OF FINANCIAL HEDGE ACCOUNTING EXPLANATION) (Continued)

The fair value of financial assets and liabilities are determined as follows:

First Level: Financial assets and liabilities are appricated from stock price traded in active market for similiar assets and liabilities.

Second Level: Financial assets and liabilities are appricated from inputs used determining observable price in the market as direct or indirect with the exception of the price is stated in first level.

Third Level: Financial assets and liabilities are appricated from inputs based on unobservable data in the market in determining the fair value of an asset or liability.

Level classification of financial instruments with fair value is as follows;

Because there are no financial assets with its fair value, are not included level classification table.

31.12.2016

	Financial Assets with Fair Value	Loans and Receivables (Includes Cash and Cash Equivalent)	Financial Assets Available for Sale	Financial Liabilities with Amortized Value	Book Value	Notes
Financial Assets						
Cash and Cash Equivalent	-	107.769.886	-	-	107.769.886	53
Trade receivables	-	50.191.425	-	-	50.191.425	6-7
Other receivables	-	9.999.093	-	-	9.999.093	6-9
Financial Liabilities						
Financial payables	-	-	-	638.555.043	638.555.043	47
Trade payables	-	-	-	94.910.994	94.910.994	6-7
Other payables	-	-	-	4.247.739	4.247.739	6-9

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Explanatory Notes to the Financial Statements

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49. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATION AND PROTECTION OF FINANCIAL HEDGE ACCOUNTING EXPLANATION) (Continued)

31.12.2015

	Financial Assets with Fair Value	Loans and Receivables (Includes Cash and Cash Equivalent)	Financial Assets Available for Sale	Financial Liabilities with Amortized Value	Book Value	Notes
Financial Assets						
Cash and Cash Equivalent	-	61.572.253	-	-	61.572.253	53
Trade receivables	-	66.603.761	-	-	66.603.761	6-7
Other receivables	-	19.699.710	-	-	19.699.710	6-9
Financial Liabilities						
Financial payables	-	-	-	366.326.823	366.326.823	47
Trade payables	-	-	-	54.501.328	54.501.328	6-7
Other payables	-	-	-	6.843.082	6.843.082	6-9

The Group's management believes that the recorded values of financial instruments reflects their fair values .

Derivative Financial Instruments (Futures Agreements)

The Group does not engage in derivative transactions in the foreign exchange markets.

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Explanatory Notes to the Financial Statements

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50. SUBSEQUENT EVENTS

About Non-Share Capital Markets Brokerage

The application for issuance of debt instruments issued by the company in the form of sales of qualified investors in Turkish liras, domestically, without going public, in the amount of 100,000,000 TRY within the export limit, issued on 16.11.2016 in the Special Situation Explanation, has been approved in the bulletin dated 11.11.2016 and numbered 2016/30 of Capital Markets Board.

Within this scope, the first stage bond issue with a nominal value of 50,000,000 TRY, 728 days coupon payment and 3-month coupon payment and variable interest, to be sold to qualified investors without being offered to the public, was realized on 27.02.2017.

About the Revision of the International Credit Rating Note

According to International credit rating agency JCR Eurasia Rating's declaration on 22.02.2017, it has evaluated ODAŞ Elektrik Üretim Sanayi Ticaret AŞ and it has confirmed company's long term national notes and appearance as "BBB (Trk)/Stable" and long term international foreign currency notes and long term international domestic currency notes as "BBB-/Stable" in investable category.

About the Capital Increase by Bonus Issue

At the meeting held on 16.02.2017, the Board of Directors declared that the paid capital, which is 47.600.180 TRY each with a nominal value of TL 1 (one) TRY, shall be paid by internal sources and free of charge, provided that it is within the registered capital ceiling of 210.000.000 TRY (two hundred million) has been increased by 88.149.820 TRY to 135.750.000 TRY in total and the application for the regulation of Article 6 of the Company's Articles of Association, which shows the paid-up capital of the shares with a nominal value of 88.149.820 TRY increase, was made to the Capital Markets Board on 09.03.2017.

It has been decided by the unanimous vote to authorize the management of the company to perform the bonus capital increase transactions, to obtain the necessary permits, to process the transactions and to complete the application procedures within the framework of CMB notices and other relevant legislation.

51. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

52. FIRST IMPLEMENTATION OF TURKEY ACCOUNTING STANDARTS

None.

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53. EXPLANATION TO CASH FLOW STATEMENT

Cash and Cash Equivalents

	31.12.2016	31.12.2016
Cash	335.365	36.693
Bank	107.433.857	61.535.260
-Demand deposit	8.299.250	1.117.467
-Time deposit	99.134.608	60.417.793
Demand Checks	-	-
Other Current Assets	10.483	664
Total	107.779.705	61.572.618

As of December 31, 2016 there is no blocked deposits of the Group (None, December 31, 2015)

Amount of time deposits as of December 31, 2016 concerning the details are as follows:

Currency Time Deposits	Maturity	Interest rate	December 31, 2016 TRY
TRY	9.01.2016	9,95%	8.000.000 TL
TRY	9.01.2016	10,50%	17.000.000 TL
TRY	2.01.2016	8,25%	18.000.000 TL
TRY	2.01.2016	8,25%	4.200.000 TL
TRY	2.01.2016	8,25%	1.700.000 TL
TRY	2.01.2016	8,00%	350.000 TL
TRY	2.01.2016	8,25%	10.334.010 TL
TRY	2.01.2016	8,25%	4.150.000 TL
TRY	2.01.2016	8,25%	8.000.000 TL
TRY	2.01.2016	8,25%	2.000.000 TL
TRY	2.01.2016	6,75%	500.000 TL
TRY	2.01.2016	7,75%	1.250.000 TL
Total			75.484.010 TL

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Explanatory Notes to the Financial Statements

(Currency is TRY unless otherwise is indicated.)

53. EXPLANATION TO CASH FLOW STATEMENT (Continued)

Currency Time Deposits	Maturity	Interest rate	December 31, 2016 EUR	December 31, 2015 TRY
EUR	2.01.2017	1,60%	1.500.000	5.564.850
EUR	30.01.2017	0,20%	1.600.000	5.935.840
EUR	2.01.2017	0,01%	1.774.996	6.585.058
EUR	30.01.2017	1,40%	1.500.000	5.564.850
Total			6.374.996	23.650.598

Amount of time deposits as of 31 December 2015 concerning the details are as follows:

Currency Time Deposits	Maturity	Interest rate	December 31, 2015 TRY
TRY	05.01.2016	10,50%	12.000.000
TRY	04.01.2016	11,00%	8.000.000
TRY	04.01.2016	11,00%	4.000.000
TRY	04.01.2016	11,25%	5.000.000
TRY	04.01.2016	8,79%	2.500.818
TRY	04.01.2016	8,79%	12.673
TRY	04.01.2016	7,50%	475.000
TRY	04.01.2016	8,79%	1.403
TRY	04.01.2016	10,00%	26.580.000
Total			58.569.894

Currency Time Deposits	Maturity	Interest rate	December 31, 2015 EUR	December 31, 2015 TRY
USD	04.01.2016	0,70%	69.141	201.034
USD	04.01.2016	0,55%	566.400	1.646.865
Total			635.541	1.847.899

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Explanatory Notes to the Financial Statements

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54. EXPLANATIONS RELATED WITH EQUITY CHANGE TABLE

The company's equity change table is presented as appropriate for explanatory notes and financial tables of basics which are published on June 07, 2013 and with no 2103/19 weekly newsletter by CMB.

Effect of accountant politics changes that explain in note 2, effect of accumulated gains/losses account and effects of accumulated other comprehensive incomes/expenses as proffit/loss restrospective which is shown in other comprehensive income are shown that equity change table.

55. INTEREST, TAX, PROFIT BEFORE DEPRECIATION (EBITDA)

This financial data, that is calculated as an income before finance, tax and depreciation is an indication of measured income without taking notice of finance, tax, expenses that are not required cash outflows, depreciation and redemption expenses of the company. This financial data also specified in the financial statements by some investors due to use in the measurement of the company's ability to repay the loans and/or additional loan. However, EBITDA should not be considered independently from financial statements. Also, EBITDA should not evaluate as an alternative to net income(loss), net cash flow derived from operating, investing and financing activities, financial data obtained from investing and financial activities or prepared according to IAS / IFRS, or other inputs obtained from financial instruments such as, business operating performance. This financial information should be evaluated together with other financial inputs that are contained in the statement of cash flow.

As the date of December 31, 2016 the amount of interest, tax, profit before depreciation is 60.099.117 TRY. (December 31, 2015: 37.228.994 TRY)

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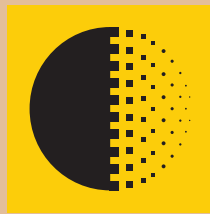
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