akenerji
Elektrik Üretim A.Ş.

FOCUSING ON
THE FUTURE OF OUR BUSINESS...

ANNUAL REPORT 2012

AKKÖK CEZ GROUP

CONTENTS

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING OF AKENERJİ ELEKTRİK ÜRETİM ANONİM ŞİRKETİ FOR THE OPERATING YEAR 2012

1. Opening and formation of the meeting council,

2. Presentation and discussion of the Annual Report prepared by the Board of Directors,

3. Presentation, discussion and ratification of all 2012 Auditors' and Independent Auditors' Reports,

4. Presentation and ratification of the Financial Statements,

5. Release of Members of the Board of Directors separately from liability as regards to the activities of the Company in 2012,

6. In accordance with the Capital Markets Law, reading and submission for approval to the General Assembly of the Company's dividend policy and dividend proposal prepared by the Board of Directors separately,

7. Determination of the number of members of the Board of Directors and their terms of office, election of members as per the determined number, election of Independent Board Members, and determination of remuneration of Board members and Independent Board members,

8. Selection of the Independent Auditor in accordance with the "Communiqué on Independent Auditing Standards in Capital Markets" published by the Capital Markets Board of Turkey and the Turkish Commercial Code; and ratification of the Independent Auditor selected by the Board of Directors in accordance with the "Communiqué on Independent Auditing Standards in Capital Markets" published by the Capital Markets Board,

9. Provided that the necessary permissions are obtained from the Energy Market Regulatory Authority, Capital Markets Board of Turkey and the Ministry of Industry and Trade, amendment to the titles of Section I: "Incorporation - Founders - Title - Subject - Head Office - Term", Section III: "Bonds and Profit Sharing Certificates ", Section V: "Auditors" the Section VII "Financial Provisions", Section VIII: "Miscellaneous Provisions"; and amendment to Article 1: "Foundation", Article 4: "Purpose and Scope", Article 5: "The Company's Head Office", Article 6: " Date of Incorporation and Term ", Article 8: "Share Transfer", Article 10: "Issuance of Bonds and Profit Sharing Certificates",

Article 11: "Board of Directors", Article 12: "Term and Starting of Membership of Board of Directors ", Article 14: "Duties and Authorities of the Board of Directors", Article 15: "Representation of the Company", Article 16: "Board of Directors Meetings - Meetings and Quorum ", Article 18: "Auditors", Article 20: "The General Assembly Meetings - Meetings and Quorum", Article 21: "Presence of Ministry Commissioner at Meetings ", Article 22: "Invitation to the Meeting", Article 23: "Voting Rights", Article 27 - "Determination and Distribution of Net Profit", Article 29: "Amendments to the Articles of Association" and the removal of Article 13: "Collateral Provision", Article 19: "Duties of Statutory Auditors" and Article 31: "Submission of the Articles of Association" from the Articles of Association in accordance with the attached document of this Board of Directors decision,

10. Approval of the statutory auditors,

11. Presentation and submission for the approval of the Company Policy on Grants and Aid to the General Assembly in accordance with the Corporate Governance Principles,

12. Presentation and submission for the approval of the Company's "Working Principles and Procedures of the General Assembly Internal Guidelines" to the General Assembly,

13. Pursuant to the CMB's Corporate Governance Principles, authorization of the controlling shareholders, Board members, senior executives and their relatives by blood and affinity up to the second degree; and in addition, pursuant to the Articles 395 and 396 of the Turkish Commercial Code, the authorization of the Board members; to be engaged in any activity that may lead to a conflict of interest with the Company or its subsidiaries, to compete, to undertake business transactions that fall within the business scope of the Company on behalf of themselves or of others, to be shareholders and to be engaged in other activities in companies that undertake such business; and to inform the General Assembly about the transactions realized in this respect,

14. Providing information to the shareholders about the donations and aid granted by the Company in accordance with the Capital Market legislation and the Company's common and ongoing related party transactions in accordance with the Capital Markets Board regulations,

15. Providing information to the shareholders about the guarantees, mortgages, pledges and contingencies that the Company granted in favor of third parties and income and interests that the Company obtained in that respect in 2012.

We are focused on the bright future of Turkey.

In this respect, we constantly adapt ourselves to the market and the recent needs of the system.

We always keep our customers and their demands at the center of our business.

By focusing on the generation and trade of electricity, we are facilitating a bright future for Turkey from today onwards, by means of our sustainable achievements.

AKENERJİ IN BRIEF

Akenerji's investments are a reflection of its visionary strategy.

GENERATION CAPACITY

745 MW (Electric)
417 TONS (Steam)

POWER PLANTS

BOZÜYÜK NGPP (132 MW)
ÇERKEZKÖY NGPP * (98 MW)
KEMALPAŞA NGPP (127 MW)
AYYILDIZ WPP (15 MW)
AKOCAK HEPP (81 MW)
BULAM HEPP (7 MW)
BURÇ BENDİ HEPP (28 MW)
FEKE II HEPP (70 MW)
ULUABAT HEPP (100 MW)
HİMMETLİ HEPP (27 MW)
GÖKKAYA HEPP (30 MW)
FEKE I HEPP (30 MW)

OPERATIONS

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

NUMBER OF EMPLOYEES

296

2012 TURNOVER

TL 802 MILLION

(*) Ceased operations as of 2012 year-end.

Energy that shapes the future

With 23 years of experience in electricity generation, Akenerji is one of Turkey's leading and well-established power generation companies. As a member of the Akkök Group of Companies, Akenerji started its operations in the electricity generation industry in 1989 as an auto producer group. Akenerji underwent a status change in early 2005 and started to operate under the name Akenerji Elektrik Üretim A.Ş. The Company became one of the largest private sector power generation companies in the country today through its investments. The Company reached a total generation capacity of 745 MW of electricity with the activation of three hydroelectric power plants successively in 2012. Especially with its remarkable initiatives in the field of renewable energy, the Company sets an example for the sector with its prudent investment decisions.

The basic characteristics that differentiate Akenerji in the sector are its production-oriented and proactive approaches, its adherence to international standards in its business processes and its forward looking decisions. The Company, which carefully evaluates and implements the terms of global competition through its dynamic and flexible structure, continuously strengthens its position as a "leading energy company". As a result of these qualities, Akenerji has been on the list of "Turkey's 500 Largest Industrial Establishments" released by the Istanbul Chamber of Industry (Istanbul Sanayi Odası, ISO) uninterruptedly since 1993. Furthermore, the Company ranked 247th among the ISO 500 companies, with net sales revenue from production of TL 312.2 million in 2011.

As Turkey's leading energy company, Akenerji's recent investments are a reflection of its visionary strategy. The Company demonstrated a superior performance with the prudent investment decisions made through careful examination of the changes in the energy sector and market risks. Aiming to create the country's largest energy

trading platform, Akenerji has one of the industry's largest customer portfolios. The Company successfully performs the sale and management of energy amounting to much more than its existing capacity and closely monitors international trade opportunities. In this context, the first cross-border energy trade, realized by the Company in 2011 through the European interconnected system, is of particular importance.

Contemporary and bold steps in sustainable energy

As one of Turkey's well-established energy companies, Akenerji always gives priority to contemporary solutions in its generation-oriented activities in order to minimize environmental and social risks. The Company supports clean and sustainable energy sources for a safer future for Turkey and the rest of the world. In addition to its natural gas-based power generation, Akenerji realizes major investments in renewable energy to diversify its resource portfolio and to manage supply risk.

Akenerji started its investments in renewable energy sources by participating in the first hydroelectric power plant tenders held by the Energy Market Regulatory Authority (EMRA) in 2005. Ayyıldız Wind Power Plant, the Company's first renewable energy generation plant, went into operation in 2009. Subsequently; Akocak, Bulam, Burç Bendi, Feke II and Uluabat hydroelectric power plants were activated in 2010 and Himmetli Regulator and HEPP in Adana (27 MW), Feke I Regulator and HEPP (30 MW), Gökkaya Dam and HEPP (30 MW) successfully became operational in 2012. Thus, while increasing the total capacity to 745 MW, the share of the renewables portfolio in Akenerji's total generation capacity rose to 52%.

Akenerji, as one of Turkey's leading energy companies, won the Sakarya Elektrik Dağıtım A.Ş. (Sakarya Electricity Distribution Company, SEDAŞ) tender with a bid of USD 600 million via "AkČEZ", a consortium created to bid for electricity distribution tenders by the Akkök Group and the Czech power company ČEZ. Thus, as of February 2009, the Company took over the electricity distribution of Sakarya, Kocaeli, Bolu and Düzce, a region that is predominantly industrial.

The partnership, which was established between Akkök and the Czech power company ČEZ during the SEDAŞ tender, evolved into a strategic joint venture with an agreement signed in October 2008. The first step of the joint venture, which continues its investment plans without being affected by fluctuations in the global economy, is the Egemer Natural Gas Combined Cycle Power Plant project in Erzin, Hatay. With the activation of Egemer Natural Gas Combined Cycle Power Plant, which has a capacity of approximately 900 MW, the strength of the partnership will further increase.

With the principle that every step taken is an investment in the future, Akenerji is committed to continue its investments in renewable energy sources. As a reflection of this approach, the Company purchased İçkale Enerji Elektrik Üretim ve Tic. A.Ş. (İçkale Energy Electricity Generation Industry and Trade Co.) in 2010, which owns the license of Kemah Dam and Hydroelectric Power Plant which had an installed capacity of 160 MW. The Kemah Dam and HEPP Project are important in terms of being the largest HEPP project in Akenerji portfolio. In 2011, the application to increase the installed capacity of Kemah Hydroelectric Power Plant Project from 160 MW to 198 MW was approved by EMRA; the related license modification will take place in 2013. Making decisions in all of its business processes in accordance with responsibility towards the environment and society, Akenerji will continue to lead the Turkish energy sector by implementing forward projects.

AKENERJİ IN BRIEF

In 2012, Akenerji continued to make decisions that shape the market in energy trading.

Significant developments in energy trade in 2012

Akenerji is the first energy company in Turkey that implements the general agreement of EFET (European Federation of Energy Traders), established in 2011 with the aim of supporting the development of energy trade in Europe. The EFET agreement, which the Company signed in accordance with energy exports to the German energy company RWE, also helped Akenerji to establish long-term relationships with four other manufacturing and trading companies. In addition, a total of 27 private agreements similar to EFET were signed with new companies in 2012.

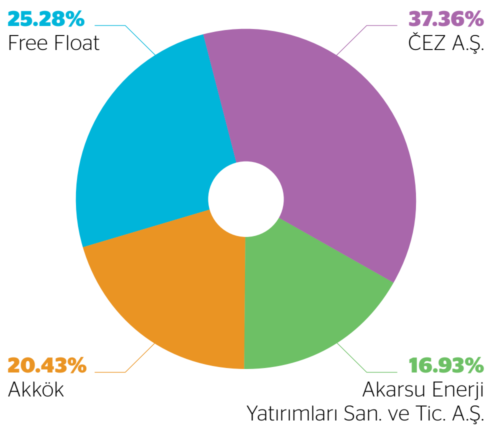
In 2012, Akenerji continued to make decisions that shape the market in energy trading. In this context, the decision to sell outsourced-energy next to the energy generated by Akenerji is of great importance. During the year, via the sale of 120 million kWh of energy from other generator companies, additional value is created for the Company.

Import and export activities with the European countries in energy trade continued at the same pace in 2012. The two-way trade activities continue to take place through Bulgaria and Greece.

Subsidiaries and Affiliates

- AkČEZ Enerji Yatırımları Sanayi ve Ticaret A.Ş.
- Ak-El Yalova Elektrik Üretim A.Ş.
- Aken BV
- Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Tic. A.Ş.
- Akka Elektrik Üretim A.Ş. (As of November 6, 2012, Akka Elektrik Üretim A.Ş. (was under liquidation).
- Akkur Enerji Üretim Tic. ve San. A.Ş.
- Egemer Elektrik Üretim A.Ş.
- Mem Enerji Elektrik Üretim San. ve Tic. A.Ş.
- Ak-El Kemah Elektrik Üretim A.Ş.
- Akenerji Doğalgaz İthalat İhracat ve Toptan Tic. A.Ş.
- Sakarya Elektrik Dağıtım A.Ş.(*)

SHAREHOLDER STRUCTURE



Paid-in Capital in 2012
TL 375,814,000

(*) As of February 11, 2009, Sakarya Elektrik Dağıtım A.Ş., which was acquired by AkČEZ Enerji Yatırımları Sanayi ve Ticaret A.Ş., is an indirect affiliate of Akenerji Elektrik Üretim A.Ş. and therefore included in the consolidated financial tables by the equity method.


AKENERJİ

WE CONTINUE WITH OUR
PRODUCTION AND ACHIEVEMENTS
FOR A BRIGHTER FUTURE...

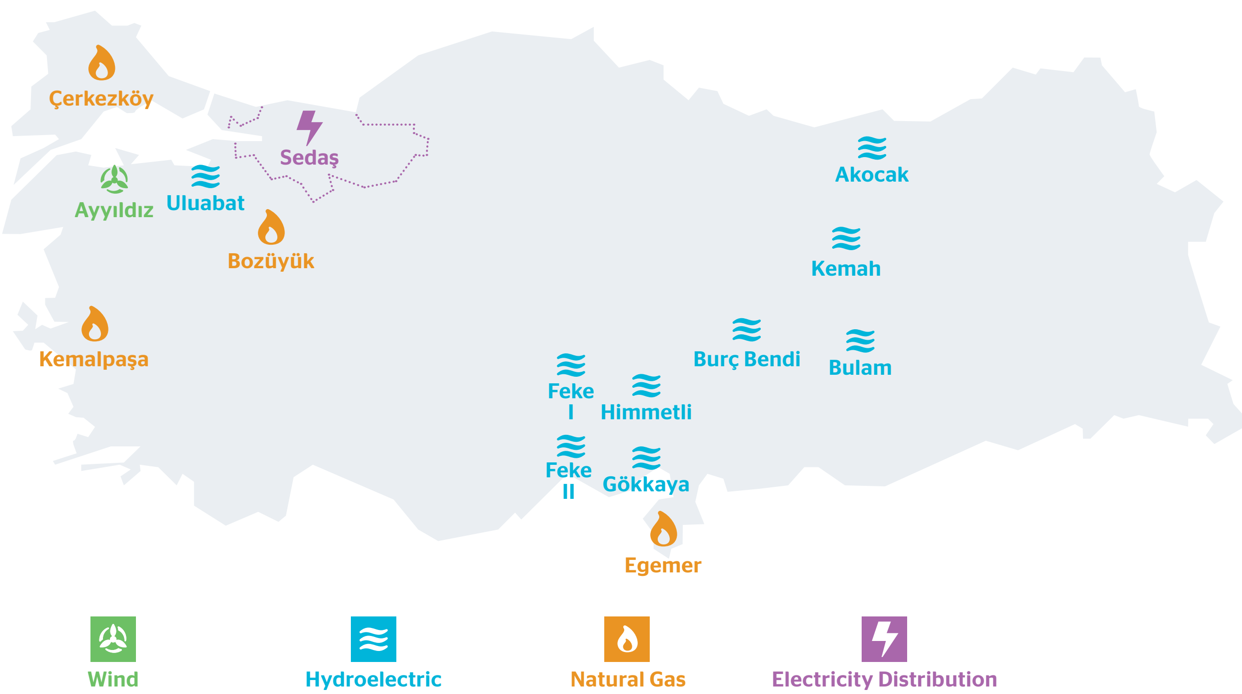
WE FOCUS ON GROWTH.

We demonstrated our strength with equity of TL 941 million.

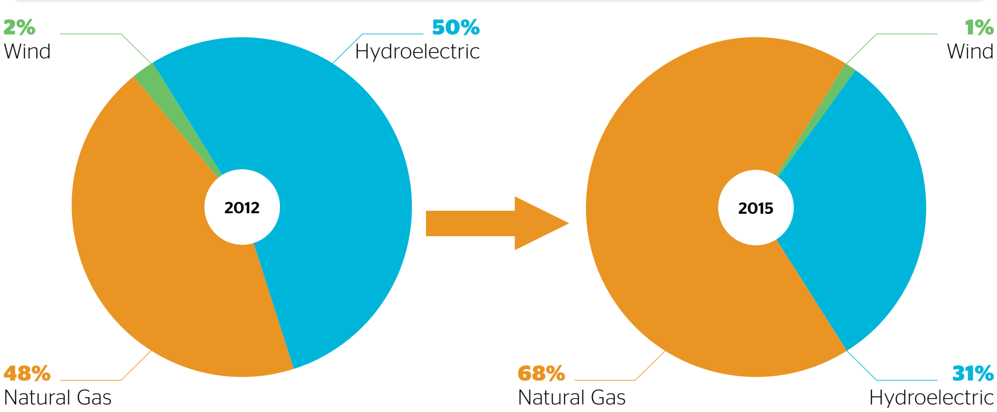
As a company that keeps on growing with a mission to contribute to the sustainable and long-term energy needs of Turkey, we will continue to shape the Turkish electric energy sector.

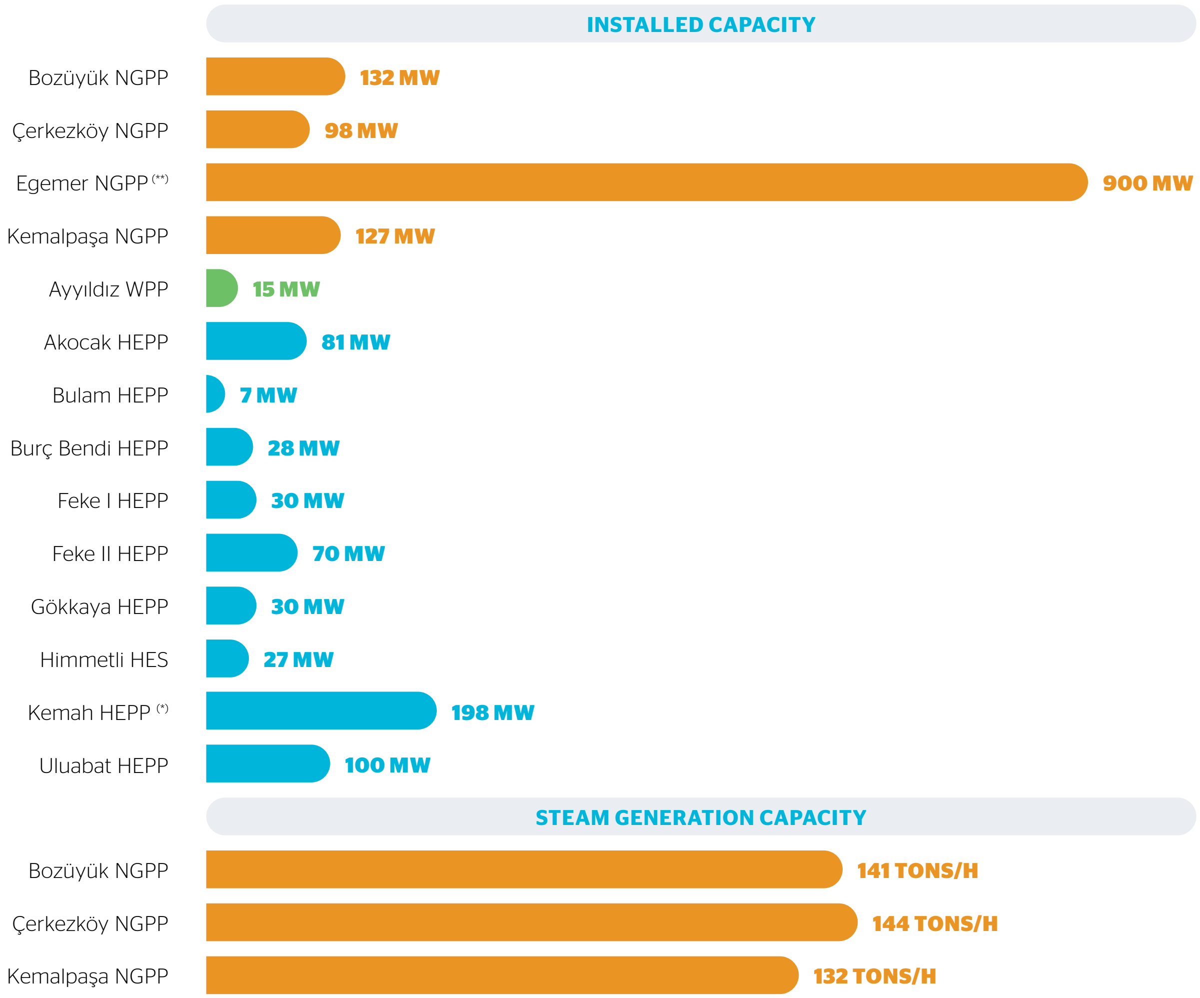
OPERATIONS MAP

With the three new HEPP projects that commenced operations in 2012, the share of renewable energy in Akenerji's generation portfolio increased to 52%.



BREAKDOWN OF INSTALLED CAPACITY BY SOURCE





CURRENT INSTALLED CAPACITY

745 MW (Natural Gas, Hydroelectric and Wind)

INVESTMENTS IN CONSTRUCTION PHASE

900 MW (Natural Gas)

INVESTMENTS IN PROJECT PHASE

198 MW (Hydroelectric)

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Akenerji has begun to reap the benefits of its investments.

CONSOLIDATED FINANCIAL INDICATORS (TL MILLION)	2008	2009	2010	2011	2012
Net Sales	607	457	428	560	802
Gross Profit from Sales	100	65	43	110	139
Operating Profit	67	24	8	59	79
Profit before Interest, Taxes, Depreciation and Amortization	89	50	36	106	133
Net Profit / (Loss)	90	24	(26)	(213)	81
Total Current Assets	238	353	187	220	526
Short-term liabilities	116	426	471	612	485
Working Capital	46	38	9	(3)	10
Tangible and Intangible Assets	537	852	1,353	1,539	1,720
Total Financial Liabilities	297	708	926	1,419	1,459
Total Assets	863	1,506	1,911	2,229	2,824
Total Liabilities	386	791	1,146	1,705	1,879
Total Shareholders' Equity	478	715	765	524	941
Cash and Cash Equivalents at the End of the Period	101	188	40	85	174
Capital Expenditures	130	364	465	267	239
Market Capitalization at the End of the Period - ISE	399	915	691	1,357	1,196
Average Number of Employees	217	235	289	315	314

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

CONSOLIDATED FINANCIAL INDICATORS (TL Million)

Net Sales (TL Million)

2008	607
2009	457
2010	428
2011	560
2012	802

Total Current Assets (TL Million)

2008	238
2009	353
2010	187
2011	220
2012	526

Total Assets (TL Million)

2008	863
2009	1,506
2010	1,911
2011	2,229
2012	2,824

Total Shareholders' Equity (TL Million)

2008	478
2009	715
2010	765
2011	524
2012	941

FINANCIAL RATIOS

Return on Equity (%)

2008	19
2009	3
2010	(3)
2011	(41)
2012	8.6

Current Ratio

2008	2.05
2009	0.83
2010	0.40
2011	0.36
2012	1.08

Total Liabilities / Total Equity

2008	0.81
2009	1.11
2010	1.50
2011	3.25
2012	2.00

Total Liabilities / Total Assets

2008	0.45
2009	0.53
2010	0.60
2011	0.76
2012	0.67

Financial and Operational Highlights

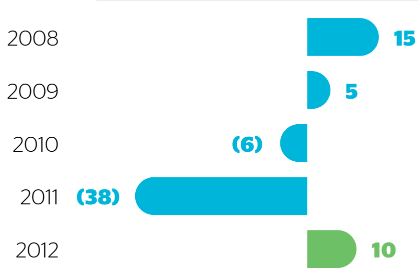
In 2012, Akenerji increased its market capitalization and net profit margin.

PROFIT MARGINS

Gross Profit Margin (%)

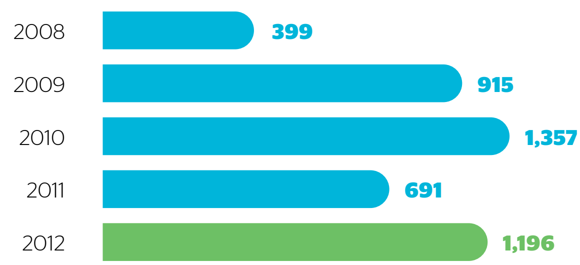
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) Margin (%)

Net Profit Margin (%)

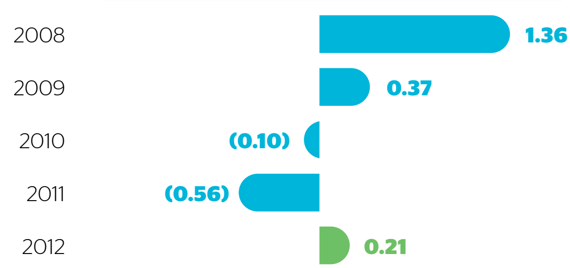


ISE PERFORMANCE

Market Capitalization at the end of the Period -ISE (TL Million)



Profit / Loss per Share (TL)



SALES

Electricity (GWh)

2008	2,771
2009	2,249
2010	2,811
2011	4,000
2012	4,947

Steam (1,000 Tons)

2008	1,809
2009	588
2010	69
2011	125
2012	90

DISTRIBUTION OF ELECTRICITY SALES (%)

Direct

2008	20
2009	12
2010	8
2011	6
2012	5

Indirect

2008	1
2009	10
2010	67
2011	67
2012	66

DUY (Balancing and Settlement Regulation System)

2008	79
2009	78
2010	25
2011	27
2012	29

MILESTONES

1980s

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

1990s

1993 Yalova Power Plant, which has an installed capacity of 59.5 MW, was gradually taken over from Aksa Akrilik Kimya Sanayi A.Ş.

Akenerji ranked 188th in the "Turkey's Top 500 Industrial Enterprises (ISO 500)" list compiled by the Istanbul Chamber of Commerce (ISO). Akenerji's ranking in the ISO 500 list continued to rise in subsequent years.

1996 Çerkezköy Power Plant with an installed capacity of 98 MW progressively became operational.

Alaplı Power Plant with an installed capacity of 6.3 MW was activated.

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

2000s

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

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

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

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

2005 Akenerji underwent a status change and started to operate under the trade name of Akenerji Elektrik Üretim A.Ş.

Akenerji was granted the right to operate Uluabat Hydroelectric Power Plant (100 MW) and Akocak Hydroelectric Power Plant (81 MW) for a period of 49 years at the hydroelectric power plant auctions held by the Energy Market Regulatory Authority (EMRA).

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

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

2007 Operations at Orhangazi, Uşak, Gürsu, Çorlu and Denizli power plants were ceased and the respective licenses were cancelled due to developments in the market.

Mem Enerji Elektrik Üretim Sanayi T.A.Ş., which held the license application for the Yamanlı III (Himmetli-Gökkaya 57 MW) project and the license of the Bulam Regulator and Hydroelectric Power Plant (7 MW), was acquired.

2008 Batıçim Power Plant was sold to Batıçim Enerji Elektrik Üretim A.Ş. and the license was transferred accordingly.

The license of Alaplı Power Plant was terminated as a result of market developments.

Akenerji won the SEDAŞ tender with the AkČEZ consortium that was formed with the participation the Akkök Group and Czech power company ČEZ.

2009 SEDAŞ management was handed over to AkČEZ consortium with a ceremony held in Ankara on February 11, 2009.

Akenerji acquired Egemer Elektrik Üretim A.Ş. on March 20, 2009. Egemer, having a natural gas power plant project with a capacity of approximately 900 MW in Erzin, Hatay, was the first investment of Akkök-ČEZ partnership and, at the same time, largest ever single investment decision taken by Akenerji up to that date.

The license of the Yalova Power Plant was transferred to Aksa Akrilik Kimya Sanayi A.Ş. on April 30, 2009.

The share transfer transactions between Akkök Group and ČEZ were completed; ČEZ took over a 37.36% stake in Akenerji on May 14, 2009.

Ayyıldız Wind Power Plant with an installed capacity of 15 MW was activated in September.

2010 Akenerji acquired İçkale Enerji Elektrik Üretim ve Tic. A.Ş., which holds the license of Kemah Dam and Hydroelectric Power Plant with an installed capacity of 160 MW (later the company's name was changed to Ak-El Kemah Elektrik Üretim A.Ş. (Ak-El Kemah Electricity Generation Co.))

An agreement was signed to purchase the entire production capacity of Polat Enerji's wind power plants, with an installed capacity of 100 MW, by the end of 2010.

Çınarcık Dam and Uluabat Kuvvet Hydroelectric Power Plant started operations with an installed capacity of 100 MW.

Akocak Regulators and Akocak Hydroelectric Power Plants became operational with an installed capacity of 81 MW.

Burç Bendi Hydroelectric Power Plant with an installed capacity of 28 MW was activated.

Bulam Hydroelectric Power Plant with an installed capacity of 7 MW was activated.

Feke II Hydroelectric Power Plant with an installed capacity of 70 MW was activated.

Akenerji's 2009 Annual Report was presented with Gold and Bronze awards in two categories at the League of American Communications Professionals (LACP), and with a Gold Award at the 24th "Academy Awards of Annual Reports" (ARC) competition.

For the Head Office and Çerkezköy, Bozüyük, Kemalpaşa Power Plants, certifications of ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety documents certifications were granted.

Akenerji's first and most comprehensive Environmental, Health and Safety Annual Report was published and disclosed to all stakeholders.

2011 Akenerji became the first energy company in Turkey that received the IIP (Investing in People) Certificate of Commitment.

Akenerji became the first energy company in Turkey that started to implement the EFET (European Federation of Energy Traders) agreement.

Akenerji participated in the Cross-border Transmission Capacity Tender held by TEİAŞ (Turkish Electricity Transmission Co.) and started its energy import and export activities.

Akenerji was awarded with the Energy Oscar, given for the first time in 2011 at the 17th International Energy and Environment Fair and Conference - ICCI. Having established the first cogeneration plant in Turkey, the Company won the award in the category of "Best Leading Investor of the Year."

The Company decided to extend its cooperation with Polat Enerji to take over all the production capacity of Polat Enerji's wind power plants up to the end of 2011. With an agreement signed in May 2011, the wind power plants with a current installed capacity of 128.3 MW and which are to be gradually increased to 189.2 MW by the year-end, were purchased.

Ayyıldız Wind Power Plant joined the plants that have ISO 9001:2008 Quality, ISO 14001:2004 Environmental and OHSAS 18001:2007 Occupational Health and Safety Management Systems certifications.

Akenerji joined the Carbon Development Project (CDP) Turkey and became one of the two energy companies that perform CDP reporting.

2012 Akenerji became the first Turkish energy company that granted with IIP (Investors in People) certification.

Akocak, Uluabat, Burç Bendi, Bulam and Feke II HEPPs received ISO 9001:2008 Quality, ISO 14001:2004 Environmental and OHSAS 18001:2007 Occupational Health and Safety Management Systems certifications.

Bozüyük Natural Gas Power Plant was selected the "The Cleanest Industrial Plant" and awarded with an "Environmental Certificate" within the scope of June 5th, World Environment Day.

Himmetli Hydroelectric Power Plant with an installed capacity of 27 MW commenced operations.

Feke I Regulator and Hydroelectric Power Plant with an installed capacity of 30 MW commenced operations.

Gökkaya Dam and Hydroelectric Power Plant with an installed capacity of 30 MW commenced operations.

AKKÖK IN BRIEF

Akkök Group continues with its achievements in its various fields of activity.

AKKÖK GROUP OF COMPANIES

Chemicals

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

Energy

Akenerji Elektrik Üretim A.Ş.
Egemer Elektrik Üretim A.Ş.
Sedaş Sakarya Elektrik Dağıtım A.Ş.

Real Estate

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

Textiles

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

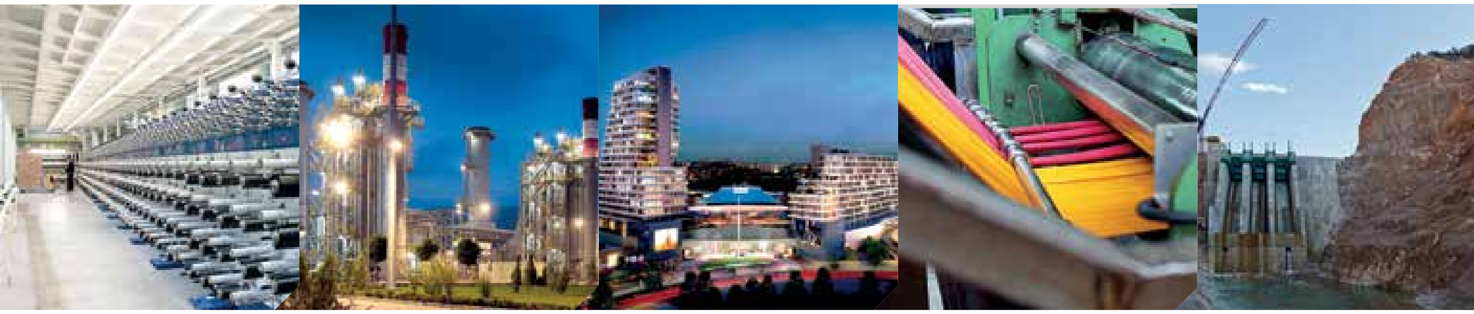
Services

Akport Tekirdağ Liman İşletmesi A.Ş.
Akmerkez Lokantacılık Gıda Sanayi ve Ticaret A.Ş.
Ak-Pa Tekstil İhracat Pazarlama A.Ş.
Aktek Bilgi İletişim Teknolojisi Sanayi ve Ticaret A.Ş.
Dinkal Sigorta Acenteliği A.Ş.

Akkök Group of Companies was founded in 1952 by the late Raif Dinçkök. Today, the Group is operating with 17 trade and industrial companies, including one located overseas, and with 18 manufacturing facilities in the chemical, energy and real estate sectors. The Group closely monitors economic developments and global competition conditions in all the sectors it operates.

As the world's largest acrylic fiber manufacturer with 308,000 tons/year capacity, **Aksa** is serving textiles and industrial textiles industries in over 50 countries on five continents. The Company has a 14% share in the world's acrylic fiber production. Aksa, through its R & D investments and innovative approach, implemented the production and the technology of carbon fiber. Carbon fiber is considered as one of the 21st century's most important raw materials in Turkey. DowAksa İleri Kompozit Malzemeler Sanayi Limited Şirketi (DowAksa Advanced Composite Materials Industry Limited Co.) was established in 2012 as a joint venture based on equal partnership between Aksa Akrilik Kimya Sanayii A.Ş. and the Dow Chemical Company. As a result of the joint venture, the parties started to collaborate on the production and worldwide marketing of carbon fiber and carbon fiber-based products.

DowAksa is planning to achieve significant developments in Turkey and in the rest of the world by combining the power of science with world-class manufacturing capabilities and technical expertise. Increasing the energy generation capabilities of wind turbines, reducing fuel consumption in cars realizing infrastructure projects, and strengthening buildings for the purpose of extending their life are some of the issues that the new joint venture prioritizes. Thereby, DowAksa will bring innovative solutions to the most important issues facing the world today.



Producing more than 500 different chemicals in facilities having an annual production capacity of 600 thousand tons, **Ak-Kim** serves many different industries, especially textiles, metals, food, cleaning, water treatment, corrosion and crust prevention, paper, pharmaceuticals and construction, with a wide range of products.

Having the capability to sell its products in countries where its competitors have production facilities, Ak-Kim remains competitive in international markets by taking advantage of its customer-oriented products when competing with global giants. Ak-Kim exports its products to 55 countries on five continents; almost half of the exports are made to EU countries and the rest to countries such as Pakistan, Israel, Iran, the United States, Canada, and Korea.

Ak-Kim has sold know-how and technology to firms abroad since 2002 and performs many services ranging from turnkey contracting to engineering work.

Akenerji, which became operational in 1989 as one of the first private sector power generation companies in Turkey, evolved into a strategic partnership with the equal participation of Akkök and ČEZ in 2009. With 23 years of experience in electricity generation, Akenerji increased its total installed capacity to 745 MW with the activation of the Feke I, Himmetli and Gökkaya power plants in 2012, and the share of renewable energy in its total capacity rose to 52%.

Akenerji, continuing its investments in renewable energy at full speed, continues the project planning of Kemah Hydroelectric Power Plant that is to be built in Erzincan with an installed capacity of 198 MW. In addition, with the completion of the 900 MW Egemer Natural Gas Plant project, the construction of which started at the end of 2011, Akenerji will be able to produce 6.7 billion kWh of energy annually and meet about 2.6% of Turkey's energy need. The power plant is expected to be completed in the third quarter of 2014.

The Group continues to grow in the real estate sector with **Akiş**, Akbatı Shopping and Living Center, Akbatı Residences, Akbatı White Tower, Akkoza (1st and 2nd phase) and Akasya projects. Akiş operates in the sector with its new structure as a Real Estate Investment Trust. AKİŞ REIT undertakes well-respected projects in the industry with its innovative and value-added approach.

In addition, **SAF REIT** and **Akmerkez**, which has held a privileged position in the Turkish real estate market since its inception, are among the major achievements of Akkök Group in the real estate sector.

Openness and accountability are the basic principles that Akkök Group abides by in its relations with all stakeholders, particularly employees, customers, suppliers and shareholders. In this context, Akkök Group signed the United Nations Global Compact in 2007. All companies within the Group, in addition to fulfilling their financial obligations resulting from activities in various sectors, are obliged to act in a socially, environmentally and economically responsible manner, as is expected from a good corporate citizen.

Akkök Group, with more than 3,300 employees, reported combined turnover of USD 3.1 billion in 2012. Some USD 393 million of this amount is comprised of exports to over 50 countries.

ČEZ IN BRIEF

ČEZ aims to expand its power plant portfolio.

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

To increase the performance in core processes and to attain optimum cost efficiency
In line with this objective, ČEZ aims to become the most efficient energy company in the European energy sector in 2012.

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

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

To achieve innovation in all its activities
ČEZ is interested in the new energy-saving technologies, research and development activities, environmental protection activities and intelligent distribution networks.

As of 2011, ČEZ has affiliate companies that operate in Poland, Bulgaria, Romania, the Netherlands, Germany, Hungary, Serbia, Turkey, Albania and Slovakia as well as in the Czech Republic. The Company engages in the distribution and sale of electricity in western Bulgaria, and the generation of electricity in its thermal power plant located near Varna in east Bulgaria. ČEZ engages electricity generation, distribution and sales activities in Romania and operates two coal-fired thermal power plants in Poland. In Germany, ČEZ operates three power plants and engages in coal mining through an affiliate. In Albania, ČEZ continues to operate as the single electricity distribution company of the country. In Slovakia, the Company is carrying out its activities together with its partner to build a nuclear power plant in the region of Jaslovské Bohunice. ČEZ also engages in electricity sales activities in the countries in which it operates, and at the same time, closely monitors opportunities in these countries.

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

MISSION, VISION, VALUES AND AKENERJI EMPLOYEES

Akenerji improves its corporate quality with its results-oriented approach.

MISSION

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

VISION

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

CORPORATE VALUES

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

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

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

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

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

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

SHARED COMPETENCES OF AKENERJI EMPLOYEES

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

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

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

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

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

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

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

MESSAGE FROM THE CHAIRMAN

Akenerji managed to increase its sales by 43.2% in 2012 by focusing on its energy trading activities.

Dear Shareholders,

We left behind a year full of turmoil in the global economy. The failure of European countries to produce permanent solutions to the sovereign debt crisis appears to be the main reason of uncertainty in the region. Eurozone economies that entered a recession in the third quarter of the year raised concerns in world markets. While the European Commission expects only 0.1% growth for the European Union in 2013, a decrease of 0.3% is predicted for the Eurozone economies.

In the United States, the fiscal cliff and budget deficit problems were at the top of the agenda throughout the year. However, by the end of the year, the United States showed a better picture than the Eurozone. The growth rate in China, which has been attracting attention with its rapid growth in recent years, also slowed down as in other developing countries. Such developments in the world economy were reflected in the IMF's estimates; the IMF revised down its 2013 and 2014 forecast in the World Economic Outlook report by 0.1 percentage points. Accordingly, the expected growth rates for the next year were revised to 2% for developed economies and 5.9% for developing economies. Macroeconomic data in 2012 shows that the weak trend in the world economy will prevail next year.

Despite the turmoil in the global economy, Turkey maintained its macro balances throughout the year with the help of a stable financial policy. The remarkable drop in the current account deficit, the reduction in unemployment rates and the increase in capital inflows can be counted as among the positive developments that the Turkish economy experienced throughout the year. In addition, the increase of Turkey's rating to "investment grade" by Fitch, the international credit rating agency, is of great importance for our country. Among the negative developments was the slowdown of the economy in 2012, following the fast growth track prevailed until the end of last quarter of 2011, . Despite the previous year's 8.5% growth, Turkey's economy grew only 2.2% in 2012.

The Turkish economy may face problems such as increasing political tensions in the Middle East, the deepening of the recession in the Eurozone, slowing growth in the U.S. economy and the rise in oil prices, among many others, in the coming year. Currently, the foreign dependency of the energy sector, the budget deficit and current account deficit problems are important issues that should be focused on.

During the year 2012, the increase in energy demand, the need for renewable energy sources, climate change and environmental protection were among the issues on the agenda of the world energy sector. Many organizations, including the International Energy Agency, are giving warnings regarding the need to be alarmed about climate change. The closing of the United Nations Climate Summit in Doha with a weak compromise and the questionable effectiveness of the Kyoto Protocol showed that the fight against climate change does not yet have the required pace. On the other hand, the catastrophe in Fukushima led to the discussion of global policies as regards to nuclear energy once again.

In terms of the Turkish energy sector, 2012 was an extremely busy year for both the private and the public arenas. The privatization tenders of Akdeniz, Bedaş and Gediz distribution areas were completed and the electricity sector privatizations gained momentum. In addition, with the collaboration of the government, an implementation plan for the Turkish Energy Exchange developed and the articles regarding the establishment of an efficient energy trade exchange added to the new Electricity Market Law. These articles represent an important step towards the liberalization of energy trade in the country.

As it is in the rest of the world, energy demand is increasing in line with population growth in Turkey. This increase emphasizes the importance of local and renewable resources in energy generation. In addition, insufficient energy generation is one of the major causes of the current account deficit. Energy imports amounting to USD 60 billion in 2012 had a major effect on the current account deficit of Turkey.

Akenerji, being aware of Turkey's growing energy needs, continued its activities regarding renewable energy sources and efficiency throughout the year. Following the activation of Akocak, Burç Bendi, Bulam, Uluabat and Feke II hydroelectric power plants in 2010, Feke I, Gökkaya and Himmetli hydroelectric power plants became operational in 2012. Therefore, Akenerji activated the renewable energy power plants in its portfolio. While total portfolio capacity increased to 745 MW, the share of renewables in this capacity reached 52%. Akenerji invested a total of USD 740 million for eight HEPP projects that have been opened gradually since 2010.

Besides all these developments, the construction of the Egemer project, one of the country's largest natural gas power plant investments with 900 MW capacity, continues. Egemer, which is scheduled to become operational in 2014, will alone provide 2.6% of the total energy need of Turkey; therefore it will play an important role in meeting Turkey's electricity needs. Akenerji, with the activation of Egemer and Kemah, which is the largest hydroelectric power plant project in its portfolio with 198 MW capacity, will reach a total production capacity of 1,843 MW and will become one of the largest companies in the industry in terms of installed capacity.

Efficiency-oriented solutions in energy production and trade were the main focus of Akenerji's activities during 2012. In this context, with the collaboration of the Company's Retail Sales and Trading departments and SEDAŞ, an extremely efficient energy trading process was started; so that each MWh of energy produced is ensured to be sold in the most profitable way. SEDAŞ, operating in Sakarya, Kocaeli, Bolu and Düzce that are regarded as the industrial center of Turkey, increased the number of its customers to almost 1.5 million in 2012 with its ever-increasing quality of service.

Akenerji, as a result of profitable investment decisions made one after another and steps taken for long-lasting achievements, increased its turnover from TL 560 million in 2011 to TL 802 million by the end of 2012.

Akenerji, as one of the Turkey's most established energy companies, carries out all business processes with a responsibility towards the environment, society and its stakeholders. With this approach, the activities towards identifying, development, adoption and implementation of environmentally friendly technologies will continue in 2013. Akenerji will continue to be one of the leading companies in the energy sector with efficiency-oriented investments and an innovative perspective.

I would like to thank all our employees who take great effort in achieving the objectives of Akenerji, our shareholders for their support and trust, our customers, lenders and all our stakeholders.

Sincerely,

Mehmet Ali Berkman
Chairman of the Board of Directors

MESSAGE FROM THE CEO

Akenerji's installed capacity reached 745 MW in 2012.

Dear Shareholders,

Despite continued uncertainty in the global economy in 2012, Akenerji sustained its growth trajectory without being affected by these fluctuations. Adopting the mission of making a sustainable and long-term contribution to the energy needs of Turkey, the Company continues to grow with determined steps.

2012 was an extremely productive year for Akenerji, full of successfully implemented projects and ongoing profitable investments. As one of the country's largest private sector electricity generating companies in terms of installed capacity, Akenerji increased its total installed capacity to 745 MW and share of renewable energy in its total capacity to 52% with Himmetli Regulator and HEPP (27 MW), Feke I Regulator and HEPP (30 MW) and Gökkaya Dam and HEPP (30 MW) that became operational in 2012. Keeping its strong position in the field of energy trade by means of its production portfolio, Akenerji's trading portfolio amounted to approximately 600 corporate customers and 13,000 subscribers.

The construction of Egemer Natural Gas Combined Cycle Power Plant in Erzin, Hatay has continued throughout 2012. As the first step of the strategic partnership established between the two major energy groups, Akkök and ČEZ, the power plant scheduled to be activated in 2014. Egemer differs from other investments by being the largest ever single investment in Akenerji's generation portfolio. When activated, Egemer Natural Gas Power Plant, having a capacity of 900 MW, will be able to supply approximately 2.6% of the total electrical energy need of Turkey by itself.

One of the ongoing projects in 2012 is Kemah Dam and HEPP, which is the largest HEPP project in Akenerji's portfolio with 198 MW of installed capacity. Planned to be operational in 2017 and projected to produce 564 GWh of electricity on average annually, the size of Kemah project is an indication of the importance given to renewable energy sources by Akenerji. The Company plans to obtain pre-construction permits of the project and to complete the project design in 2013.

In addition to these investments, Akenerji also leads the sector in energy trading, backed-up by its 23 years of electricity generation experience. In this context, the decision to sell outsourced-energy next to the energy generated by the Company is of great importance. During the year, through the sale of 120 million kWh of energy from other generator companies, additional value is generated for the Company. Furthermore, two-way energy trading with the European countries continued at the same pace in 2012.

The accomplishments that we achieved in our activities had extremely positive effects on the financial performance of the Company. The Company, which supplies electrical energy to enterprises in various sectors, increased its total sales volume by 43.2% compared to last year. In terms of EBITDA performance, an increase of 25% was achieved in 2012. With this increase, that took place in accordance with our expectations, EBITDA rose from TL 106 million in 2011 to TL 132.8 million by the end of 2012. We expect EBITDA growth to continue in 2013 with the contribution of Himmetli, Gökkaya and Feke I Hydroelectric Power plants that started production in 2012.

This positive financial performance is also reflected in gross and net profit values. While the contribution of renewable sources to total electricity generation in the previous year was 35%, this ratio increased to 44% in 2012 and, by the year-end, the electricity produced from renewable energy sources increased by 248 GWh. With this increase, our gross profits grew by 27% compared to 2011 and reached TL 138.6 million by end of 2012. As a result of these positive developments, the Company closed the year with net profit of TL

81 million. Our goal is to maintain the philosophy of sustainable growth and profitability and to reflect it to all our activities in the coming year.

Within the framework of its "Quality Policy", the Company continued its efforts in the use and development of innovative and environmentally friendly technologies in all of its power plants in 2012. Alongside the Environment and ISG report that was published for second time this year, the Company announced its carbon emissions and climate change policies by means of the Carbon Disclosure Project, which the Company participatedin in 2011. With its operating renewable energy power plants, Akenerji prevents approximately 1 million tons of CO_2 emissions each year and leads carbon emission trading initiatives in the country.

Akenerji's environmentally friendly approach was recognized by the Provincial Directorate of Environment and Urbanization of Bilecik, and Bozüyük Natural Gas Power Plant was selected "The Cleanest Industrial Plant of 2012". This Environmental Certificate, which the Company received in the "Cleanest Industrial Plant of Bilecik "competition held within the scope of June 5th, World Environment Day, is of great significance in terms of recognition of the Company's activities as being environmentally and socially responsible.

The Company's skilled human resources play a key role in the positioning of the Company as a reliable brand. With this in mind, our innovative investments in the area of human resources continue. Presented with the Investors in People (IIP), Certificate of Commitment in the previous year, Akenerji, once again, was the first Turkish energy company to receive the Investors in People Certificate in 2012. As a result of IIP, which aims to create a people-oriented culture in companies, Akenerji's existing processes were revised and renewed within the framework of recent developments in human resources. In addition, the transfer of Talent Management and Training & Development processes, which were launched previous year, to electronic media was successfully carried out in 2012 in line with the project plan. In 2013, we aim to complete these ongoing projects and to pass to a stage of more efficient human resources processes.

All the members of the Akenerji family made extensive contributions to each and every achievement realized throughout the year through their competencies, devotion and determination. Herewith, I would like to thank all our employees. I also would like to express my gratitude to our shareholders, who strengthen us by supporting our investments , our suppliers, customers, lenders and social stakeholders.

Sincerely,

Ahmet Ümit Danışman
General Manager

ENERGY SECTOR IN THE WORLD AND IN TURKEY

Energy efficiency policies are gaining importance across the world.

World

In terms of world energy markets, 2012 has been a year that witnessed the realization of 2011's predictions. According to International Energy Agency data, the center of the world energy consumption will shift to the east over the next 25 years; especially the Middle East, China and India will be the most outstanding regions. Depending on the expansion of non-conventional methods on the supply side, the role of the United States and Canada in the world energy market will increase, while Iraq, in a recovery process after the war, will be of key importance with its large amount of reserves.

The impact of this new balance on electricity generation is already becoming evident. The share of coal in electricity production in the USA has fallen to 30% from 50% over the last five years. The export of excess coal, resulting from reduced consumption, to Europe caused a shift to coal by European electricity generators.

Following the Fukushima nuclear disaster, the debate continues over the future of nuclear energy. While countries like Germany, Switzerland and Italy completely close their doors to nuclear energy, France, which currently meets about 75% of its electricity need from nuclear power plants and Japan, in which the Fukushima disaster took place, take measures to reduce the share of nuclear power in their energy generation. Nevertheless, the positions of emerging economies such as China, India and Russia on this issue will be of crucial importance.

Despite the warnings made throughout the year by the International Energy Agency and other international organizations for the need to be concerned about climate change, the fight against climate change failed to have the required momentum in 2012. While the two-week UN Climate Summit in Doha closed with a weak compromise; the fact that the countries that participated in the second commitment period of the Kyoto Protocol represented only 15% of total global greenhouse gas emissions made the effectiveness of the Kyoto Protocol questionable.

On the other hand, the importance of policies on energy efficiency seemed to increase in 2012. While fuel efficiency arrangements realized in the United States with the agreements made by automobile manufacturers, the European Energy Efficiency Directive was published and adopted by the EU, and the target to increase energy efficiency by 16% was added to the five-year development plan in China. In Turkey, after the Law on Energy Efficiency went into effect in 2007, the Energy Efficiency Strategy Paper was published in February 2012. With the Strategy Paper, at least a 20% reduction is targeted in Turkish energy consumption per unit of GDP (energy intensity) the by 2023 as compared to 2011.

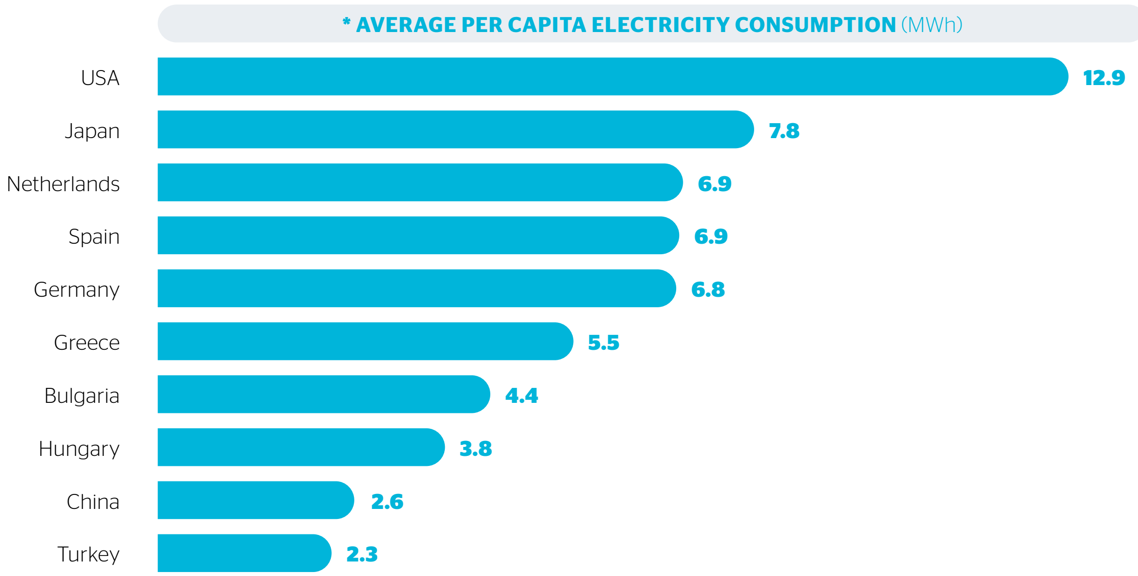
Turkey

The Turkish economy grew by 2.2% in 2012 compared to last year, while the demand for electricity increased by 5%, an increase well above the economic growth. Due to a decline in electricity demand in the last three months, partly from seasonality and partly as a result of national/religious holidays, electricity consumption increased by 5% compared to 2011 and reached 242,000 GWh in 2012.

In 2012, as a result of efforts made in collaboration with the government, an implementation plan was developed for the Turkish Energy Exchange. Positive steps were taken through the establishment of a healthy energy trade market and related articles were added to the New Draft Electricity Market Law.

In addition to work on the establishment of the Energy Exchange, 2012 was a year of accelerated privatization activities in the electricity sector. Tenders for the Akdeniz, Bedaş and Gediz distribution regions were finalized and tenders for generation assets continued. The Turkish energy sector enters a new year in which private and public sector investments will continue unabated.

The public sector share in the total installed capacity, which was 45% in 2011, stood at 43% in 2012. Natural gas-intensive generation continued in 2012; 43% of total energy generation was from natural gas, followed by 27% from coal and 24% from hydroelectric power plants.



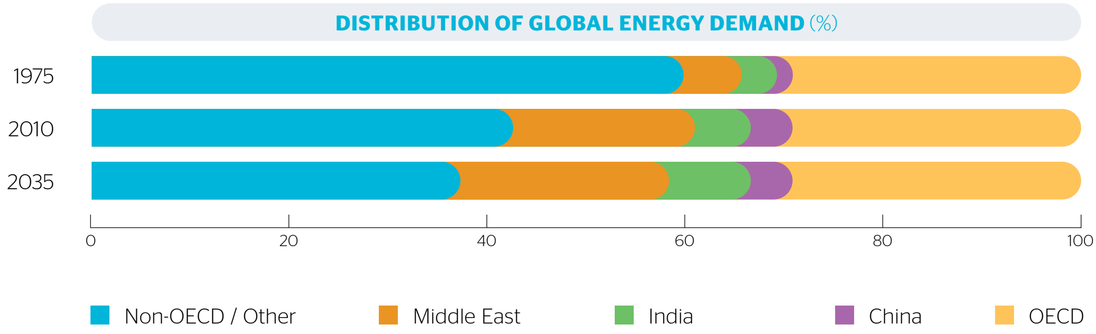
(*) World Bank World Development Indicators, 2012.

Energy and Current Account Balance

The current account deficit amounted to USD 45 billion in 2012, excluding December. Energy imports, totaling USD 55 billion in 2012, continued to maintain its share in the current account deficit, which is considered to be the primary problem of the Turkish economy. In this context, reducing the foreign energy dependency, by evaluating renewable sources such as hydroelectric and wind and exploiting local resources, is gaining much more importance.

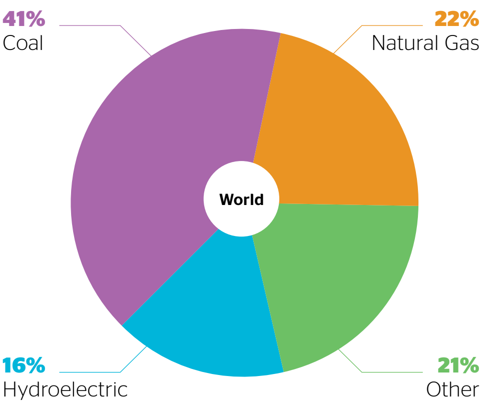
Energy Markets Towards 2035

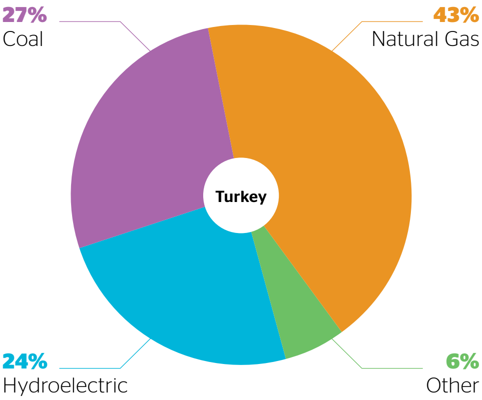
It is expected that global energy demand will increase by more than one-third by 2035 in line with rising living standards in China, India and the Middle East.



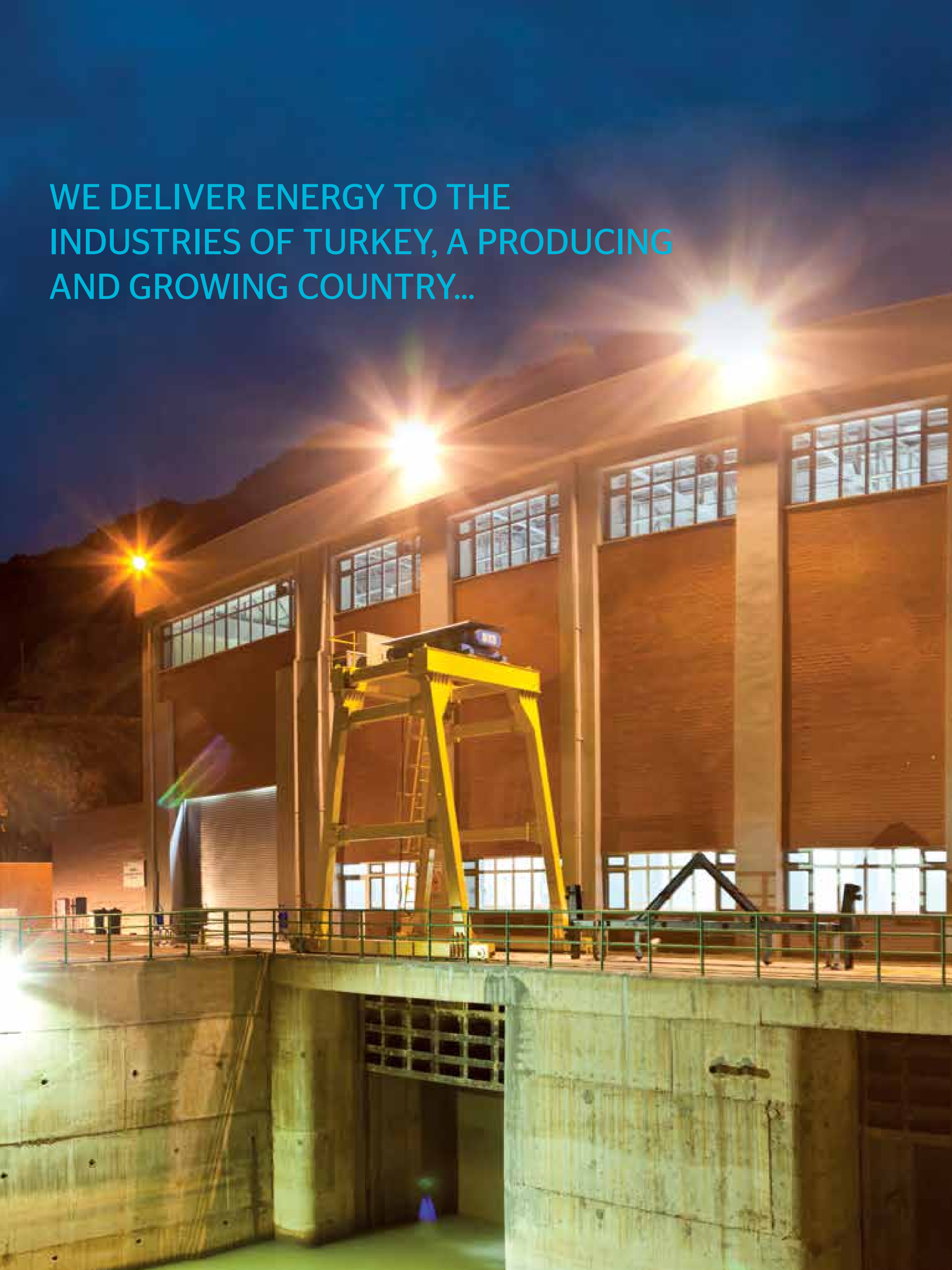
Energy Sector in the World and in Turkey

ENERGY SECTOR IN THE WORLD AND IN TURKEY





WE DELIVER ENERGY TO THE INDUSTRIES OF TURKEY, A PRODUCING AND GROWING COUNTRY...



WE FOCUS ON PRODUCTION.

One of the leading private sector companies in electricity generation, Akenerji increased its net sales revenue by 43.2% in 2012 compared to the previous year.

When projects in the investment and construction phases become operational, Akenerji will generate a significant portion of energy production in Turkey.

OPERATIONS IN 2012

Akenerji put eight HEPP projects into operation in 2012.

Generation

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

In 2012, Akenerji attracted attention with its investments in renewable energy sources. The Company, as a result of synchronized efforts carried out since 2006, put one wind and eight hydroelectric power plants into operation, reaching a total capacity of 388 MW by the end of 2012. Therefore, with the activation of all of the renewable energy power plants in its portfolio, the share of renewable energy sources in the total installed capacity of Akenerji increased to 52%.

The construction of Egemer project, one of the largest natural gas power plant investments in Turkey with 900 MW of installed capacity, is still ongoing. When the plant put into operation in 2014, Akenerji's energy production is expected to double.

Wind
Ayyıldız Wind Power Plant was launched in 2009 as the first renewable energy generation facility of Akenerji. The Company, aware of the need touse alternative sources of energy to fight climate change, continues with its activities and investments in this area.

Hydroelectricity
With the goal to meet the electricity demand of Turkey, Akenerji invested about USD 740 million in eight hydroelectric power plants.

Following Akocak, Bulam, Burç Bendi, Feke II and Uluabat hydroelectric power plants, which were completed and activated in 2010, Feke I Regulator and Hydroelectric Power Plant became operational in 2012. With 30 MW installed capacity, Feke I HEPP is planned to generate 117 GWh of electricity per year. Himmetli HEPP, which was put into operation following Feke II, has an installed capacity of 27 MW. In September, approval procedures of the Gökkaya HEPP before the Ministry of Energy and Natural Resources were completed and the plant started operations. With the activation of Gökkaya HEPP with an installed capacity of 30 MW, Akenerji put all of its hydroelectric power plant investments into operation.

Natural Gas
Bozüyük (Bilecik - 132 MW), Çerkezköy (Tekirdağ - 98 MW) and Kemalpaşa (Izmir - 127 MW) natural gas power plants are among the Akenerji's operational natural gas power plants. The Bozüyük and Çerkezköy power plants were presented with "The Cleanest Industrial Company" awards for their environmentally friendly policies, and they set examples for the rest of the industry in this regard.

Akenerji is planning to put into operation Egemer Natural Gas Power Plant, construction of which is still ongoing, in 2014. This natural gas power plant project, located in the Erzin town of Hatay province, is one of the most important projects of the Akkök-ČEZ strategic partnership. The plant, having an installed capacity of approximately 900 MW, is expected to produce an annual average of 6.7 billion kWh of electricity and to double the energy production of the Company. With the activation of Egemer NGPP, Akenerji's resource diversity will increase in favor of natural gas.

Operations in 2012

Investments

Akenerji, working at every step towards the achievement of its goals with employees at every level and with determination and dedication, increased its total number of HEPPs to eight by the year-end with the activation of Feke I HEPP, Himmetli HEPP and Gökkaya HEPP. The Kemah HEPP project, the largest hydroelectric power plant in the Company's portfolio, is expected to be activated in 2017.

Akenerji offers quality and efficiency focused solutions to the increasing energy demand of Turkey with the production policy it has adopted since its foundation.

Investments in the Construction Phase

Egemer Natural Gas Combined Cycle Power Plant

As one of the most important projects of the Akkök-ČEZ strategic partnership, the Egemer Natural Gas Combined Cycle Power Plant is the largest investment made by Akenerji to date. With the ongoing construction in the town of Erzin in Hatay, the Company aims to introduce the region to a contemporary, environmental-friendly and high-efficiency power plant.

The Egemer Natural Gas Combined Cycle Power Plant has a capacity of approximately 900 MW. Scheduled to become operational in 2014, the plant is expected to generate 6.7 billion kWh of electricity per year. With this production capacity, Egemer will generate an amount corresponding to almost 2.6% of the Turkey's total electricity demand.

With the activation of Egemer, Akenerji will increase its installed capacity to 1,645 MW and further strengthen its position in the sector.


EuroTech 56

Operations in 2012

Investments

Permits
For the Egemer Power Plant, the Electricity Generation License and the affirmative Environmental Impact Assessment (EIA) certificate were received and implementation and master plans were both approved. On September 16, 2011, the construction permit was granted during the final stage of the land allocation. In 2012, the construction of energy transmission lines, which are needed to connect the plant to the interconnected energy system, and the Erzin and Tosçelik transformer stations were completed. Construction work on the gas pipeline, which was started in the last quarter of the year, is expected to be completed in the first quarter of 2013.

Construction Process
Based on a turnkey engineering, procurement and construction contract signed on December 15, 2010 with the Gama Güç Sistemleri-GE Energy-Gama Ltd.-General Elektrik A.Ş. Consortium (Gama-GE Consortium), a definite statement of commencement for construction was submitted to the Gama-GE Consortium. The Consortium completed the mobilization and on November 23, 2011 construction activities began with the removal of topsoil.

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

Environmental and Social Responsibility
Akenerji carries out its activities on the Egemer Plant project with the support of research and engineering companies that are experts in their fields of operations. By this way, the Company investigates and acquires the high-tech production systems that enable the highest efficiency in energy generation with the least possible use of resources. As is the case in all of its activities, Akenerji, is extremely aware of the environment with regards to this project. Utmost precautions are taken for the regional agriculture to be affected as little as possible.

Electricity generation in the Egemer Power Plant will be realized with the natural gas combined cycle method; therefore, CO_2 emissions will be decreased to very low levels. The level of power plant flue gas emissions is planned to meet the values given in the European Union environmental legislation. For this purpose, advanced technology control and monitoring systems will be used, and these values will be constantly monitored by a team of experts. In addition, via the online ambient air monitoring station that is to be built near the power plant, air quality will be monitored continuously.

Akenerji, in addition to these measures taken with the anticipation of the potential environmental risks, continues to work to ensure compliance with all of the environmental criteria as required by applicable legislation. Wastewater treatment and discharge, disposal of waste materials, prevention of noise pollution and protection of groundwater resources are among the issues that the Company gives upmost importance to. Since the plant will use seawater in the cooling process, ground water resources will not be utilized for any purpose. In addition, the monitoring of groundwater levels and quality parameters, which began long before the construction stage, is ongoing.

As per the agreement signed with Enon Çevre Danışmanlık Ltd. Şti., pre-construction monitoring studies were carried out beginning in March 2011 in order to determine the present condition of the project site and impact area. In addition to these studies covering ground and surface water, soil quality, flora and fauna, the population of species considered to be of importance for the region was observed and follow-up studies were carried out for sea turtles. In addition to these pre-construction studies, noise, air and water qualities were measured and monitored to observe impacts of construction activities on the environment. As an extension of these studies, evaluation reports, operating and monitoring plans were prepared that will guide the Company throughout the construction and operation period. Environmental monitoring practices will be maintained throughout the operation period with the same meticulous care as in the construction phase. At the end of the first year of operation, the monitoring schedule will be revised in accordance with legislative requirements and will be implemented accordingly.

Egemer Power Plant will contribute to employment with an expected 1,000 recruitments during the plant construction phase, and when the project is completed, an expected 60 recruitments during the plant's operating phase. In order to provide job opportunities to local residents during the construction phase of the power plant, the Gama-GE Consortium visited Erzin Public Training Center to obtain information about the potential labor force in the region. About 230 of the 470 employees working in the first phase of construction were selected among the local workforce. The Company, in order to ensure that the region benefits in economic terms, procures the materials and equipment required for the project from the region as much as possible during the construction phase.

Akenerji, in line with its transparency policy which is part of its corporate culture, discloses all kinds of information to the public about the Egemer project. Starting in 2010, updated information about the project is available on the Akenerji website. Moreover, a Communications Contact Officer was appointed by Egemer Elektrik Üretim A.Ş. and the Gama-GE Consortium to provide effective relationship management between the parties, to ensure the continuation of the information flow and to respond to inquiries during the project.

Investments in Project Phase

Kemah Dam and Hydroelectric Power Plant

As the Company's new hydroelectric power plant project, Kemah HEPP is an indication of the importance of renewable energy production for Akenerji. The plant will be established in the province of Erzincan. Feasibility studies of the project were completed. Design and pre-construction permits are expected to be received in 2013.

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

Kemah HEPP project is of particular importance as the largest hydroelectric power plant project in Akenerji's portfolio. Scheduled to be operational in 2017, the project is expected to generate 564 GWh of electricity per year.

Operations in 2012

Akenerji created additional value for the Company with the sale of about 120 million kWh of outsourced energy in addition to the energy generated in-house.

Energy Trade

As one of Turkey's most experienced energy companies, Akenerji had an extremely productive year in 2012 with accelerated energy trade activities. The agreements signed towards the end of 2011 and that became effective January 1, 2012 accelerated trade activities of the Company in 2012. Again, following the first EFET (European Federation of Energy Traders) agreement signed with RWE in 2011, Akenerji established long-term relationships with four other manufacturing and trading companies. Making prudent and appropriate decisions in its energy trade activities, Akenerji signed a total of 27 EFET- like private contracts with new companies. Ninety transactions were carried out based on these contracts.

Decisions that add value to marketing activities

In 2012, Akenerji took a step beyond selling the energy it produced in-house and started to buy and sell the energy generated by other generator companies. Thus, its pioneering reputation continued in energy trading in addition to energy production, and its marketing activities further expanded accordingly. In this context, additional value was created for the Company from the sale of approximately 120 million kWh of outsourced energy, excluding imports, throughout the year.

One of the objectives of Akenerji is to increase the outsourced capacity in 2013. With this goal in mind, the first steps were taken for the procurement and sale of 600 million kWh of energy that will be activated as of January 2013, and the legal requirements were fulfilled in that respect. This amount is expected to reach 1 billion kWh in 2013.

Furthermore, activities related to export and import of electricity that began in 2011 continued in 2012. For 2013, the new foreign energy supply sources were identified and contacted, and the potential opportunities were evaluated. Moreover, regarding energy exports and imports, the purchase and sale of energy through both Bulgaria and Greece continued during 2012 in both directions. In terms of international trade activities, Akenerji plans to follow developments in Georgia to assess the potential of the region in 2013.

Increasing profitability with efficiency-oriented strategies

Akenerji focused on solutions that will improve the efficiency of production and trade activities in 2012. In this context, an energy trading process, which provides efficient coordination between SEDAŞ, the regional retail sales company of Akenerji, and Retail Sales and trading departments, was developed. The process enables each MWh of energy produced to be sold in the most effective way.

Akenerji has taken decisive steps towards the reduction of costs in energy trading. One of these steps was the adaption of CFDs (Contract for Difference) that are used in Europe to the Turkish markets. Thus, costs were reduced and, at the same time, implementation of an effective risk management system in financial terms was provided.

As a result of the Company's high efficiency-oriented approach, Akenerji efficiently operated the resources of its power plants within the scope of the prices realized in the Day-Ahead Market and Energy Balancing Market. In this context, it was also ensured that ancillary services would be provided the in most profitable manner. In addition, with the help of Primary Frequency transfer agreements, the effect of this liability, which has negative impacts on generation companies, on the Company was kept on a minimum.

One of the important activities carried out in 2012 by Akenerji is to serve the Sekonder Frequency Control framework. The Company assumed an important role in improving the quality of the Turkish electricity grid frequency.

Akenerji, as a founding member of the Energy Traders Association, kept and strengthened its key position among the organizations that shape the Turkish energy market in 2012. Throughout the year, maintaining close ties with private sector representatives, public sector participants and regulatory authorities, the Company continued its activities towards the establishment of the Turkish Energy Exchange and the best and most effective applications of the regulations in the sector.

Emission Trade

Akenerji is aware of the role undertaken by energy companies in controlling climate change, which is one of the main problems facing the world today. With this in mind, the Company invests in renewable energy sources and leads all initiatives in this area. Performing certification and carbon sale in all of its renewable energy investments, Akenerji has a leading role in the sector in preventing carbon emissions. In 2012, major progress was achieved in the carbon certification of the renewable energy power plants.

Ayyıldız Wind Power Plant, that became operational in September 2009, was registered with the Gold Standard. Following Ayyıldız, the certification process for Uluabat, Burç Bendi, Akocak, Feke I and Feke II power plants were completed. As of the registration date, Uluabat Hydroelectric Power Plant became the largest hydroelectric power plant with a dam in Turkey that registered with the Voluntary Carbon Standard.

In addition, with 7 MW of installed capacity, Bulam Hydroelectric Power Plant is at the last stage of the process of being registered with the Gold Standard. For the Gökkaya and Himmetli Hydroelectric Power Plants, which were activated in 2012, certification work is ongoing and the validation process is in the last stage.

Akenerji also pioneers the emissions trade in the sector. Akenerji actively sells in the market emission reduction certificates, which correspond to the electrical energy generated at Ayyıldız Wind Power Plant and are registered with the Gold Standard. Upon registration of certificates corresponding to the electrical energy generated at other HEPPs that became operational in 2010, certificates of Akocak, Uluabat ve Feke II HEPPs were actively offered for sale in 2012.

Operations in 2012

SEDAŞ provides energy for the needs of almost 1.5 million subscribers in a high quality, efficient and continuous manner.

Distribution

Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) carries out electricity retail trading in addition to its main activity of electricity distribution. Within the scope of distribution, SEDAŞ also provides for the establishment of the technical infrastructure needs of the region in which it operates. The Company delivers energy to about 1.5 million subscribers in a high quality, efficient, and continuous manner.

The Company entered into a period of rapid transformation and improvement beginning February 11, 2009, the closing date of transfer procedures, after the Akkök-Akenerji-ČEZ consortium (AkČEZ) won the SEDAŞ privatization tender with USD 600 million. While Akenerji Elektrik Üretim A.Ş. holds 45% of the Company, each of the two other shareholders, namely Akkök Sanayi Yatırım ve Geliştirme A.Ş. and ČEZ, holds 27.5%.

At Akenerji's Extraordinary General Meeting held on September 5, 2012, the sale of Akenerji shares in AkČEZ, corresponding to 45% of AkČEZ capital, to Akkök and ČEZ was approved. Following the approval of EMRA on December 6, 2012, an application was submitted for registration.

Investments to increase customer satisfaction

SEDAŞ, of which the operating rights will be held by AkČEZ until 2036, continues to operate and to invest with the status of a private enterprise that provides public service, in four cities that are located in the industrial heartland of Turkey. The cities of Sakarya, Kocaeli, Bolu and Düzce, that suffered severe consequences of earthquakes in the past and currently having significant immigration due its industrial status, are in need of a strong infrastructure. SEDAŞ performs its investments in this area by keeping in mind this responsibility and, as of the end of 2012, serves approximately 1.5 million customers in this region. SEDAŞ, having a total of 821 employees by the end of 2012, provides employment to almost 2,000 persons with the inclusion of the employees of companies that provide outsourced services to SEDAŞ.

Within the framework of the Transformation Project that was applied throughout 2011, SEDAŞ focused on the branding and the improving of the quality of service; and invested TL 75 million to upgrade and improve the electricity distribution networks for that purpose. By the end of 2012, SEDAŞ procured 9,659,869,610 kWh of energy and sold 9,120,749,174 kWh of energy to its customers in 2012. As approved by EMRA, SEDAŞ plans to realize a total investment of TL 313 million in its operating region by the year 2015.

Akenerji aims to build Turkey's largest energy trading platform.

Outlook for the Future

The energy sector is one of the primary means that contributes to achievement of the growth targets of a country. For the sustainability of the economic development strategies, making the right investment decisions and reducing foreign dependency as low as possible are of significant importance. The Turkish energy sector continues to attract the attention of local and foreign investors with its high growth potential. Turkey's rapidly growing electricity needs, according to the projection made by TEİAŞ (Turkish Electricity Transmission Company), will reach 433,900 GWh in 2020. In this context, committed investment decisions made by companies in order to increase the share of domestic resources to meet country's energy demand, would be a step forward towards providing supply security in the sector and reducing import dependency.

As the effects of global warming started to be observed all over the world, the trend towards using renewable energy sources in Turkey's energy sector is increasing with each passing day. The share of renewable energy, mainly hydro and wind sourced electricity generation, in total energy production in Turkey has been increasing steadily in recent years. By 2023, the country aims to utilize its hydro capacity to the maximum and to increase the share of renewables in total energy production to 30%.

Akenerji, having experience in the energy sector since 1989, is one of the first private sector electricity generator companies to invest in renewable energy. As with this leading role, the Company activated a total of eight hydroelectric power plants, a wind power plant and a major natural gas power plant at full capacity and increased the share of renewables in its portfolio to 52% as of 2012.

The Egemer Natural Gas Combined Cycle Power Plant, which is the largest investment ever made by Akenerji, is planned to be put into operation in 2014 and is expected to meet approximately 2.6% of total electricity demand of Turkey by itself. Another reflection of the Company's generation-oriented approach is Kemah HEPP project, which is expected to be put into operation in four years and to produce 564 GWh of electricity annually.

In addition to adopting environmentally friendly production strategies, Akenerji continues to work towards becoming Turkey's largest energy trading platform. Currently managing an energy portfolio larger than its production capacity through the supply contracts made with other energy companies, Akenerji continues to grow in this area. The Company gives special importance to the sale of "Green Energy", generated by wind and hydroelectric power plants, among the activities carried out in this respect.

Another area that Akenerji pioneered in the Turkish energy sector is emissions trading. Carrying out carbon certification and sale processes for all of its renewable energy investments, the Company applied for the Voluntary Carbon Market certificate for all of these projects. Carbon certification processes were completed to a great extent in 2012.

Having an environmentally and socially responsible stance since its establishment, Akenerji is proud of being one of the two energy companies in Turkey that participated in the CDP (Carbon Disclosure Project). The CDP ensures the public disclosure of climate change and carbon emission strategies of the governments and companies, and has been implemented in Turkey since 2010. The Project is important in encouraging companies to improve performance in terms of emissions reduction.

In 2011, Akenerji also participated in the ISE Sustainability Index project aimed at major Turkish companies competing successfully in global markets. The Company participates in the preparatory work of the project index and closely monitors developments on the subject.

WE INVEST IN HUMAN RESOURCES WITH THE VISION OF BEING A COMPANY THAT CONTINUOUSLY IMPROVES, INNOVATES AND MAKES A DIFFERENCE.

WE FOCUS ON PEOPLE.

We consider our team of 296 employees as our greatest asset.

We support our employees for their participation in training programs, symposiums, panel discussions, conferences, seminars, exhibitions, fairs and industrial meetings that will contribute to their personal and career development. We deliver service to the people of our country with the help of our innovative and successful employees.

AKENERJI EMPLOYEE PROFILE

Akenerji HR practices have gained success and maintained continuity.

Practices that guide employees through their career path
Akenerji, following and implementing contemporary methods in its human resource policies, gives priority to keeping employee satisfaction at a high level. The Company pays attention to employing highly competent, disciplined, proactive, creative and results-oriented people in its recruitment and placement process.

Akenerji continues to invest in people...

IIP (Investors in People) Certificate of Commitment
Akenerji is proud to be the first energy company in Turkey that received the Investors in People (IIP) Certificate of Commitment. Upon receipt of the certificate of commitment, Akenerji performed the improvement and development processes required by the IIP standard and was subject to IIP audit in December 2011. The Company successfully completed the audit process and was awarded with the actual certificate in January 2012. With the help of IIP, that aims to create a people-oriented culture in companies, Akenerji revised its human resources processes and renewed them in accordance with the requirements of today.

Akenerji aims to recruit individuals who are open to innovation and change, can take the initiative, are committed and courageous; and puts great emphasis on continuous training and development of employees. The Company makes all decisions on human resource strategies with an awareness of the importance of intellectual capital and adapting to the conditions of global competition.

Each employee of the Akenerji family works in an environment that encourages constant development personally and professionally, and stimulates the creation of innovative ideas that enrich the Company. The Company carries out employee career planning and development within the scope of competency assessment, talent management, human resources planning and performance evaluation processes. In addition, employee participation in training programs, symposiums, panel discussions, conferences, seminars, exhibitions, fairs and in industrial meetings are supported.

The Akkök Talent Management project was implemented in 2011 in order to evaluate and develop competencies of Akenerji employees. Within the framework of the project, "Management Development Training" and "Understanding Leadership Competencies and Development Planning Training" are organized every year. In addition, a Development Planning process, that includes all employees of the Company, was initiated.

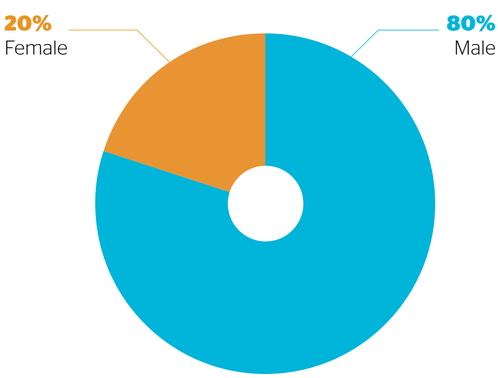
Buddy System
2012 was a year of successful implementations of the applications that had started in the previous year. With one of these applications, the Buddy System, a "Buddy" is assigned those who are newcomers to Akenerji or who are on job rotation among departments. With a "Buddy's" help, especially start-up employees easily adapt to the Company environment and this program helps to facilitate the first hand learning of the information required for business or operational processes.

The project of transferring the Akenerji talent management process to electronic media that started in 2011 continued in 2012. With the project, which is planned to be implemented at the beginning of 2013, the talent management process will be monitored effectively, and all the data regarding employee career choices and competency evaluations will be kept and secured in electronic form.

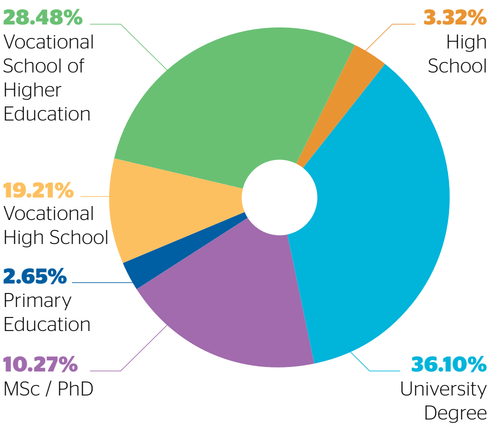
Another project, which began in 2011 and completed in 2012, regarding the transfer of human resources practices to electronic media is the training process. With the project that will start at the beginning of 2013, training needs, training plans, and training costs of employees will be monitored and reported in the electronic environment.

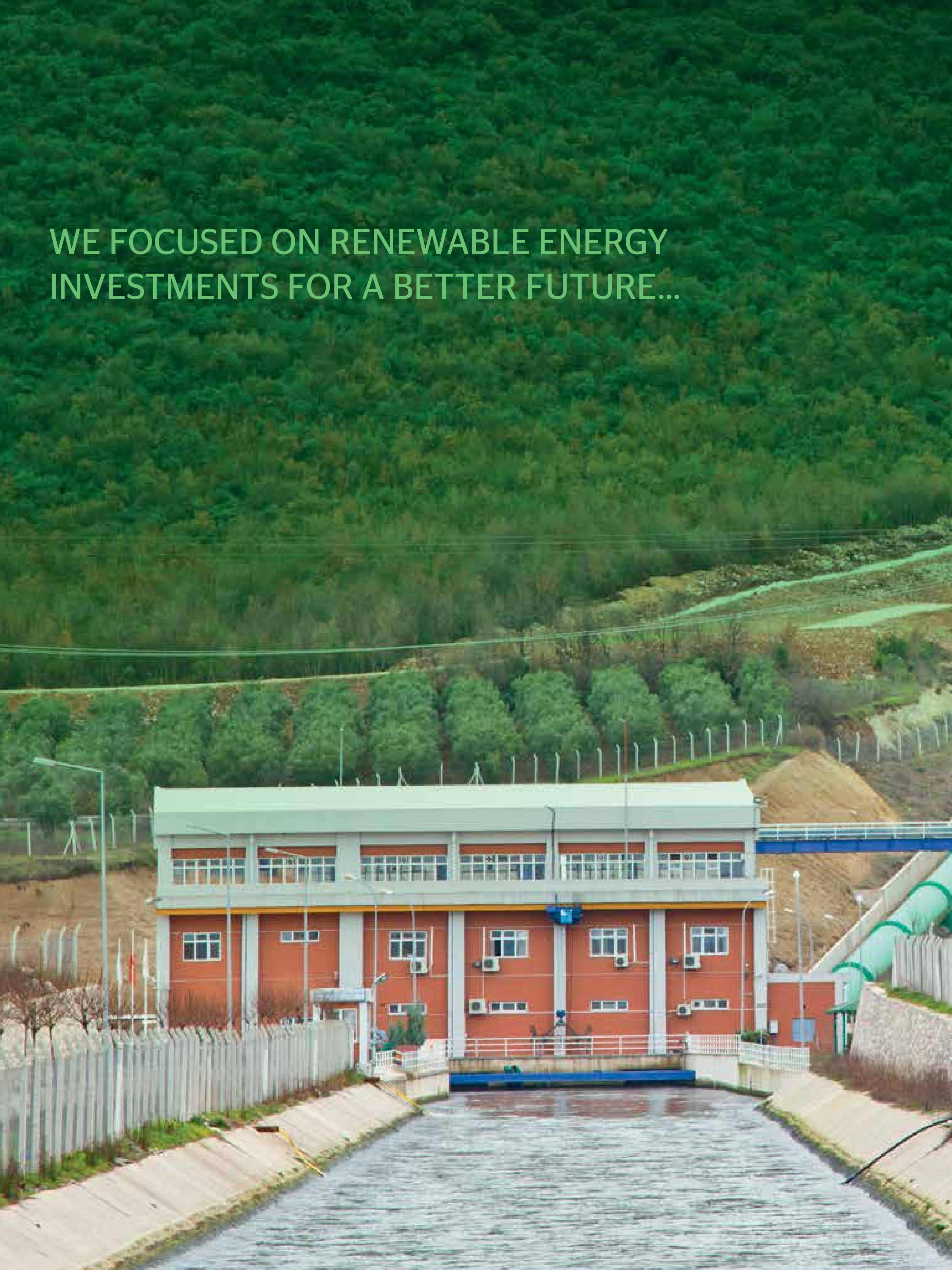
"We are the Energy" Employee Suggestion System
Started in 2011, the "we are the Energy" Employee Suggestion System aims to motivate Akenerji employees to share their ideas freely. In line with this goal, the suggestions that can contribute to the Company are selected and suggestion owners are awarded symbolically.

GENDER



EDUCATION LEVELS




WE FOCUSED ON RENEWABLE ENERGY
INVESTMENTS FOR A BETTER FUTURE...

WE FOCUS
ON THE ENVIRONMENT.

Following the activation of the Akocak, Burç Bendi, Bulam, Uluabat and Feke II hydroelectric power plants, Feke I, Gökkaya and Himmetli hydroelectric power plants became operational this year. We increased the electricity generated from renewable energy sources by 16% to 130 GWh in 2012.

In 2012, as all of our HEPPs became operational, we positively contributed to fresh air the equivalent of that provided by 42.2 million trees and prevented about 1 million tons of carbon dioxide emissions.

ENVIRONMENTAL PRACTICES AND SOCIAL RESPONSIBILITY

Akenerji realizes its investments with an environmentally aware approach.

Environment

Akenerji keeps in mind the potential environmental and social impacts of all of its activities and works to minimize such risks. To prevent environmental pollution, to ensure the protection of natural resources and to increase productivity with the help of advanced technological solutions are among the issues that the Company always prioritizes. In line with its principle of achieving the maximum amount of production with the least possible use of resources, the Company strengthens its success in this area by contemporary technology applications.

With an aim to lead the emission trade in Turkey, Akenerji sets an example for the industry with its significant efforts in this area to reduce carbon emissions. The Company made applications for Voluntary Carbon Market (Voluntary Emission Reduction-VER) certification for all of its renewable energy projects, and had its first achievement in this respect with the registration of Ayyıldız Wind Power Plant with the "Gold Standard". The certification process for Uluabat, Burç Bendi, Akocak, Feke I and Feke II power plants were completed. By the end of this process, Uluabat Hydroelectric Power Plant became the largest hydroelectric power plant with a dam in Turkey that registered with the Voluntary Carbon Standard.

Akenerji, with the activation of all of its renewable energy projects, will benefit nature with a fresh air equivalent provided by about 42.2 million trees on 82,600 hectares every year. Therefore, about 1 million tons of CO_2 emissions will be prevented.

Akenerji performs studies on the reduction of nitrogen oxide emissions in the flue gas values of its natural gas power plants, and uses steam injection systems in turbines or Dry Low NOx system for that purpose. Online emission measurement systems were commissioned for the continuous measurement of the flue gases of the Bozüyük, Çerkezköy and Kemalpaşa power plants in accordance with in Large Combustion Plants Directive.

Akenerji aims to share its projects conducted related to the reduction of carbon emissions with the public opinion; for this purpose, the Company participated in the Carbon Disclosure Project held by Sabancı University's Corporate Governance Forum. The Carbon Disclosure Project is a worldwide voluntary initiative which was established to collect and share information that will allow companies, investors and governments to take action against the threat of climate change. Companies, such as Akenerji, take part in the Turkish arm of the project and make public an disclosures about their carbon emission strategies and amount of carbon emissions. Annual country reports are prepared based on data supplied voluntarily by companies, and these reports are evaluated for the creation of strategies to fight global climate change.

Akenerji carefully fulfills the requirements of European Union Environmental Legislation at every stage of its investments. The Company pays utmost attention to take environmental precautions in its operational plants. Furthermore, waste management operations of the power plants are carried out by licensed companies, in accordance with regulations issued by the Ministry of Environment and Urbanization. Placing emphasis on the use of new technologies in harmony with the environment, Akenerji evaluates the latest developments in technology and selects high-efficiency gas and steam turbines during the planning stages of its power plant investments.

Sustainability of the Integrated Management System, Documents and Certifications

- ISO 9001:2008 Quality Management Systems Certification
- ISO 14001:2004 Environmental Management Systems Certification
- OHSAS 18001:2007 Occupational Health and Safety Management Systems Certification.

Akenerji Group successfully completed the II. Interim Control and Certification audit between June 8 – June 15, 2012 under the Quality Management Systems (ISO 9001:2008), Environmental Management Systems (ISO 14001:2004) and Occupational Health and Safety Management Systems (OHSAS 18001:2007), and increased the number of its certified locations to 10.

The Uluabat, Akocak, Burç Bendi, Feke II and Bulam Hydroelectric Power Plants were successfully completed audits and received certification accordingly in 2012.

Locations with certification within Akenerji Elektrik Üretim A.Ş:
Headquarters, Çerkezköy Power Plant, Kemalpaşa Power Plant, Bozüyük Power Plant, Ayyıldız Wind Power Plant, Uluabat Hydroelectric Power Plant, Akocak Hydroelectric Power Plant

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

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

IFC performance standards adds power to Akenerji

Following the loan agreement signed with International Finance Corporation (IFC), Akenerji rapidly integrated the action plan, which is important for its lending practices, into its practices. In this context, the electromagnetic field work and dam safety studies for Feke II, Himmetli and Gökkaya power plants were conducted.

Akenerji, by rapidly adapting its applications to IFC performance standards, further enhanced current quality and safety levels. Compliance with the mentioned standards was carried out intensively, especially in HEPP projects in Adana. Through the field audits in this region, studies were carried out on preparation of quality, environment, occupational health and safety management systems, and full compliance with the environment, occupational health and safety legislation. Moreover, in accordance with the action plan, a current situation assessment was performed on the environmental, occupational health and safety issues. Monitoring reports were prepared following the site visits covering all projects in Adana and submitted to IFC.

As described in the action plan, a booklet about the HEPP related risks, the potential hazards and ways of protection from these hazards was prepared and shared with the public in the "Environment" section of Akenerji's website.

Environmental Practices and Social Responsibility

Environment

Projects that raise awareness in waste management
Akenerji's awareness towards waste management is a reflection of the priority given to prevent environmental pollution. With the help of proper waste management practices, the Company aims to prevent pollution as well as to protect natural resources. Within the framework of these objectives and the scope of the requirements of environmental legislation, the Company transfers waste generated in its plants to licensed institutions authorized by the Ministry of Environment and Urbanization. Therefore, the recycling and disposal of all hazardous waste, which come from Head Office (Akhan) and from Akenerji power plants, are provided.

As a result of these waste management efforts, about 43 kg of hazardous waste was disposed of and about 44 tons of waste was recycled in 2012. In addition, all employees of Akenerji and other companies of Akkök Group gave full support for the separation from other waste and collection of waste batteries in 2012. As a result of this joint effort, 43 kg of waste batteries collected from Akhan and power plants were sent to TAP (Portable Battery Manufacturers and Importers Association).

The environmental commitment of Akenerji employees also showed itself in the collection of recyclable waste. In 2012, approximately 2,425 kg of waste paper were collected from Akhan and all Akenerji plants, and sent to recycling. An electronic waste-recycling project was started at Akenerji Group Head Office, Akhan, and power plants in August 2012. In this context, electronic waste collection boxes were placed on the office floors of Akhan and in power plants. Collected waste is sent to a firm approved by the Ministry of Environment and Urbanization. Thereby, by the end of 2012, 309 kg of electronic waste was recycled.

In addition to waste management projects, Akenerji promotes the awareness of its employees on this issue. The Company aims to raise awareness of its employees through various trainings on environmental legislation and waste management that are organized on site as well as at the Head Office.

The Akenerji Environmental Movement is a project driven from the Company's approach to increase awareness through education. The project, which was developed as a part of the Akenerji Human Resources Policy, aims for employee adoption of an environmental awareness and approach to all business processes. While the primary target group of the project is Akenerji employees, the project is expected to move out of the Company over time. By this way, present and potential customers, suppliers, shareholders, social stakeholders and industry specialists will be able to participate in the Company's environmental-oriented events and projects.

TOTAL WASTE, RECYCLING AND DISPOSAL QUANTITY AS OF 2012-YEAR END (KG)

	Recycling	Disposal	Total
Çerkezköy	4,380	0	4,380
Bozüyük	12,896.6	5	12,901.6
Kemalpaşa	23,560	8	23,568
Ayyıldız WEPP	120.6	1	121.6
Uluabat HEPP	576	0	576
Akocak HEPP	230	1	231
Bulam HEPP	100	0	100
Burç Bendi HEPP	880	0	880
Feke II HEPP	540	0	540
Akhan	1,233	0	1,233
Feke I HEPP	100	0	100
Himmetli HEPP	120	0	120

SOCIAL RESPONSIBILITY

Akenerji is committed to contributing to society in all of its activities.

In all of its activities, Akenerji is committed to contributing to the social, cultural and economic wealth of society. The Company is aware that the responsibility of maintaining the sustainable growth and sustainable well-being of a society not only belongs to individuals, but also to organizations serving the community. With this approach, the Company develops social responsibility projects in the fields of education, environment, culture and the arts across Turkey, and strengthens its leading position as a socially responsible company in the industry. Akenerji also inspires its subsidiary companies with its social responsibility projects. The Company's subsidiaries participate to a great extent in the projects and activities organized by Akenerji for that purpose.

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

Akenerji knows that the success of a company is not only measured by financial performance, but also by the benefit provided to society. With this in mind, the Company continued its projects regarding social and environmental improvements in 2012. In 2011, through a collaboration made with TEV, the Company provided 10 scholarships to university students from Araklı town of Trabzon, the area where Akocak Hydroelectric Power Plant is located. The scholarship support also continued with the same number of students in 2012.

The Video Training Project, that was launched in 2011 for persons such as interns, guests, contractors or visitors who come to visit the Akenerji Group power plants, was completed and implemented in 2012. With this project, visitors to the hydro, natural gas and wind power plants will have the opportunity to watch electricity generation process, environmental legislation practices and applications of OSH legislation. Visitors will be also provided with information on environmental and OSH practices.

"Clean Industry" Contest Award goes to Akenerji Bozüyük Power Plant

In the "Cleanest Industrial Plant of Bilecik" competition held by the Provincial Directorate of Environment and Urbanization of Bilecik within the scope of June 5th, World Environment Day, Akenerji's Bozüyük Natural Gas Power Plant was selected "The Cleanest Industrial Plant of 2012" and awarded with an Environmental Certificate.

Akenerji carries out work on the adoption and implementation of environmentally compatible technologies in all of its power plants. As a result of the successful implementations made in accordance with the Company's quality policy, Akenerji's Çerkezköy Power Plant was awarded with the same prize. With the Environmental Certificate given to the Bozüyük Natural Gas Power Plant, Akenerji's environmental awareness was awarded for the second time.

CORPORATE MANAGEMENT

Board of Directors

Mehmet Ali Berkman
Chairman of the Board of Directors

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

Tomáš Pleskač
Vice Chairman of the Board of Directors

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

Raif Ali Dinçkök
Deputy Chairman of the Board of Directors

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

Ömer Dinçkök
Member of the Board of Directors

Born in 1948 in Istanbul, Ömer Dinçkök graduated from Robert College, Department of Business Administration and Economics and then completed post graduate study in 1971 in England. Mr. Dinçkök started his career at Akkök Group of Companies. Mr. Dinçkök served as Chairman of the Turkish Industrialists' and Businessmen's Association (TÜSİAD) between 1987 and 1989, as Member of the Board of Trustees of Wilberforce University between 1989 and 2000, as Chairman of the Industrial Council of the Turkish Union of Chamber and Commodity Exchanges between 1992 and 2000, as Chair of Council at the Istanbul Chamber of Industry between 1992 and 2001, as Chairman at TEV between 2001 and 2004, and as Chairman of the TEV Board of Trustees between 2004 and 2007. Mr. Dinçkök is currently serving as an Honorary Member of TÜSİAD Chairmen's Council, as an Honorary Member of the Istanbul Chamber of Industry (ISO), a member of Koç University Board of Trustees and as Founding Member and Member of the Board of Trustees of TEGV. Currently serving at Boards of Directors of Akkök Sanayi Yatırım ve Geliştirme A.Ş. and Group companies, Mr. Dinçkök is fluent in English and is married with three children.

Martin Pacovsky
Member of the Board of Directors

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

The Board of Directors of Akenerji was appointed at the Extraordinary General Assembly Meeting held on September 5, 2012 pursuant to the Turkish Commercial Code and the Capital Market Legislation, for a term of three years.

Peter Bodnár
Member of the Board of Directors

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

Petr Štulc
Member of the Board of Directors

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

H. Yaman Akar
Member of the Board of Directors

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

Hakan Akbaş
Independent Member of the Board of Directors

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

Jiří Schwarz
Independent Member of the Board of Directors

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

Auditors

Bülent Üstünel
Ümit Ak

Corporate Management

Independency Statement

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

SUBJECT: Independency Statement
Date: May 3, 2013

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

- No relationship of direct or indirect interest has been established in the last five years between Akenerji Elektrik Üretim Anonim Şirketi or its affiliate, subsidiary and one of its intra-group companies and myself, my spouse and my relatives by blood and marriage up to the third degree with regard to employment, capital or business,
- I do not represent a certain share group,
- I have not worked for the companies which act as an auditor and consultant of or which execute any or all parts of business and organization of Akenerji Elektrik Üretim Anonim Şirketi and assumed management positions in the organizations and entities of this nature in the last five years,
- I have not been employed by the organizations that performed independent audit of Akenerji Elektrik Üretim Anonim Şirketi with goods and services in the last five years,
- Not to be previously employed by, or hold a managerial position of a firm providing significant amounts of services and products to Akenerji Elektrik Üretim Anonim Şirketi therein within last five years.
- My spouse and none of my relatives by blood and marriage up to the third degree have acted as manager and shareholder of more than 5% of total capital of or any manager that otherwise controls the management of and that has influence over the control of Akenerji Elektrik Üretim Anonim Şirketi,
- I do not earn any income other than the fee for membership on the Board of Directors of and the benefits from Akenerji Elektrik Üretim Anonim Şirketi as permitted in accordance with the provisions of the Articles of Association and also if I am a shareholder due to my membership on Board of Directors, I do not possess more than 1% share and such share is not privileged,
- I am considered a resident in Turkey in terms of Income Tax Law,
- I do not work full-time in a public entity or organization on the date of my tenure if I am appointed,
- I possess strong ethical standards, professional reputation and experience which can positively contribute to the activities of the company to protect my objectivity in case of conflicts of interest between shareholders of the company and make free decisions by taking into consideration the rights of stakeholders,
  And therefore, I affirm that I am a candidate to assume the role of Independent Member of the Board of Directors of Akenerji Elektrik Üretim Anonim Şirketi and that I will inform the Board of Directors of any possible change that might eradicate my objectivity so that such change can be publicly disclosed in accordance with the relevant legislation and that I will principally resume from my duty in such case.

Kind regards,

First and Last Name: Hakan Akbaş

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

SUBJECT: Independency Statement
Date: February 19, 2013

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

- No relationship of direct or indirect interest has been established in the last five years between Akenerji Elektrik Üretim Anonim Şirketi or its affiliate, subsidiary and one of its intra-group companies and myself, my spouse and my relatives by blood and marriage up to the third degree with regard to employment, capital or business,
- I do not represent a certain share group,
- I have not worked for the companies which act as an auditor and consultant of or which execute any or all parts of business and organization of Akenerji Elektrik Üretim Anonim Şirketi and assumed management positions in the organizations and entities of this nature in the last five years,
- I have not been employed by the organizations that performed independent audit of Akenerji Elektrik Üretim Anonim Şirketi with goods and services in the last five years,
- Not to be previously employed by, or hold a managerial position of a firm providing significant amounts of services and products to Akenerji Elektrik Üretim Anonim Şirketi therein within last five years.
- My spouse and none of my relatives by blood and marriage up to the third degree have acted as manager and shareholder of more than 5% of total capital of or any manager that otherwise controls the management of and that has influence over the control of Akenerji Elektrik Üretim Anonim Şirketi,
- I do not earn any income other than the fee for membership on the Board of Directors of and the benefits from Akenerji Elektrik Üretim Anonim Şirketi as permitted in accordance with the provisions of the Articles of Association and also if I am a shareholder due to my membership the Board of Directors, I do not possess more than 1% share and such share is not privileged,
- I do not work full-time in a public entity or organization on the date of my tenure if I am appointed,
- I possess strong ethical standards, professional reputation and experience which can positively contribute to the activities of the company to protect my objectivity in case of conflicts of interest between shareholders of the company and make free decisions by taking into consideration the rights of stakeholders,
  And therefore, I affirm that I am a candidate to assume the role of Independent Member of the Board of Directors of Akenerji Elektrik Üretim Anonim Şirketi and that I will inform the Board of Directors of any possible change that might eradicate my objectivity so that such change can be publicly disclosed in accordance with the relevant legislation and that I will principally resume from my duty in such case.

Kind regards,

First and Last Name: Jiři Schwarz

Corporate Governance Principles Compliance Report

GENERAL

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

SECTION I - SHAREHOLDERS

2. Shareholder Relations Department

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

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

Within the Company, detailed contact information regarding the Shareholders Relations Unit is disclosed in the Investor Relations / Investor Relations Communication section of the Company website (www.akenerji.com.tr) .

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

2.2. According to the principle of public disclosure and transparency, 51 "Material Event Disclosures" were made in 2012 to ensure that shareholders and other stakeholders were informed in a timely manner. The Material Event Disclosures were timely and in conformity with CMB regulations, requiring no further elaboration from either the CMB or ISE. Since the Company is not a quoted capital markets intermediary on foreign stock exchanges, it is not obliged to make any additional Material Event Disclosures beyond the ISE. All Material Event Disclosures have been made within the terms stipulated by law, and no sanctions have been imposed on the Company by the CMB during the year 2012.

3. Exercise of Shareholder's Right to Obtain Information

3.1. All shareholders, including minority and foreign shareholders, are treated equally.

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

3.3. A provision stating that even though not included on the agenda, each shareholder may individually demand a private audit from the General Assembly for the examination of specific events has not been written in the Articles of Association. There was no recourse to the assignment of private auditors in 2012.

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

Corporate Management

4. General Assembly Meetings

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

4.2. Additional to the announcement of the 2011 Ordinary General Assembly meeting dated 20 June 2012 and of the Extraordinary General Assembly meeting dated 5 September 2012, the "General Assembly Briefing Documents", which have been drawn up to include issues contained in Article of the Communiqué regarding Determination and Implementation of CMB Corporate Governance Principles are published on the Company website prior to both general assemblies; this in addition to the notifications and declarations that the Company is required to make in accordance with legislation.

4.3. On the general assembly agenda each proposal is explicitly submitted under a separate heading.

4.4. There were no subjects regarding the agendas of the Company's 2011 Ordinary General Assembly meeting dated 20 June 2012, or of the Extraordinary General Assembly dated 5 September 2012 that shareholders communicated in writing to the Shareholder Relations Department for inclusion on the respective agendas.

4.5. The Company held one Ordinary General Assembly and one Extraordinary General Assembly meeting in 2012. At the ordinary general assembly meeting held on 20 June 2012, out of 37,581,400,000 shares that represent the Company's capital 28,098,127,984 (74.76%) shares were represented. And at the Extraordinary General Assembly meeting of 5 September 2012, out of 37,581,400,000 shares that represent the Company's capital 28,357,488,881 (75.45%) shares were represented. In order to increase and facilitate participation in general assemblies, care has been taken to hold the meetings at a central location, with the meeting venue selected in accordance with the estimated number of participants.

4.6. During the General Assembly meeting participants' questions addressed to the General Assembly that did not fall within the scope of trade secrets were replied to.

4.7. At the Ordinary General Assembly meeting pertaining to 2011, the necessary permissions were granted to shareholders with controlling interests, members of the Board of Directors, senior officers and people related thereto by blood and marriage to the second degree in order to conduct operations that may result in a conflict of interest with the Company, or its affiliated partnerships, to be able to compete, to perform operations that fall within the scope of the Company personally, or on the behalf of others, and to be a partner of companies that perform such operations and conduct other operations in accordance with the Corporate Governance Principles of the Capital Markets Board, and also to the members of the Board of Directors as per articles 334 and 335 of the Turkish Commercial Code in force on such dates. No disputes arose regarding the permissions granted within this period.

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

4.9. Members of the Board of Directors associated with subjects that display particularity on the agenda, as well as other related individuals, officers and auditors responsible for the preparation of financial statements were present at the General Assembly meetings held in 2012 in order to give required briefings and reply to questions.

4.10. The subject of a transfer of equal 22.5% stakes in Akcez Enerji Yatırımları Sanayi ve Ticaret Anonim Şirketi ("Akcez") with a nominal value of TL 224,887,500 and corresponding to 45% of the total capital of Akcez belonging to the Company, to Akkök Sanayi Yatırım ve Geliştirme Anonim Şirketi and ČEZ a.s. respectively, and deemed an important transaction in 2012 in terms of implementation of Corporate Governance Principles, was disclosed to the public within the framework of public disclosure regulations, and approved by our shareholders with a majority vote at the Extraordinary General Assembly meeting dated 5 September 2012. During the vote on the General Assembly agenda regarding the aforementioned transaction, neither Akkök Sanayi Yatırım ve Geliştirme A.Ş. nor ČEZ a.s. exercised any votes, being associated parties to the transaction. The Company carried out no transactions in this context in 2012 other than the aforementioned transaction.

4.11. Donations made by the Company in 2011 were presented to the shareholders as a separate agenda item at the Ordinary General Assembly meeting, and information regarding the donations made within the year was presented in the annual report. The policy of the Company regarding donations and charity has been drawn up..

4.12. Even though there is no provision in the Articles of Association, the General Assembly meetings are open to the general public, including the stakeholders and media, without the right to address the meeting.

5. Voting Rights and Minority Rights

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

5.2. There are no privileged voting rights.

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

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

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

6. Dividend Rights

6.1. The Company's dividend distribution policy that has been disclosed to public in accordance with resolution no: 4/67 dated 27.01.2006, is published on the website and in the annual report.

6.2. The Company's dividend distribution policy contains clear and minimal information enabling investors to foresee the distribution procedures and principles of the profit to be gained by the Company in future periods.

6.3. There is no privilege regarding sharing the profit of the Company.

6.4. At the 2011 Ordinary General Assembly meeting; "It was agreed by unanimous vote of attending members that since there a loss was recorded in the financial statements of 2011, drawn up in accordance with the provisions of Tax Procedural Law and CMB legislation Communiqué Serial: XI No: 29 no dividend would be paid, and that as per the provisions of the TPL the current period loss recorded in our statutory book entries and current period loss recorded in our financial statements, drawn up in accordance with CMB legislation Communiqué Serial: XI No: 29, would be preserved in our consolidated financial statements drawn up internally."

6.5. In the dividend distribution policy, balance is pursued between the benefits of shareholders and of the Company.

7. Transfer of Shares

7.1. The shares of our Company are registered shares, and the Company's Articles of Association do not have a provision restricting the transfer of shares. The transfer of shares, all of which are quoted on the ISE, can be performed in accordance within the provisions of the TCC, CMB, EMRA legislation and Central Registry Agency (CRA) regulations.

SECTION II- PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

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

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

Corporate Management

Corporate Governance Principles Compliance Report

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

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

8.5. The Company's disclosure policy may be read under the "Investor Relations/Our Policies" heading on the www.akenerji.com.tr website.

9. Company Website and Contents

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

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

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

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

10. The Annual Report

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

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

b) The Company committee responsible for audit has convened four times and corporate governance committee has convened once in 2012. The operating principles and information regarding activities are elaborated under Section IV.

c) In the 2012 activity year, the Board of Directors has convened five times. The majority participated in all of these meetings and efforts were focused on ensuring the participation of the majority..

d) The Company and Board members did not engage in implementations that are not in compliance of provisions of the legislation in 2012.

e) The Company has established working groups in order to comply fully with the amendments made to the Turkish Commercial Code and Capital Market Law in 2012 and is carrying out in-house briefing periodically regarding the works of such groups.

f) No significant lawsuits were filed against the Company in 2012.

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

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

i) The corporate responsibility activities of the Company are included in Article 14.2 of the report.

j) In the Ordinary General Assembly meeting pertaining to 2011, the necessary permissions have been granted to shareholders that have controlling interests, members of the Board of Directors, senior officers and people related thereto by blood and marriage to second degree in order to carry out operations that may cause conflict of interest with the Company or its affiliated partnerships, to be able to compete, to perform operations that fall under the scope of the Company personally or on the behalf of others and to be partner to companies that perform such operations and conduct other operations in accordance with the Corporate Governance Principles of the Capital Market Board and also to the members of the Board of Directors as per Articles 334 and 335 of the Turkish Commercial Code which was in force at such date and no disputes arose regarding the permissions granted within this period.

SECTION III- STAKEHOLDERS

11. Informing the Stakeholders

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

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

11.3. Stakeholders may convey Company operations that are in violation of legislation or ethically inappropriate, if any, to the Corporate Governance Committee, or Audit Committee. No such notification was made by stakeholders in 2012.

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

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

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

The information related to the customers and suppliers are deemed within the scope of commercial secret and attention is paid to its confidentiality.

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

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

Corporate Management

Corporate Governance Principles Compliance Report

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

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

12. Participation of Stakeholders in Management

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

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

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

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

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

13. Human Resources Policy

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

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

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

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

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

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

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

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

14. Ethical Rules and Social Responsibility

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

14.2. The Company takes into account the invention, development, adoption and implementation of innovative and environment friendly technologies which also fall under the scope of its Quality Policy. For this reason, Quality Management System (ISO 9001:2008), Environmental Management System (ISO 14001:2004) and Occupational Health and Safety studies were started, and Quality-Environment-OHS Management Systems certification audits were successfully completed on 15-17 June 2010. These subjects can be accessed through the “Environment” heading on the Company’s website.

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

Corporate Management

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CHAPTER IV-BOARD OF DIRECTORS

15. Structure and Formation of Board of Directors

The Board of Directors consists of a total of 10 members, two of whom are independent.:

BOARD OF DIRECTORS

Name Surname	Title	Executive/Non-Executive	Date of Appointment	Term
Mehmet Ali BERKMAN	Chairman of the Board	Non-Executive	05.09.2012	3 Years
Tomáš PLESKAČ	Vice Chairman of the Board	Non-Executive	05.09.2012	3 Years
Ömer DINÇKÖK	Board Member	Non-Executive	05.09.2012	3 Years
Petr ŠTULC	Board Member	Non-Executive	05.09.2012	3 Years
Hamdi Yaman AKAR	Board Member	Non-Executive	05.09.2012	3 Years
Peter BODNÁR	Board Member	Non-Executive	05.09.2012	3 Years
Raif Ali DİNÇKÖK	Board Member	Non-Executive	05.09.2012	3 Years
Martin PACOVSKY	Board Member	Non-Executive	05.09.2012	3 Years
Hakan AKBAŞ	Independent Board Member	Non-Executive	05.09.2012	3 Years
Jiří SCHWARZ	Independent Board Member	Non-Executive	05.09.2012	3 Years

AUDIT BOARD

Name Surname	Title
Bülent ÜSTÜNEL	Auditor
Ümit AK	Auditor

COMMITTEE RESPONSIBLE FOR AUDIT

Name Surname	Title
Hakan AKBAŞ	Chairman
Jiří SCHWARZ	Member

CORPORATE GOVERNANCE COMMITTEE

Name Surname	Title
Jiří SCHWARZ	Chairman
Hamdi Yaman AKAR	Member

The members of the Board of Directors were elected among individuals who have no administrative duty in the Company other than membership on the Board of Directors and are not involved in daily work flow and ordinary activities of the Company. All members of the Board of Directors are non-executive members.

Among the members of the Board of Directors, there are also independent members who have the capacity to carry out their duties without being under any influence.

Term of office of the independent members of the Board of Directors is up to three years, and they can be nominated and elected again.

Any situation which terminates independency of the independent members did not occur in 2012.

In the general assembly of the Company, no female member was nominated among the candidates for the membership of the Board of Directors by the Company shareholders.

16. Operating Principles of the Board of Directors

In accordance with the Articles of Association of the Company, the Board of Directors convenes when the company business requires and four times a year at least in any case. The Chairman of the Board of Directors determines the agenda of the Board of Directors meetings by conferring with other members of the Board of Directors and the General Director, and other members can make suggestions of changes in the meeting agenda. The members are attentive to attend on and give opinion in all meetings by examining information and documents in respect of the subjects in the agenda and getting prepared accordingly.

Each member of the Board has right to cast one vote; provisions of Turkish Commercial Code are applied in quorums for meeting and decisions, as stated in the Articles of Association.

Regarding formation of the Board meetings, the Articles of Association and provisions of the relevant legislation are applied.

The subjects included in the agenda of the Board of Directors meetings are discussed clearly in all aspects. The Chairman of the Board of Directors shows maximum effort to ensure effective participation of the non-executive members in the Board meetings. None of the members of the Board of Directors has casted a vote against any decision in the meetings in 2012.

The subject of transferring 22.5% and 22.5% of the shares of Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş. ("Akcez") with a nominal value of 224.887.500.-TL and corresponding to 45% of the total capital of Akcez belonging to the Company to Akkök Sanayi Yatırım ve Geliştirme Anonim Şirketi and to ČEZ a.s. respectively; that was deemed as an important transaction in 2012 in terms of implementation of Corporate Governance Principles and was disclosed to the public within the framework of public disclosure regulations and was approved by our shareholders with the majority of the votes at the Extraordinary General Assembly meeting dated 5 September 2012. During the voting for the agenda of the General Assembly regarding the aforementioned transaction, Akkök Sanayi Yatırım ve Geliştirme A.Ş. and ČEZ a.s. did not use any votes due to being associated parties to the transaction. The Board of Directors resolution regarding this transaction and the invitation resolution of the Board of Directors regarding the General Assembly meeting at which this transaction would be addressed were taken with the positive vote of both independent members of the Board of Directors of our Company.

In 2012, no assurance, pledge or mortgage was given in favor of third parties (except those given within the scope of prosecution processes).

Members of the Board of Directors allocate sufficient time for Company business. In case that a member of the Board of Directors is an executive or a member of the Board of Directors in another company or provides consultancy service to another company, it is the basis that the situation in question should not lead to a conflict of interest and should not hinder the member's duty in the Company. Within this scope, a member taking office/offices other than the Company was not under certain rules or not limited. Backgrounds of the members of the Board of Directors are included in the General Assembly information document and submitted for the shareholders' information.

In 2012, weighted voting right or negative veto right were not bestowed to the members of the Board of Directors. .

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

17.1. The Board of Directors establishes its internal control systems which also include the risk management and information systems and processes that can decrease the effects of the risks which may affect the shareholders of the Company, particularly the shareholders, to a minimum, by taking opinions of the relevant Board of Directors Committees into consideration as well; within this scope, Audit Committee and Corporate Governance Committee were formed.

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

17.3. All members of the Audit Committee and Chairman of the Corporate Governance Committee were elected from the independent members of the Board.

Corporate Management

Corporate Governance Principles Compliance Report

17.4. The General Manager does not participate in any committee.

17.5. Care is taken so that a member of the Board of Directors does not participate in multiple committees; however, the Audit Committee is consisted of two independent members of which one is Chairman and the other is member and the member of the Audit Committee is also Chairman of the Corporate Governance Committee.

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

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

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

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

17.10. The Corporate Governance Committee performs duties and responsibilities of the Nomination Committee, Early Risk Detection Committee and Remuneration Committee as well as its duties stated in the legislation.

18. Risk Management and Control Mechanism

18.1. The Board of Directors carries out its operations in a transparent, accountable, fair and responsible manner.

18.2. The distribution of roles was done by assigning a Chairman and Deputy Chairman among the members of the Board of Directors, and disclosed in the activity report.

18.3. The Board of Directors establishes its internal control systems, which also include the risk management and information systems and processes that can decrease to a minimum the effects of risks that may affect the shareholders of the Company, particularly the shareholders, by taking the opinions of relevant Board of Directors Committees into consideration as well; within this scope, an Audit Committee and Corporate Governance Committee were created. The Early Risk Detection function is executed by the Corporate Governance Committee.

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

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

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

18.5. Although not included in the Articles of Association, the powers of the Chairman of the Board of Directors and of the General Director are clearly defined and separated. The General Director and Chairman of the Board of Directors are separate persons, and their duties and powers are defined by the Company Organizational Chart.

18.6. The Chairman of the Board of Directors and General Director are determined as separate persons.

18.7. The Board of Directors plays a role in maintaining effective communication between the Company and its shareholders, and in settling and resolving disputes. In pursuit of these tasks, it cooperates with the Corporate Governance Committee and Investor Relations Department.

19. Strategic Goals of the Company

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

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

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

20. Financial Rights

20.1. The Board of Directors

The Company achieving its operational and financial performance objectives as determined and disclosed to the public.

20.2. Remuneration principles for the members of the Board of Directors and senior executives are recorded in writing, and by submitting this for the information of shareholders as an individual article at the General Assembly, the shareholders were given the opportunity to express opinions. The remuneration policy prepared for this purpose is included on the Company website. The Company authorized the Corporate Governance Committee for performing the duties of the Remuneration Committee which are stated in the legislation.

20.3. The Company authorized the Corporate Governance Committee to perform the duties of the Remuneration Committee as stipulated by legislation.

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

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

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

MAJOR DEVELOPMENTS IN THE PAST YEAR

General Assembly

The Ordinary General Assembly meeting of the Company for the year 2011 was held on June 20, 2012. Shareholders representing 74.76% of the Company's shares attended the meeting and exercised their right to pose questions to the Company management. A motion outside the agenda was entered for approval of the appointment of a member of the Board of Directors pursuant to Article 315 of the Turkish Commercial Code number 6762 and the necessary resolution was adopted at the meeting.

The Extraordinary General Assembly meeting of the Company was held on September 5, 2012 with the attendance of shareholders representing 75.45% of shares. At the meeting, the shareholders exercised their right to pose questions and no motion outside the agenda was entered.

Changes in the Articles of Association

At the Ordinary General Assembly meeting of the Company for the year 2011 held on June 20, 2012, in order to ensure the compliance of the Company's Articles of Association with the principles set out in the Capital Market Board's Communiqué Serial: IV No: 56 on the Determination and Implementation of Corporate Governance Principles, the proposal for amendment to Article 4: "Purpose and Subject," Article 5: "Company's head Office," Article 6: "Date of Incorporation and Term," Article 11: "Board of Directors," Article 14: "Duties and Powers of the Board of Directors," Article 16: "Board Meetings-Quorum for Meeting and Resolution," Article 20: "General Assembly Meetings-Quorum for Meeting and Resolution", Article 21: "Attendance of Ministry Commissioner at Meetings", Article 25: "Annual Reports," Article 29: "Amendments to the Articles of Association," Article 30: "General Assembly Meetings-Announcements on Reduction of Capital and Dissolution," Article 31 "Submission of the Articles of Association" of the Articles of Association and including Provisional Article 2: "Corporate Governance Principles Compliance" to the Articles of Association was submitted and approved by the General Assembly.

Sales and Transfer of the Company's shares in Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş.

As part of its public disclosure policy, the Company publicly disclosed the transfer of its shares in Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş. with a nominal value of TL 224,887,500.00, representing 45% of Akcez Company's total shares, where 22.5% of this total was transferred to Akkök Sanayi Yatırım ve Geliştirme Anonim Şirketi and 22.5% to ČEZ a.s.; this transfer of shares was approved by a majority of shareholders who attended the Extraordinary General Assembly meeting of the Company held on September 5, 2012. At the voting for this particular agenda item, Akkök Sanayi Yatırım ve Geliştirme A.Ş. and ČEZ a.s. did not cast their respective votes as they are party to the transaction concerned.

Terminating the Activities of Çerkezköy Natural Gas KÇ Power Plant

It has been resolved to terminate the production activities of our Çerkezköy Natural Gas KÇ Power Plant, operated at Çerkezköy district of Tekirdağ province under the energy generation license number EÜ 468-10/533 granted by the Energy Market Regulatory Authority of the Republic of Turkey, considering the prevailing and anticipated market conditions.

RISK MANAGEMENT

The Company's risk management activities are carried out by the Risk Management Department established by the Finance and Risk Management Department. Risk management aims to define and assess the risks and opportunities that would affect the Company's objectives and to establish a necessary organization to administer such risks and opportunities within the framework of the policies set by the Board of Directors and observing the Company's risk appetite, to take actions and monitor these. With the Corporate Risk Management (CRM) Project initiated in 2012, studies started to create a risk inventory across the Company, define the roles and responsibilities during the CRM process and establish risk management policies. The project will be put into practice at the end of 2013; accordingly, the risk management philosophy will become a part of the processes and objectives of all departments of Akenerji. Being updated in line with the sectoral and corporate developments, this philosophy has become an integrated part of the Company's practices.

In accordance with a decision adopted during the Ordinary General Assembly meeting held in June 2012, Jiří Schwarz and Hamdi Yaman Akar, both members of the Board of Directors, are assigned to serve at the Corporate Governance Committee. Early risk identification, taking necessary precautions as regards to risks identified and risk management are among fundamental duties of the Corporate Governance Committee. Within the scope of these duties, the Corporate Governance Committee submits its report to the Board of Directors every other month.

SUMMARY OF THE COMMITMENT REPORT

In conjunction with this report, prepared in accordance with Article 199 of the Turkish Commercial Code, no legal action was taken, no provisions were made or were avoided by the main company and its subsidiaries during the period January 1 to December 31, 2012 according to known circumstances and conditions known.

PROFIT DISTRIBUTION POLICY

The Company's "Dividend Distribution Policy" is determined as below, in accordance with the Corporate Governance Principles issued by the Capital Markets Board.

It is conducted by the Company pursuant to the provisions of the Turkish Commercial Code, Capital Market Legislation, tax legislation and other applicable legislation as well as in accordance with Article 27 "Dividend Distribution" of the Company's Articles of Association.

In designation of the dividend distribution, capital requirements, investment and financing policies, profitability and cash position of the Company and of its affiliates and subsidiaries as well the sectoral and economy-wide conditions are taken into consideration.

As a principle, the dividend distribution of the Company is to be conducted in accordance with the regulations stipulated by the Capital Market Legislation and in line with annual decisions of the Board of Directors taken in light of the capital requirements of the Company and of its affiliates and subsidiaries, investment and financing policies, profitability and cash status, as well as sector and economy-wide conditions.

In line with the decision made at the General Assembly, the dividend can be paid exclusively in cash, exclusively in bonus shares or as a combination of the two.

If the dividend is to be distributed in cash, it must be paid at the latest at the end of the fifth month following the end of the related fiscal period; if it is to be distributed in bonus shares, it must be paid at the end of the sixth month at latest.

According to the dividend distribution policy, the dividend is distributed evenly to all of the shares present in the said fiscal period.

In accordance with Article 27 on dividend distribution of the Articles of Association, sums such as the Company's general expenses and miscellaneous depreciation which must be reserved and paid by the Company, as well as obligatory taxes which must be paid by the legal person of the Company, are deducted from the calculated income to arrive at the net profit, which also shows in the balance sheet. After the losses of the previous years, if any, are deducted, this net profit is distributed as follows:

a- 5% of net profit shall be set aside as legal reserves.

b- Of the remainder, the first dividend shall be earmarked, in the percentage and amount set by the Capital Markets Board .

c- Of the remainder, the General Assembly can set aside a maximum of 2.5% to distribute among the members of the Board of Directors. In addition, the General Assembly can set aside a maximum 1.5% for allocation to any health or education foundation, present or to be established (Turkish Commercial Code 469/3)

d- After the amounts indicated in (a), (b) and (c) are deducted from the net profit, the General Assembly is authorized to distribute the remainder, completely or partially, as second dividend, leave it as end-of-year profit, add it to legal or discretionary reserve funds or spare it as extraordinary reserve.

e- Of the part spared to be distributed to shareholders and other parties joining in the profit, a sum amounting to the 5% of the paid-in capital is deducted; 10% of the remaining amount is set aside as second order legal reserve, in accordance with Article 466 paragraph 2 sub-paragraph 3 of the Turkish Commercial Code.

f- If the reserve fund stipulated by law and the shareholders' first dividend defined in the Articles of Association is not set aside, no other reserve can be allocated, no profit can be transferred to the coming year; and unless the first dividend is distributed, the Board of Directors or health and education foundations cannot receive a part of the profit.

g- The date and form of the distribution of the profit, including the first dividend, are fixed by the General Assembly, upon the proposal of the Board of Directors, in line with the communiqués of the Capital Markets Board.

This dividend distribution policy of the Company is to be reviewed every year in view of the above mentioned issues and conditions; and in case of a change, the shareholders are to be informed about the due decision made by the Board of Directors.

PROFIT DISTRIBUTION PROPOSAL OF THE BOARD OF DIRECTORS

The net period profit appearing on the consolidated financial statements drawn up within the framework of the provisions of the Communiqué Serial: XI, No: 29, of the Capital Markets Board is TL 79,014,305.00 and the net profit for the period, based on the financial statements prepared in accordance with the provisions of Tax Procedure Law stands at TL 50,492,288.28.

1) To set-off the net period profit (after-tax profit) of TL 50,492,288.28, appearing in the legal records, fully against the previous year's losses,

2) Net period profit of TL 79,558,073.35, obtained by adding the donations made during the year of TL 543,768.35 to the net period profit of TL 79,014,305.00, included on the financial statement prepared as per the Capital Markets Board Communiqué Serial: XI, No: 29, not to distributed and to be added to reserve, taking into consideration then investment expenditures and other funding needs,

3) To submit this proposal of the Board of Directors on dividend distribution for the approval of the Company's General Assembly.

Respectfully submitted for the General Assembly's approval.

Board of Directors

AUDITORS' REPORT

**AKENERJİ ELEKTRİK ÜRETİM ANONİM ŞİRKETİ
AUDITORS' REPORT SUBMITTED TO THE ORDINARY GENERAL ASSEMBLY OF SHAREHOLDERS FOR THE OPERATING PERIOD OF 2012.**

Title of Company	:	Akenerji Elektrik Üretim A.Ş.
Company's Head Office	:	Miralay Şefik Bey Sok. No: 15/17 Akhan Kat: 3-4 Gümüşsuyu/ISTANBUL
Company's Capital (Paid-in)	:	TL 375,814,000.-
Field of activity	:	Electric Energy and Steam Generation
Names and Terms of Office of Auditors	:	Bülent ÜSTÜNEL and Ümit AK Term of office is one year. Not a shareholder.
Number of Board of Directors Participated in and of Supervisory Board Meetings Held	:	They participated in three Board of Directors meetings. They held four meetings for auditing Company books and documentation.
Dates of Audit on Partnership Accounts And Scope Result	:	It was found in the audits conducted in March, June, September, December that the Company's books are kept in accordance with the laws and based books are kept in accordance with the laws and based on supporting documents.
Number and Results of Counting at Partnership Counters as per Turkish C.C. Article 353	:	It was found in the counter counting made every two months six times in a year that the assets agree with the records.
Results of Audit Conducted as per Turkish C.C. Article 353/4	:	It was found in monthly audits that the negotiable papers delivered to the Company as a pledge, guarantee or deposit have been issued in accordance with the legislation and kept and preserved at the Company.
Complaints and Corruptions Submitted to the Company	:	No application was made to the Company auditors for complaint and corruption.

We have audited the accounts and transactions of Akenerji Elektrik Üretim Anonim Şirketi for the period of 01.01.2012 -31.12.2012 as per the Turkish Commercial Code; Articles of Association and other legislation of the corporation and generally accepted accounting principles and standards.

The attached balance sheet issued as of 31.12.2012 that we adopted in our opinion reflects the actual financial condition of the corporation on that date and profit-loss statement for the period of 01.01.2012 - 31.12.2012, actual results of operations for that period and the proposal for profit distribution complies with the laws and Articles of Association and whereby request for approval of the balance sheet and profit-loss statement and release of the Board of Directors.

Best regards,

AUDITORS

Bülent ÜSTÜNEL

Ümit AK

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR 31 DECEMBER 2012

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

INDEPENDENT AUDITOR'S REPORT

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

1. We have audited the accompanying consolidated financial statements of Akenerji Elektrik Üretim A.Ş. ("Akenerji") and its subsidiaries (collectively referred as, the "Group") which comprise the consolidated balance sheet as of 31 December 2012 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards issued by the Capital Markets Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements 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.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards issued by the CMB. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An 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 Group'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 Group's internal control. An 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 opinion.
Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Akenerji Elektrik Üretim A.Ş. as of
31 December 2012 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB
(Note 2).

Additional Paragraph for Convenience Translation into English

6. As described in Note 2.7, the accounting principles described in Note 2 to the consolidated financial statements (defined as the "CMB Financial Reporting Standards") differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January -
31 December 2005 and presentation of basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

ORIGINAL TURKISH VERSION WAS SIGNED OFF

Ediz Günsel, SMMM
Partner

Istanbul, 28 February 2013

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2012 AND 2011
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2012	31 December 2011
ASSETS			
Cash and cash equivalents	3	173,551,094	85,100,382
Trade receivables			
- Other trade receivables	5	78,907,245	73,821,560
- Due from related parties	23	5,160,356	11,756,744
Inventories	7	11,894,629	10,333,913
Other receivables			
- Other receivables	6	6,732,467	6,868,313
- Due from related parties	23	638,368	23,313,831
Other current assets	8	26,320,145	9,000,304
		303,204,304	**220,195,047**
Assets held for sale		222,482,337	-
Current Assets		**525,686,641**	**220,195,047**
Trade receivables	5	20,449,496	29,739,153
Financial assets	9	1,988,942	1,988,942
Investments accounted through equity method	10	-	185,195,166
Property, plant and equipment	12	1,596,371,046	1,412,103,667
Intangible assets	13	124,069,486	126,397,701
Deferred tax assets	18	53,889,974	47,449,588
Other non-current assets	8	501,052,029	206,142,782
Non-Current Assets		**2,297,820,973**	**2,009,016,999**
TOTAL ASSETS		**2,823,507,614**	**2,229,212,046**

The consolidated financial statements as of and for the year ended 31 December 2012 have been approved for issue by the Board of Directors ("BOD") on 28 February 2013 and signed on behalf of the BOD by General Manager Ahmet Ümit Danışman and Deputy General Manager Vratislav Domalip. These consolidated financial statements will be definitive following their approval in the General Assembly.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2012 AND 2011

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

	Notes	31 December 2012	31 December 2011
LIABILITIES			
Financial liabilities			
- Other financial liabilities	4	227,902,412	207,833,040
- Financial liabilities to related parties	23	-	265,962,296
Trade payables			
- Other trade payables	5	68,861,374	80,391,633
- Due to related parties	23	16,529,768	18,043,275
Taxes on income	18	1,990,854	260,219
Other payables	6	6,728,459	11,371,984
Derivative financial instruments	15	15,679,068	9,276,827
Provisions	14	16,089,481	15,916,903
Other current liabilities	8	131,012,933	2,767,942
Current Liabilities		**484,794,349**	**611,824,119**
Financial liabilities	4	1,231,021,886	945,379,928
Other trade payables	5	115,894,568	113,116,776
Other payables		275,941	711,717
Derivative financial instruments	15	45,412,846	32,644,588
Provisions for employment termination benefits	16	1,673,875	955,285
Non-Current Liabilities		**1,394,279,116**	**1,092,808,294**
Total Liabilities		**1,879,073,465**	**1,704,632,413**
EQUITY			
Share capital	17	375,814,000	375,814,000
Adjustment to share capital	17	101,988,910	101,988,910
Capital advances	17	353,035,872	-
Share premium	17	49,955,227	49,955,227
Hedge funds		(45,103,282)	(30,954,333)
Restricted reserves	17	12,616,938	12,351,012
Other funds		(4,322,722)	(4,322,722)
Retained earnings		18,445,024	229,759,030
Net income/(loss) for the year		79,014,305	(211,048,080)
Equity Attributable to Equity Holders of the Parent		**941,444,272**	**523,543,044**
Non-Controlling Interest		**2,989,877**	**1,036,589**
Total Equity		**944,434,149**	**524,579,633**
TOTAL LIABILITIES AND EQUITY		**2,823,507,614**	**2,229,212,046**

Provisions, Contingent Assets and Liabilities	14		

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2012	31 December 2011
CONTINUING OPERATIONS			
Revenue	19	801,981,352	559,970,769
Cost of sales (-)	19	(663,360,142)	(450,452,548)
GROSS PROFIT		**138,621,210**	**109,518,221**
General administrative expenses (-)	20	(48,985,593)	(50,454,484)
Research and development expenses (-)	20	-	(58,479)
Other operating income	21	13,456,510	15,089,250
Other operating expense (-)	21	(24,453,961)	(15,169,422)
OPERATING PROFIT		**78,638,166**	**58,925,086**
Financial income	22	32,962,440	7,949,291
Financial expenses (-)	22	(61,733,005)	(273,102,813)
INCOME/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**49,867,601**	**(206,228,436)**
Current income tax expense	18	(2,717,128)	(1,349,183)
Deferred tax income	18	2,903,149	35,483,615
NET INCOME/(LOSS) FROM CONTINUING OPERATIONS		**50,053,622**	**(172,094,004)**
DISCONTINUING OPERATIONS			
Profit/(loss) after income tax on discontinuing operations	11	31,062,150	(41,242,412)
NET INCOME/(LOSS) FOR THE YEAR		**81,115,772**	**(213,336,416)**
Net income/(loss) attributable to:			
Equity holders of the parent		79,014,305	(211,048,080)
Non-Controlling interest		2,101,467	(2,288,336)
		81,115,772	**(213,336,416)**
Income/(loss) per 1,000 shares	24	210	(562)

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2012	31 December 2011
Income/(loss) for the year		**81,115,772**	**(213,336,416)**
Changes in hedge funds	15	(17,686,186)	(33,793,252)
Changes in the deferred tax effect of hedge funds	15	3,537,237	6,758,650
Other comprehensive income/(loss) (after tax)		**(14,148,949)**	**(27,034,602)**
Total comprehensive income/(loss)		**66,966,823**	**(240,371,018)**
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		64,865,356	(238,082,682)
Non-controlling interest		2,101,467	(2,288,336)
		66,966,823	**(240,371,018)**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Attributable to equity holders of the parent										
	Share Capital	Adjustment to share capital	Capital Advances	Share Premium	Hedge Funds	Restricted Reserves	Other Funds	Retained Earnings	Net income/ (Loss)	Non-Controlling Interest	Total Equity
1 January 2011	**375,814,000**	**101,988,910**	**-**	**49,955,227**	**(3,919,731)**	**12,106,112**	**(4,322,722)**	**256,373,853**	**(26,369,923)**	**3,098,889**	**764,724,615**
Capital commitment payment	-	-	-	-	-	-	-	-	-	226,036	226,036
Transfers	-	-	-	-	-	244,900	-	(26,614,823)	26,369,923	-	-
Total comprehensive loss	-	-	-	-	(27,034,602)	-	-	-	(211,048,080)	(2,288,336)	(240,371,018)
31 December 2011	**375,814,000**	**101,988,910**	**-**	**49,955,227**	**(30,954,333)**	**12,351,012**	**(4,322,722)**	**229,759,030**	**(211,048,080)**	**1,036,589**	**524,579,633**
1 January 2012	**375,814,000**	**101,988,910**	**-**	**49,955,227**	**(30,954,333)**	**12,351,012**	**(4,322,722)**	**229,759,030**	**(211,048,080)**	**1,036,589**	**524,579,633**
Capital commitment payment	-	-	-	-	-	-	-	-	-	(148,179)	(148,179)
Capital advance payment	-	-	353,035,872	-	-	-	-	-	-	-	353,035,872
Transfers	-	-	-	-	-	265,926	-	(211,314,006)	211,048,080	-	-
Total comprehensive (loss)/ income	-	-	-	-	(14,148,949)	-	-	-	79,014,305	2,101,467	66,966,823
31 December 2012	**375,814,000**	**101,988,910**	**353,035,872**	**49,955,227**	**(45,103,282)**	**12,616,938**	**(4,322,722)**	**18,445,024**	**79,014,305**	**2,989,877**	**944,434,149**

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012 AND 2011

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

	Note	31 December 2012	31 December 2011
Cash flows from operating activities:			
Income/(loss) before tax from continuing operations		49,867,601	(206,228,436)
Income/(loss) from discontinued operations		31,062,150	(41,242,412)
Depreciation and amortisation	12,13	54,174,708	47,138,421
Interest income	22	(4,660,165)	(6,644,931)
Interest expense	22	58,003,997	49,519,868
DSI financial charges		2,777,793	14,576,209
Change in provision for employment termination benefits		1,242,810	425,038
Provisions for doubtful receivables	5	6,661,427	(17,939)
Provisions for impairment of property, plant and equipment	12	5,600,000	-
Cancellations of construction in progress		1,485,102	-
Provisions for unused vacations		48,361	240,725
Unrealized foreign exchange losses (net)		(67,894,296)	202,324,496
Provisions		13,269,241	14,309,662
Loss provided from investments valued by equity method	10	-	41,242,412
Effect of non-current assets held for sale		(37,287,171)	-
Reversals of provisions		(347,516)	-
Unearned credit finance income		(125,257)	504,222
Income/(loss) from sales of property, plant and equipment	20	1,806,824	(4,094,294)
Net cash generated from operating activities before changes in operating assets and liabilities		**115,685,609**	**112,053,041**
Changes in trade receivables		(5,976,682)	14,884,798
Changes in other receivables		22,811,309	3,656,874
Changes in inventories	7	(1,560,716)	(5,945,040)
Changes in other current assets	8	(17,319,841)	(1,861,910)
Changes in long term trade receivables	5	9,289,657	(24,860,065)
Changes in non-current assets	8	(294,909,247)	(74,199,361)
Changes in trade payables		(12,092,551)	1,625,380
Changes in derivative financial instruments	15	19,170,499	36,083,338
Changes in other current liabilities	8	128,196,630	2,046,499
Changes in short-term other payables	6	(4,643,525)	(2,459,145)
Changes in other long term payables		(435,776)	328,891
Termination benefits paid	16	(524,220)	(212,519)
Other provisions paid	14	(12,749,147)	(883,752)
Taxes paid	18	(986,493)	(1,391,011)
Net cash (used in)/ generated from operating activities		**(56,044,494)**	**58,866,018**
Cash flows from investing activities:			
Purchase of property plant and equipment and intangible assets	11,12	(245,153,413)	(271,149,900)
Proceeds from sale of property, plant and equipment and intangible assets		147,615	42,912,561
Paid capital commitments of minority interest		(148,179)	226,036
Interests received		4,656,985	6,632,802
Net cash used in investing activities		**(240,496,992)**	**(221,378,501)**
Cash flows from financial activities:			
Proceeds from bank borrowings	4	620,269,189	446,713,339
Repayment of bank borrowings	4	(379,730,147)	(173,791,242)
Hedge funds		(17,686,186)	(33,864,418)
Share premium		-	-
Capital advances received		218,692,351	-
Interest paid		(56,556,190)	(42,259,380)
Net cash generated from financial activities		**384,989,017**	**196,798,299**
Net changes in cash and cash equivalents		88,447,531	44,989,160
Changes in restricted cash		(3,156,287)	2,902,570
Cash and cash equivalents at the beginning of the year	3	**61,473,809**	**13,582,079**
Cash and cash equivalents at the end of the year	3	**146,765,053**	**61,473,809**

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1-ORGANISATION AND NATURE OF OPERATIONS

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

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

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

The Company is registered to the Capital Markets Board ("CMB"), and its shares are publicly traded in Istanbul Stock Exchange ("ISE"). As of 31 December 2012, 52.82% of its shares are open for trading (31 December 2011: 52.82%).

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

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

Associates	Nature of business	Registered address
Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş. ("Akcez")	Electricity production and trading	Gümüşsuyu/Istanbul

(*) Akcez consolidated financial statements include the accounts of Sakarya Elektrik Dağıtım A.Ş., its subsidiary. Akcez owns 100% share capital of Sakarya Elektrik Dağıtım A.Ş..

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2-BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the accounting and financial reporting principles accepted by the Capital Markets Board ("CMB"), namely "CMB Financial Reporting Standards". CMB regulated the principles and procedures of preparation presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29,"Principles of Financial Reporting in Capital Markets" ("the Communiqué"). This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No:XI-25, "The Financial Reporting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Public Oversight Accounting and Auditing Standards Board ("POAASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the POAASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards, the application of inflation accounting is no longer required Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting periods starting 1 January 2005.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by POAASB as of the date of preparation of these consolidated financial statements. The consolidated financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with the accounting and reporting principles accepted by the CMB ("CMB Financial Reporting Standards") which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats required at the announcements of CMB which was announced in 14 April 2008.

The Group maintains its books of account and prepares its statutory financial statements ("Statutory Financial Statements") in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and accounting principles issued by the CMB. These financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards. The financial statements are prepared in Turkish Lira ("TL"), the Group's financial currency, based on the historical cost convention except for the financial assets and liabilities which are expressed with their fair values.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

2.2 Basis of consolidation

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

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

The table below sets out all subsidiaries and demonstrates the proportion of ownership interest as of 31 December 2012 and 2011:

	Direct and indirect ownership interest by the Company and its Subsidiaries (%)	
Subsidiaries	**31 December 2012**	**31 December 2011**
Akenerji Toptan (1)	90.00	90.00
Ak-el (1)	100.00	90.07
Mem Enerji (1)	99.00	99.00
Akkur Enerji (1)	99.00	99.00
Akka Elektrik (1)	90.00	90.00
Egemer (1)	100.00	100.00
Akel Kemah (1)	99.99	99.99
Akenerji Doğalgaz (1)	99.99	99.99
Aken BV (2)	100.00	100.00

(1) The financial statements of subsidiaries are consolidated on a line-by-line basis.
(2) Although the Company has the power to exercise more than 50% of the voting rights, certain Subsidiaries are excluded from the scope of consolidation on the grounds of materiality. Such subsidiaries have been classified and accounted for as financial assets in the consolidated financial statements with a carrying value of their initial acquisition costs less impairment, if any.

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

2.2 Basis of consolidation (Continued)

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

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

The table below sets out all associates and demonstrates the proportion of ownership interest ratios as of 31 December 2012 and 2011:

Associates	31 December 2012	31 December 2011
Akcez	45%	45%

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

2.3 Amendments in International Financial Reporting Standards

(a) Standards, amendments and interpretations effective from 1 January 2012:

- IFRS 7 (amendment), "Financial Instruments: Disclosures", (effective for annual periods beginning on or after 1 July 2011).
- IAS 12 (amendment), "Income Taxes" (effective for annual periods beginning on or after 1 January 2012)

(b) Standards, amendments and interpretations that are not yet effective as of 2012 and have not been early adopted by the Group :

- IAS 19 (amendment), "Employee Benefits", (effective for annual periods beginning on or after 1 January 2013);
- IAS 1, "Presentation of financial statements", (effective for annual periods beginning on or after 1 July 2012);
- IFRS 10, "Consolidated financial statements", (effective for annual periods beginning on or after 1 January 2013);
- IFRS 11, "Joint arrangements", (effective for annual periods beginning on or after 1 January 2013);
- IFRS 12, "Disclosure of interests in other entities" (effective for annual periods beginning on or after 1 January 2013);
- Transition manual for IFRS 10, 11 and 12 (amendment) (effective for annual periods beginning on or after 1 January 2013);

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

2.3 Amendments in International Financial Reporting Standards (Continued)

(b) Standards, amendments and interpretations that are not yet effective as of 2012 and have not been early adopted by the Group (continued):

- IFRS 13, " Fair value measurement", (effective for annual periods beginning on or after 1 January 2013);
- IAS 27 (revised), " Consolidated and separate financial statements", (effective for annual periods beginning on or after 1 January 2013);
- IAS 28 (revised), " Investments in associates", (effective for annual periods beginning on or after 1 January 2013);
- IFRS 7 (amendment), " Financial instruments : Disclosure", (effective for annual periods beginning on or after 1 January 2013);
- IAS 32 (amendment), " Financial instruments: Presentation", (effective for annual periods beginning on or after 1 January 2014);
- IFRS 1 (amendment), " First-time adoption of Internal Financial Reporting Standards", (effective for annual periods beginning on or after 1 January 2014);
- IFRS 9, " Financial Instruments", (effective for annual periods beginning on or after 1 January 2015);
- IFRS 10, " Consolidated financial statements", IFRS 12, "Disclosure of interests in other entities" and IAS 27 (amendment), " Consolidated and separate financial statements" (effective for annual periods beginning on or after 1 January 2014);
- IFRIC 20,Stripping costs in the production phase of a surface mine.

2.4 Summary of Significant Accounting Policies

a) Revenue Recognition

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

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

b) Trade Receivables and Impairment

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

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

2.4 Summary of Significant Accounting Policies (Continued)

c) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits at banks (Note 3).

d) Related parties

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

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

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

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

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the normal course of business (Note 23).

e) Inventories

Inventories are valued at the lower of cost or net realisable value less costs to sell. Cost of inventories is comprised of the purchase cost and the cost of bringing inventories into their present location and condition. Inventories comprise of spare parts, lubricants and chemical materials required for the maintenance of the machines and equipments, and expensed as they are used. The cost of inventories is determined using the moving weighted average method (Note 7).

f) Functional and presentation currency

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

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

2.4 Summary of Significant Accounting Policies (Continued)

g) Property, plant and equipment

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

	Years
Buildings	10-50
Land improvements	5-40
Machinery and equipment	3-40
Motor vehicles	5-10
Furniture and fixtures	2-50
Leasehold improvements	4-46

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

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

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

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

h) Intangible Assets

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

Licenses

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

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

2.4 Summary of significant accounting policies (Continued)

h) Intangible Assets (continued)

Computer softwares

Computer softwares are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives of 3-22 years. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

i) Impairment of non-financial assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset’s net selling price and value in use. Impairment losses are recognised in the statement of comprehensive income.

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

j) Borrowing costs and financial liabilities

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

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

k) Trade payables

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

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

2.4 Summary of significant accounting policies (Continued)

l) Provisions, contingent liabilities, contingent assets

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

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

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

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

m) Employment termination benefits

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

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

n) Earnings per share

Earnings per share are determined by dividing net gain by the weighted average number of shares that have been outstanding during the related year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and allowable reserves. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year (Note 24).

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

2.4 Summary of significant accounting policies (Continued)

o) Current and deferred income tax

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

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

Deferred income tax assets and liabilities are recognised to the extent that they will impact taxes to be paid in the periods that temporary differences will disappear. Deferred income tax liabilities are recognised for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. Carrying value of deferred income tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilize deferred income tax assets partially or fully (Note 2.6).

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

p) Reporting of cash flows

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

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

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

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

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than 1 year and which are subject to an insignificant risk of changes in value (Note 3).

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

2.4 Summary of significant accounting policies (Continued)

r) Subsequent events

Subsequent events consist of all events between balance sheet date and date of authorization for validity, even if they have been existed after public explanation of an announcement about profit or other financial information. In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the financial statements (Note 26).

s) Capital and dividends

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

t) Share premium

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

u) Derivative financial instruments

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

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

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

v) Offsetting

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

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

2.5 Summary of significant accounting policies (Continued)

y) Financial assets

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

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

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

Loans and Receivables

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

z) Non-current assets held for sale

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. A non-current asset which is held for sale (or an asset group) is accounted with the lower of carrying amount and the fair value less cost to sell (Note 11).

2.5 Comparatives and restatement of prior year financial statements

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

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

2.6 Critical accounting estimates and judgments

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

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

2.6 Critical accounting estimates and judgments (Continued)

Deferred tax assets for the carry forward tax losses

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

Fair value of interest rate swap contracts

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

2.7 Convenience translation into English of consolidated financial statements

The accounting principles described in Note 2.1 to the consolidated financial statements (defined as CMB Financial Reporting Standards) differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January and 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

NOTE 3-CASH AND CASH EQUIVALENTS

	2012	2011
Cash	37,165	23,726
Banks		
- time deposits	152,624,102	57,147,826
- demand deposits	20,889,827	27,928,830
	173,551,094	**85,100,382**

As of 31 December 2012, the average effective interest rate for TL time deposits of 6.57% (2011: 9.59%), for USD time deposits 2.47% (2011: 4.82%) and for EURO time deposits 1.48% (2011: 1.51%).

The remaining day to maturity of time deposits as of 31 December 2012 is shorter than one year.

The details of cash and cash equivalents include the following for the purpose of the statements of cash flows as of 31 December 2012 and 2011:

	2012	2011
Cash and banks	173,551,094	85,100,382
Restricted cash (-)	(26,751,834)	(23,595,547)
Interest accruals (-)	(34,207)	(31,026)
Cash and cash equivalents	**146,765,053**	**61,473,809**

As of 31 December 2012 the Group's restricted cash amounted to TL26,751,834 (2011: TL23,595,547). This restricted amount is related with the loans borrowed by Group.

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NOTE 4-FINANCIAL LIABILITIES

The details of financial liabilities as of 31 December 2012 and 2011 are as follows:

	2012	2011
Short term bank borrowings	158,345	14,341
Short term portion of long term bank borrowings	227,744,067	207,818,699
Short term financial liabilities to related parties (Note23.d)	-	265,962,296
Total short term financial liabilities	**227,902,412**	**473,795,336**
Long term bank borrowings	1,231,021,886	945,379,928
Total financial liabilities	**1,458,924,298**	**1,419,175,264**

The details of the short term bank borrowings as of 31 December 2012 and 2011 are as follows:

	Original Currency		Weighted average effective interest rate (%)		TL equivalent	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
TL	158,345	14,341	-	-	158,345	14,341
					158,345	**14,341**

The interest accruals amount for short and long term bank borrowings as of 31 December 2012 is TL14,523,586 (2011: TL13,075,779).

The details of the short term portion of the long term bank borrowings as of 31 December 2012 and 2011 are as follows:

	Original Currency		Weighted average effective interest rate (%)		TL equivalent	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
USD	102,572,819	81,170,528	4.01	3.64	182,846,308	153,323,010
EURO	19,091,618	22,299,570	3.14	3.25	44,897,759	54,495,689
					227,744,067	**207,818,699**

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NOTE 4-FINANCIAL LIABILITIES (Continued)

The details of long term bank borrowings as of 31 December 2012 and 2011 are as follows:

	Original Currency		Weighted average effective interest rate (%)		TL equivalent	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
USD (*)	646,124,199	433,493,173	5.39	4.44	1,129,589,168	796,633,426
EURO (**)	44,389,508	62,250,255	3.77	4.89	101,432,718	148,746,502
					1,231,021,886	**945,379,928**

(*) The amount of the loan obtained from consortium of T. Garanti Bankası A.Ş., Yapı Kredi Bankası A.Ş. and T. Vakıflar Bankası T.A.O is TL526,616,100 (USD295,420,229). The commission of TL22,191,828 has been deducted from the original amount. This amount will be amortised through the life of the agreement.

(**) The amount of the loan obtained from HSBC PLC is TL32,062,156 (EUR13,633,608). The commission of TL 2,958,087 has been deducted from the original amount. This amount will be amortised through the life of the agreement.

Letters of guarantee given, pledges and mortgages related to financial liabilities are explained in Note14.

The details of redemption schedule of the long term bank borrowings as of 31 December 2012 and 2011 are as follows:

	2012	2011
Up to 1-2 years	147,180,834	221,740,418
Up to 2-3 years	275,738,605	152,530,021
Up to 3-4 years	283,791,178	121,318,187
Up to 4-5 years	127,588,464	240,059,256
More than 5 years	396,722,805	209,732,046
	1,231,021,886	**945,379,928**

The details of the carrying values and fair value of the long term bank borrowings as of 31 December 2012 and 2011 are as follows:

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
USD borrowings	1,129,589,168	1,455,602,170	796,633,426	975,263,250
Euro borrowings	101,432,718	115,256,720	148,746,502	173,539,213
	1,231,021,886	**1,570,858,890**	**945,379,928**	**1,148,802,463**

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

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NOTE 5-TRADE RECEIVABLES AND PAYABLES

a) Short term other trade receivables:

	2012	2011
Trade receivables	84,678,009	67,107,959
Other short term trade receivables	446,699	6,046,027
Notes receivables and post-dated cheques	900,000	1,160,000
Provision for doubtful receivables (-)	(6,835,997)	(174,570)
	79,188,711	**74,139,416**
Unearned credit finance income (-)	(281,466)	(317,856)
	78,907,245	**73,821,560**

As of 31 December 2012, trade receivable maturities are less than 4 months and are discounted by using effective interest rate of 5.56 % annually (2011: 11.27%).

The movement for provision for doubtful receivables is as follows;

	2012	2011
Balance at 1 January	174,570	192,509
Current year charges	6,661,427	-
Released provisions	-	(17,939)
Balance at 31 December	**6,835,997**	**174,570**

As of 31 December 2012 the amount of receivables which are overdue and impaired is TL6,835,997 (2011: TL174,570). The aging list of these receivables as of 31 December 2012 and 2011 is as follows:

	2012	2011
1 to 3 months	917,054	-
More than 12 months	5,918,943	174,570
	6,835,997	**174,570**

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

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NOTE 5-TRADE RECEIVABLES AND PAYABLES (Continued)

a) Short term other trade receivables (Continued):

The amount of trade receivables that are past due but not impaired is TL4, 865,521 as of 31 December 2012 (2011: TL8, 638,526). The aging list of these receivables as of 31 December 2012 and 2011 is as follows:

	2012	2011
Up to 1 month	3,008,696	6,549,361
1 to 3 months	1,459,395	1,985,801
3 to 12 months	397,430	103,364
	4,865,521	**8,638,526**

b) Long term other trade receivables:

	2012	2011
Long term other trade receivables (*)	20,449,496	29,739,153

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

c) Short term other trade payables:

	2012	2011
Suppliers	69,083,268	80,791,551
Unrecognized credit finance expenses (-)	(221,894)	(399,918)
	68,861,374	**80,391,633**

d) Long term other trade payables:

	2012	2011
Payables to DSI (*)	115,894,568	113,116,776

(*) The Group signed an agreement with the General Directorate of State Hydraulic Works (DSİ) Department of Investigation and Planning for the Water Usage of Ulubat Power Tunnel and Hydroelectric Energy Power Plant within the scope of the Emet-Orhaneli Çınarcık Dam Project. Even though the responsibility relating to the Energy Share Contribution Fee to be paid for the project, whose construction is ongoing and which has been taken over by the Group from DSİ according to this agreement, arises as the project starts operation, payments relating to this responsibility will start five years after the start of operations. According to the agreement, the obligations are recalculated in accordance with the Wholesale Price Index and payments will be made in 9 equal installments. The project has been completed as of the balance sheet date and TL115,894,568 (2011: TL113,116,776) has been recorded under long-term other payables of the Group; the first installment is to be paid in 2015.

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NOTE 6-OTHER RECEIVABLES AND PAYABLES

a) Other receivables:

	2012	2011
Receivables from tax office	6,583,586	6,651,868
Short term other receivables	148,881	159,216
Deposits and guarantees given	-	57,229
	6,732,467	**6,868,313**

b) Other payables:

	2012	2011
Taxes, fees and other charges	6,129,716	10,417,548
Social security payables	462,887	883,039
Received deposit and guarantees	75,500	-
Payables to personnel	43,801	49,915
Other payables	16,555	21,482
	6,728,459	**11,371,984**

NOTE 7-INVENTORIES

	2012	2011
Spare parts	11,679,272	10,037,291
Other raw materials	152,533	173,256
Operating supplies	62,824	123,366
	11,894,629	**10,333,913**

Cost of inventories recognized as expense and included in the cost of sales amounted to TL3,186,716 for the year ended 31 December 2012 (2011: TL1,886,269).

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NOTE 8-OTHER ASSETS AND LIABILITIES

a) Other current assets:

	2012	2011
Deferred VAT	18,301,427	1,048,585
Prepaid expenses (*)	6,862,906	6,585,879
Advances given for purchases	571,710	579,772
Prepaid taxes and funds	330,453	358,421
Work advances	216,178	348,542
Personnel advances	37,471	79,105
	26,320,145	**9,000,304**

(*) Prepaid expenses are composed of insurance costs regarding the constructions in progress of the Group.

b) Other non-current assets:

	2012	2011
Advances given (*)	385,011,890	92,826,300
Deferred VAT	111,599,977	106,528,982
Prepaid expenses	4,145,008	6,580,835
Deposits and guarantees given	295,154	206,665
	501,052,029	**206,142,782**

(*) Advances given is comprised of the advances for the purchases of equipments under construction in progress of Egemer.

c) Other non-current liabilities:

	2012	2011
Other received advances received (*)	128,347,200	-
Premium liability	1,786,920	1,772,347
Unused vacation liability	625,335	673,696
Advances received on orders	253,478	284,006
Other non-current liabilities	-	37,893
	131,012,933	**2,767,942**

(*) Other advances received consist of collections regarding to first installment for the sale of shares of Akcez at the amount of USD72,000,000 which is paid by Cez a.s. and Akkök Sanayi Yatırım ve Geliştirme A.Ş. in relation to the sales-purchase agreement dated 19 December 2012 (Note 11).

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NOTE 9-FINANCIAL INVESTMENTS

Subsidiaries	2012	2011
Aken BV (Note 2.2)	1,988,942	1,988,942

NOTE 10-INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

The movements in investments accounted through equity method are as follows (note 2.2):

	2012	2011
At 1 January	185,195,166	226,437,578
Capital increase of investment accounted	6,225,021	-
Shares of income/(loss) from investments accounted through equity method	31,062,150	(41,242,412)
As of 31 December	**222,482,337**	**185,195,166**
Transfer to non-current assets held for sale (Note 11)	(222,482,337)	-
At 31 December	**-**	**185,195,166**

The summary of consolidated financial statements of investments accounted through equity method is as follows:

			2012		
	Assets	Liabilities	Sales	Net income	Interest held (%)
Akcez	1,599,533,215	1,105,128,023	1,727,959,000	69,027,000	45

			2011		
	Assets	Liabilities	Sales	Net loss	Interest held (%)
Akcez	1,475,714,213	1,064,169,398	1,289,297,417	(91,649,805)	45

NOTE 11-NON-CURRENT ASSETS HELD FOR SALE

Group has sold its shares in Akcez, associate of the group with 45% ownership interest, to Akkök Sanayi and Cez a.s. for USD 140 million at 19 December 2012. Transfer of these shares will be realized on 30 April 2013 in accordance with the sales agreement. Net asset value of Akcez is classified under non-current assets held for sale.

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

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

Non-current assets held for sale comprise the investments accounted through equity method (Note 10).

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NOTE 12-PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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NOTE 12-PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2011	Additions	Transfers	Disposals	31 December 2011
Cost:					
Lands	7,076,287	-	-	(3,356,310)	3,719,977
Land improvements	577,318,847	1,489,968	43,708,239	-	622,517,054
Buildings	59,285,585	36,500	1,553,905	(1,418,305)	59,457,685
Machinery and equipment	598,665,163	1,861,530	2,162,204	(16,455,193)	586,233,704
Motor vehicles	1,787,137	69,349	-	(734,988)	1,121,498
Furnitures and fixtures	6,553,439	774,758	1,030	-	7,329,227
Leasehold improvements	13,718,296	31,820	-	-	13,750,116
Construction in progress (*) (**)	283,006,706	266,697,223	(47,890,873)	(30,374,703)	471,438,353
	1,547,411,460	**270,961,148**	**(465,495)**	**(52,339,499)**	**1,765,567,614**
Accumulated depreciation:					
Land improvements	9,403,402	17,645,062	-	-	27,048,464
Buildings	666,247	1,480,776	-	(159,090)	1,987,933
Machinery and equipment	304,394,620	25,665,337	-	(12,710,624)	317,349,333
Motor vehicles	1,095,873	150,487	-	(651,517)	594,843
Furnitures and fixtures	4,078,972	472,529	-	-	4,551,501
Leasehold improvements	1,576,464	355,409	-	-	1,931,873
	321,215,578	**45,769,600**	**-**	**(13,521,231)**	**353,463,947**
Net Book Value	**1,226,195,882**				**1,412,103,667**

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

(**) Disposals from constructions is progress amounting TL24,103,440consist of 154KW electricity transmission line charged to TEIAS and Salihler and Çamlıca RES projects and Saimbeyli HES projects for TL5,064,624.

Depreciation expense of TL50,996,119 has been charged to cost of sales (2011: TL45,083,202) and TL549,652 to general administrative expenses (2011: TL686,398).

The amount of capitalized borrowing costs for the year ended 31 December 2012 amounted to TL12,682,685 (2011: TL20,904,385).

Details of the guarantees, pledges and mortgages on property, plant and equipments as of 31 December 2012 and 2011 are explained in Note 14.

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NOTE 13-INTANGIBLE ASSETS

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

	1 January 2011	Additions	Transfers	31 December 2011
Cost				
Rights	6,656,340	188,752	465,495	7,310,587
Licenses	127,295,167	-	-	127,295,167
	133,951,507	**188,752**	**465,495**	**134,605,754**
Accumulated amortisation				
Rights	1,388,478	444,219	-	1,832,697
Licenses	5,450,754	924,602	-	6,375,356
	6,839,232	**1,368,821**	**-**	**8,208,053**
Net book value	**127,112,275**			**126,397,701**

Depreciation expense of TL313,596 (2011: TL242,506) has been charged to cost of sales. Remaining TL2,315,341 (2011: TL1,126,315) is charged to general administrative expenses.

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NOTE 14-PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

14.1 Provisions

There are various lawsuits against or in favour of the Group. The majority of these lawsuits constitutes doubtful receivables or labour lawsuits. Group management estimates the outcomes of these lawsuits and the financial effects thereof, and the required provisions are accounted for based on these estimates. The amount of provisions for the lawsuits as of 31 December 2012 is TL12,654,676 (31 December 2011 TL2,778,855).

	2012	2011
Expense accruals (*)	134,805	919,048
Provisions for lawsuits (**)	12,654,676	2,778,855
Other provisions	3,300,000	12,219,000
	16,089,481	**15,916,903**

(*) Expense accruals consist of periodical maintenance expenses.

(**) Toprak Kağıt Sanayi A.Ş. filed a lawsuit against the Group amounting TL3,547,161 as a result of power consumption at more than the cost without prejudice to the rights provided in the total amount of TL7,800 and Toprak Seniteri filed a lawsuit against the Group amounting TL53,367 as a result of power consumption at more than the cost without prejudice to the rights provided in the total amount of TL6,800 have been incorporated by the court. Group management expects maximum liability amounting to TL14,600 as of balance sheet date in accordance with the view of the Group's legal representative and the related amount has been reflected to the financial statements as the provision for the lawsuit as of 31 December 2012 (31 December 2011: TL14,600).Other provisions are related with labour and expropriation lawsuits against the Group.

The movement of the provision for expenses is as follows:

	2012	2011
1 January	**919,048**	**883,752**
Current year charges	93,420	919,048
Provision that are no longer required	(347,516)	-
Payments	(530,147)	(883,752)
31 December	**134,805**	**919,048**

The movement of provision for lawsuits is as follows:

	2012	2011
1 January	**2,778,855**	**1,607,241**
Current year charges	9,875,821	1,804,614
Released provisions	-	(633,000)
31 December	**12,654,676**	**2,778,855**

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

14.1 Provisions (Continued)

The movement of other provisions is as follows:

	2012	2011
1 January	**12,219,000**	**-**
Current year charges	3,300,000	12,219,000
Payments	(12,219,000)	-
31 December	**3,300,000**	**12,219,000**

Provision amounting to TL12,219,000 regarding the expenses made for a cancelled investment project of Akka Elektrik Üretim A.Ş a subsidiary of the Group is paid on 20 June 2012. The Group has provided a provision amounting TL 3.000.000 for the damage in Bulam plant of Mem Enerji a subsidiary of the Group.

14.2 Contingent Liabilities

a. Letters of guarantee given

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

		31 December 2012		31 December 2011	
	Currency	Original currency	Local currency (TL)	Original currency	Local currency (TL)
Letters of guarantee given	TL	123,075,264	123,075,264	132,615,732	132,615,732
Letters of guarantee given	Euro	200,000	470,340	8,012,270	19,580,385
Letters of guarantee given	USD	11,256,000	20,064,946	-	-
			143,610,550		**152,196,117**

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

b. Purchase Commitments

The Group has signed an agreement with Aksa Akrilik A.Ş., one of its related parties, for the energy purchase of 132,020,000 kwh on 1 April 2012. In accordance with this agreement, the Group has purchased 132,020,000 kwh from Aksa Akrilik as of 31 December 2012.

The amount of the purchase agreement that the Group has signed with natural gas vendors is 401,710,000 Sm3 in 2012. Minimum purchase amount in 2012 is 202,838,000 Sm3 and if this amount is not supplied, unpurchased amount will be invoiced by the vendors. In accordance with this information, minimum purchase amount has been supplied as of 31 December 2012 and no penalty has occurred due to this agreement.

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

14.3 Contingent Assets

		31 December 2012		31 December 2011	
	Currency	Original currency	Local currency (TL)	Original currency	Local currency (TL)
Guarantee letters obtained	TL	68,809,840	68,809,840	76,484,590	76,484,590
Guarantee letters obtained	USD	14,452,392	25,762,834	14,932,537	28,206,069
Guarantee letters obtained	Euro	78,768,049	185,238,821	64,232,142	156,970,510
Guarantee letters obtained	GBP	535,259	1,536,623	182,203	531,487
			281,348,118		**262,192,656**

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

14.4 Guarantees, pledges and mortgages given by the Group

The Group's guarantees, pledges and mortgage ("GPM") positions in TL as of 31 December 2012 and 2011 are as follows:

		31 December 2012		31 December 2011	
	Currency	Original currency	Local currency (TL)	Original currency	Local currency (TL)
A. GPM's given for companies' own legal entity (*)	USD	200,000,000	356,520,000	200,000,000	377,780,000
	TL	143,610,550	143,610,550	152,196,117	152,196,117
	EURO	19,476,583	45,803,080	-	-
B. Total amount of GPM given for the subsidiaries and associates in the scope of consolidation (**)	USD	884,000,000	1,575,818,400	805,000,000	1,520,564,500
	EURO	56,000,000	131,695,200	28,000,000	68,426,400
C. Total amount of GPM given for the purpose of maintaining operating activities		-	-	-	-
D. Total other GPM's given (***)	USD	-	-	-	-
			2,253,447,230		**2,118,967,017**

(*) Details of the guarantees which are given on behalf of the associations of Akenerji that are included within the scope of consolidation as of 31 December 2012 are as follows (TL):

Within the framework of the loan contract signed between Akenerji and the International Finance Corporation ("IFC") on 24 June 2010, the collateral of for which valued at USD100,000,000 is given for51,078.79 m2 plot of land in Kemalpaşa Ulucak village, Kirovasi region İzmir district, Kemalpasa Deed Administration Plot No. L18B03C4A-L18B03D03DB, Isle Map No: 534, Parcel No. 11, registered with the İzmir Kemalpasa Title Deed Registry and the prefab factory buildings, structures, administrative buildings, social facility premises and plot of land of 11,923.64m2 located at Kemalpasa Bozüyük town, Yeni Mahalle district, Yafti region, Bilecik Bozüyük Plot No. 30 L1, Map No. 45, Parcel No.21 registered with the Bilecik Bozüyük Title Deed Registry.

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

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

By force of the IFC Loan Agreement, these mortgages will be terminated after the expropriation of the Ulubat and Akocak facilities or after Ulubat and Akocak usufruct mortgages are put in place.

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

The rest of the letter of guarantees in the amount of TL143,610,550 consist of the guarantees given to the suppliers and customs offices.

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

(**) Details of the guarantees which are given on behalf of the associations of Akenerji that are included within the scope of consolidation as of 31 December 2012 are as follows (TL):

The loan agreement with seven years maturity for financing "Burç Bendi" and "Feke 1" HEP projects was signed between Akkur Enerji, which holds 99% of the shares of Akenerji, and the National Bank of Greece S.A. London branch. The loan is a two year non- refundable credit and is valued at USD75,000,000. To guarantee repayment, Akkur Enerji has become a guarantor of the repayment of the loan and has provided the necessary guaranty to the bank.

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

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

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

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

Ratio of GPMs given by the Group to equity is 239% as of 31 December 2012 (31 December 2011: 404%).

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NOTE 15-DERIVATIVE FINANCIAL LIABILITIES

Derivative financial instruments held for hedging:

	2012		2011	
	Contract amount	Fair value	Contract amount	Fair value
Interest rate swaps	621,247,430	61,091,914	334,408,369	41,921,415

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

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

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

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

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NOTE 15-DERIVATIVE FINANCIAL LIABILITIES (Continued)

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

	2012	2011
1 January	**41,921,415**	**(5,838,077)**
Charged to income statement		
- financial income/(expense)	386,686	(3,471,393)
Charged to comprehensive income statement		
- hedge funds	17,686,186	(33,793,252)
Charged to balance sheet		
- constructions in progress	1,097,627	1,181,307
31 December	**61,091,914**	**(41,921,415)**

NOTE 16-PROVISION FOR EMPLOYMENT BENEFITS

	2012	2011
Employment termination benefits	1,673,875	955,285
	1,673,875	**955,285**

The movement of employment termination benefits is as follows:

	2012	2011
At 1 January	**955,285**	**742,766**
Service Cost	1,102,102	359,653
Interest Cost	23,882	34,629
Paid compensation	(524,220)	(212,519)
Actuarial losses	116,826	30,756
At 31 December	**1,673,875**	**955,285**

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

Under the Turkish Labour Law, companies are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to the length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL 3,033.98 for each year of service as of 31 December 2012 (2011: TL 2,731.85).

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

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

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NOTE 16-PROVISION FOR EMPLOYMENT BENEFITS (Continued)

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

	2012	2011
Discount rate (%)	2.50	4.66
Probability of retirement (%)	95.00	100.00

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The amount payable consists of one month's salary limited to a maximum of TL3,125.01 for each period of service as of 1 January 2013 (1 January 2012: TL2,805.04). The maximum liability is revised semi annually.

NOTE 17-EQUITY

Share capital

Akenerji adopted the registered capital system applicable to the companies registered on the Capital Markets Board (CMB) which defines limitations to registered capital for shares whose nominal value is TL1 ("One Turkish Lira"). As of 31 December 2012 and 2011 the share capital held is as follows:

	2012	2011
Limit on registered share capital (historical)	1,500,000,000	1,500,000,000
Issued capital	375,814,000	375,814,000

The Company's shareholders and share holding structure as of 31 December 2012 and 2011 are as follows:

	Share %	2012	Share %	2011
CEZ a.s.	37.36	140,409,411	37.36	140,409,411
Akkök Sanayi Yatırım ve Geliştirme A,Ş,	20.43	76,789,568	20.43	76,789,568
Akarsu Enerji Yatırımları San, ve Ticaret A,Ş, ("Akarsu")	16.93	63,619,843	16.93	63,619,843
Publicly held	25.28	94,995,178	25.28	94,995,178
	100	**375,814,000**	**100**	**375,814,000**
Adjustment to share capital		101,988,910		101,988,910
Total paid-in capital		**477,802,910**		**477,802,910**

Share Premium

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

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NOTE 17-EQUITY (Continued)

Retained Earnings and Legal Reserves

	2012	2011
Legal reserves	12,616,938	12,351,012
	12,616,938	**12,351,012**

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

Dividend distribution

Quoted companies are subject to dividend requirements regulated by CMB as follows:

It was announced in the CMB decision dated January 9, 2009, number 1/6 that without considering the fact that a profit distribution has been declared in the general assemblies of the subsidiaries, joint ventures and associates, which are consolidated into the parent company's financial statements, the net income from these companies that are consolidated into the financial statements of the parent company can be considered when calculating the distributable amount, as long as the statutory reserves of these entities are sufficient for a such profit distribution. After completing these requirements, the parent company may distribute profit by considering the net income included in the consolidated financial statements prepared in accordance with Communiqué No, XI-29 of CMB.

In accordance with the CMB decision dated 27 January 2010, it is decided to remove the obligation related with the minimum dividend distribution rate for publicly traded companies.

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source for capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

The remaining current year income and the reserves of the Group that can be subject to the dividend distribution is TL13,585,642 (31 December 2011: TL 6,745,914).

Capital Advance

Capital advance amounting to TL 353,035,872 was obtained by the shareholders of the Group as of 31 December 2012.

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NOTE 18-TAX ASSETS AND LIABILITIES

	2012	2011
Corporate and income taxes payable	2,717,128	1,349,183
Prepaid taxes (-)	(726,274)	(1,088,964)
Taxes on Income	**1,990,854**	**260,219**

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

In Turkey, the effective rate of tax in 2012 and 2011 is 20%.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 14th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to offset against other liabilities to the government.

The details of taxation on income for the years ended 31 December 2012 and 2011 is as follows:

	2012	2011
Current income tax expense	(2,717,128)	(1,349,183)
Deferred tax income	2,903,149	35,483,615
	186,021	**34,134,432**

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

	2012	2011
Income/(loss) before tax	49,867,601	(206,228,436)
Tax calculated by using effective tax rate	(9,973,520)	41,245,687
Tax effect of exemptions	5,675,782	(3,372,340)
Losses not subject to tax (*)	(1,443,212)	(3,982,157)
Utilized carry forward tax losses	3,486,381	-
Other	2,440,590	243,242
Current year tax income	**186,021**	**34,134,432**

(*) The effect of the losses of subsidiaries in the scope of consolidation which do not have tax bases as of 31 December 2012 and 2011 in accordance with Turkish Tax Law.

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NOTE 18-TAX ASSETS AND LIABILITIES (Continued)

Deferred Taxes

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

The rate applied in the calculation of deferred tax assets and liabilities is 20% (2011: %20)

	2012	2011
Deferred tax assets	61,249,845	50,564,501
Deferred tax liabilities	(7,359,871)	(3,114,913)
Deferred tax assets, net	**53,889,974**	**47,449,588**

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2012 and 2011 are as follows:

	Temporary Differences		Deferred tax assets/(liabilities)	
	2012	2011	2012	2011
Carry forward tax losses	(164,658,323)	(159,264,586)	32,931,665	31,852,917
Derivative financial instruments	(56,392,572)	(39,075,443)	11,278,514	7,815,089
Investment incentive	(54,380,005)	(47,631,041)	10,876,001	9,526,208
Provisions for lawsuits	(12,654,676)	(2,778,855)	2,530,935	555,771
Provision for project cancelation	(5,659,860)	-	1,131,972	-
Provision for impairment of property, plant and equipment	(5,600,000)	-	1,120,000	-
HES claim reserves	(3,000,000)	-	600,000	-
Provision for employment Termination benefits	(1,673,875)	(955,285)	334,775	191,057
Provision for doubtful receivables	(917,054)	-	183,411	-
Provision for unused vacations	(625,335)	(673,696)	125,067	134,739
Provision for TRT share	(300,000)	-	60,000	-
Unearned credit finance income	(250,119)	(671,256)	50,024	134,251
Property, plant and equipment	32,756,063	12,125,949	(6,551,213)	(2,425,190)
Loan commissions	3,803,254	3,380,671	(760,651)	(676,134)
Unrecognised credit finance expense	240,034	67,947	(48,007)	(13,589)
Provision for bonus payments	(137,403)	(1,772,347)	27,481	354,469
Deferred tax assets, net			**53,889,974**	**47,449,588**

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NOTE 18-TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred tax assets as of 31 December 2012 and 2011 are as follows:

	2012	2011
1 January	**47,449,588**	**5,136,162**
Charged to statement of income	2,903,149	35,483,615
Charged to equity	3,537,237	6,829,811
31 December	**53,889,974**	**47,449,588**

Analysis deferred tax assets and liabilities are as follows:

	2012	2011
Deferred tax assets:		
- Deferred tax assets to be recovered after 12 months	43,807,666	41,379,125
- Deferred tax asset to be recovered within 12 months	17,442,179	9,185,376
	61,249,845	**50,564,501**
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after 12 months	(808,658)	(689,723)
- Deferred tax liabilities to be recovered within 12 months	(6,551,213)	(2,425,190)
	(7,359,871)	**(3,114,913)**

Group provided deferred tax asset for carry forward tax losses amounting to TL164,658,323, as of 31 December 2012 (31 December 2011: TL159,264,586). Group did not provide deferred tax assets for the remaining prior period losses amounting to TL31,498,033 (31 December 2011: TL61,153,195) The expiration dates of recognized carry-forward tax losses are as follows:

Due Date	Losses
2015	11,324,777
2016	131,354,011
2017	21,979,535
	164,658,323

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

Due Date	Losses
2014	104,569
2015	4,310,944
2016	19,849,906
2017	7,232,614
	31,498,033

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NOTE 19-REVENUE AND COST OF SALES

	2012	2011
Sales	806,910,118	561,218,154
Sales returns (-)	(4,928,766)	(1,247,385)
Sales (Net)	**801,981,352**	**559,970,769**
Cost of sales (-)	(663,360,142)	(450,452,548)
Gross Profit	**138,621,210**	**109,518,221**

NOTE 20-EXPENSES BY NATURE

	2012	2011
Direct raw material expenses	566,930,053	365,569,050
Depreciation and amortization expenses (*)	54,174,708	47,138,421
Personnel expenses (**)	23,444,884	27,286,668
General production expenses	22,212,389	19,856,033
Consultancy expenses	8,691,501	9,039,374
Insurance expenses	6,270,879	4,593,225
Provisions for lawsuits	5,318,498	1,804,614
Other raw materials, spare parts and operating supplies expenses	3,186,716	1,886,269
Rent expenses	2,296,045	1,301,416
Tax expenses	2,191,905	2,236,332
Office expenses	1,913,739	2,149,697
IT expenses	1,912,823	2,443,037
Vehicle expenses	1,500,568	1,903,897
Travel expenses	873,008	992,248
Advertising expenses	552,063	534,191
EMRA license expenses	274,968	265,650
Other expenses	10,600,988	11,965,389
Total	**712,345,735**	**500,965,511**

(*) Depreciation expense amounting to TL51,309,715 (2011: TL45,325,708) has been charged to cost of sales, TL2,864,993 (2011: TL1,812,713) to general administrative expenses.

(**) Personnel expense of TL12,991,009 (2011: TL13,092,322) has been charged to cost of sales, TL10,453,875 (2011: TL14,194,346) to general administrative expenses.

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NOTE 21-OTHER OPERATING INCOME AND EXPENSE

a) Other operating income

	2012	2011
Income from law-suits (*)	5,301,761	-
Risk sharing income (**)	2,541,001	-
Income from insurance reimbursements (***)	1,847,563	7,597,554
Compensation revenue	492,221	-
Due date differences (****)	488,894	326,590
Reversal of provision for bonus payments	479,389	-
Reversal for costs for no longer required	347,516	-
Scrap sales	261,022	572,132
Carbon certificate income	204,454	48,848
Reversal of vacation provision	63,725	
Return of the charges	61,940	-
Reversal of employee benefits	28,077	23,870
Gain on sale of property, plant and equipment	-	4,094,294
Released litigation provision	-	656,870
Counter difference income	-	528,632
Released doubtful receivable provision	-	17,939
Other income and profits	1,338,947	1,222,521
Total	**13,456,510**	**15,089,250**

(*) This amount is related to the deduction advances paid for investment incentives during 2012. The lawsuit is finalized in 2012 and the Group collected the aforementioned amount.
(**) The amount is related to the "Risk Sharing Agreement" signed with Sakarya Elektrik Dağıtım A.Ş. ("SEDAŞ") on 19 May 2012.
(***) It consists of the collected insurance benefit regarding the incident occurred at Akocak Project.
(****) It consists of interest income for overdue trade receivables. Applied monthly interest rate is 1.40% as of 31 December 2012 (2011: 1.40%).

b) Other operating expenses

	2012	2011
Provision for doubtful receivables(*)	6,661,427	404,765
Provision for steam turbine impairment (**)	5,600,000	-
Other provision expenses (***)	4,962,042	12,219,000
Provision for law-suits for condemnation	4,557,323	-
Loss from the sale of fixed assets	1,806,824	-
Provision expense for TRT share	300,000	-
Additional system usage compensations	250,027	1,448,684
Meter counter difference expenses	-	270,373
Other expenses and losses	316,318	826,600
Total	**24,453,961**	**15,169,422**

(*) Tenders for Çamlıca and Salihler RES projects did not result in favour of the Group and TL 5,659,860 of provision has been provided in the financial statements regarding the costs incurred for the projects. The Group will use its legal rights for the reimbursement of this amount of provision amount.
(**) Group has decided to shut down the production facility of Çerkezköy Natural Gas Plant due to the current and expected market conditions. Impairment provision is provided for TL5,600,000 for the Çerkezköy steam turbine which is valued at TL11,466,010.
(***) The Group management had provided a provision in the amount of TL 12,219,000 in 2011 in accordance with the agreement that was entered into a cancelled investment project of Akka Elektrik Üretim A.Ş, a subsidiary of the Group The Group management paid TL 15,988,000 on 20 June 2012 which exceeded the provision by TL 4,962,041.

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NOTE 22-FINANCIAL INCOME AND EXPENSES

a) Financial income:

	2012	2011
Foreign exchange gains	27,476,317	-
Interest income	4,660,165	6,644,931
Unearned credit finance income	825,958	1,304,360
Total	**32,962,440**	**7,949,291**

b) Financial expense:

	2012	2011
Interest expenses	58,003,997	49,519,868
Other financial expenses (*)	2,777,793	13,293,240
Unrecognized credit finance expense	951,215	800,138
Foreign exchange losses	-	209,489,567
Total	**61,733,005**	**273,102,813**

(*) The amount is related to the indexation difference of the liability due to Uluabat DSİ Water Use Agreement calculated by WPT as of the balance sheet date.

NOTE 23-TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Related party balances:

a) Receivables from related parties

	2012	2011
BSH Ev Aletleri San. ve Tic. A.Ş. ("BSH")	1,216,341	1,120,725
Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş.("Eczacıbaşı")	1,011,901	876,180
Sedaş Elektrik Dağıtım A.Ş.("Sedaş") (*)	862,959	8,427,326
Akiş Gayrimenkul Yatırım A.Ş. (*)	734,075	17,747
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (*)	431,208	376,485
Akkim Kimya San. ve Tic. A.Ş. ("Akkim") (*)	308,167	247,975
Demirer Kablo Tesisleri San. ve Tic. A.Ş. (*)	241,995	398,089
Ak-Pa Tekstil İhracat Pazarlama A.Ş.	11,201	6,656
Akkök Sanayi Yatırım ve Geliştirme A.Ş. ("Akkök")	6,608	-
Aksa Akrilik Kimya San. A.Ş. ("Aksa")	3,360	13,452
Other	343,514	456,175
Unearned credit finance income (-)	(10,973)	(184,066)
	5,160,356	**11,756,744**

(*) The Group makes electricity sales to BSH, Eczacıbaşı, Sedaş, Akiş, Üçgen Bakım ve Yönetim Hizmetleri A.Ş., Akkim and Demirer. These receivables have subsequently been collected.

Maturity of trade receivables from related parties is approximately 20 days and applied annual interest rate is 6% (2011: 11.27%).

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NOTE 23-TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Related party balances: (Continued)

b) Other financial receivables from related parties

	2012	2011
Sedaş	515,496	2,362,091
Akcez Enerji Yatırımları San. ve Tic. A.Ş.	122,872	20,948,790
CEZ a.s.	-	2,950
	638,368	**23,313,831**

Maturity of other (financial) receivables from related parties due date is 1 year and applied annual interest rate for other financial receivables in TL is 8.50%, for USD and EURO other financial receivables is 3.50% (31 December 2011: for financial receivables in TL is 11.00%, for USD and EURO other financial receivables is 5.50%).

c) Payables to related parties

	2012	2011
Çerkezköy Organize Sanayi Bölgesi ("ÇOSB") (*)	5,565,867	8,172,775
Dinkal Sigorta Acenteliği A.Ş. (**)	5,041,496	7,840,416
Aksa Akrilik Kimya San. A.Ş. (***)	2,858,927	13,452
Akkök (****)	985,859	481,064
CEZ a.s. Turkey Daimi Temsilciliği	618,154	-
Sedaş	436,404	1,286,893
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş. ("Aktek")	448,140	292,601
Cez a.s.	428,647	-
Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş. ("Ak-Han")	128,579	99,917
Other	40,797	57,498
Unrecognized credit finance expense (-)	(23,102)	(201,341)
	16,529,768	**18,043,275**

(*) The payable amount to ÇOSB is related to the natural gas purchases.
(**) This balance is related to the payables regarding the insurances for investments under construction in progress.
(***) The payable amount to Aksa Akrilik Kimya San. A.Ş. is related to the electricity purchases.
(****) The payable amount to Akkök is related to the consultancy and interest expenses.

Maturity of trade payables to related parties is 20 days and applied annual interest rate is 6% (2011: 11%).

d) Other financial payables to related parties

	2012	2011
CEZ a.s.	-	133,666,103
Akkök	-	71,844,077
Akarsu	-	60,452,116
	-	**265,962,296**

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NOTE 23-TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties:

a) Sales to related parties

	2012	2011
Sedaş	99,323,501	47,127,074
BSH	11,401,782	9,835,230
Eczacıbaşı	8,692,160	7,491,454
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	5,036,756	4,288,192
Akkim Kimya San. ve Tic. A.Ş.	2,832,223	2,391,648
Demirer Kablo Tesisleri San. ve Tic. A.Ş.	2,762,394	2,975,714
Akport Tekirdağ Liman İşletmeleri A.Ş.	80,880	257,897
Aksa Akrilik Kimya Sanayi A.Ş.	60,842	136,023
Ak-Al Tekstil Sanayii A.Ş.	-	5,568,108
Akkök	-	5,150,000
Other	8,096,794	4,225,993
	138,287,332	**89,447,333**

The sales to related parties mainly consist of electricity sales.

b) Purchases from related parties

	2012	2011
ÇOSB (*)	57,633,451	58,311,512
Aksa Akrilik Kimya Sanayii A.Ş. (**)	20,517,540	136,807
Akkök (***)	9,596,021	8,217,616
Dinkal Sigorta Acenteliği A.Ş. ("Dinkal") (****)	7,483,602	15,456,947
CEZ a.s. Turkey Daimi Tem.(*****)	6,828,024	6,601,282
Aktek Bilgi İletişim Teknolojisi San. Ve Tic.A.Ş. (******)	4,223,128	3,190,095
Akarsu (*******)	3,135,734	2,512,344
CEZ a.s. (*****)	3,112,077	3,773,816
Ak-Han	1,457,747	1,310,836
Akcez Enerji Yatırımları San.ve Tic.A.Ş.	1,243,108	1,660
Akkim Kimya San. ve Tic. A.Ş.	408,647	460,852
Sedaş	403,682	81,180
Üçgen Bakım ve Yönetim Hiz. A.Ş.	84,178	167,331
Other	2,187,754	340,360
	118,314,693	**100,562,638**

(*) The amount consists of the purchases of natural gas of Akenerji.
(**) The amount consists of the purchases of electricity of Akenerji.
(***) The amount consists of the consultancy and interest purchase of Akenerji.
(****) This amount consists of the insurance expenses of the Group and includes commission amount to Dinkal for its services.
(*****) The balance is related to the consulting services.
(******) The balance is about the IT services received.
(*******) The amount consists of the interest charges regarding about the financial loans obtained from Akarsu.

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NOTE 23-TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

iii) Key management compensation as of 31December 2012 and 2011:

Key management includes the shareholders of the Group, General Manager, Assistant General Managers and directors

	2012	2011
Salaries and wages	3,204,421	3,219,581
Bonus premium	1,360,634	1,889,169
Attendance fee	789,593	599,424
	5,354,648	**5,708,174**

NOTE 24-EARNINGS PER SHARE

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

	2012	2011
Net income/(loss) attributable to the equity holders of the parent	79,014,305	(211,048,080)
Weighted average number of issued shares	375,814,000	375,814,000
Income/(losses) per 1,000 shares	210	(562)

Nominal value of each of the issued share as of 31 December 2012 and 2011 is 1 Kr.

NOTE 25-FINANCIAL RISK MANAGEMENT

Financial risk management

Financial Risk Factors

The Group's activities expose it to a variety of financial risks. These risks are liquidity risk, market risk (exchange rates, interest rates), credit risk and funding risks.

Management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses financial instruments to hedge certain risk exposures.

Risk management is carried out by a Finance Department where policies are approved by the Board of Directors. Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

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NOTE 25-FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management (Continued)

Financial Risk Factors (continued)

(a) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of business, the group aims to maintain flexibility in funding by keeping committed credit lines available.

The following tables detail the Group's contractual maturities for its non-derivative financial liabilities. The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes both interest and principal amounts.

The analysis of the financial liabilities according to their maturities as of 31 December 2012 and 2011 is as follows:

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

2012	Carrying value	Total contractual cash outflow	3 months or less	3-12 months	1-5 years	5 year and more
Financial liabilities	1,458,924,298	1,798,761,303	40,127,895	187,774,517	1,057,887,296	512,971,595
Trade payables	201,285,710	201,530,706	85,636,138		11,589,457	104,305,111
Other non current liabilities	7,004,400	7,004,400	7,004,400			
	1,667,214,408	**2,007,296,409**	**132,768,433**	**187,774,517**	**1,069,476,753**	**617,276,706**

2011	Carrying value	Total contractual cash outflow	3 months or less	3-12 months	1-5 years	5 year and more
Financial liabilities	1,419,175,264	1,653,721,031	15,501,824	458,341,671	900,633,502	279,244,034
Trade payables	211,551,684	212,152,943	99,036,167	-	11,311,678	101,805,098
Other non current liabilities	12,083,701	12,083,701	11,371,984	-	711,717	-
	1,642,810,649	**1,877,957,675**	**125,909,975**	**458,341,671**	**912,656,897**	**381,049,132**

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

(2) These amounts are contractual undiscounted cash flows. Balances with maturities less than 3 months are equal to their carrying values due to the negligible discounting effect.

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NOTE 25-FINANCIAL RISK MANAGEMENT (Continued)

(a) Liquidity risk (Continued)

Derivative financial liabilities:

2012	Carrying value	3 months or less	3-12 months	1-5 years	5 year and more
Financial liabilities	61,091,914	610,935	15,068,133	45,412,846	-

2011	Carrying value	3 months or less	3-12 months	1-5 years	5 year and more
Financial liabilities	41,921,415	944,944	8,331,883	29,681,729	2,963,309

(b) Market Risk

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed using interest rate swaps and natural hedges that arise from offsetting interest rate sensitive assets and liabilities. To decrease the interest rate risk, the cash equivalents which are not used, are invested to the time deposits by the Group.

The table of the interest position of the Group as of 31 December 2012 and 2011 is as follows:

Financial instruments with fixed interest rates	2012	2011
Cash and cash equivalents	152,624,102	57,147,826
Trade receivables	104,517,097	115,317,457
Other receivables	7,370,835	30,182,144
Financial liabilities	90,713,212	384,312,207
Trade payables	85,391,142	98,434,908
Financial instruments with floating interest rates		
Financial liabilities	1,368,211,086	1,034,863,057
Trade payables	115,894,568	113,116,776

The Group has analyzed various scenarios including refinancing the existing situation alternative financing options and to avoid the hedging risk. According to these scenarios, if annual interests of floating interest rated loans were 1 basis point high/low with all the other parameters are constant, current year income before tax have been TL1,104,568 lower/higher as a result of interest expense of floating interest rated loans and swap transactions (2011: TL1,196,540).

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NOTE 25-FINANCIAL RISK MANAGEMENT (Continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated assets and liabilities to local currency. Foreign exchange risk arises from future obligations as well as foreign currency denominated assests and liabilities. These risks are monitored and limited by the monitoring of the foreign currency position.

The details of the foreign currency assets and liabilities as of 31 December 2012 and 2011 are as follows:

	2012	2011
Assets	495,318,147	162,828,870
Liabilities	1,633,614,869	1,444,060,625
Net foreign currency position	**(1,138,296,722)**	**(1,281,231,755)**

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

NOTE 25-FINANCIAL RISK MANAGEMENT (Continued)

Assets and liabilities denominated in foreign currency held by the Group at 31 December 2012 and 2011 and their TL equivalent are as follows:

	2012				2011			
	TL Equivalent	US Dollar	Euro	Other	TL Equivalent	US Dollar	Euro	Other
Trade Receivables	697,876	-	282,105	12,000	209,982	27,224	64,882	-
Monetary financial assets	105,161,636	42,360,283	12,607,980	3	62,360,808	14,118,676	14,605,136	3
Other Receivables	290,254	-	123,423	-	12,558,553	3,693,368	2,268,440	13,211
Other Current Assets	32,517	15,900	1,775	-	137,426	41,449	24,197	-
Current Assets	106,182,283	42,376,183	13,015,283	12,003	75,266,769	17,880,717	16,962,655	13,214
Other non-current assets	389,135,864	10,952,499	157,167,980	-	87,562,101	6,899,044	30,497,789	-
Non-current assets	389,135,864	10,952,499	157,167,980	-	87,562,101	6,899,044	30,497,789	-
Total Assets	**495,318,147**	**53,328,682**	**170,183,263**	**12,003**	**162,828,870**	**24,779,761**	**47,460,444**	**13,214**
Trade Payables	21,158,349	5,337,210	4,951,413	-	24,468,543	7,351,312	4,330,406	1
Financial Liabilities	227,744,067	102,572,819	19,091,618	-	207,818,699	81,170,527	22,299,570	-
Financial Liabilities due to related parties	-	-	-	-	265,962,296	140,140,584	511,804	-
Other short term financial liabilities	128,482,004	72,000,000	57,322	-	431,159	32,900	151,000	-
Short term Liabilities	377,384,418	179,910,029	24,100,353	-	498,680,697	228,695,323	27,292,780	1
Financial Liabilities	1,256,171,803	646,124,199	44,389,508	-	945,379,928	433,493,173	62,250,255	-
Other Liabilities	58,648	32,900		-	-		-	-
Long term Liabilities	1,256,230,451	646,157,099	44,389,508	-	945,379,928	433,493,173	62,250,255	-
Total Liabilities	**1,633,614,869**	**826,067,128**	**68,489,861**	**-**	**1,444,060,625**	**662,188,496**	**89,543,035**	**1**
Net Foreign Currency Assets/(Liabilities) Position	**(1,138,296,722)**	**(772,738,446)**	**101,693,402**	**12,003**	**(1,281,231,755)**	**(637,408,735)**	**(42,082,591)**	**13,213**

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NOTE 25-FINANCIAL RISK MANAGEMENT (Continued)

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro. The following table details the Group's sensitivity to a 10% increase and decrease in the TL against relevant foreign currencies, all other variables held constant.

	2012 Profit/Loss	
	Appreciation of Foreign currency	Depreciation of Foreign currency
10% increase/decrease in US Dollar exchange rate		
(Expense)/income	(137,748,355)	137,748,355
US Dollar Net Effect	**(137,748,355)**	**137,748,355**
10% increase/decrease in Euro exchange rate		
Income/(expense)	23,915,237	(23,915,237)
Euro Net Effect	**23,915,237**	**(23,915,237)**
10% increase/decrease in other exchange rates		
Income/(expense)	3,445	(3,445)
Other currencies net effect	**3,445**	**(3,445)**
Total Net Effect	**(113,829,673)**	**113,829,673**

	2011 Profit/Loss	
	Appreciation of Foreign currency	Depreciation of Foreign currency
10% increase/decrease in US Dollar exchange rate		
(Expense)/income	(120,400,136)	120,400,136
US Dollar Net Effect	**(120,400,136)**	**120,400,136**
10% increase/decrease in Euro exchange rate		
Income/(expense)	(10,284,144)	10,284,144
Euro Net Effect	**(10,284,144)**	**10,284,144**
10% increase/decrease in other exchange rates		
Income/(expense)	(3,854)	3,854
Other currencies net effect	**(3,854)**	**3,854**
Total Net Effect	**(130,688,134)**	**130,688,134**

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NOTE 25-FINANCIAL RISK MANAGEMENT (Continued)

(c) Funding risk

The funding risk of the current and future debt requirements is managed through rendering the availability of the qualified lenders. The Group's bank loans are provided by various financially strong financial institutions.

(d) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Group monitors capital on the basis of the ratio of net debt to total equity. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total equity is calculated as the difference between assets and liabilities. Additionally, the Group calculates the total equity/total assets ratio. Group's constructions in progress is financed by miscellaneous potential financial institutions as mentioned in the funding risk. Completion periods and cash outflows of investments are assessed and valorized within capital risk management by the Group. The periods after the completion of investments expect a significant reduction in the ratio of net debt/total capital.

Net debt/total equity ratio as of 31 December 2012 and 2011 are as follows:

	2012	2011
Trade payables and due to related parties	201,285,710	211,551,684
Total financial liabilities	1,458,924,298	1,419,175,264
Other liabilities	7,004,400	12,083,701
Total debt	1,667,214,408	1,642,810,649
Less: Cash and Cash Equivalents (Note 3)	(173,551,094)	(85,100,382)
Net debt	1,493,663,314	1,557,710,267
Total equity	**944,434,149**	**524,579,633**
Net debt/total equity ratio	**158%**	**297%**

(e) Credit Risk

The Group is exposed to credit risks due to its open receivable position with future collection dates and time deposits. If counterparties fail on the fulfillment of the agreement, the Group is exposed to the risk upon holding the financial instruments. Management covers the risk by limiting the average risk of counterparties (except for related parties) on agreements and by obtaining guarantees if necessary.

The Group has internal credit procedures, the credit rating system and internal policies for credit risk management related with the trade receivables from its customers. According to these procedures, the Group separately approves, increase or decrease the credit limits for customers with significant balances. The credit limits are determined in accordance with the historical payment performances, financial strengths, commercial relations, commercial growth potential, and management styles. Credit limits are reviewed every year and the group use bank guarantees, marketable securities and other guarantees for the customers which considered as high risk.

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NOTE 25-FINANCIAL RISK MANAGEMENT (Continued)

The exposure of the Group to credit risk as of 31 December 2012 based on types of financial instruments is as follows:

	Trade Receivables		Other Receivables		Bank deposits	
2012	**Related Party**	**Other**	**Related Party**	**Other**	**Related Party**	**Other**
Maximum credit risk exposure as of the reporting date	**5,160,356**	**99,356,741**	**638,368**	**6,732,467**	**-**	**173,513,929**
- Secured portion of the maximum risk by guarantees	***2,651,808***	***36,364,955***	-	-	-	-
Not due /not impaired Financial asset's carrying value	5,113,621	94,537,956	638,368	6,732,467	-	173,513,929
Overdue but not impaired Financial asset's carrying value	46,736	4,818,785	-	-	-	-
- Secured portion by guarantees	*38,306*	*2,855,982*	-	-	-	-
Net carrying value of Impaired assets	-	-	-	-	-	-
- Overdue (gross)	-	*6,835,997*	-	-	-	-
- Impairment (-)	-	*(6,835,997)*	-	-	-	-
- Secured portion by guarantees						

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

NOTE 25-FINANCIAL RISK MANAGEMENT (Continued)

The exposure of the Group to credit risk as of 31 December 2011 based on types financial instruments is as follows:

	Trade Receivables		Other Receivables		Bank deposits	
2011	**Related Party**	**Other**	**Related Party**	**Other**	**Related Party**	**Other**
Maximum credit risk exposure as of the reporting date	**11,756,744**	**103,560,713**	**23,313,831**	**6,868,313**	**-**	**85,076,656**
- Secured portion of the maximum risk by guarantees	***2,547,465***	***26,272,626***	***-***	***-***	***-***	***-***
Not due /not impaired Financial asset's carrying value	11,754,405	94,924,526	23,313,831	6,868,313	-	85,076,656
Overdue but not impaired Financial asset's carrying value	2,339	8,636,187	-	-	-	-
- Secured portion by guarantees	*251*	*7,550,894*	-	-	-	-
Net carrying value of Impaired assets	-	-	-	-	-	-
- Overdue (gross)	-	*174,570*	-	-	-	-
- Impairment (-)	-	*(174,570)*	-	-	-	-
- Secured portion by guarantees	-	-	-	-	-	-

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NOTE 25-FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial instruments

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

The fair values of financial instruments that are not traded in an active market have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate fair value. Accordingly, the estimates presented herein may differ from the amounts the Group could realise in a current market exchange.

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

Monetary assets

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

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

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

Monetary liabilities

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

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

Fair value estimation:

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

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

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

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

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NOTE 25-FINANCIAL RISK MANAGEMENT (Continued)

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

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

Derivative financial liabilities	2012	2011
Level 2	61,091,914	41,921,415
	61,091,914	**41,921,415**

NOTE 26-SUBSEQUENT EVENTS

Share capital of the Company is increased from TL375,814,000 to TL 729,164,000 through cash, TL353,350,000 cash inflow is generated form the issue of additional shares through public offering at the Istanbul Stock Exchange. Decleration to share holders will be made after the, application to CMB regarding the registiration of additional shares.

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