akenerji Elektrik Üretim A.Ş.

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Akenerji Annual Report 2010

AKKÖK CEZ GROUP

Contents

Agenda of the Ordinary General Assembly Meeting

AGENDA OF THE ORDINARY GENERAL ASSEMBLY OF AKENERJİ ELEKTRİK ÜRETİM ANONİM ŞİRKETİ TO BE HELD ON MAY 9, 2011

1- Opening, formation of the presidency of the council, and the authorization of the council for the signature of the minutes of the meeting,

2- Reading out, deliberation and voting of the Board of Directors' Activity Report, Auditors' Report and Independent Auditor's Report, the balance sheet and income statement, as well as the dividend distribution proposal prepared by the Board of Directors,

3- Acquittal of Members of the Board of Directors and Auditors,

4- Election of Members of the Board of Directors and Auditors, determination of their terms of office, salaries and attendance fees and the authorization of the Members with the powers stated in the Articles 334 and 335 of the Turkish Commercial Code,

5- Voting on the Board of Directors' decision on the selection of the Independent Audit Firm,

6- Provision of information to the shareholders, as regards the donations and assistance of the Company in 2010, in accordance with the Capital Markets legislation; as well as provision of information on counterparty operations carried out according to the evaluation reports prepared in line with the "Communiqué on Principles that Anonymous Partnerships Subject to Capital Markets Law shall Obey," Series IV, No: 41.

BOARD OF DIRECTORS

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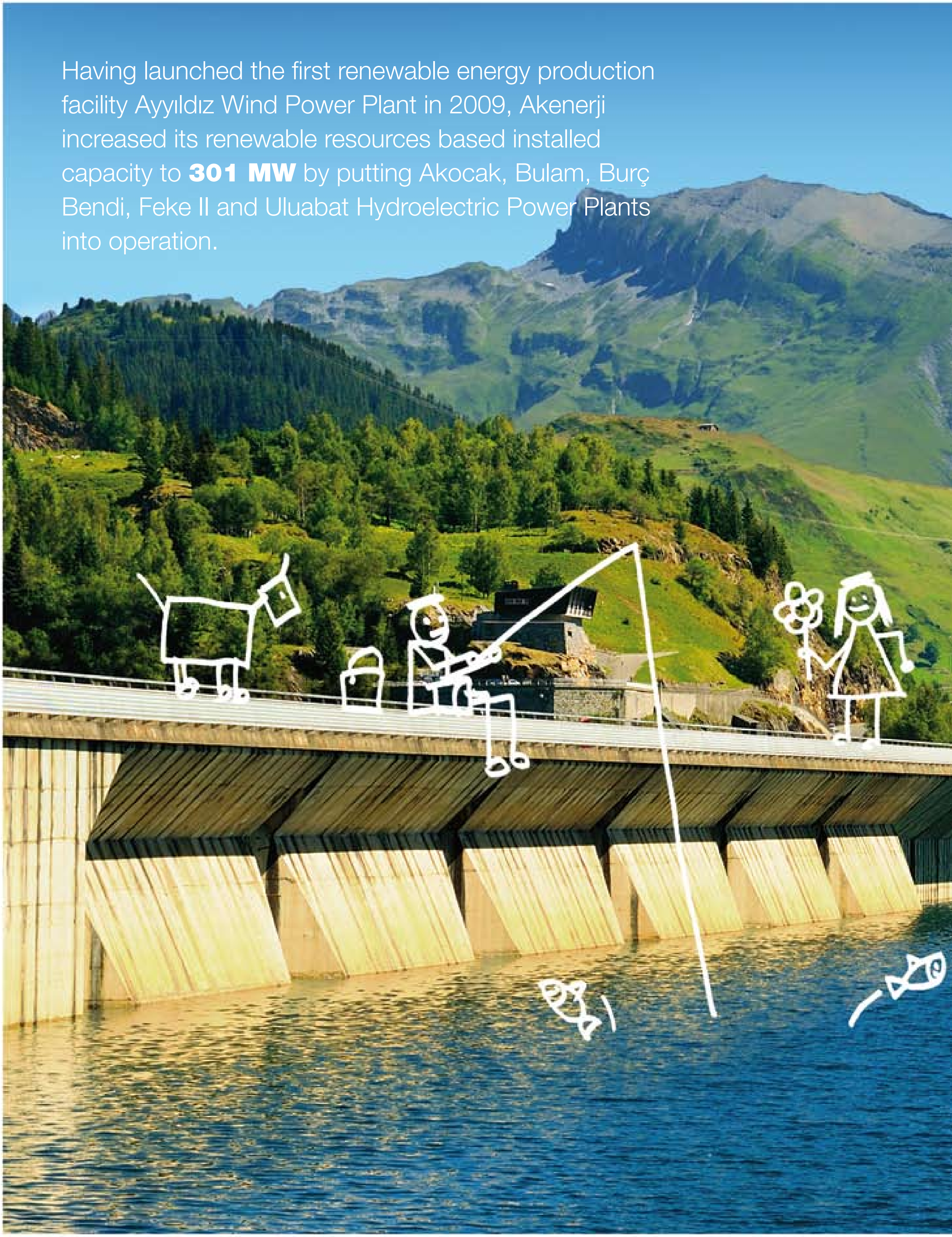
2010 was a year that we reaped the fruits of our renewable energy investments as five hydroelectric power plants began operations. Akenerji's installed capacity based on renewable resources has reached 301 MW while its total installed capacity has reached 658.2 MW.

Having launched the first renewable energy production facility Ayyıldız Wind Power Plant in 2009, Akenerji increased its renewable resources based installed capacity to **301 MW** by putting Akocak, Bulam, Burç Bendi, Feke II and Uluabat Hydroelectric Power Plants into operation.



Akenerji in Brief

Akenerji has been strengthening its position as a leading energy company with its visionary strategies and operational competence, and has been setting an example in the industry with its investments in renewable resources.

Production Capacity

- 658.2 MW electricity
- 417 tons of steam

Power Plants

- Bozüyük NGP (132 MW)
- Çerkezköy NGP (98 MW)
- Kemalpaşa NGP (127,2 MW)

- Ayyıldız WPP (15 MW)

- Akocak HPP (81 MW)
- Bulam HPP (7 MW)
- Burç Bendi HPP (28 MW)
- Feke II HPP (70 MW)
- Uluabat HPP (100 MW)

Operations

- Power Generation and Sales
- Power Import-Export and Whole Sales
- Power Retail Sales and Distribution
- Steam Production and Sales
- Natural Gas Import-Export and Whole Sales

Number of Employees

- 311

2010 turnover

- TL 428 million

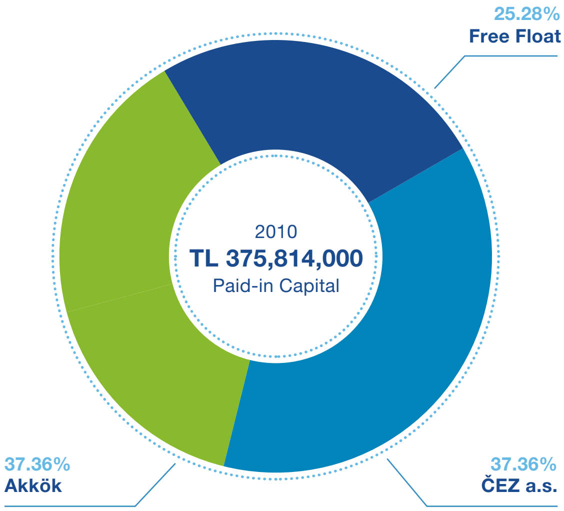
Turkey's Integrated Energy

Akenerji is a member of the Akkök Group of Companies and one of the largest private power generation companies in Turkey. The Company started its operations in 1989 as an auto producer group in the power sector and changed its status assuming the title of Akenerji Elektrik Üretim A.Ş. in 2005. As one of the pioneering private power generators in Turkey, Akenerji maintains a steady growth due to over 21 years of experience and its total of 658.2 MW of power generation capacity. Having a robust capital structure, Akenerji closely watches the developments in the liberalized energy sector and implements strategic decisions with a proactive approach. These qualities provide Akenerji with speed, flexibility and a competitive advantage and continually strengthen the Company's position among the leading industrial establishments. Since 1993, Akenerji has appeared in the Istanbul Chamber of Industry's "Top 500 Industrial Corporations of Turkey" list every year. In 2009, it occupied the 112th position in ISO 500 with a TL 448,497,328 net revenue of sales from production.

With its operational competence and visionary strategy Akenerji fortified its position as this region's leading power company and sets an example for the sector with its investments in renewable energy resources. Proceeding with its operations with an integrated understanding, Akenerji focuses its whole operations on the timely and regular analyses of market risks and implementing the right strategy at the right time. Realizing the impact of the complete structural changes that took place in the industry at the end of 2009 would have on 2010 the Company took precautions and improved its customer portfolio. As a result, the Company created one of the most comprehensive customer portfolios in the industry. As well as the launching of new power plants, Akenerji has been managing and selling power over its existing capacity as a part of the power purchase agreements with various energy companies.

Share Structure

The collaboration between Akkök and CEZ, which was established prior to SEDAŞ tender, has been transformed into a strategic Joint Venture with an agreement signed in October 2008.



Subsidiaries and Affilites

- **AkCez 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.**
- **Akkur Enerji Üretim Tic. ve San. A.Ş.**
- **Egemer Elektrik Üretim A.Ş.**
- **Mem Enerji Elektrik Üretim San. ve Tic. A.Ş.**
- **İçkale Enerji Elektrik Üretim ve Tic. A.Ş.**
- **Akenerji Doğalgaz İthalat-İhracat ve Toptan Tic. A.Ş.**

As of February 11, 2009, Sakarya Elektrik Dağıtım A.Ş., which was purchased by AkCez 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 via shareholders' equity.

Powerful Strategic Partnership

Akenerji, a leading company in the power generation and trade industry, formed a consortium with Akkök and the Czech power company CEZ under the title of "AkCez" and won the tender for the privatization of Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) with a bid of US$ 600 million. As of February 2009 Akenerji is an integrated company that has taken over electricity distribution in a region that covers Sakarya, Kocaeli, Bolu and Düzce in the heartland of the nation's industry, serving the final consumer. The first investment in power generation following the strategic partnership made with CEZ is Egemer Combined Cycle Natural Gas Power Plant project located in Hatay Erzin. With the participation of SEDAŞ, Akenerji reached an active position in all its operations such as generation, distribution, energy trade, power whole and retail sales and became an integrated energy company by expanding its operations to all possible areas that private sector energy companies operate.

Exponential Growth in Energy

The collaboration between Akkök and CEZ-predating the SEDAŞ tender- turned into a strategic Joint Venture with an agreement signed in October 2008. In line with this agreement, the Company transferred 50% of its exclusive shares to the CEZ Group for US$ 303 million. Having gained the support of two important forces such as Akkök and CEZ, with this strategic partnership, Akenerji further strengthened its position in the industry and doubled its installed capacity upon launching Egemer Combined Cycle Natural Gas Power Plant project which has a capacity of approximately 900 MW.

Investment for a clean and sustainable future

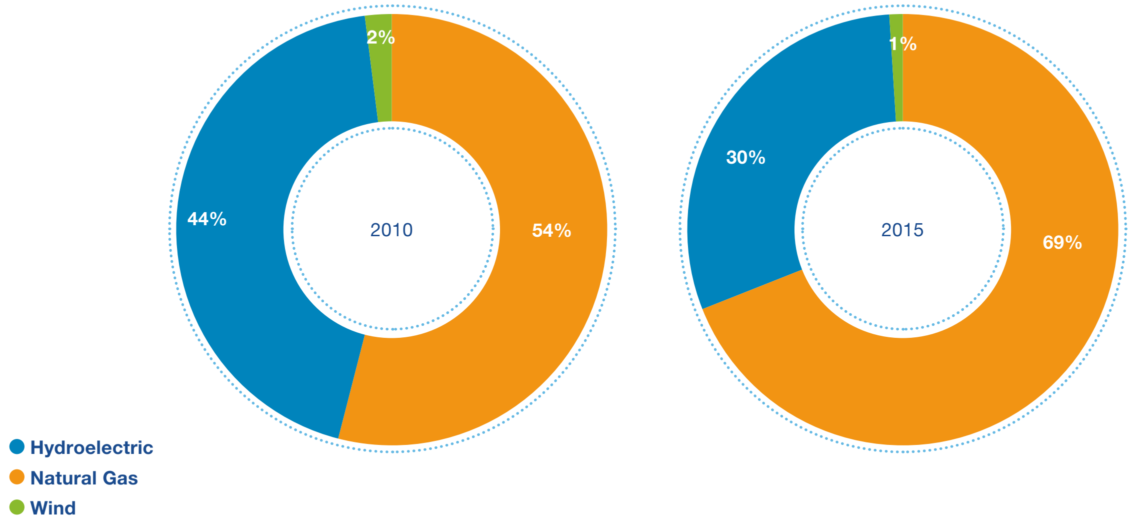
Akenerji, which is among the leading companies in Turkey in power generation, has been supporting a cleaner and sustainable energy future, being responsible towards society and environment. In order to diversify its sources of generation and to manage fuel resources risks -besides its investments in natural gas- Akenerji has been among the pioneering private power generation companies that invest in renewable energy. In 2005, when the Energy Market Regulatory Authority (EMRA) managed its first tenders to build hydroelectric power plants, Akenerji began to invest in these kinds of projects. Launching its first renewable energy generation plant, Ayyıldız Wind Power Plant in 2009, Akenerji has also launched Akocak, Bulam, Burç Bendi, Feke II ve Uluabat Hydroelectric Power Plants in 2010 and increased its installed capacity on renewable resources to 301 MW. Thus, increasing its renewable energy share within the total installed capacity to 46%, the company took a big step towards its target to diversify its fuel portfolio. Ongoing investment namely the Feke I HPP, Himmetli and Gökkaya HPP projects are intended to go into operation in 2012.

Without slowing down its tempo of investment in renewable energy, Akenerji purchased İçkale Enerji Elektrik Üretim ve Tic. A.Ş the license holder for the Kemah Dam and Hydroelectric Power Plant. As the biggest HPP project in Akenerji's portfolio Kemah Dam and HPP project is due to be completed and operational by 2015.

Map Of Operations

Focusing on renewable energy investments, Akenerji has been supporting a cleaner and sustainable energy future, being responsible towards society and environment.

Distribution of Installed Capacity According to Fuel Sources 2010-2015



Installed Capacity (MW)

- Bozüyük NGP — **132** MW
- Çerkezköy NGP — **98** MW
- Egemer NGP* — **900** MW >>
- Kemalpaşa NGP — **127.2** MW
- Ayyıldız WPP — **15** MW
- Akocak HPP — **81** MW
- Bulam HPP — **7** MW
- Burç Bendi HPP — **28** MW
- Feke I HPP** — **30** MW
- Feke II HPP — **70** MW
- Gökkaya HPP** — **30** MW
- Himmetli HPP** — **27** MW
- Kemah HPP* — **160** MW
- Uluabat HPP — **100** MW

* Investments in project phase
** Investment in construction phase

Steam Production Capacity

- Bozüyük NGP — **141** TON/H
- Çerkezköy NGP — **144** TON/H
- Kemalpaşa NGP — **132** TON/H

Current Production Capacity
(Natural Gas, hydroelectric, wind)

658.2 MW

Investment in Construction Phase
(Hydroelectric)

87 MW

Investments in Project Phase
(Natural Gas, hydroelectric)

1060 MW

Investments in Licensing Phase
(Wind)

170 MW

Geothermal Licensing Phase

5 fields

Financial and Operational Indicators

Strong shareholders' equity, well-directed investments

Consolidated Financials (TL million)

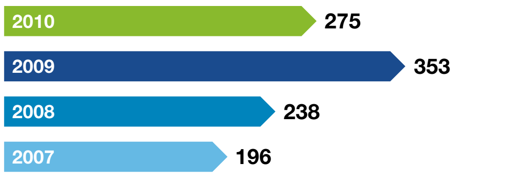
	2007	2008	2009	2010
Net Sales	452	607	457*	428
Gross Sales Profit	14	100	65	43
EBIT	(55)	67	24	8
EBITDA	(4)	89	50	36
Net Profit / (Loss)	(40)	90	24	(26)
Total Current Assets	196	238	353	275
Short Term Liabilities	57	116	426	472
Working Capital	23	46	38	13
Tangible and Intangible Assets	361	537	852	1,353
Total Financial Liabilities	156	297	708	926
Total Assets	595	863	1,506	1,913
Total Liabilities	206	386	791	1,148
Shareholders' Equity	388	478	715	765
Period End Value of Cash and Similar Assets	88	101	188	40
CAPEX	70	130	364	466
ISE	686	399	1,202	1,357
Average FTE (Full Time Employee)	208	217	235	289

* Due to transfering the Yalova Power Plant based on 70 MW installed capacity, to Aksa Akrilik Kimya San. A.Ş. on 30 April 2009, the Net Sales of Company decreased.

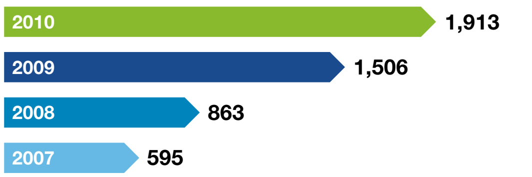
Akenerji maintains its continuous healthy growth by the timely following through with all its planned investments.

Net Sales (TL million)

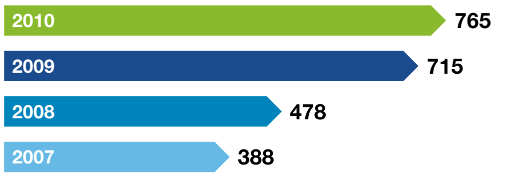
Total Current Assets (TL million)



Total Assets (TL million)

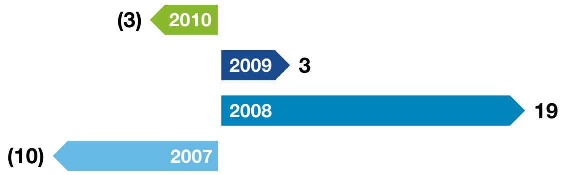


Shareholders' Equity (TL million)

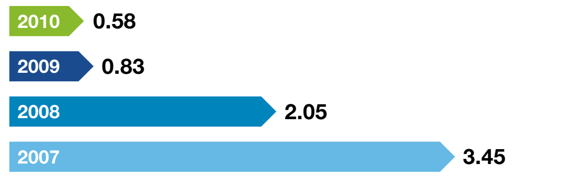


Financial Ratios

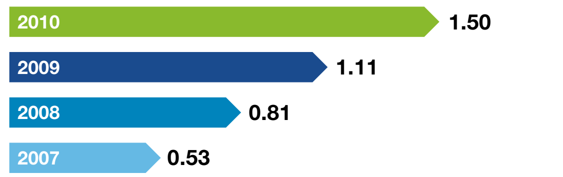
Return on Equity (%)



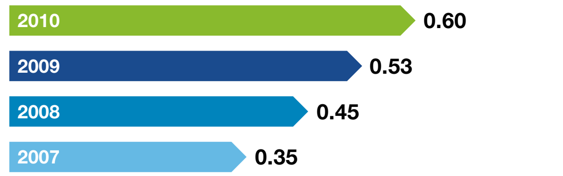
Current Ratio



Total Liabilities/Shareholders' Equity



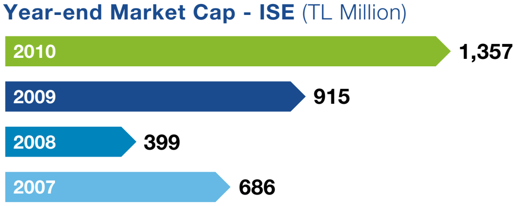
Total Liabilities/Total Assets



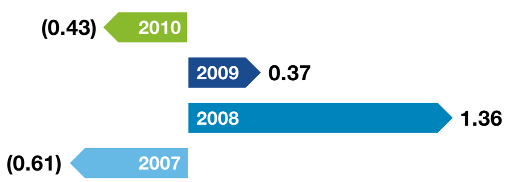
High equity share performance, increasing profitability

ISE Performance

Year-end Market Cap - ISE (TL Million)

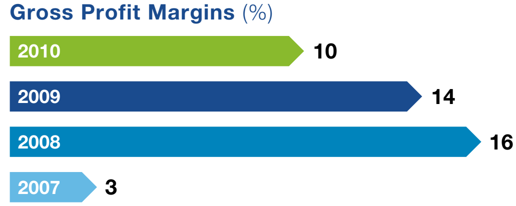


Profit /Loss per Share

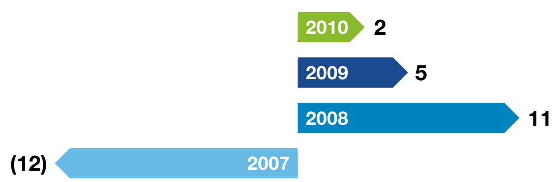


Profit Margins

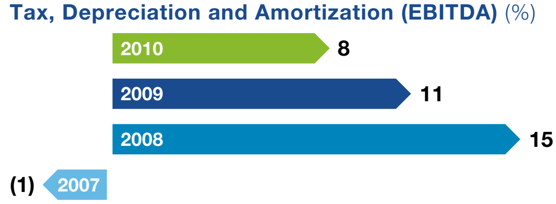
Gross Profit Margins (%)



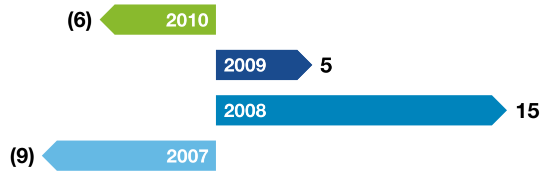
Operational Profit Margins (%)



Profit Margins Prior to Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) (%)

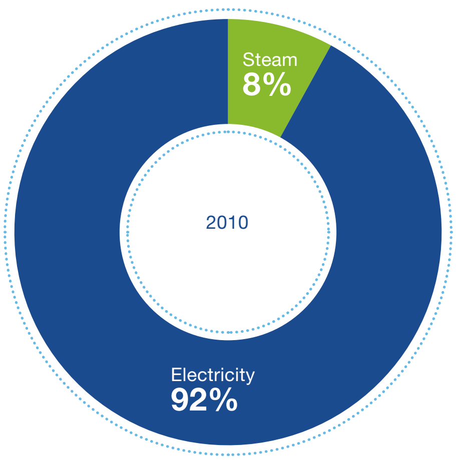


Net Profit Margins (%)

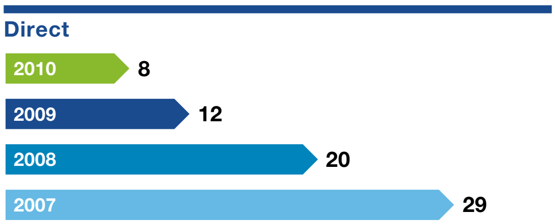


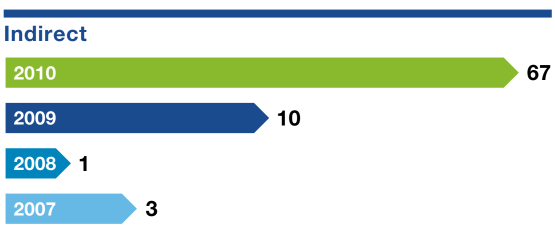
Our company's strategy is to finance our investments with sound sources. In this regard the Company signed long term loan agreements with international finance companies in 2010. In June 24, 2010 the company got USD 75 Million worth funding from International Finance Corporation (IFC) which is a member of the World Bank Group. In addition, Akcez and SEDAŞ signed a loan agreement worth USD 325 Million with EBRD, IFC and Unicredit Bank.

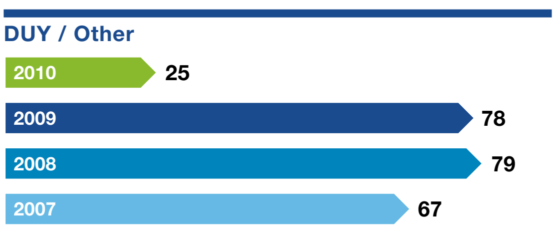
Distribution of Net Sales



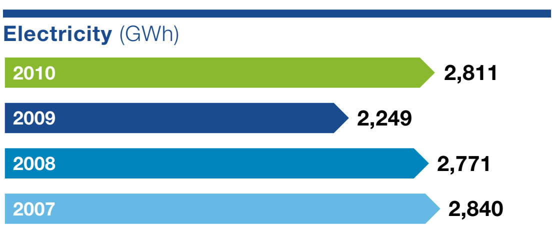
Electricity Sales Distribution (%)

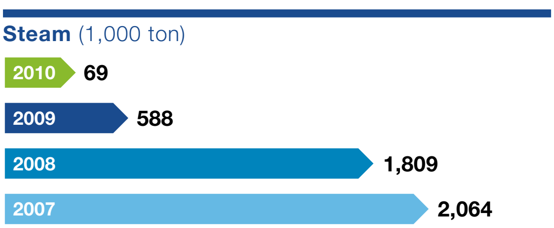






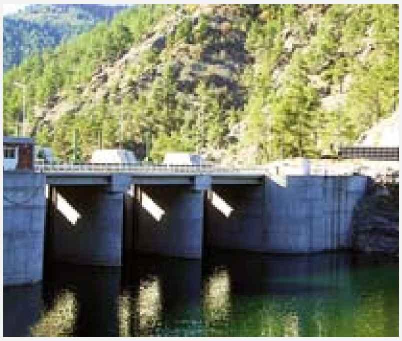
Sales





Akenerji, aiming to bring in a high performance, contemporary and eco-friendly, power plant to the Hatay region with its Egemer Combined Cycle Natural Gas Power Plant project of an approximate capacity of **900 MW**, is also going to play a key role in ending Turkey's rapidly increasing power deficit.

Milestones



1989

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

1993

- The Yalova Power Plant, with an installed capacity of 59.5 MW, was taken over gradually from Aksa Akrilik Kimya Sanayii A.Ş.
- Akenerji came in 188th in the "Top 500 Industrial Corporations" list prepared by the Istanbul Chamber of Commerce (ICC). Akenerji has risen in the ICC 500 list since 1993.

1996

- Çerkezköy Power Plant, with a total installed capacity of 98 MW, commissioned in phases.
- With the 6.3 MW installed capacity, the Alaplı Power Plant also became operational.

1997

- Bozüyük Power Plant commissioned with a 132 MW installed capacity.

2000

- Akenerji made a public offering of 25% of its shares. Akenerji shares started being traded in the ISE under the code "AKENR."

2001

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

2002

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

2003

- İzmir-Batıçim Power Plant commissioned with 45 MW installed capacity.

2005

- Akenerji underwent a status change in early 2005 and started to operate under the name Akenerji Elektrik Üretim A.Ş.
- As a result of the hydroelectric power plant tenders managed by the Energy Market Regulatory Authority (EMRA) in early 2005, 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.
- Izmir Kemalpaşa Power Plant started up with 127.2 MW installed capacity.

2006

- Akenerji bought Akkur Enerji, which holds generation licenses of the hydroelectric power plants Burç Bendi (28 MW), Feke I (30 MW) and Feke II (70 MW).

2007

- Due to market developments, operations of the Orhangazi, Uşak, Gürsu, Çorlu and Denizli power plants terminated and their licenses were cancelled.
- Akenerji bought Mem Enerji Elektrik Üretim T.A.Ş., which holds the license of Bulam Regulator and Hydroelectric Power Plant Project (7 MW) and a license application for Yamanlı III HEPP (Himmetli-Gökkaya, 57 MW).

2008

- Batıçim Power Plant sold to Batıçim Enerji Elektrik Üretim A.Ş. and its license transferred.
- Due to market developments, the license of the Alaplı Power Plant was cancelled.
- Akenerji formed the AkCez consortium with the Czech power company CEZ and won the SEDAŞ tender.

2009

- SEDAŞ transferred to the AkCez consortium with a handover ceremony held in Ankara, on February 11, 2009.
- Following the strategic partnership agreement signed with CEZ, with a target of reaching a 3,000 MW installed capacity in five years, Akenerji bought Egemer Elektrik Üretim A.Ş., owner of the natural gas power plant project with an installed capacity of 900 MW in Hatay, on March 20, 2009. Being the first generation investment of the Akenerji-CEZ partnership, the Egemer project is also the biggest one-off investment of the Company to date.
- The Yalova Power Plant's license transferred to Aksa as of April 30, 2009.
- Share transfer process between Akkök Group of Companies, one of the most prominent Turkish industrial groups, and CEZ, the leading power company of Central and Eastern Europe, completed. In line with the agreement, CEZ acquired 37.36% of Akenerji shares on May 14, 2009.
- The Ayyıldız Wind Power Plant commissioned on September 2009 with an installed capacity of 15 MW.

2010

- Akenerji purchased İçkale Enerji Elektrik Üretim ve Tic. A.Ş. that holds the license for Kemah Dam and Hydroelectric Power Plant with an installed capacity of 160MW.
- An agreement has been signed to purchase Polat Energy's wind power plants' total production capacity of 100MW installed capacity until the end of 2010. This collaboration has been extended until the end of 2011 with the renewal agreement signed yearend 2010.
- Çınarcık Dam and the Uluabat Power Tunnel Hydroelectric Power Plant with an installed capacity of 100MW became operational.
- Akocak Regulators and Akocak Hydroelectric Power Plant with an installed capacity of 81MW became operational.
- Burç Bendi Hydroelectric Power Plant with 28MW installed capacity commissioned.
- Bulam Hydroelectric Power Plant with 7MW installed capacity commissioned.
- Feke II Hydroelectric Power Plant with 70MW installed capacity commissioned.
- Akenerji's 2009 Annual Report won the Gold and the Bronze Award in two categories of League of American Communications Professionals.
- Akenerji's 2009 Annual Report won the Gold Award in 24th "The Academy Awards of Annual Reports" competition.

With more than 40 companies, a structure integrated into the world

Akkök Group of Companies

Chemistry

- **Aksa** Akrilik Kimya San. A.Ş.
- **Ak-Kim** Kimya San. ve Tic. A.Ş

Energy

- **Akenerji** 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.

Textile

- **Ak-Al** Tekstil Sanayi A.Ş.
- **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.

The Akkök Group of Companies, established in 1952 by the late Mr. Raif Dinçkök, comprise more than 40 commercial and industrial companies (one of which is abroad), as well as 15 production plants in various sectors. Due to increased globalization, international competition and the integration process of the world economy, the Group has focused its operations on chemistry, energy, textiles, real estate and port management.

Akkök Group of Companies

Aksa is the world's largest vertically integrated producer of acrylic fibers, with a production capacity of 308,000 ton per year. With a 13.2% share in the world acrylic fiber production, in pursuit of its product innovation strategy, Aksa's investment in carbon fibers created a company that is Turkey's first and only, and the world's ninth largest carbon fiber producer.

One of Turkey's biggest privately owned power generation companies; Akenerji diversifies its sources of energy generation and engages in investments in order to enhance its competitive edge.

As one of Turkey's the longest established and most stable group of companies, Akkök Group continues to contribute towards the Turkish economy with its innovative and client-focused strategies.

The first result of its strategic partnership with Europe's leading energy corporation CEZ Group, is its annual distribution of 7.5 billion kWh of power via SEDAŞ.

By the end of 2010, in addition to its 658.2 MW total installed capacity, 301 MW of which is from renewable energy resources, Akenerji will be generating most of Turkey's power generation once the completion of projects such as Kemah HPP with an installed capacity of 160MW, and the Egemer Combined Cycle Natural Gas Power Plant with 900MW capacity have taken place. In addition, by 2012 three hydroelectric power plants will be commissioned.

Ak-Kim produces more than 200 distinct chemical products in its plants that have a production capacity of 580 thousand tons. The Company is active in overseas markets and delivers turnkey projects.

AK-AL, one of the leading companies in the textile industry, produces acrylic fibers and acrylic blend yarn. Owing to its focus on research and development, the Company continues getting favorable results both in export and production.

Having proven its success in real estate investments with the Akmerkez project, Akkök maintains growth in this industry with the Akkoza, Akasya and Akbatı shopping center projects of Akiş. Akiş plans to carry out new, innovative and large scale real estate projects focusing on inner city shopping malls.

Functioning as the main port of Tekirdağ region, Akport has been transformed into an exemplary port complex with 130 thousand aquare meter container area, 2 km of pier length, 3 million tons of dry freight capacity and 300 thousand TEU/year thanks to the extensive investments undertaken after the acquisition of the port from the Privatization Administration.

Akkök Group signed the United Nations (UN) Global Compact in 2007 and bases its relations with its employees, clients, suppliers, shareholders and all other stakeholders on the principles of openness and accountability. All Group companies are fully aware of their social, environmental and economic responsibilities as corporate citizens, in addition to their financial responsibilities.

Akkök Group of Companies with its 3,868 employees, has attained a combined turnover of US$ 2.7 billion in 2010; US$ 417 million of this total consists of exports to over 50 countries.

CEZ in Brief

Dynamic and integrated energy conglomerate CEZ aims to be the most efficient power company operating in the European energy sector in 2012.

CEZ Group is a dynamic, integrated energy conglomerate based in the Czech Republic, operating mainly in the generation, distribution and sales of electricity and heat, as well as coal mining, natural gas sales and carbon trade. The Czech Republic (Ministry of Finance) is the company's largest shareholder, with a 70% share. CEZ Group's primary mission is to provide the largest value added to its shareholders. In this context, its shares are traded in Prague Stock Exchange and Warsaw Stock Exchange. CEZ focuses its operations in four areas.

As of 2010, CEZ owns many affiliate companies operating not only in Czech Republic but also in Poland, Bulgaria, Romania, Holland, Germany, Hungary, Serbia, Turkey, Kosovo, Bosnia Herzegovina, and Slovakia. The company distributes and sells electricity in the western parts of Bulgaria and in the eastern part of the country it generates electricity in its thermal power plant near Varna. CEZ, operating in electricity generation, distribution and sales areas in Romania, has commissioned the Fântânele Wind Power Plant in the south east of the country in June 2010.

In Poland, CEZ has two coal fire thermal power plants in operation while in Germany it has a partnership in coal mining activities and three power plants. CEZ continues to be the only active electricity distribution company in Albania. A co-partnered nuclear power plant is underway in Jaslovské Bohunice region in Slovakia. CEZ is also active in electricity sales in the other countries mentioned above and follows closely opportunities in these countries.

CEZ's first and foremost target is to enhance the performance of basic processes and reach optimum cost efficiency. In parallel with this target, CEZ aims to become one of the most efficient power companies operating in the European energy sector in 2012.

The second strategic area is to expand operations to selected target countries outside the Czech Republic. CEZ Group's priority focus is markets in Central and Southeastern Europe, where a period of transition to a liberalized energy market is in order. CEZ Group prioritizes privatization tenders as a means of entering Central and Southeastern Europe markets.

CEZ's third priority target is to renew its plant portfolio in order to ensure continued success. The Group plans on investing in upgrading aging brown coal thermal power plants and building new, high-efficiency power plants in the Czech Republic. Within these new power plant projects, the renewable energy power plants have an important share. CEZ Group is also planning to upgrade existing power plants and build new ones in Hungary, Romania, Bulgaria, Poland, Slovakia and Turkey.

Finally, CEZ's fourth priority target is innovation. CEZ takes a close interest in new energy saving technologies, smart distribution networks, environment protection and R&D activities.

Strong ethical standards that determines CEZ's activities also include being responsible towards society and environment. In line with its sustainable growth policy CEZ, while systematically reducing its activities' effects on the environment, also attaches great importance on education and health areas. CEZ has been a significant supporter of various projects that are in favor of the public and a range of non-profit organizations.

Mission, Vision and Values

Mission

To operate in a quality-oriented perspective at every stage of the energy sector value chain and contribute to meeting Turkey's energy demand in a reliable and long-term fashion.

Vision

To preserve our pioneering position in the Turkish energy sector and to figure among the largest companies shaping the sector.

Institutional Values

Reliability: Reliability and stability are the main values of our Company. Our Company is aware that reliability constitutes the foundation of the energy sector, such that, customers, shareholders, suppliers, employees and all other stakeholders are given clear, understandable and correct information. It operates in an efficient way to deliver on its promises in a precise and timely manner.

Honesty: Akenerji has always been committed to the highest ethical and professional values and the principle of honesty in all of its operations and relations with clients, employees, shareholders, group companies, banks and other corporations and institutions.

Accountability: Akenerji's Board of Directors and top management perform their tasks giving top priority to the profitability of the Company and the benefits of its shareholders. Our Company's Board of Directors and top management are fully accountable to the legal person of the Company and thus, to the shareholders.

Transparency: Akenerji takes the necessary measures to provide information to customers, employees, shareholders, regulatory bodies and the public concerning the Company. Excluding information regarded as commercial secrets and information barred from public disclosure, Akenerji always makes public announcements on financial and non-financial information related to the Company in a timely, correct, understandable, interpretable and easily accessible manner. It always gives open and clear information as regards to the products that are offered to its clients.

Customer Satisfaction: Akenerji always gives top priority to quality and customer satisfaction.

Social Responsibility: In all investments Akenerji pays attention not only to operational excellence and profitability, but also to supporting social and cultural activities along the principles of making a contribution to society and preserving nature. It adopts an attentive, stable and reliable management style.

Akenerji Employee Profile

Research and Acquisition of Knowledge: The Akenerji employee closely monitors the economical, social and political developments in the sector in order to remain up-to-date on the newest practices and to make the right decisions. Such a person interprets recent developments through extensive research going beyond the routine. He/she sees the inside and outside of the Company holistically and evaluates problems and opportunities.

Honesty and Reliability: The Akenerji employee expresses his/her feelings and opinions openly and truthfully under any circumstances. He/she is coherent in discourse and behavior. Such a person admits openly when he/she makes a mistake and expects the same sincerity and openness from others.

Team Work and Co-operation: The Akenerji employee works as a part of the team, in solidarity with other team members, giving priority to department and Company targets over personal goals.

Sensibility to Customers and Colleagues: The Akenerji employee demonstrates the utmost care and effort to understand the feelings, thoughts and concerns of customers and colleagues.

Self-confidence: The Akenerji employee performs his/her duties in the best way and chooses the most effective approach to solve problems; he/she stands behind his/her decisions in a confident manner.

Being Result-oriented: The Akenerji employee sets his/her eyes on challenging targets in order to improve his/her performance and attain perfection. He/she strives for innovation to create a difference.

Creativity and Innovativeness: The Akenerji employee is able to work effectively in various environments with different people or teams and to respect different or opposite view points. He/she rapidly adapts to changes necessitated by the job and puts in practice what he/she has learned.

Being aware of its responsibility towards society and environment and taking the necessary measures in order to preserve natural resources, Akenerji makes a point of **researching and implementing innovative and environment-friendly technologies.**

Chairman's Message

The sustainability of energy industry, which is acknowledged as a key to economical growth, will rank among the most crucial parameters of the global economy in 2011.

Distinguished Shareholders,

In 2009, when the global crisis took the whole world by storm, the Turkish economy, contracted by 4.7%; however, in 2010 Turkey won the admiration of the world with the skills that it used to overcome this challenge.

The Turkish economy, which went into a period of high economical growth in 2010, experienced an increase of 11.8% and 10.2% in the first two quarters of the year respectively. It ended the 3rd quarter with a 5.5% growth rate. High performance in economic growth has also been reflected in unemployment figures with unemployment decreasing 2.1 percentage points to 11.9 % according to the survey of TUİK.

Industries with leading positions in the economy, such as those in the automotive, textile and retail sectors, managed to recoup their losses substantially. While the effects of the financial crisis were relatively more easily removed with the help of increased exports in the textile and automotive industries, a crucial development took effect in real estate and white goods industries. As of year-end, a serious recovery in public finance stood out as a 25% decrease in budget deficit, an increase of 17.9% in budget revenues and an increase of 22.1% in tax income. Considering this data, after a year of loss assessment in a crisis-worn economy's in 2010, the forecasts loom large regarding real recovery in economy to be seen in 2011. Players in the economic arena, who spent 2010 discussing the valuable TL and short-term hot money inflow, will, on one hand, speed up the deferred investments in the new year and try to strengthen its financial structure on the other.

In 2011, the USD 40 billion current deficit and the possibility of the inflation rates escalating once more will mark the agenda of the world's economy. In the Medium Term Plan prepared by the government, it is predicted that in 2011 Turkey will reach a Gross Domestic Product (GDP) valued at USD 781 billion. The growth estimate determined in line with this expectation is 4.5%. The International Monetary Fund (IMF) also estimates that Turkish economy will exceed 1 trillion in 2011 in accordance with purchasing power parity. Given the realization of these estimates the, energy sector will without any doubt grow with positive consequences. As a matter of fact, electricity demand caught up with its pre-crisis levels as of March 2010, reaching 210,000 GWh level with an average of 8% monthly increase by the end of 2010. According to TEİAŞ's 2010 projections, in the case of an average of 7% annual increase in electricity demand, it is expected to reach a level of 390,000 GWh. In the industry the security of supply depends on the necessary additional investments being put into operation in time. Within this framework, the necessary operations should be accelerated for the rapid realization of liberalization in the industry, the reduction of the public share, and the efficient engagement of country's resources.

The Turkish energy sector needs roughly an investment of USD 210 billion for electricity generation, transmission and distribution system until 2030 so as to meet the increasing demand. As one of the leading corporations that guide the energy sector in Turkey, Akenerji has been orienting its vision and strategic targets in the light of these findings. Right along with the current renewable energy investment portfolios and privatization opportunities, our company follows and assesses investment opportunities depending on other sources of fuel.

Ömer Dinçkök
Chairman of the Board of Directors

At present sustainability is a concept which has become the focus of today's business process oriented decisions. While its importance gradually increases as a factor affecting global competition, it is becoming an indispensable sine qua non for the energy sector as well. Acknowledged as the key to economical growth, sustainability of the energy sector will be among the most crucial parameters of global economy in 2011.

Environmentally friendly, uninterrupted and efficient power generation in Turkey is among the primary objectives on Akenerji's agenda. As one of the first private sector power generators investing in renewable energy resources, Akenerji has started to reap the rewards of these investments. Putting five new hydroelectric power plants consecutively into use and the purchase of İçkale Enerji Elektrik Üretim ve Tic. A.Ş. who holds the license for Kemah Dam and Hydroelectric Power Plant with 160 MW installed capacity, are tangible indicators of Akenerji's sensitivity to renewable energy. Egemer Combined Cycle Natural Gas Power Plant project with approximately 900 MW capacity is one of Akkök and CEZ strategic partnership's most important projects for Akenerji, and this project's Engineering Procurement and Construction Contract was signed this year. Akenerji will double its installed capacity with this project which would contribute to meeting Turkey's rising energy demand significantly. Akenerji will maintain its healthy growth without cease as it continues with its planned investments without slowing down although may be a period of recovery from the economical crisis.

Akenerji will carry on with its future investments by analyzing the markets and the developments in the industry meticulously, striving to increase the variety of resources, and by cultivating the support and the strong potential of the energy industry and its partners. In the name of our Board of Directors, I would like to take this opportunity to express my deepest gratitude to our employees, who have the biggest share in Akenerji's success story.

I would also like to warmly thank all our social and economic stakeholders, our shareholders and our clients, who have always shown great interest and given their valuable support, enabling our level of energy to remain sky-high.

Best regards,

Board of Directors

Omer Dinçkök, Chairman
Born in Istanbul in 1948, Dinçkök graduated from Robert College Business Administration and Economics Department. Dinçkök completed his postgraduate studies in the United Kingdom in 1971. He began his professional career in the Akkök Group of Companies and currently serves as Chairman of the Board of Directors at the Akkök Sanayi Yatırım ve Geliştirme A.Ş. He also serves as Chairman and Vice Chairman in the boards of directors of various Group companies.

Dr. Martin Roman, Vice Chairman
Born in 1969, Dr. Roman graduated from the Faculty of Law at Charles University in Prague. He began his professional career in 1992 during his postgraduate studies and served as senior executive in numerous companies. In February 2004, he became Chairman of the Board of Directors at the CEZ Group and is currently Chairman of the Board of Directors and CEO at the same company.

Ali Raif Dinçkök, Member
Ali Raif Dinçkök was born in 1944 in Istanbul and graduated from St. George's Austrian High School. After graduating from Aachen University's Textile Engineering Department in 1969, he started his professional career at the Akkök Group of Companies. Dinçkök is currently Vice Chairman of the Board of Directors at the Akkök Sanayi Yatırım ve Geliştirme A.Ş. and also serves as Chairman and Vice Chairman in the boards of directors of Group companies.

Mehmet Ali Berkman, Member
Born in 1943 in Malatya, Berkman graduated from the Industrial Management Department at the Administrative Sciences Faculty at Middle East Technical University. He earned his MBA in Operations Research at Syracuse University, where he was granted a scholarship. Berkman started his professional career in 1972 and served as CEO to Arçelik A.Ş. between 1994 and 2000. He was appointed as the Director of Strategic Planning in Koç Holding A.Ş. in August 2000, and Director of Human Resources in the same company in February 2001. Mehmet Ali Berkman currently serves as a Member of the Board of Directors and the President of the Executive Board at the Akkök Sanayi Yatırım ve Geliştirme A.Ş.

Tomaš Pleskać, Member
Born in 1966, Pleskać graduated from the Faculty of Business and Economics of Mendel's University of Agriculture in Brno in 1989. Later, he completed an internationally accredited course at the Prague International School and received an MBA. Pleskać joined CEZ in 1994 and served as senior executive in various positions. Since 2008 he has served as Division International Chief Officer and Vice Chairman of the Board of Directors.

Raif Ali Dinçkök, Member

Born in Istanbul in 1971, Mr. Raif Ali Dinçkök graduated from the Business Administration Department of Boston University in 1993 and started work at the Akkök Group of Companies. He served as coordinator in the Purchasing Department of Ak-Al Tekstil Sanayii A.Ş. from 1994 to 2000 and at Akenerji from 2000 to 2003. Raif Ali Dinçkök is currently a Member of the Board of Directors and Executive Board at the Akkök Sanayi Yatırım ve Geliştirme A.Ş. And Chairman of the Board of Directors at Akiş.

Vladimir Schmalz, Member

Born in 1966, Schmalz graduated from the Foreign Trade Economy Department at the Faculty of International Relations at the University of Economics in 1994. He represented the interests of CEZ in the Supervisory Board of Severoceska Energetika as. From 2004 to 2005 and then in the Supervisory Board of Škoda Praha a.s. from 2005 to 2006. At present he is a member of the Supervisory Board of the distribution company EAD Stolichno in Bulgaria and CEO of ZAO TransEnergo in the Russian Federation. Since 2004, he has served as a Member of the Board of Directors and Director of the Mergers and Acquisitions Department.

Gamze Dinçkök Yücaoğlu, Member

Born in 1981 in Istanbul, Gamze Dinçkök Yücaoğlu graduated from Harvard University where she studied Economy and Psychology. She started work at Akenerji Elektrik Üretim A.Ş. From 2004 to 2006 she served in Finance, Accounting and Budget departments. Yücaoğlu, who assumed the role of Assistant General Manager in charge of Finance and Accounting from 2006 to 2009, has been serving as Financial Audit and Risk Management Director since June 2009.

Peter Bodnár, Member

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 CEZ. In January 2008, Bodnár became Chief Investment Officer at the CEZ Group and has served as a Member of the Board of Directors since August 2009.

Petr Štulc, Member

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. 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 CEZ in 2004. As Head of Strategy in CEZ, his current responsibilities include the enhancement of the CEZ Group market strategy, evaluation of acquisition targets throughout Europe, design of the future CEZ generation plant portfolio and market analysis.

CEO's Message

Continuing its power generation operations with a responsive approach towards society and environment, Akenerji, while increasing its competitive advantage with its background knowledge and expertise in distribution and sales areas, contributes to the development of the industry.

Distinguished Shareholders,

We have been going through a time when energy security in the world is being discussed intensely and the damage to the economy is being repaired. Akenerji kept on competing against itself as always, setting challenging targets for the company in this difficult period of time. In 2010, as one of the earliest private sector electricity generation companies in Turkey with a quarter of a century of experience in the industry, Akenerji accelerated its investments, which will illuminate Turkey's future.

Today, with an installed capacity of 658.2 MW, Akenerji has been providing power for industrial organizations, offices, organized industrial zones and BSR (Balancing and Settlement Regulations) systems, as well as meeting the requirements of its free consumer licensed customers for affordable and high quality energy. Owing to the strategic partnership between Akkök Group and CEZ, the leading energy company of Middle and East Europe, our company united its background and expertise in energy industry with CEZ Group's distribution expertise in European market.

In 2010, Akenerji still continues to be the eligible consumer's first choice in electricity wholesale, as it provides affordable electricity to its customers. Having the required generation capacity and market vision to consistently maintain the advantages it provides Akenerji will have approximately 1000 corporate customers operating in industry, health, communications, information technology, tourism, finance and shopping center sectors in its portfolio as of 2010 year-end. Akenerji aims at being the biggest and the most efficient power trade platform.

We have left behind a year when we reaped the rewards of recent investments we have put into effect. First, in August 2010 we inaugurated Akocak Hydroelectric Power Plant built in the middle of Araklı-Karadere Basin, Trabzon. The plant has an installed capacity of 81 MW and will generate 257.44 GWh of electricity yearly. Against the difficult weather conditions of Black Sea region, Akocak stands as the reward of dedicated and resolute work: it was completed in 48 months with the utmost care taken regarding public safety.

The Uluabat Power Tunnel and Hydroelectric Power Plant, Turkey's longest tunnel dug from only one side, was completed in October, in Bursa's Nilüfer district, near Akçalar. With its 100 MW installed capacity the plant has been the biggest step taken towards the transition to renewable energy and attaining diverse resources in power generation.

Including the Ayyıldız Wind Power Plant which was put in to use in 2009 in Balıkesir/Bandırma with an installed capacity of 15 MW, our installed capacity based on renewable resources has increased to 301 MW with the Bulam (Adıyaman-7 MW), Burç Bendi (Adıyaman-28 MW), and Feke II (Adana-70 MW) hydroelectric power plants put into service in the last quarter of 2010.

Akenerji plans to increase its installed capacity to 746 MW with three hydroelectric power plants under construction which will be put into operation in 2012. Today, Akenerji has a total installed capacity of 658.2 MW. Upon completion of Egemer Combined Cycle Natural Gas Power Plant (900 MW) and Kemah HPP (160 MW), Akenerji will be generating a significant part of power generation in Turkey alone.

Ahmet Ümit Danışman
CEO

Serving as a model with its breakthroughs in energy industry, Akenerji realized its ambition regarding distribution as well as generation of electricity, when it won the privatization tender in February 2009 and took over Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ). SEDAŞ, serving 1,5 million subscribers over a wide area of 280 km from east to west covering Sakarya, Kocaeli, Bolu ve Düzce, made investments valued at TL 24 million in areas such as information technologies, customer services and call centers in 2010 in accordance with its principles of customer satisfaction and high-quality service.

Akenerji opens its doors to generators of all scales for a collaboration based on a win-win principle, using its sales and marketing power. Within this framework, an agreement has been signed with Polat Energy, one of Turkey's leading wind power generation companies, to purchase Polat Energy's total production capacity of 100 MW installed capacity wind power plants until December 31, 2010. This collaboration has been extended until the end of 2011.

While operating with awareness of its responsibility towards society and environment and taking the necessary precautions to preserve natural resources, Akenerji sets an example for the industry in research, development, adaptation and application of innovative and environment-friendly technologies.

As a leading company in carbon emission trade, Akenerji conducts the process of carbon certification for all renewable energy investments in the agreement signed with Global Tan Energy. Our company committed to prevent over 1 million tons of carbon emission every year. Akenerji sets an example to the other generating companies with this agreement, contributing to nature with an equal level of clean air as 42.2 million trees would provide. With its hydroelectric power plants put into service in 2010, Akenerji has made a significant progress in line with this aim.

On the financials side, while Akenerji's net sales figure was TL 428 million by year end its EBITDA was TL 36 million. The depreciation and amortization of newly functional plants and interest and foreign exchange appreciation costs incurred by financial liabilities have affected results negatively. However, due to increasingly strong demand for electricity and due to new hydroelectric power plants being functional throughout 2011, we expect the year to end with absolute positive improvements in our financials.

As we continue our investments in parallel with our aim of becoming an integrated energy company, the results we achieved, while this crisis period was being left behind, enable us to look forward to the future with confidence. I believe we can offer our country many more successful projects that will ultimately contribute towards our nation's and its children's future, providing we maintain our enthusiasm and carry on with the same determination.

I would like to thank all our employees, shareholders, suppliers, clients and social stakeholders for their ongoing support.

Best regards.

The Energy Sector in the World and in Turkey

Tendency to make environment-friendly investments grow each day.

The Turkish electricity demand, which has caught up with pre-crisis levels since March 2010, has reached a level of approx. 210.000 GWh as of 2010 year-end with an average monthly increase of 8%.

The World

The worldwide generation of electricity has grown annually by around 3% in the last 25 years. In this period of time, the major resource used to meet this demand was black coal with a 41% share. Following black coal, natural gas has had a share of 21% in generation operations, while electricity generation from hydroelectric power plants has had a share of 16% within the total capacity.* In particular, the rise in energy costs and incentives such as emission trade will lead to an increase of the share of renewable resources in world energy generation.

The global financial crisis, which left its mark on the year 2009, has affected the world economy negatively and in parallel the demand for electricity. On the other hand, the fact that developing countries got through the economic crisis quite rapidly and consequently became the driving force behind the world economy has reversed the downward trend in energy demand. Recent developments confirm that developing countries will have an even bigger share in the world's energy consumption in the forthcoming period.

Turkey

Within the last 20 years, Turkish electricity demand showed an average increase of 7% annually, surpassing economic growth. However, in 2009 as a result of the economic crisis which affected the whole world, there was a decrease in electricity consumption of 2.4%. Electricity demand, which has caught up with the pre-crisis levels since March 2010, has reached a level of approx. 210,000 GWh as of 2010 year-end with an average monthly increase of 8%.

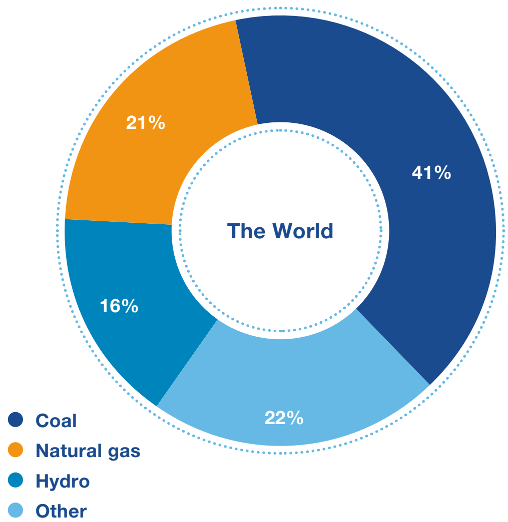
In Turkey, the electricity industry is in the process of rapid liberalization. As of 2010, distribution privatization has to the biggest extent been completed. The first step, in generation privatization namely privatization tenders commenced with the transfer of the operating rights of 50 stream power plants belonging to EÜAŞ. An approximate income of USD 440 million has been earned via these tenders. As a result of the generation privatizations that are predicted to continue in the forthcoming years, free float, which are down to 50%, will fall even further as of 2010.

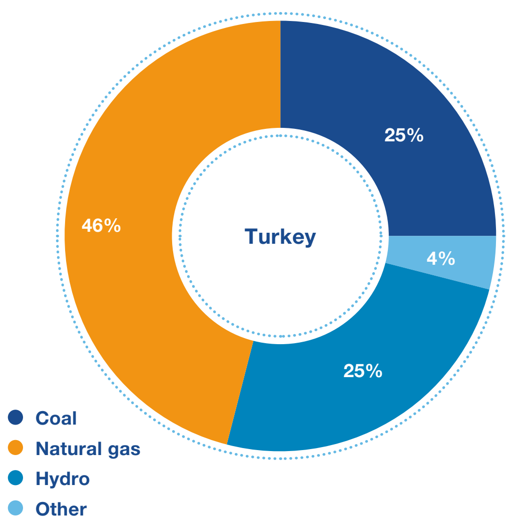
In contrast with the common tendency in the world, electricity generation in Turkey has turned to natural gas instead of black coal. In electricity generation, natural gas is in the lead with a 46% share while hydroelectric and coal as sources for power are in the second place with a 25% share.

* Source: International Energy Agency (IEA) statistics for 2007

Resource Diversification in Electricity Generation

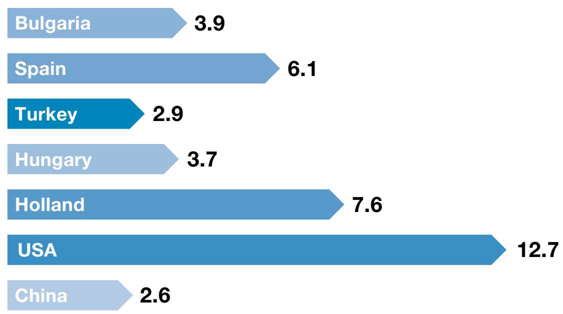
Power generation plants necessitate long-term and large-scale investment, therefore no great transformation is expected in global power generation in the short term. As long as the global energy policy based on coal-fired generation does not change, electricity generation is expected inevitably to stay highly dependent on fossil resources. The global financial crisis and the global climate change loom large in the global agenda and enhance the trend of use of renewable energy sources in power generation.





International Energy Agency (IEA) statistics for 2010
Turkish Electricity Transmission Company (TEİAŞ) statistics for 2010

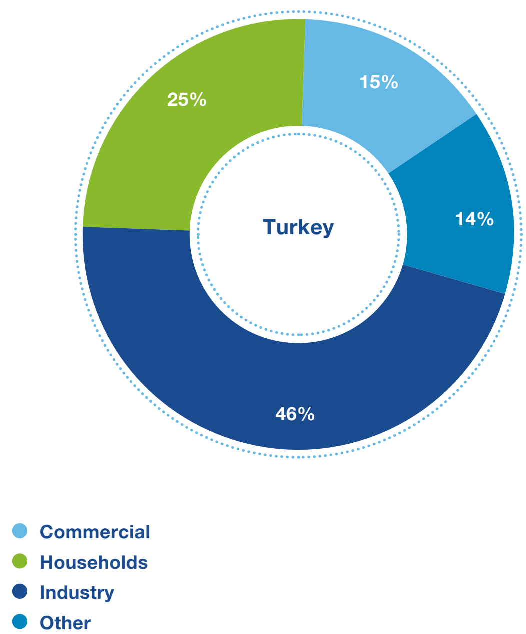
Average per Capita Electricity Consumption (Mwh)



Source: CIA World Factbook, Eurostat, OECD, 2010

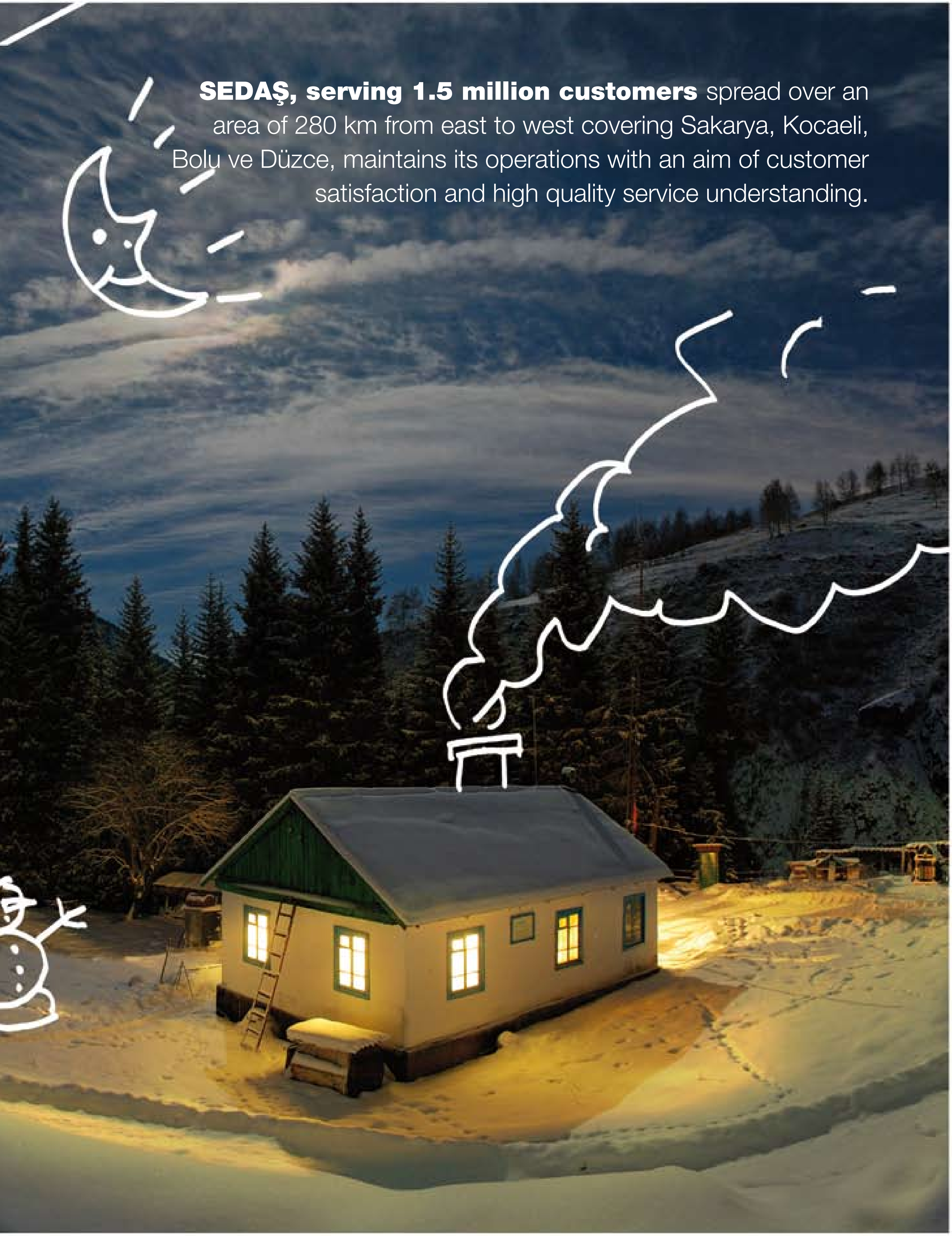
Distribution of Electricity Consumption in Turkey (%)

While 46% of total power generation in Turkey is being consumed by industry, household consumption ranks second with a share of 25%. Commercial consumption takes third place with an average of 15% share within the total power generation consumption.



Source: Turkish Electricity Distribution Company (TEDAŞ) statistics for 2009

SEDAŞ, serving 1.5 million customers spread over an area of 280 km from east to west covering Sakarya, Kocaeli, Bolu ve Düzce, maintains its operations with an aim of customer satisfaction and high quality service understanding.



Operations in 2010

Generation

We work for Turkey with all our energy.

Power Plants Launched in 2010

Newly launched Power Plants	Installed Capacity (MW)	Date of Commission
Akocak HPP	81	July, 2010
Bulam HPP	7	August, 2010
Uluabat HPP	100	October, 2010
Burç Bendi HPP	28	November, 2010
Feke II HPP	70	December, 2010

In 2010, Akenerji still continues to shape Turkey's future in the power industry with five hydroelectric power plants activated consecutively, one wind and three natural gas power plants in operation. In addition to these, there are also the Egemer Combined Cycle Natural Gas Power Plant project which has a capacity of approximately 900 MW and Kemah Dam and Hydroelectric Power Plant with 160 MW installed capacity, which is one of biggest HPP projects added to Akenerji's investment portfolio.

With 5 new hydroelectric power plants that were put into service in 2010, Akenerji has increased the power generation it sustained with the Ayyıldız Wind Power Plant (Balıkesir - 98 MW) and natural gas power plants such as Bozüyük (Bilecik - 132 MW), Çerkezköy (Tekirdağ - 98 MW) and Kemalpaşa (İzmir-127.2 MW) located in industrialized zones of Turkey. The Company has strengthened its position among the sector's biggest players by utilizing these 5 new hydroelectric power plants with their total installed capacity of 286 MW.

Wind

Foreseeing the rise of importance of renewable energy resources and accelerating its investments in this direction, Akenerji has in 2009, launched Ayyıldız Wind Power Plant, its first renewable energy generation facility.

Hydroelectric

Akenerji has increased its installed capacity of renewable resources up to 301 MW by putting Akocak, Bulam, Burç Bendi, Feke II and Uluabat Hydroelectric Power Plants into operation. Thus, it took a big step forward to its objective of portfolio diversification by raising its renewable energy share to 46% within the total installed capacity.

Natural Gas

The approximately 900 MW capacity natural gas power plant project that is planned in Erzin, Hatay, is one of the biggest projects of Akkök-CEZ strategic partnership. Egemer Combined Cycle Natural Gas Power Plant project, which is designed by Akenerji's subsidiary Egemer Elektrik Üretim A.Ş., is expected to generate an average of 6.7 billion kWh electricity annually.

Power Trading

Akenerji has been working towards creating the strongest power trading platform in Turkey.

Through reciprocal agreements, Akenerji has been actively conducting its operations in power supply to eligible consumers, wholesale power trading, electric power distribution and retail power sales. Akenerji has the opportunity to export and import electric power in line with its current license and exploits opportunities in this area. Supplying its clients with affordable electric power, having the required generation capacity and market vision to consistently maintain the advantages our company provides, Akenerji supplies its corporate clients that are operating in industry, health, communications, information technologies, tourism, banking and shopping center sectors and many more, with electric power.

As a result of Akenerji's win-win policy and customer oriented growth strategy, Akenerji's vision for new market structure, which came into effect as of year-end 2009 influenced a major section of eligible consumers to choose Akenerji in first half of 2010. As of year-end 2010, the size of Akenerji's commercial portfolio reached nearly a 1,000 corporate clients and 10,000 subscribers.

For the reasons of becoming the energy provider of choice and due to its competitive advantages. Akenerji signed power supply agreements other power companies and consequently has added to its power portfolio. Akenerji conducts the sales of "Green Power" that is generated by wind and hydroelectric power plants, jointly with companies having a green power policy and boosts the contribution of its investment to the environment.

As the vanguard of the Turkish electric power sector, Akenerji, in line with its principles of high quality and customer satisfaction, continues to offer the power needed by its clients while aiming to create the biggest power platform in Turkey.

Distribution

SEDAŞ, which will be operated by AkCez for 28 years, has an approximate sales growth of 7.5 billion kWh.

Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) carries out retail sales operations as well as the distribution of electric power, which is its primary duty. Within the scope of its distribution practices, SEDAŞ provides the necessary technical infrastructure set up in the area it operates in and provides its nearly 1,5 million subscribers a high quality, efficient and uninterrupted power supply.

Right after SEDAŞ's privatization tender was won by Akkök-Akenerji- CEZ (AkCez) Consortium for USD 600 million, and as of February 11, 2009, the date of completion of the transfer process, the company has entered a rapid transformation and recovery process. In the Company's partnership structure, Akenerji Elektrik Üretim A.Ş has a share of 45%, Akkök Sanayi Yatırım ve Geliştirme A.Ş. has a share of 27.5% and ČEZ Group a.s. has a share of 27.5%.

A corporation that constantly creates value for Turkish industry

To be operated by AkCez for 28 years, SEDAŞ will continue its operations and investments under the status of "private company providing public service" in a region spanning four provinces which constitute the heartland of Turkish industry and are the undisputed leaders in income generation. Since Sakarya, Kocaeli, Bolu and Düzce have suffered severely from earthquakes in the recent past and as a large number of immigrants from other regions of the country are attracted to their industrial potential, these provinces need a robust infrastructure. Investing with this sense of responsibility, as of year-end 2010 SEDAŞ has been serving nearly 1.5 million customers in this area. With 740 employees of its own as of year-end 2010, SEDAŞ provides employment for 2,014 people in total; this number includes the employees of the firms which supply it with various services.

As of year-end 2010 SEDAŞ has attained a sales figure of 7.47 billion kWh and a gross revenue figure of 1.4 billion TL.

Investments

Akenerji has gradually increased its former installed capacity of 373 MW to 658.2 MW throughout 2010 by preventing 581.444 tons of carbon dioxide emission, thus taken another step towards reaching its aim of avoiding 1 million tons of carbon dioxide emission.

By commissioning the following hydroelectric power plants, Akocak in July, Bulam in August, Uluabat and Burç Bendi respectively in October and November, Feke II in December, the contribution to the environment with levels of clean air is equal to the amount 30 million trees would have provided.. Akenerji expeditiously carries out its investments in renewable energy sources. Feke I, Himmetli and Gökkaya Hydroelectric Power Plants which are still under construction, are planned to be launched in stages in 2012. Akenerji is almost in the stage of completion regarding work on carbon certificates concerning all its investments in renewable energy so as to engage in carbon trade. Within this scope, the validation process for Akocak HPP, Ayyıldız WPP, Bulam HPP, Burç Bendi HPP, Feke I-II HPP, and Uluabat HPP is completed. The certification process of Gökkaya HPP and Himmetli HPP is under way.

Investments Completed in 2010

Çınarcık Dam ve Uluabat Power Tunnel Hydroelectric Power Plant

Akenerji offered the highest bid in the Energy Market Regulatory Authority's (EMRA) first hydroelectric power plant tender on March 14, 2005, thereby gaining the right to operate the Çınarcık Dam and Uluabat Power Tunnel Hydroelectric Power Plant for 49 years. Çınarcık Dam and Uluabat Power Tunnel HPP which is located in the Susurluk Basin of the Marmara Region and commissioned in October 2010, has an installed capacity of 100 MW and an annual generation of 422 million GWh.

Erikli, Akocak Regulators and the Akocak Hydroelectric Power Plant

On June 16, 2005, Akenerji signed an agreement for the use of water for the Erikli, Akocak Regulators and Akocak Hydroelectric Power Plant, for which the Company won the tender that was offered by EMRA on April 25, 2006. Located in the Araklı district of Trabzon, Erikli, Akocak Regulators and Akocak Hydroelectric Power Plant's construction and electromechanical installation works have been completed in the first half of 2010, and it is put into operation in July. With an installed capacity of 81 MW and an estimated annual generation capacity of 257 GWh Akocak HPP will significantly contribute to improve Akenerji's average electricity generation cost.

Burç Bendi HPP and Feke II HPP

In parallel with its diversity in generation resources and growth strategies, Akenerji purchased Akkur Enerji, a company that owns the right to construct a power plant in Adana and Adıyaman. Akkur Enerji includes Burç Bendi HPP (28 MW) project in Adıyaman, Feke I HPP (30 MW) and Feke II HPP (70 MW) projects in Adana within the scope of the company. From the projects with completed electromechanical installation and tests, Burç Bendi HPP was commissioned in November and Feke II HPP in December. Burç Bendi HPP with 28 MW installed capacity is planned to generate 112.47 GWh annually and Feke II HPP with 70 MW installed capacity, 223.41 GWh annually.

Bulam Regulators and Hydroelectric Power Plant

Mem Enerji Elektrik Üretim Sanayi, an affiliate of Akenerji, holds the license for Bulam Regulators and Hydroelectric Power Plant (7MW), Himmetli HPP and Gökkaya HPP (Yamanlı III HPP) projects. Bulam Regulators and Hydroelectric Power Plant (7MW) have been commissioned as of August 2010.

Investments under Construction

FEKE I HPP

The construction of Feke I HPP (30MW) proceeds at a quick pace. It is expected to commence generation in the first quarter of 2012.

Himmetli and Gökkaya HPP Projects

The construction has started as of the first quarter 2010 in Himmetli and Gökkaya HPP projects, which have a total installed capacity of 57 MW. The projects are expected to commence generation in 2012.

Investments in Project Phase

Egemer Combined Cycle Natural Gas Power Plant

Planned to be established in the Erzin township of Hatay, the 900 MW capacity natural gas plant project is one of the most important projects of the Akenerji-CEZ Group strategic partnership. Egemer Elektrik Üretim A.Ş., Akenerji's subsidiary, has created the Egemer Natural Gas Power Plant, which is expected to generate an annual average of 6.7 billion kWh of electricity.

In Egemer Natural Gas Power Plant, where power generation will be realized using a combined cycle method, high productivity will be realized by using the latest technology.

The project is meant to establish an environmentally friendly, highly efficient and modern power plant in the region and it is to play a crucial role in overcoming Turkey's rapidly increasing power deficit. The Egemer project is to be built costing approximately US$ 1 billion.

The Egemer Power Plant will use the natural gas combined cycle method to generate electricity and will be highly efficient towing to its advanced technologies. Since the project focuses on creating more energy with fewer resources and being environmentally friendly, research and engineering firms specialized in these areas provide the necessary support to the project.

With the use of clean fuel such as the natural gas in the Egemer Power Plant, the carbon emissions will be minimized and the local agricultural sector will not be affected. Advanced technology control systems and a team of experts will continuously monitor the plant's chimney gas for carbon emission data and keep it below the levels indicated in the EU's environment legislation. In addition, noise pollution will be avoided, waste water purified and all waste matter disposed of in line with the environmental criteria indicated in the legislation. The cooling process uses sea water and therefore preserves water resources on and under the ground.
In the Egemer project, the generation license and an affirmative Environmental Impact Assessment Report have been received and most of the permits regarding the construction have been obtained. The Project will employ 500 people during the construction phase and 80 people during the operation phase, and since the local work force will have priority in recruitment, the Project will provide considerable employment opportunities for the local community.

On December 15, 2010, turnkey EPC agreement including engineering, supply and construction works was signed with Gama Güç Sistemleri-GE Energy-Gama Ltd.-General Elektrik A.Ş. Konsortium. The financing agreement of the project will be finalized in 2011 and construction of the project will commence. Attaching great importance to funding of the project, Akenerji signed a contract with ING as its financial advisor and with Linklaters LLP and Çakmak Avukatlık Bürosu (Law Firm) as its legal advisors. Akenerji will double its current installed power with the Egemer project, which is expected to commence generation in 2014.

Kemah Dam and Hydroelectric Power Plant

Among Akenerji's investments that are at project stage, there is a HPP project with roughly 160 MW, which is transferred from İçkale Enerji Elektrik Üretim ve Tic. A.Ş to Akenerji in May 2010, and is planned to be built in Kemah, Erzincan. The feasibility studies of Kemah HPP project is currently under way and the project is expected to be completed and put into commercial use in 2015. The generation license and an affirmative Environmental Impact Assessment Report of Kemah HPP have been obtained. Kemah HPP stands out as the biggest hydroelectric power plants in Akenerji's portfolio and its anticipated average annual generation is 527 GWh.

Perspectives for the future

The Turkish energy sector's high growth potential makes it very attractive for both domestic and international investors. According to TEİAŞ's ongoing projection studies, in case of an increase of 7%, electricity demand is expected to reach 390,000 GWh in 2019. The need of security of supply in the sector depends on the necessary additional investments being put in operation on time. The increased use of renewable resources in power generation is necessary for maintaining environmental and financial continuity.

Being one of the first private electricity generation companies to invest in renewable energy, Akenerji has license applications for two wind power plants with a 170 MW capacity in the Çanakkale province, apart from its hydroelectric plants already under construction. In addition, Akenerji has four geothermal research exploration licenses for four areas in the Aegean region and one in Bursa, and the relevant studies in these areas are rapidly being carried out. Akenerji also keenly follows the developments in solar power field.

2010 has been a very prolific year for Akenerji when it collected the rewards of its investments. Akenerji has launched an installed capacity of 286 MW based on renewable energy resources in 2010 and it continues with its renewable energy investments.

Supplying 4.2% of the total power generation in Turkey, produced by free generation companies, Akenerji has diversified its generation portfolio immensely with renewable energy resourced power plants becoming operational. Akenerji always keeps a close watch on developments in the sector, and carries on with its studies to engage in carbon trade opportunities.

Being one of the first private electricity generation companies to invest in renewable energy, Akenerji has license applications for two wind power plants with a 170 MW capacity in the Çanakkale province, apart from its hydroelectric plants that are already under construction.

Akenerji Employee Profile

Highly motivated, contented and qualified labor force

Akenerji makes investments in human resources in accordance with its vision of becoming a constantly evolving, innovative company that makes a difference.

High standard human resources management

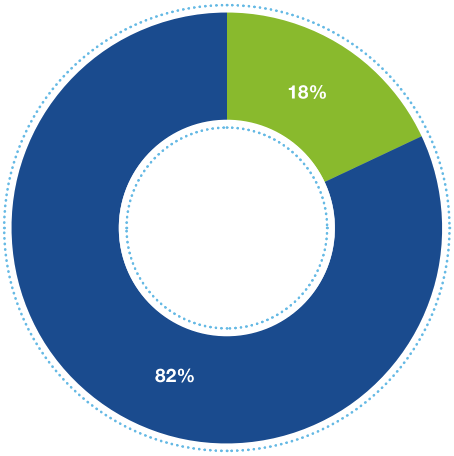
Akenerji is well aware that its most important value is its human resources. The Company's human resources policy is shaped in line with the idea of becoming a model company for the whole sector with its highly qualified labor force and its employee satisfaction oriented practices. Akenerji takes great care of building a well-educated and result-oriented staff that have strategic consciousness and works within the scope of Company targets and principles.

Akenerji makes investments in human resources in accordance with its vision of becoming a constantly evolving, innovative company that makes a difference. One of Akenerji's principles is to nourish a creative work environment conducive for advancement. In order to contribute to the personal and professional development of its employees, Akenerji encourages employee participation in training, symposia, panels, conferences, seminars, fairs and sector-wide meetings. At Akenerji, career and progress planning of employees is realized within the context of effective evaluation, skills management, human resources planning and performance reviews. Professional and personal training plans are tailored according to employee needs. Likewise technical, professional and personal development trainings are provided.

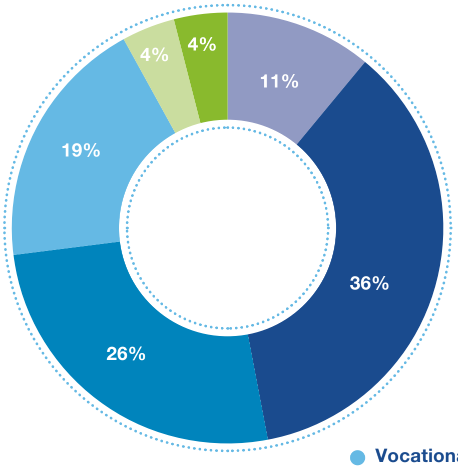
Akenerji meets leaders of tomorrow

Apart from investing in the present labor force, the Company aims to preserve a dynamic structure by adopting modern policies in its recruitment processes. As part of the New Graduate Program launched a year ago, and continued in 2010, Akenerji executives made speeches at various universities, either in classes or at career day seminars. As a result, Akenerji reached out to new graduates or graduates with 1 to 3 years of work experience and provided them with information regarding career opportunities.

Gender



Educational Background



Environment

The goal is leadership in Turkey in emission trade

Akenerji is well aware of its responsibilities towards society and the environment and thus takes all necessary precautions to prevent pollution and to preserve natural resources, leading the way for the whole sector with its commitment. The Company is also a pioneer in research, development and adoption of innovative and environmentally friendly technologies. Akenerji is one of the leading companies in the sector in the field of emissions trading, which is the subsidization of projects contributing towards the reduction of carbon emissions via carbon credits. Akenerji stands out with its renewable energy investments, aiming at the leadership of emission trade in Turkey. In line with the contract signed with Global Tan Energy, Akenerji conducts the process of carbon certification for all its renewable energy projects. Akenerji applied for a Voluntary Emission Reduction (VER) certificate for all its renewable energy projects and made tremendous progress in its efforts for carbon certification in 2010.

When all renewable energy investments come into effect, Akenerji will be preventing over one million tons of carbon emission each year. In each project that it undertakes, Akenerji acts in full compliance with the environmental legislations of the EU and takes all kinds of environmental precautions in the thermal power plants it operates. The disposal and recycling of the waste produced in the plants are removed by licensed companies in accordance with regulations published by the Ministry of Environment and Forestry. Akenerji uses highly efficient gas and steam turbines provided by companies such as General Electric and Siemens, both leaders in their sector. Turbine investment plans of power plants under construction are also made according to the latest advances in technology.

The green bridge built between Akenerji and its employees

Akenerji raises environmental awareness of its employees with forestation activities they attend in person. Using World Environment Day and Forest Week as an opportunity, Akenerji has carried out its widely-participated awareness raising activities in 2010 with success.

Akenerji celebrated July 5th World Environment Day with the slogan “Planting a Tree is Planting Hope” by presenting all its employees with a sapling. All of Uluabat HPP employees clamped together under the leadership of Uluabat HPP Operations Manager and planted 600 pine saplings in around the power plant in August 2010, and the figures were raised up to 1,100 with the continuation of planting 500 more pine saplings in September and October. Akocak HPP staff completed the plantation of 7,400 saplings around the power plant throughout November. Akenerji Memorial Forest, standing on a 200-hectare land in Adıyaman, Bulam, where Bulam HPP was built, has strengthened the green bridge built between the Company and its employees.

When all renewable energy investments come into effect, Akenerji will be preventing over one million tons of carbon emission each year.

Documents and Certificates

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

Akenerji has begun its activities regarding for Quality Management System (ISO 9001:2008), Environmental Management System (ISO 14001:2004), Occupational Health and Safety System (OHSAS 18001:2007) certificates and Quality-Environmental-OHS Management System and certification audits were successfully completed in June 15-17, 2010.

IFC performance standards in Akenerji practices

Akenerji practices have been rapidly brought into harmonization with action plan formed following the credit contract signed by International Finance Corporation (IFC) and Akenerji. Within this context, in compliance with the Relocation Action Plan that was previously agreed upon with IFC, household surveys for the projects in Adana region were held and the evaluation of the results was done. .

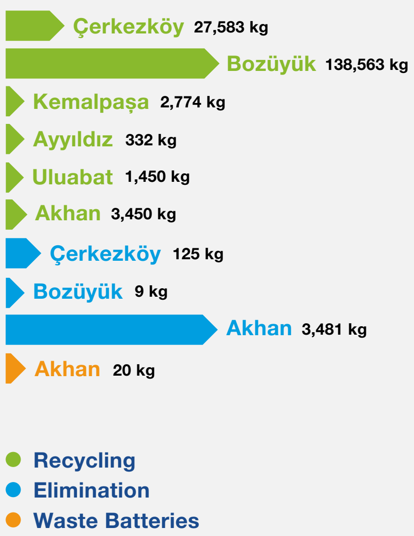
Field audits have been carried out at all HPP projects in Adana Region, in line with the preparations for quality, environmental and occupational health and safety management systems and within the scope of integration studies for environment and occupational health and safety legislation. There has been a current situation assessment regarding environment and occupational health and safety in accordance with the action plan made. A field auditing observation report has been prepared for all projects in Adana Region and presented to IFC.

Efficient Waste Management

Aware of the responsibility it has towards society, Akenerji continues to take the necessary precautions regarding waste management and raise awareness in the subject matter in order to prevent pollution and preserve natural resources.

All hazardous waste from the power plants and Akenerji's main office Akhan, is sent to licensed companies authorized by the Ministry of Environment and Forestry and destroyed.
Nearly 134 kg of hazardous waste was destroyed in 2010 and 174 tons of waste was recycled. With the support of Ak Han, Akenerji and other Akkök Group Companies' employees, battery waste was collected separately in 2010.

SEDAŞ, one of Akenerji's affiliates, recycles materials from waste of power distribution systems and contributes to national economy. Transformer oils are stored to prevent leakage and mixing with surface and subsurface water. The elimination or recycling of this waste is carried out according to regulations published by the Ministry of Environment and Forestry. In SEDAŞ offices, paper and plastic materials are collected in recycle bins to be salvaged by recycling companies. In line with the cooperation made with TAP (Portable Battery Exporters and Producers Co-operation) and thanks to the awareness shown by office personnel, SEDAŞ continues its operations regarding preservation of the environment and contributes towards raising awareness in its employees and their families.



Social Responsibility

Putting its responsibilities towards the society before its commercial concerns, Akenerji excels in practices aimed towards raising environmental awareness.

Akenerji pursues its activities without compromising its principles of openness, transparency and honesty, and promotes a social responsibility culture of the Akkök Group with its activities in the energy sector. In 2007, Akkök Group Companies signed the UN Global Compact and as a result Akenerji was included in the first Global Compact Progress Report, covering years 2008-2009. In this extensive report, Akenerji's practices regarding its employees and social responsibility actions in education, environment, arts and culture fields throughout Turkey, are explained in detail.

• Akenerji's affiliate companies have every opportunity to take part in projects relating to social responsibility awareness that all Akkök Group companies have. Within this framework, many social responsibility projects have been carried out.

• As an indication of its regard for natural life, Akenerji continued meticulous research and periodical observations regarding the turbine in Ayyıldız Wind Power Plant in Bandırma, so as to prevent interruption of migratory routes of birds.

• SEDAŞ organizes educational and informational activities to raise environmental awareness of its employees. In addition, in November there were public seminars on power efficiency in community centers. As a result of these public seminars this information reached a considerable audience.

• In line with the social responsibility activities in the field of arts and culture, Akenerji and its affiliate SEDAŞ, collaborated with Kocaeli Chamber of Commerce (KSO) Chamber Orchestra and they sponsored seven concerts in 2010-2011 season. Within the framework of this collaboration, in the evening of October 27, the first concert performance took place in Kazıklı Kervansaray Arts Center in Kocaeli/Gölcük in honor of 87th anniversary of Turkish Republic.

• A blood donation campaign that came into effect with the collaboration of SEDAŞ and Sakarya Blood Center, is carried out in the periods of January and June of 2010. SEDAŞ's personnel and management lent support to the campaign by donating.

Corporate Governance Principles Compliance Report

Akenerji makes the utmost effort to abide by corporate governance principles in its activities.

1. Corporate Governance Principles Compliance Statement

Akenerji Elektrik Üretim A.Ş. (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 are as important as financial performance. High –quality corporate governance brings about low cost of capital and increases funding opportunities and liquidity. 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. Shareholders Relations Department

Relations with shareholders are carried out within the organization by the Assistant General Manager in charge of Finance and by the Directorate of Financial Control and Risk Management. All transactions related to dividends and capital increases are effectuated by contracted banks and financial intermediaries which deliver barter and custody services in line with CMB regulations. When the contract expires, it is monitored with a special program at the Company headquarters and the ensuing rights of the shareholders are fulfilled. The Company has created an accessible and transparent communication platform including all of its stakeholders and accordingly organizes periodical meetings and answers relevant questions via emails or meetings, upon demand. The demands of the financial intermediaries, corporate investors and individual investors are met by emails and/or meetings organized periodically -quarterly- or ad hoc, upon request. All written or verbal information requests coming from shareholders, potential shareholders, analysts evaluating the Company, or academics and students carrying out research on the Company or the sector, are met via email, telephone or meetings as soon as possible -with the exception of any information unrevealed to the public, such as commercial secrets. In order to provide detailed information about the Company's activities, 110 meetings were organized between investors and the Company in 2010. Requests from financial intermediaries and corporate investors were evaluated and in the aftermath of the publication of financial reports, a meeting was held for analysts. The meeting in 2010 attracted numerous participators.

In addition, the Company takes a proactive approach in its relations with investors and holds, at least once a year, Investor Meetings / Presentations, in order to familiarize domestic and international investors with the Company and to inform them on its strategic and financial position. In 2010, the Company joined three such overseas events meant to provide detailed information to current and potential shareholders. On March 17, 2009, the Company launched the Department of Relations with Shareholders, in order to manage relations with shareholders. The detailed contact information of this department is featured in the Company website (www.akenerji.com.tr), under the heading Investor Relations.

3. The Use of Shareholders Rights to Obtain Information

The Company does not make any discrimination among its shareholders as regards to the use of the right to obtain information and analysis. Numerous information requests from shareholders are answered with a maximum delay of one week, either in written form, via telephone or electronically. Our website features information on Company activities and is updated regularly; when the need arises, individuals in our database are informed via email about relevant updates. Furthermore, shareholders can also send messages and receive information by using the Company email address (info@akenerji.com.tr). In addition, material events, financial statements and other information regarding the Company which is required by Istanbul Stock Exchange (ISE) to be sent as a part of the Public Disclosure Platform (PDP) are sent electronically. Company activities are audited on a regular basis by Başaran Nas, Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., and other firms, all selected by the General Assembly.

No arrangement exists in the articles of association of the Company regarding the appointment of a special auditor. No request thereof has been made either in past periods or the current period.

4. General Assembly Information

Announcement for a General Assembly is published in two newspapers 15 days prior to the date of General Assembly, communicated to the ISE and also published in the Company website. The announcement of the General Assembly includes the agenda, date, time, place of the general assembly and the conditions for participation. Pursuant to the terms of Turkish Commercial Code, holders of public shares have to make an application at least one week prior to the General Assembly. A copy of the power of attorney form for those shareholders who will be represented by Proxy, are included in the text of the announcement and also on the Company website. The Annual Report, financial statements and reports, earning distribution proposals, agenda items of the General Assembly, and the current and proposed/amended clauses if the Articles of Association is to be amended, are kept at the Company headquarters and on the website for ease of access, open to inspection of shareholders.

The Company organized an Ordinary General Assembly in 2010. In the General Assembly Meeting of May 6, 2010, 4,895,210,708 shares out of a total of 6,534,000,000 that constitute the Company capital were represented (74.91%). The meeting was held in a central location and the meeting place was selected in respect of estimated number of participants, in order to increase and facilitate participation. The participants of the General Assembly Meeting included shareholders, and proxies thereof, who applied to the Company with letters of blockage in the legal period; members of the Board of Directors, auditors, upper management, and personnel preparing for the meeting.

Representatives of stock exchanges, financial intermediaries and the press are not allowed to participate in the General Assembly. During meetings, participators to the General Assembly used their right to ask questions which were responded to by the management of the Company. Proposals given by the shareholders were presented to the approval of the General Assembly and approved by majority of votes, according to Company rules.

Documents of the meeting are submitted to the Capital Markets Board (CMB) and ISE and published on our website, following the meeting. Minutes of the meeting and the list of attendees are given to the shareholders upon request. The authorization concerning purchasing, selling and leasing of the Company assets are laid out in Article 14 of the Articles of Association of the Company.

5. Voting Rights and Minority Rights

The Articles of Association of the Company do not provide for privileged votes. Each share has only one voting right. Shareholders do not include any legal person which is a Company affiliate. We do not have any practice in our Company's policies for the representation of minority shares in management or the cumulative voting method.

6. Dividend Distribution Policy

The Company's dividend distribution policy, including the dividend for 2010, is as follows:

The Company distributes dividend in accordance with Turkish Commercial Law, Capital Markets Legislation, Tax Legislation, other applicable legislation and Article 27 on Dividend Distribution of the Articles of Association. In the designation of the dividend distribution, the capital needs, investment and financing policies, profitability and cash status of the Company and of its affiliates and subsidiaries, as well as the sector and economy wide conditions are taken into account. As a principle, the dividend distribution of the Company is to be enacted in accordance with the regulations stipulated by the Capital Markets legislation and in line with annual decisions of the Board of Directors taken in the light of the capital needs 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 taken 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 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 this amount is spared for legal reserve funds.

b- Of the remainder, the first dividend is 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, General Assembly is authorized to distribute the remainder 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 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 proposition 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 taken by the Board of Directors.

The dividend distribution data of the last five years are as indicated in the table below.

	Total Distribution (%)	**Bonus Share**	**Profit Distributed**	**Paid-in Capital**
2009	-	-	-	65,340,000
2008	26.83%	-	17,530,000	65,340,000
2007	-	-	-	65,340,000
2006	-	-	-	65,340,000
2005	-	-	-	65,340,000

7. Transfer of Shares

Shares of our Company are registered shares and the Articles of Association of the Company do not have a provision restricting the transfer of shares. The transfer of shares, all of which are quoted in ISE, can be performed in accordance with the provisions of the Turkish Commercial Code, CMB Law, Energy Markets Regulatory Authority Act and Central Registry Agency Act.

8.Donations and Social Contributions

Within the framework its Social Responsibility Principles, Our Company is aware of its responsibilities for raising social standards as well as its responsibilities for offering quality products and services. The Company is sensitive to society's needs and always regards the needs of future generations. In this context, our Company has adopted the principle of supporting social life by donating and doing social contributions in its operational neighborhoods in the fields of education, environment, sports and arts. As per our Corporate Social Responsibility Principles, our Company has made a donation and social contribution total of 147,318.00.

The main areas are:

Donations and Social Contributions	**TL**
Associations and Foundations:	122,318.00
Public Institutions	25,000.00
Total	**147,318.00**

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

9. Company Information Disclosure Policy

The Company has a strategy of transparent and efficient communication with its shareholders and prioritizes accessibility. To this end, the Vice President for Finance and Financial Affairs and the Director of Financial Control and Risk Management answer questions from financial intermediaries and individual investors verbally and in writing, organize meetings related with this particular subject and provide regular updates, within the framework set by our Corporate Governance Principles and the requirements of the CMB law, as explained below.

In accordance with the legislation of the CMB, all information which is so important as to affect the share price of our Company, is shared with the CMB, ISE and the Public Disclosure Platform (PDP). Afterwards, any questions or meeting requests from institutional shareholders and financial intermediaries are evaluated and the representatives of these institutions and investors are provided with data on Akenerji's recent financial performance, annual and strategic targets, position in the market and competitors.

In order to enable a regular and up to date monitoring of the Company's financial performance, the website features a section titled "Investor Relations" comprising reports, financial tables and shareholder services. The annual report is sent online to financial intermediaries and investors on a regular basis.

10. Disclosure of Special Cases

According to the principle of public disclosure and transparency, in order to make sure that shareholders and other stakeholders are timely informed, 30 "Special Case Announcements" were made in 2010. The special case announcements were timely and in conformity with CMB regulations and not necessitated further elaboration vis-à-vis CMB or ISE. Since the Company is not a quoted capital markets intermediary in foreign stock exchanges, it does not have the obligation to make Special Case Announcements outside of the ISE. All Special Case Announcements have been made within the term provided by the law, such that CMB has not imposed any sanctions.

11. Company Website and Its Content

The Company's Internet site can be accessed at www.akenerji.com.tr. All the information deemed necessary by the CMB Corporate Governance Principles Section 2, Article 1.11.5 are published in the website in both Turkish and English. The website, especially its Investor Relations section, is updated regularly and questions addressed at the Company via info@akenerji.com.tr are responded to.

12. Disclosure of Ultimate Controlling Shareholder/ Shareholders

Notices of the fact that two principal partners of Akenerji Elektrik Üretim A.Ş , namely, CEZ and Akkök Group (including Akarsu Enerji Yatırımları San. ve Tic. A.Ş.), each have 37.36% of shares in the capital of the Company, are expressly stated in all relevant documents of the Company. Therefore, since it is public knowledge that members of the Dinçkök family, on behalf of the Akkök Group, are "ultimate controlling shareholders", no additional calculation was done or publicly disclosed.

As of end 2010, the Company's share structure is as follows:

Shareholders	Share Value (TL)	Share Percentage (%)
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	76,789,566	20.43
Akarsu Enerji Yatırımları San. ve Tic. A.Ş.	63,619,842	16.93
ČEZ, a.s.	140,409,408	37.36
Open to Public	94,995,183	25.28
Total	**375,814,000**	**100.00**

13. Disclosure of Insiders

At Akenerji, persons and departments that have access to insider information include the Board of Directors, the members of the executive, investment and audit boards, General Manager, Vice General Manager, assistants to the General Manager, Directors, Finance Group Director, Accounting Group Director, Legal Advisor and Data Processing Department employees. Names and titles of insiders are presented below.

Insiders

Name and Title

Ömer Dinçkök, Chairman of the Board

Martin Roman, Vice Chairman of the Board

Ali Raif Dinçkök, Member of the Board

Mehmet Ali Berkman, Member of the Board and Audit Committe

Raif Ali Dinçkök, Member of the Board

Gamze Dinçkök Yücaoğlu, Member of the Board

Tomas Pleskac, Member of the Board and Audit Committe

Peter Bodnar, Member of the Board

Vladimir Schmalz, Member of the Board

Petr Stulc, Member of the Board

Ahmet Ümit Danışman, CEO

Vrastilav Domalip, Deputy CEO

Alişan Yücel Coşkun, Executive Vice President

Selçuk Kulaç, Executive Vice President

Roman Grunt, Executive Vice President for Finance

Sevilay Uçar, Human Resources Director

Birol Ergüven, Sales and Marketing Director

M. Selim Güven, Strategic Planning and Business Development Director

Jindrich Weiss, Strategic Planning and Business Development Vice Director

Ali Fecri Bayüstün, Accounting Group Manager

Özge Özen Aksoy, Finance Group Manager

Nilüfer Aydoğan, Budget Manager

Serhat Ergin Baykara, Legal Advisor

Tevfik Ülker, Information Systems Assistant Manager

Ender Ferruh Arslan, Member of Investment Committee

SECTION III - STAKEHOLDERS

14. Informing Stakeholders

Akenerji specifies its main and intermediary goals, policies, strategies and Company objectives by taking into consideration the present and future expectations of its stakeholders. In this context, the parties determined as stakeholders of Akenerji are the shareholders, employees, customers, suppliers, society and public agencies. Akenerji shares information through various methods in order to maintain a policy of transparent and simultaneous information policy with all its stakeholders.

At Akenerji, establishing communication with all employees in an open and honest manner and employee satisfaction constitute the fundamentals of the human resources policy. Our intranet database, briefing meetings with the top management and performance evaluation meetings may be mentioned as typical examples of our horizontal and two-way (upwards and downwards) vertical communication channels. By using these means of communication, we inform our employees about our quality policy, activities, procedures and guidelines as well as soliciting their opinions to improve various processes.

Akenerji informs all its stakeholders simultaneously about its activities, financial outcomes, expectations and Board of Directors' decisions via ISE and responds to questions coming from investors and financial intermediaries.

Akenerji chooses its suppliers according to their ability to meet Company needs under competitive conditions, without compromising quality or principles; it controls and monitors the process via an evaluation of the suppliers' performance on a yearly basis. Akenerji makes measurements with the Supplier Performance System, based on its knowledge that the service it provides is closely connected to the service provided by suppliers. The suppliers evaluated by this system are provided with information on areas that they should improve upon. In addition to this, the Company's policies, technical specifications/terms of reference and agreements are also shared with the suppliers.

Akenerji periodically informs its customers about amendments in legislation. Furthermore, we support our customers to make sure that they fulfill the technical specifications of regulatory agencies such as TEDAŞ (Turkish Electricity Distribution Company), TEİAŞ (Turkish Electricity Transmission Company) and Energy Market Regulatory Agency (EMRA).

Akenerji also meets with communities residing around its plants and investments and informs them about total quality management, environmental practices and Company policies via presentations and booklets.

15. Stakeholder Participation in Management

It was decided to obtain the ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety Administration System certificates in respect of all active power plants and investments of Akenerji; a project Team concerned with quality was established as a result.

This team cooperates with all departments, evaluates employee suggestions and presents the results to top management in order to see the standards of preparation, control and reporting to obtain the above mentioned certificates. This activity plays an important part in in-house communications, since it is a process shaped by the participation of all Akenerji employees.

16. Human Resources Policy

The foundation of the Human Resource policy of Akenerji ensures the provision in a fair and appropriate manner, of support required by staff and provision of equality of opportunity for training and development activities in order to boost their performance.

Other elements of the Human Resource policy of Akenerji are the following:

Organizational Development
Equality of opportunity to all

Selection and Placement
Right person for the right job

Salary Management
Equal pay for equal jobs / Performance and perfection effect

Performance Management
Evaluation on the basis of success

Rewarding
Timely acquaintance and appraisal

Industrial Relations
Increasing productivity through sustained labor peace

Communication
Timely and correct information, publicize business processes and holding necessary organization to that end

17. Information Related to Customer Relations

Akenerji supplies electric power to various industrial companies, Organized Industrial Zones, and many corporate firms in the health, communication, data processing, tourism, finance and shopping mall sectors. Working with firms in many different sectors, Akenerji carries out its sales and marketing operations with a win-win perspective and quality -and customer- oriented service. Akenerji targets the sustainable and long-term provision of benefits offered to customers and is in an exemplary position in terms of formation of sectoral standards.

Akenerji performs various surveys to measure customer satisfaction every year and gathers views and complaints of customers. As a result of Akenerji's structure being open to change, necessary improvements are implemented and activities targeting increased customer satisfaction are underlined.

18. Social Responsibility

Aware of its responsibility towards society at large, Akenerji carries out all of its activities in such a way as to prevent environmental pollution and protect natural resources and takes all the necessary precautions. The Company prioritizes the enhancement, adoption and implementation of innovative and environment friendly technologies in line with its "Quality Policy," with special emphasis on environmental impacts. In this context, new investments are meant to benefit from state-of-the-art advances in technology and all implemented innovative projects are fully compliant with environmental legislation -from the stage of Environment Impact Assessment (EIA) onwards. The disposal and recycling of the wastes produced in Akenerji power plants are carried out according to the Turkish Environment and Forestry Ministry regulations.

The AkÇevre Association, established by the Akkök Group in 1993 in Yalova, organizes various events to promote the interaction between Group companies -including Akenerji- in environmental activities and to raise the environmental consciousness of the employees and of neighboring communities.

The AkÇevre Council organizes various competitions and events oriented not only towards employees, but also towards students from neighboring schools. The annual "Environmental Awareness Award," organized since 1997, encourages and awards employees' environmental projects and activities. Every year, within the context of the World Environment Day on June 5th, the Company organizes various essay writing and painting competitions among students, due to the importance and efficiency of forming and enhancing environmental consciousness at a young age. Akenerji prioritizes Occupational Health and Safety; therefore the Company takes every precaution necessary, organizes events and supplies equipment in order to protect workers' safety and health, to avoid occupational risks and to provide training and information. Akenerji prepares the necessary procedures and guidelines to inform employees on this subject.

Akkök Emergency Inspection Board was established in order to control and coordinate all activities meant to ensure that the Akkök Group companies take coordinated actions prior to, during and after any emergency, that the occupational health and safety of all Akkök Group employees are given top priority and that after an emergency, all necessary precautions are taken in order to continue production without interruption and without jeopardizing the environment.

The companies affiliated with the Akkök Group are inspected for compliance with the Akkök Emergency Preparation, Management and Inspection Procedure. Based on these inspections, reports containing the identified strong and weak -therefore subject to improvement- aspects are presented to the respective companies. Since the day it was established, the Company has provided employment opportunities and other social contributions to neighboring communities, which results in more and more favorable opinions towards the Company.

SECTION IV - BOARD OF DIRECTORS

19. The Board of Directors' Structure, Formation and its Independent Members

The Board of Directors is comprised of ten people including the Chairman, Vice Chairman and two members responsible for independent auditing.

There are no independent members in the Company's Board of Directors, however all members have professionally served in the energy sector for a long period.

Since Akenerji has a foreign shareholder and since it has various important affiliates in the energy sector -especially SEDAŞ- Board of Directors members assume other administrative functions inside or outside the Company, in accordance with certain rules.

As of 2010, the names and functions of the Board of Directors members are listed below.

Ömer Dinçkök, Chairman
Martin Roman, Vice Chairman
Mehmet Ali Berkman, Member (responsible for Audit)
Peter Bodnár, Member
Ali Raif Dinçkök, Member
Raif Ali Dinçkök, Member
Gamze Dinçkök Yücaoğlu, Member
Tomáš Pleskač, Member (responsible for Audit)
Vladimir Schmalz, Member
Petr Štulc, Member
Ahmet Ümit Danışman is the General Manager of the Company as of December 26, 2007.

Divergent opinions and reasons for counter votes are recorded in the minutes. Detailed reasons for counter votes are publicly disclosed. No disclosures were done in 2010 due to neither opposition nor divergent opinions expressed at Board meetings. The secretarial department is responsible for informing the members of the Board of Directors and to provide communication within the Company.

20. Qualifications of the Board Members

The Board of Directors is formed in such a way as to produce the utmost effect and efficiency. Members of the Board of Directors possess the qualities outlined in Section 4, Article 3.1.1, 3.1.2, 3.1.3 and 3.1.5 of CMB's Corporate Governance Principles. This issue has not been taken up in the Articles of Association.

21. The Company's Mission, Vision and Strategic Targets

Mission:

To operate in a quality-oriented perspective at every stage of the energy sector value chain and contribute to meeting Turkey's energy demand in a reliable and long-term fashion.

Vision:

To preserve its pioneering position in the Turkish energy sector and to figure among the largest companies shaping the sector.

Our mission and vision are shared periodically with our employees through such methods as meetings, orientations and training. In the beginning of each year, with the participation of all departments, the Company sets its targets for that year, revises them if needed and shares the general and department-specific targets of the Company with its employees. The Company targets are fixed by the General Manager and Top Management through a consultation process in the beginning of each year in accordance with the main purpose, intermediary purpose, policy and strategies of the Company. Vice General Managers set the targets of their departments in line with the annually fixed main targets of the Company and present them for the approval of the General Manager.

Targets of the departments also constitute the purpose and targets of the Quality Management System. Personal targets are the sub-targets determined in specific levels of the organization and shared with all employees in order to reach departmental targets. To this end, every year in July, each employee meets with his/her immediate supervisor to follow up and review personal targets. The targets set are evaluated by the Management in activity review meetings during interim and year-end periods.

22. Risk Management and Internal Control Mechanism

The Company holds Finance and Risk Management Board Meetings once a month in order to carry out risk management in an efficient way. The General Manager presides over these meetings which also include two Executive Board Members, Vice General Manager (Financial Affairs) and Marketing Manager. In this board, financial performance of the Company is evaluated and commercial and financial risks are assessed. Especially as regards to risky financial issues, the board chooses the necessary financial instruments to minimize risk and the net foreign currency position of the Company is monitored to avoid foreign currency risk. Additionally, the sales strategy is evaluated in light of market developments and expectations and customer specific risk levels are determined.

Furthermore, a Company-wide "Risk Control Monitoring" procedure is implemented in order to make sure that the technological risks rising from the use of advanced technologies at Akenerji are kept under control so as not to jeopardize Company employees' health and safety, the plant and the environment.

23. Authority and Responsibilities of the Members of the Board of Directors and Management

The authorities of the Board of Directors are set in the Articles of Association. The Articles of Association are also accessible via the website. The limits to the authorities and responsibilities of Company managers are specified by written job descriptions and the list of authorized signatures and are continuously updated as duty changes come up.

24. Principles Governing the Activities of the Board

The duties and powers of the Board of Directors are fixed in the Articles of Association. Well-attended Board of Directors meetings have been organized in issues concerning CMB's Corporate Governance Principles Section 4, Article 2.17.4.

Members of the Board of Directors do not have weighted vote rights, they do have negative vote rights. In 2009, at one Board of Directors meeting, a divergent opinion was expressed and as a result of the voting, the members' opinion was approved by five votes out of five and the reasons behind this divergence of opinion were included in the Board of Directors text of resolution.

The secretarial department is charged with informing the members of the Board of Directors and to provide communication within the Company.

25. Prohibitions Concerning Transactions and Competition with the Company

Prohibitions concerning competition for the members of the Board of Directors was abolished in accordance with the provisions of Article 334 and 335 of the Turkish Commercial Code in the General Assembly. So far, there was no conflict of interest arising from the competition of a Director with the Company.

26. Ethical Rules

Every person employed at the Akkök Group should posses the following basic competences which are critical in promoting the targeted Company culture:

Research and Acquisition of Knowledge: An Akenerji employee closely monitors developments in the sector and in the economic, social and political milieu in order to stay up-to-date with the most recent practices and to make the right decisions. He/she goes beyond routine questions and carries out in-depth research to investigate recent developments. In order to identify relevant business problems and opportunities, he/she sees the company as a whole and analyzes its milieu.

Honesty and Reliability: Under any circumstance, an Akenerji employee expresses her feelings and thoughts in an open and honest fashion. He/she does not contradict himself or herself in her behavior or words. He/she openly accepts his/her mistakes and expects others to behave as such.

Team Work and Co-operation: An Akenerji employee is part of a team and therefore works in solidarity with other team members, prioritizing department and Company targets over his/her personal targets.

Responsiveness to Customers and Colleagues: An Akenerji employee strives to understand the feelings, thoughts and worries of his clients and colleagues; he/she makes the utmost effort for this purpose.

Self-confidence: An Akenerji employee carries out his/her duties in the most competent manner and adopts the most efficient approach before the problems he/she faces; he/she stands behind his/her decisions with confidence.

Being Result-oriented: An Akenerji employee enhances his/her performance in order to continuously strive for the better and achieve perfection; he/she sets challenging targets. He/she works to create a difference and innovation in his/her activities.

Creativity and Innovation: An Akenerji employee works with various individuals in teams in various spheres; he/she treats other people's divergent and opposite views with respect. He/she easily adopts to change as required by his/her job; he/she applies what he/she has learned to the job.

27. The Number, Structure and Independence of the Committees established by the Board of Directors

The Company has an Audit Board, an Executive Board and an Investment Board in order to make sure that the Board of Directors carries out its duties and responsibilities in an efficient manner. The duties and responsibilities of the Executive Board and the Investment Board and the number of their members have been outlined in the Company's Articles of Association.

The Audit Board consists of Hüsamettin Kavi and Tomáš Pleskać. The Audit Board carries out its activities in a regular manner, in line with CMB regulations and CMB Corporate Governance Principles. Members of the aforementioned committees are not independent members. The formation of a Corporate Governance Committee is also planned.

28. Remuneration of the Board of Directors

Board of Directors are not lent money or granted loans, apart from advance payments made according to the Company's internal procedures. Neither are they granted collaterals such as surety. The material benefits enjoyed by the Board of Directors are outlined in the Articles of Association.

Dividend Payment Proposal

Members of Board of AKENERJİ ELEKTRİK ÜRETİM ANONİM ŞİRKETİ have convened and adopted the following resolutions with the unanimous votes of the attendants:

1) Based on the fact that our Company is in loss in 2010 financial year and this fact is reflected in 2010 financial statements prepared in accordance with Turkish Tax Procedural Law and the Capital Market legislation and Capital Market Board Communiqué Serial:XI, No:29, not to pay any dividend,

2) The loss of our Company in 2010 financial year indicated in our ledger records, prepared as per Turkish Tax Procedural Law, and also indicated in our financial statements for 2010 financial year prepared as per the Capital Market legislation and Capital Market Board Communiqué Serial:XI, No:29, to be reserved in accounts,

3) This matter to be presented for the approval at our Company's Ordinary General Assembly meeting which shall be convened on 09.05.2011.

Best Regards,

Board of Directors

Auditors' Report

AKENERJİ ELEKTRİK ÜRETİM ANONİM ŞİRKETİ
AUDITORS' REPORT FOR THE CALENDAR YEAR 2010
SUBMITTED TO THE ORDINARY GENERAL SHAREHOLDERS' ASSEMBLY

Name of the Company	:	Akenerji Elektrik Üretim A.Ş.
Head Office Address	:	Miralay Şefik Bey Sk. No: 15/17 Akhan Kat: 3-4 Gümüssuyu / ISTANBUL
Paid-in Capital	:	TL 375,814,000
Field of Activity	:	Electricity and Steam Generation
Auditors' Names and Term in Office	:	Bülent ÜSTÜNEL and Ümit AK. The term in office is one year. The auditors are not shareholders.
The Number of Board of Directors and Audit Committee Meetings Attended	:	Auditors attended three Board of Directors meetings. The Audit Committee convened four times to audit the Company's records and transactions.
The Result of the Audit of Company Accounts	:	Audits in March, June, September and December revealed that the Company's records are in line with legislation and are grounded on confirmative documents.
The Number and Results of Treasury Counts at the Company as per Article 353 of the Turkish Commercial Code	:	During the year, six treasury counts were undertaken in two-month intervals, and it was observed that the sums corresponded to those indicated by the records.
The Results of Audits as per Article 353/4 of the Turkish Commercial Code	:	Monthly audits revealed that securities entrusted to the Company as collateral, pledge or insurance were prepared in compliance with legislation, and are duly kept and recorded at the Company.
Complaints and Reports of Corruption	:	The auditors have not received any complaints or corruption reports.

We have audited the accounts and transactions of Akenerji Elektrik Üretim Anonim Şirketi for the calendar year 01.01.2010-31.12.2010, according to the Turkish Commercial Code, the Company's Articles of Association, other relevant legislation and well-established accounting principles and standards.

In our opinion, the balance sheet as of 31.12.2010 accurately reflects the actual financial situation of the Company at that date, the profit - loss statement for the period of 01.01.2010-31.12.2010 reflects the results of actual operations, the profit distribution proposal is in compliance with legislation and Articles of Association, and thus we submit the balance sheet and profit –loss statement for approval and propose the acquittal of the Board of Directors.

With regards,

Bülent ÜSTÜNEL

Ümit AK

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

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

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 2010 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. The consolidated financial statements, prior to the restatements described in Note 2.5 to the accompanying consolidated financial statements, of the Group as of and for the year ending 31 December 2009 were audited by another independent auditor. Independent auditor's report dated 25 February 2010 expressed a qualified opinion due to the certain matters identified as part of the audit of the financial statements of Sakarya Elektrik Dağıtım A.Ş. ("SEDAŞ"), in which the Group has indirect interest of 45% and accounted for using the equity accounting method.

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. Except for the matter described in paragraph 4 below, 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.

Basis for qualified opinion

4. There are differences between the trade receivables data obtained from the accounting and accrual/collection departments of SEDAŞ, which use different and non-integrated computer applications. The unreconciled differences between the detailed listing of trade receivables and accounting records amount to Turkish Lira ("TL") 12,220 thousand and TL6,455 thousand as of 31 December 2010 and 2009, respectively. Therefore, we were not able to perform the related audit procedures for trade receivables.

Qualified opinion

5. In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to perform the audit procedures relating to the matter described in paragraph 4 above, 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 2010 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).

Paragraph related with the restatement of prior year financial statements

6. We have also audited the adjustments described in Note 2.5 that were applied to restate the consolidated financial statements as of 31 December 2009 and for the year then ended. In our opinion, such adjustments are appropriate and have been properly applied.

Additional Paragraph for Convenience Translation into English

7. 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

Ediz Günsel, SMMM
Partner

Istanbul, 28 February 2011

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2010, 2009 AND 2008
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2010	Restated (*) 31 December 2009	Restated (*) 31 December 2008
ASSETS				
Current Assets:				
Cash and cash equivalents	3	40,099,092	188,368,722	100,919,999
Trade receivables				
- Other trade receivables	5	75,009,878	90,780,377	86,269,717
- Due from related parties	22	31,618,733	8,706,779	19,469,721
Inventories	7	4,388,873	3,876,275	5,831,547
Other receivables				
- Other receivables	6	6,963,333	427,590	1,569,038
- Due from related parties	22	26,875,685	12,220,518	-
Other current assets	8	89,924,191	48,344,147	11,381,909
Non-current assets held for sale		-	-	12,608,000
Total Current Assets		274,879,785	352,724,408	238,049,931
Non- Current Assets:				
Long term due from related parties	22	-	2,651,443	-
Financial assets	9	1,988,942	1,988,942	1,988,942
Investments accounted through equity method	10	226,437,578	219,874,966	-
Property, plant and equipment	11	1,226,195,882	783,520,646	468,006,879
Intangible assets	12	127,112,275	68,008,141	68,751,252
Deferred tax asset	17	7,401,847	1,588,070	-
Other non-current assets	8	49,157,619	75,236,511	86,471,852
Total Non-Current Assets		1,638,294,143	1,152,868,719	625,218,925
Total Assets		1,913,173,928	1,505,593,127	863,268,856

(*) Refer to note 2.5.

The consolidated financial statements as of and for the year ended 31 December 2010 have been approved for issue by the Board of Directors ("BOD") on 28 February 2011 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 2010, 2009 AND 2008
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2010	Restated (*) 31 December 2009	Restated (*) 31 December 2008
LIABILITIES				
Current Liabilities:				
Financial liabilities	4	350,633,411	345,120,030	36,304,129
Trade payables				
- Other trade payables	5	89,073,000	57,464,134	52,808,645
- Due from related parties	22	8,536,666	7,577,672	12,988,578
Taxes on income	17	302,047	1,216,092	976,755
Other payables	6	14,213,951	6,067,188	4,734,078
Derivative financial instruments	14	5,838,077	6,571,214	3,394,100
Provisions	13	2,490,993	1,997,888	5,099,171
Other current liabilities		480,723	216,317	12,224
Total Current Liabilities		471,568,868	426,230,535	116,317,680
Non-Current Liabilities:				
Financial liabilities	4	575,331,428	363,053,639	260,447,399
Other non-current liabilities	5	98,540,567	-	-
Deferred tax liabilities	17	2,265,685	572,991	7,494,449
Provisions for employment benefits	15	742,766	1,158,845	1,460,409
Total Non-Current Liabilities		676,880,446	364,785,475	269,402,257
Total Liabilities		1,148,449,314	791,016,010	385,719,937
EQUITY				
Share capital	16	375,814,000	65,340,000	65,340,000
Adjustment to share capital	16	101,988,910	101,988,910	101,988,910
Capital advance		-	231,994,931	-
Share premium	16	49,955,227	48,869,596	48,869,596
Hedge funds		(3,919,731)	(4,500,669)	(2,709,258)
Restricted reserves	16	12,106,112	11,071,608	8,045,482
Retained earnings		256,373,853	233,985,664	164,588,387
Net (loss)/income for the year		(26,369,923)	23,422,693	90,003,929
Equity attributable to equity holders of the parent		765,948,448	712,172,733	476,127,046
Minority Interest		(1,223,834)	2,404,384	1,421,873
Total Equity		764,724,614	714,577,117	477,548,919
Total Liabilities and Equity		1,913,173,928	1,505,593,127	863,268,856
Provisions, Contingent Assets and Liabilities	13			

(*) Refer to note 2.5.

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 2010 AND 2009
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2010	Restated (*) 2009
CONTINUING OPERATIONS			
Revenue	18	428,354,752	457,255,749
Cost of sales (-)	18	(384,994,697)	(391,991,933)
GROSS PROFIT		43,360,055	65,263,816
General administrative expenses (-)	19	(42,997,688)	(32,774,375)
Research and development expenses (-)	19	(495,575)	(738,511)
Other operating income	20	8,886,638	42,318,476
Other operating expense (-)	20	(891,446)	(50,492,909)
OPERATING PROFIT		7,861,984	23,576,497
Shares of income of investments accounted through equity method	10	6,562,612	1,212,493
Financial income	21	14,299,178	25,456,340
Financial expenses (-)	21	(55,827,131)	(32,424,925)
(LOSS) / PROFIT BEFORE INCOME TAX		(27,103,357)	17,820,405
Current income tax expense	17	(2,822,152)	(1,813,258)
Deferred tax income	17	4,260,973	8,061,678
NET (LOSS) / INCOME FOR THE YEAR		(25,664,536)	24,068,825
Net Income attributable to:			
Equity holders of the parent		(26,369,923)	23,422,693
Minority interest		705,387	646,132
		(25,664,536)	24,068,825
(Losses) / earnings per 1,000 shares	23	(434)	358

(*) Refer to note 2.5.

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 2010 AND 2009
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2010	Restated(*) 2009
(Loss) / Profit for the year		(25,664,536)	24,068,825
Changes in hedge funds	2,5	580,938	(1,791,411)
Other comprehensive (loss)/income (after tax)		580,938	(1,791,411)
Total comprehensive (loss)/income		(25,083,598)	22,277,414
Total comprehensive (loss) / income attributable to:			
Equity holders of the parent		(25,788,985)	21,631,282
Minority interest		705,387	646,132
		(25,083,598)	22,277,414

(*) Refer to note 2.5.

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009
(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	Other Reserves	Retained Earnings	Net Profit/(Loss)	Minority Interest	Total Equity
Balances at 1 January 2009 (previously reported)	65,340,000	101,988,910	-	48,869,596	-	8,045,482	164,588,387	88,950,920	1,421,873	479,205,168
Effect of restatements (Note 2.5)	-	-	-	-	(2,709,258)	-	-	1,053,009	-	(1,656,249)
Balances at 1 January 2009	65,340,000	101,988,910	-	48,869,596	(2,709,258)	8,045,482	164,588,387	90,003,929	1,421,873	477,548,919
Addition to scope of consolidation	-	-	-	-	-	-	(50,526)	-	510	(50,016)
Capital advance payment	-	-	231,994,931	-	-	-	-	-	-	231,994,931
Capital commitments payments	-	-	-	-	-	-	-	-	335,869	335,869
Transfers	-	-	-	-	-	3,026,126	86,977,803	(90,003,929)	-	-
Dividends paid	-	-	-	-	-	-	(17,530,000)	-	-	(17,530,000)
Total comprehensive income	-	-	-	-	(1,791,411)	-	-	23,422,693	646,132	22,277,414
Balances at 31 December 2009	65,340,000	101,988,910	231,994,931	48,869,596	(4,500,669)	11,071,608	233,985,664	23,422,693	2,404,384	714,577,117
Balances at 1 January 2010 (previously reported)	65,340,000	101,988,910	231,994,931	48,869,596	-	11,071,608	232,932,655	24,249,339	2,404,384	718,851,423
Effect of restatements (Note 2.5)	-	-	-	-	(4,500,669)	-	1,053,009	(826,646)	-	(4,274,306)
Balances at 1 January 2010	65,340,000	101,988,910	231,994,931	48,869,596	(4,500,669)	11,071,608	233,985,664	23,422,693	2,404,384	714,577,117
Capital increase	310,474,000	-	(231,994,931)	-	-	-	-	-	-	78,479,069
Share premium	-	-	-	1,085,631	-	-	-	-	-	1,085,631
Addition to scope of consolidation	-	-	-	-	-	-	-	-	(4,333,605)	(4,333,605)
Transfers	-	-	-	-	-	1,034,504	22,388,189	(23,422,693)	-	-
Total comprehensive income	-	-	-	-	580,938	-	-	(26,369,923)	705,387	(25,083,598)
Balances at 31 December 2010	375,814,000	101,988,910	-	49,955,227	(3,919,731)	12,106,112	256,373,853	(26,369,923)	(1,223,834)	764,724,614

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2010	Restated 2009
Cash flows from operating activities:			
(Loss) / Profit before tax		(27,103,357)	17,820,405
Depreciation and amortisation	11,12	28,472,618	27,961,145
Interest income	21	(6,773,185)	(1,711,840)
Interest expense	21	27,372,227	24,881,487
Provision for employment termination benefits		(416,079)	(301,564)
Provisions for doubtful receivables	5,6	-	(650,548)
Provisions for unused vacations		226,894	206,077
Provisions		1,728,650	948,208
Unearned credit finance income		415,021	153,685
(Income) / expense from sales of property, plant and equipment	20	(2,166,853)	16,545,672
Net cash generated from operating activities before changes in operating assets and liabilities		21,755,936	85,852,727
Changes in trade receivables		(7,319,994)	7,007,601
Changes in other receivables		(21,190,910)	(11,079,070)
Changes in inventories		(512,598)	1,955,272
Changes in other current assets		(41,580,044)	(36,962,238)
Changes in long term trade receivables		2,651,443	(2,651,443)
Changes in non-current assets		26,078,892	11,235,341
Changes in trade payables		32,331,378	(1,021,682)
Changes in derivative financial instruments		(733,137)	3,177,114
Changes in other current liabilities		37,512	(1,984)
Changes in other trade payables		8,146,763	1,333,110
Changes in other long term trade payables		98,540,567	-
Other provision paid	13	(1,235,545)	(4,049,492)
Taxes paid		(3,736,197)	(1,573,921)
Net cash generated from / (used in) operating expenses		91,478,130	(32,631,392)
Cash flows from investing activities:			
Purchase of property plant and equipment and intangible assets	11,12	(533,367,034)	(365,157,052)
Income from investments accounted through equity method	10	(6,562,612)	(1,212,493)
Acquisition of associate	10	-	(218,662,473)
Proceeds from sale of property, plant and equipment and intangible assets		5,281,899	18,487,582
Changes in scope of consolidation		(4,333,605)	285,853
Interest received		6,835,908	1,711,840
Net cash used in investing activities		(532,145,444)	(564,546,743)
Cash flows from financial activities:			
Changes in financial liabilities		220,142,984	401,081,466
Hedge funds		720,828	(3,200,634)
Share premium		1,085,631	-
Dividend payments		-	(17,530,000)
Capital increase		78,479,069	-
Capital advance		-	231,994,931
Interest paid		(29,724,041)	(13,571,632)
Net cash generated from financial activities		270,704,471	598,774,131
Net Changes in cash and cash equivalents		(148,206,907)	87,448,723
Changes in restricted cash		(22,651,089)	(3,928,647)
Cash and cash equivalents At the beginning of the year	3	184,440,075	100,919,999
Cash and cash equivalents At the end of the year	3	13,582,079	184,440,075

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 2010
(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 / İstanbul - Türkiye

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 2010, 52,82% of its shares are open for trading (31 December 2009: 52,82%).

These financial statements prepared as of and for the year ended 31 December 2010 have been approved and authorized for issue on 28 February 2011 by the Board of Directors.

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

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

Associates	Nature of business	Registered adress
Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş. ("Akcez")	Electricity production and trade	Gümüşsuyu / İstanbul
Sakarya Elektrik Dağıtım A.Ş. ("Sedaş")	Electricity distribution	Sakarya

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 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 Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

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 TASB 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.

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 2010 and 2009:

	Direct and indirect ownership interest by the Company and its Subsidiaries (%)	
Subsidaries	31 December 2010	31 December 2009
Akenerji Toptan (1)	90,00	90,00
Ak-el (1)	90,01	90,01
Mem Enerji (1)	99,00	99,00
Akkur Enerji (1)	99,00	99,00
Akka Elektrik (1)	90,00	90,00
Egemer (1)	99,00	99,00
İçkale (1)	99,99	-
Akenerji Doğalgaz (1)	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 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (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 as of 31 December 2010 and 2009:

Name of Associates	31 December 2010	31 December 2009
Akcez	45%	45%
Sedaş	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 condensed consolidated balance sheets and statements of comprehensive income,

2.3 Changes in IFRS

a) New and amended standards effective in 2010 and relevant to the Group's financial statements

- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009)
- IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009)
- IAS 38 (amendment), 'Impairment of assets', effective from 1 January 2010.
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'.
- IAS 1 (amendment), 'Presentation of financial statements'.
- IAS 36 (amendment), 'Impairment of assets', effective 1 from January 2010.

b) New and amended standards effective in 2010 but not relevant to the Group's financial statements

- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective from 1 July 2009.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' effective from 1 July 2009.
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from 1 January 2010.
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009).
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009.

c) Standards, amendments and interpretations to existing standards that are not yet effective as of 2010 and have not been early adopted by the Group

- IFRS 9, 'Financial instruments', issued in November 2009.
- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009.
- "Classification of rights issues" (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' effective from 1 July 2010.
- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14).

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(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

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.

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

b) Trade Receivables

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

A credit risk provision for impairment of trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

c) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than 1 year, which has insignificant risk of change in fair value (Note 3).

d) Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and the Board members, in each case together with their families and companies controlled by or affiliated with them, are considered and referred to as related parties (Note 22).

e) Inventories

Inventories comprise of lubricants and chemical materials required for the maintenance of the machines and equipments, and expensed as they are used. Inventories are stated at the lower of cost or net realisable value. The cost of inventories is determined using the moving weighted average method (Note 7).

f) 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 2004 are carried at cost less accumulated depreciation and impairment losses (Note 11). 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	4-10
Furniture and fixtures	3-49
Leasehold improvements	3-46

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

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

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.

g) 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 licences, rights and computer softwares (Note 12). They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives of 3-49 years. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

h) 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.

i) Business Combinations

In accordance with IFRS 3 the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. In business combinations the cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Legal mergers arising between companies controlled by the Group are not within the scope of business combinations. Consequently, no goodwill is recognised in such transactions. Similarly the effects of all transactions between the legally merged enterprises, whether occurring before or after the legal merger, are eliminated in the preparation of consolidated financial statements.

j) Borrowing costs and financial liabilities

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

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

k) Trade payables

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

l) Provisions, contingent liabilities, contingent assets

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

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial tables and are treated as contingent assets or liabilities (Note 13).

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

The provision for employment termination benefit represents the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labour Laws (Note 15).

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 23).

o) Taxes on income

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 utilise 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 17).

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

p) Reporting of cash flows

In the 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).

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 25).

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 16).

t) Share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders (Note 16).

u) Derivative financial instruments

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 are 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 14).

y) Offsetting

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

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

2.5 Comparatives and restatement of prior year financial statements

The Group prepares comperative 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. In the current year, the Group has reclassified certain comparative balances in order to conform current year's presentation. As a result of the restatements described below, the Group also presented its comparative balance sheet as of 31 December 2008 as required by International Accounting Standard 1 ("IAS 1").

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

In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the Group has corrected the application of "derivative financial instruments" retrospectively in the previous year's consolidated financial statements. In accordance with IAS 1 (Revised) "Presentation of Financial Statements", when the financial statements are subject to a restatement of prior year financial statements, an entity should present three statements of financial position. Accordingly, the Group presented the consolidated balance sheet as of 31 December 2010 comparatively with the restated consolidated balance sheets prepared as of 31 December 2009 and 2008.

At 31 December 2010, the effect of these corrections on the retained earnings, hedge funds, net income for the period and total comprehensive income in these consolidated financial statements are as follows:

	Retained earnings	Hedge funds	Net income	Total comprehensive income	Total equity
31 December 2008 (previously reported)	164,588,387	-	88,950,920	88,950,920	479,205,168
Recognition of derivatives (a)	-	(2,709,258)	1,053,009	(1,656,249)	(1,656,249)
31 December 2008 (restated)	164,588,387	(2,709,258)	90,003,929	87,294,671	477,548,919

	Retained earnings	Hedge funds	Net income	Total comprehensive income	Total equity
31 December 2009 (previously reported)	232,932,655	-	24,895,471	24,895,471	718,851,423
Effects of recognition of derivatives on 2008 (a)	1,053,009	(2,709,258)	-	-	(1,656,249)
Effects of recognition of derivatives on 2009 (a)	-	(1,791,411)	(826,646)	(2,618,057)	(2,618,057)
31 December 2009 (restated)	233,985,664	(4,500,669)	24,068,825	22,277,414	714,577,117

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

a) Recognition of Derivative Financial Instruments

The Group has designated the interest swap rate contracts from different interest rates as of 31 December 2009 and 2008 as a hedge instrument to hedge the interest rate risk associated with its bank borrowings. The Group made interest swap contracts in order to hedge its interest rate risk regarding the long-term floating interest rate bank borrowings in 31 December 2009 and 2008. In the year 2010, errors in fair value measurement and accounting of these swap instruments have been detected. The Group accounted for the correction related to these errors retrospectively in accordance with IAS 8. The effect of this restatement on the consolidated financial statements for the year ended 31 December 2008 and 2009 are as follows:

	Effect of restatement	
	31 December 2009	31 December 2008
Balance sheet effect:		
Increase in property,plant and equipment	3,135,020	2,474,171
Increase in deferred tax assets	1,616,037	1,025,952
Increase in financial liabilities	(2,454,149)	(1,762,272)
Increase in derivative financial instruments	(6,571,214)	(3,394,100)
Net decrease in equity	(4,274,306)	(1,656,249)

	Effect of restatement
	31 December 2009
Effects to the statements of comprehensive income:	
Increase in financial expenses	(968.879)
Increase in deferred tax income	142.233
Decrease in other comprehensive income after tax	(1.791.411)
Total decrease in the statement of comprehensive income	(2.618.057)

b) Other Reclassifications:

The Group has performed reclassifications in the consolidated balance sheet as of 31 December 2009 and 2008 in order to conform to presentation of balance sheet as of 31 December 2010 and consolidated statements of income for the years then ended. Such reclassifications are explained as follows:

i) The licences amounting to TL36,758, 891 classified in the goodwill, is reclassified under intangible assets as of 31 December 2009 and 2008.

ii) Leasehold improvements in intangible assets with net book value of TL12,446,936 and TL24,552 as of 31 December 2009 and 2008, respectively, are classified in property, plant and equipment.

iii) System usage fee that is charged to customers and classified under "sales" and "cost of sales" amounting to TL6,490,267 was netted off in the consolidated statements of income for the year ended 31 December 2009.

iv) Idle time expenses amounting to TL1,796,048 were reclassified to "cost of sales" from "other operating expenses" in the consolidated statements of income for the year ended 31 December 2009.

v) Trade receivables amounting to TL2,651,443 was reclassified to "long-term trade receivables" from current assets on the consolidated balance sheets as of 31 December 2009.

vi) Interest accruals classified under long term financial liabilities amounting to TL224,708 was reclassified to short term financial liabilities as of 31 December 2009.

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

vii) Accruals for unused vacations amounting to TL206,077 classified under provisions for employement termination benefits is reclassified to other current liabilities as of 31 December 2009.

viii) Deposits given amounting to TL89,795 and TL63,515 classified under other long term receivables are reclassified to other non-current assets as of 31 December 2009 and 2008, respectively.

ix) Deferred tax liabilities amounting to TL1,588,070 is reclassified to deferred tax assets as of 31 December 2009.

2.6 Critical accounting estimates and judgements

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

Deferred tax assets for the carry forward tax losses

Deferred tax liabilites 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.

As of 31 December 2010, the Group's carry forward tax losses amounted to TL60,096,994. As a result of the assessments performed by the Group management deferred tax assets amounting to TL37,028,066 has been recognized in the consolidated financial statements as of 31 December 2010 (Note 17).

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

	2010	2009
Cash	55,947	26,697
Banks		
- time deposits	38,683,288	188,237,259
- demand deposits	1,359,857	104,766
	40,099,092	188,368,722

The average effective interest rate which is applied for the time deposits of the Group is %6.25 (2009: %7) as of 31 December 2010. The remaining day to maturity date of the time deposits as of 31 December 2010 is shorter than 1 year. As of 31 December 2010 the Group's restricted cash amounted to TL26,498,116 (2009: TL3,847,027).

The details of cash and cash equivalents include the following for the purpose of the statements of cash flows;

	2010	2009
Cash and banks	40,099,092	188,368,722
Restricted cash	(26,498,116)	(3,847,027)
Interest accruals	(18,897)	(81,620)
Cash and Cash Equivalents	13,582,079	184,440,075

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NOTE 4 - FINANCIAL LIABILITIES

The details of financial liabilities as of 31 December 2010 and 2009 are as follows

	2010	2009
Short term bank borrowings	50,396,683	94,238,502
Short term portion of long term bank borrowings	80,364,113	66,911,017
Short term financial liabilities to releated parties (Note 22.d)	219,872,615	183,970,511
Total short term financial liabilities	350,633,411	345,120,030
Long term bank borrowings	575,331,428	363,053,639
Total financial liabilities	925,964,839	708,173,669

The details of short term bank borrowings as of 31 December 2010 and 2009 are as follows:

	Original Currency		Weighted average effective interest rate (%)		TL equivalent	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
US Dolar	10,223,766	-	2,94	-	15,805,944	-
TL	34,590,739	94,238,502	7,78	7,99	34,590,739	94,238,502
					50,396,683	94,238,502

As of 31 December 2010, accured interest expense of the Group amounts to TL5,815,289 (2009: TL8,167,103).

The details of the short term portion of the long term bank borrowings as of 31 December 2010 and 2009 are as follows:

	Original Currency		Weighted average effective interest rate (%)		TL equivalent	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
US Dolar	28,112,343	19,821,672	2,52	2,35	43,461,683	29,845,492
Euro	18,009,092	17,157,582	2,82	2,72	36,902,430	37,065,525
					80,364,113	66,911,017

The details of the long term bank borrowings as of 31 December 2010 and 2009 are as follows:

	Original Currency		Weighted average effective interest rate (%)		TL equivalent	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
US Dolar	287,443,850	137,143,751	3,97	3,18	444,388,193	206,497,346
Euro	63,902,801	72,469,700	4,01	2,96	130,943,235	156,556,293
					575,331,428	363,053,639

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NOTE 4 - FINANCIAL LIABILITIES (CONTINUED)

The details of redemption schedule of the long term bank borrowings as of 31 December 2010 and 2009 are as follows:

	2010	2009
Up to 1-2 years	148,474,525	208,527,522
Up to 2-3 years	167,875,042	63,879,879
Up to 3-4 years	72,242,107	36,574,671
Up to 4-5 years	76,113,477	28,440,658
More than 5 years	110,626,277	25,630,909
	575,331,428	363,053,639

The details of the carrying values and fair value of the long term bank borrowings as of 31 December 2010 and 2009 are as follows:

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
US Dolar borrowings	444,388,193	518,092,756	206,497,346	217,847,034
Euro borrowings	130,943,235	149,051,696	156,556,293	169,466,323
	575,331,428	667,144,452	363,053,639	387,313,357

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

a) Short term other trade receivables:

	2010	2009
Trade receivables	74,458,698	90,923,204
Notes receivables and post-dated cheques	763,184	999,996
Other short term trade receivables	298,703	2,700
Provision for doubtful receivables (-)	(192,509)	(993,885)
	75,328,076	90,932,015
Unearned credit finance income	(318,198)	(151,638)
	75,009,878	90,780,377

As of 31 December 2010, the trade receivable maturities are less than 4 months and are discounted by using effective interest rate 6.62% annually (2009: 6.72%).

The movement for provision for doubtful receivables is as below;

	2010	2009
Balance at 1 January	993,885	1,644,433
Collections	(801,376)	(650,548)
Balance at 31 December	192,509	993,885

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NOTE 5 - TRADE RECEIVABLES AND PAYABLES (CONTINUED)

The amount of trade receivables past due but not impaired is TL6,394,138 as of 31 December 2010 (2009: TL55,032,200). The aging list of these receivables as of 31 December 2010 and 2009 is as follows:

	2010	2009
Up to 0-1 month	3,556,335	24,612,849
Up to 1-3 months	2,458,772	29,617,975
Up to 3-12 months	379,031	801,376
	6,394,138	55,032,200

As of 31 December 2010 the amount of receivables overdue and impaired is TL192,509 (2009: TL993,885). The aging list of these receivables as of 31 December 2010 and 2009 is as follows:

	2010	2009
Up to 3-12 month	-	801,376
More than 12 months	192,509	192,509
	192,509	993,885

b) Other trade payables:

	2010	2009
Suppliers	89,251,647	57,658,668
Unrecognized credit finance expenses	(178,647)	(194,534)
	89,073,000	57,464,134

c) Long term other trade payables:

	2010	2009
Payales to (*) DSI	98,540,567	-

(*) 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 calculated in line with the WPI and payments will be made in 10 equal instalments. The project has been completed as of the balance sheet date and TL98,540,567 has been recorded under long-term other payables of the Group; the first instalment is to be paid in 2015.

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NOTE 6 - OTHER RECEIVABLES AND PAYABLES

a) Other receivables:

	2010	2009
Receivables from tax office	6,402,907	850
Short term other receivables	509,966	377,930
Deposits and guarantees given	51,310	49,660
Provision of other doubtful receivables	(850)	(850)
	6,963,333	427,590

b) Other payables:

	2010	2009
Taxes, fees and other charges	13,358,559	5,719,557
Social security payables	407,339	313,747
Deposits and guarantees obtained	382,825	14,822
Payables to personnel	46,436	16,375
Other liabilities	5,671	-
Other payables	13,121	2,687
	14,213,951	6,067,188

NOTE 7 - INVENTORIES

	2010	2009
Spare parts	4,120,665	3,573,362
Other raw materials	179,731	212,894
Operating supplies	88,477	90,019
	4,388,873	3,876,275

The cost of inventories recognized as expense and included in cost of sales amounted to TL2,285,534 for the year ended 31 December 2010 (2009: TL2,292,456).

NOTE 8 - OTHER ASSETS

a) Other current assets:

	2010	2009
Deferred VAT	84,388,915	36,265,094
Prepaid expenses	2,897,434	2,236,300
Prepaid taxes and funds	1,234,471	7,883,322
Advances given for purchases	1,118,111	1,716,287
Work advances	159,729	138,830
Personnel advances	125,531	104,314
	89,924,191	48,344,147

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NOTE 8 - OTHER ASSETS (CONTINUED)

b) Other Non-Current Assets:

	2010	2009
Advances given (*)	45,513,673	71,301,086
Prepaid expenses	3,474,016	3,845,630
Deposits and guarantees given	169,930	89,795
	49,157,619	75,236,511

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

NOTE 9 - FINANCIAL INVESTMENTS

Subsidiaries	2010	2009
Aken BV (Note 2.2)	1,988,942	1,988,942

NOTE 10 - INVESTMENT ACCOUNTED THROUGH EQUITY METHOD

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

	2010	2009
At 1 January	219,874,966	-
Shares of income from investments accounted through equity method	6,562,612	1,212,493
Acquisation of associates (*)	-	218,662,473
As of 31 December	226,437,578	219,874,966

(*) By the block sales method, Akcez acquired 100% of shares of Sedaş for USD600,000,000 and on11 February 2009 the share transfer have been realized.

The summary of financial statements of investment in associates is as follows:

			2010		
	Assets	Liabilities	Sales	Net profit	Interest held (%)
Akcez	1,269,780,120	766,585,502	1,329,359,693	14,583,581	45

			2009		
	Assets	Liabilities	Sales	Net profit	Interest held (%)
Akcez	1,267,433,032	778,821,997	1,352,793,504	2,694,428	45

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2010	Additions	Transfers	Disposals	31 December 2010
Cost:					
Lands	7,076,740	-	-	(453)	7,076,287
Land improvements (***)	13,530,689	28,529	563,759,629	-	577,318,847
Buildings	3,495,991	33,205	55,756,389	-	59,285,585
Machinery and equipment(*)	399,214,006	11,009,082	191,744,589	(3,302,514)	598,665,163
Motor vehicles	2,655,487	624,201	-	(1,492,551)	1,787,137
Furnitures and fixtures	5,936,544	629,388	98,547	(111,040)	6,553,439
Leasehold improvements	13,676,250	42,046	-	-	13,718,296
Construction in progress (**)	634,099,222	466,346,842	(814,802,131)	(2,637,227)	283,006,706
	1,079,684,929	478,713,293	(3,442,977)	(7,543,785)	1,547,411,460
Accumulated depreciation:					
Land improvements	4,800,765	4,602,637	-	-	9,403,402
Buildings	317,749	348,498	-	-	666,247
Machinery and equipment (*) (***)	283,522,626	23,698,886	-	(2,826,892)	304,394,620
Motor vehicles	2,459,824	128,600	-	(1,492,551)	1,095,873
Furnitures and fixtures	3,834,006	354,262	-	(109,296)	4,078,972
Leasehold improvements	1,229,313	347,151	-	-	1,576,464
	296,164,283	29,480,034	-	(4,428,739)	321,215,578
Net Book Value	783,520,646				1,226,195,882

(*) 3 turbines which has impairment amount of TL5,729,440 as of 31 December 2009 have been sold within the year 2010.
(**) Construction in progress consist of the hydroelectricity terminals of Uluabat, Feke 1, Feke 2, Akocak, Bulam, Gökkaya, Burç and Himmetli and combined natural gas terminals of Egemer Iskenderun Erzin.
(***) Depreciation expense of TL2,003,047 has been charged to the cost of land improvements, since the machinery and equipment was used in the construction of land improvements.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	1 January 2009	Additions	Transfers	Disposals	31 December 2009
Cost Value:					
Lands	6,945,415	131,325	-	-	7,076,740
Land improvements	35,821,496	34,205	237,998	(22,563,009)	13,530,690
Buildings	4,089,157	21,656	-	(614,821)	3,495,992
Machinery and equipment (*)	426,268,270	10,185	46,960,911	(74,025,360)	399,214,006
Motor Vehicles	2,691,010	-	-	(35,523)	2,655,487
Furniture and fixtures	6,599,860	287,684	-	(951,001)	5,936,543
Leasehold improvements	1,846,515	374,876	12,147,153	(692,295)	13,676,249
Construction in progress (**)	329,322,576	364,122,708	(59,346,062)	-	634,099,222
	813,584,299	364,982,639	-	(98,882,009)	1,079,684,929
Accumulated depreciation:					
Land improvements	17,064,887	1,579,690	-	(13,843,812)	4,800,765
Buildings	334,175	74,987	-	(91,413)	317,749
Machinery and equipment	319,449,007	24,919,842	-	(60,846,223)	283,522,626
Motor Vehiclecs	2,403,232	92,116	-	(35,524)	2,459,824
Furniture and fittings	4,504,156	277,341	-	(947,491)	3,834,006
Leasehold improvements	1,821,963	99,645	-	(692,295)	1,229,313
	345,577,420	27,043,621	-	(76,456,758)	296,164,283
Net book value	468,006,879				783,520,646

Depreciation expense of TL26,908,421 has been charged in cost of sales (2009:TL24,781,742), TL1,564,197 in general administrative expenses (2009: TL1,382,995) and TL1,796,408 for the year ended 31 December 2009 in cost of sales.

The amount of capitalized borrowing costs for the year ended 31 December 2010 amounted to TL5,459,639 (2009: TL16,243,889).

NOTE 12 - INTANGIBLE ASSETS

	1 January 2010	Additions	Transfers	31 December 2010
Cost				
Rights	1,830,507	2,968,419	3,442,977	8,241,903
Licences	72,021,236	53,688,369(*)	-	125,709,605
	73,851,743	56,656,788	3,442,977	133,951,508
Accumulated amortisation				
Rights	1,425,642	126,831	-	1,552,473
Licences	4,417,960	868,800	-	5,286,760
	5,843,602	995,631	-	6,839,233
Net book value	68,008,141			127,112,275

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NOTE 12 - INTANGIBLE ASSETS (CONTINUED)

	1 January 2009	Additions	Transfers	31 December 2009
Cost				
Rights	1,782,819	174,413	(126,725)	1,830,507
Licences	72,021,236	-	-	72,021,236
	73,804,055	174,413	(126,725)	73,851,743
Accumulated amortisation				
Rights	1,478,124	74,243	(126,725)	1,425,642
Licences	3,574,679	843,281	-	4,417,960
	5,052,803	917,524	(126,725)	5,843,602
Net book value	68,751,252			68,008,141

(*) The licences as of 31 December 2010 comprise to the purchase of electricity licence of İçkale Üretim A.Ş.

NOTE 13 -PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

13.1 Provisions

There are various lawsuits against or in favour of the Group. The majority of these lawsuits constitues doubtful receivables or labour lawsuits. The 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 lawsuitsas of 31 December 2010 is TL1,607,241 (31 December 2009: 762,343 TL).

	2010	2009
Expense accruals (*)	883,752	1,235,545
Provisions for lawsuits (**)	1,607,241	762,343
	2,490,993	1,997,888

(*) Expense accruals comprise system usage fees, cost of energy purchases and periodical maintanence expenses.
(**) "Toprak Kağıt Sanayi A.Ş. ve Toprak Seramik ve Gida Sanayi ve Ticaret A.Ş." prosecuted the Group in the amount of TL3,547,161 as a result of power consumption by more than the cost without prejudice to the rights provided that the total amount of TL7,800. Group management expects the maximum liability amounting to TL150,000 as of balance sheet date according to the view of legal representative of the Company and the related amount has been reflected to the consolidated financial statements as the provision for lawsuit.

The movement of the provision for expenses is as below:

	2010	2009
1 January	1,235,545	4,049,492
Current year changes	883,752	1,235,545
Payments	(1,235,545)	(4,049,492)
31 December	883,752	1,235,545

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NOTE 13 -PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

The movement of lawsuits is as below:

	2010	2009
1 January	762,343	1,049,680
Current year changes	1,118,398	257,843
Released provisions	(273,500)	(545,180)
31 December	1,607,241	762,343

13.2 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 Aralık 2010		31 Aralık 2009	
	Currency	Original currency	Local currency (TL)	Original currency	Local currency (TL)
Letters of guarantee given	TL	86,023,171	86,023,171	61,586,636	61,586,636
Letters of guarantee given	Euro	25,894,021	53,059,438	7,746,602	16,734,984
		139,082,609			78.321.620

Letters of guarantee given is 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 Commitment

The Group has committed to purchase 479,500,000 Sm3 natural gas from its suppliers within the year 2010 with a minimum valume of 368,600,000 Sm3. The minimum purchase commitment is achieved by the Group as of the balance sheet date.

The Group has signed a contract to purchase all electrical energy produced through wind turbines of Dogal Enerji Elektrik Üretim A.Ş. and Soma Elektrik Üretim A.Ş. owned by Polat Enerji until the end of 2011. According to the agreement, the Group has committed to purchase all electrical energy produced by Polat Enerji. There is not any commitment risk as the Group performs the trading of whole committed energy through spot market and bilateral agreements.

13.3 Contingent Assets

		31 December 2010		31 December 2009	
	Fx type	Original currency	Local currency	Original currency	Local currency
Guarantee letters obtained	TL	117,804,551	117,804,551	92,100,628	92,100,628
Guarantee letters obtained	US Dollar	11,941,596	18,461,707	20,859,478	31,408,116
Guarantee letters obtained	Euro	8,304,122	17,015,976	22,461,841	48,524,315
Guarantee letters obtained	Sterling	6,258	14,948	43,073	102,910
			153,297,182		172,135,969

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

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NOTE 13 -PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

13.4 Guarantees, pledges, mortgages given by the Company ("GPM")

The Company's guarantees, pledges, mortgage ("GPM") positions in TL as of 31 December 2010 and 2009 are as follows:

	2010	2009
A. GPM's given for companies own legal personality	448,529,691	78,321,619
B. Total amount of GPM given for the subsidaries and associates in the scope of consolidation (*)	295,458,800	292,366,200
C. Total amount of GPM given for the purpose of Maintaining operating activities		
i. Total other GPM's given (**)	479,260,000	451,710,000

(*) Details of the guarantees which have given on behalf of the associations of Akenerji which have included within the scope of consolidation as of 31 December 2010 are as below (TL):
The loan agreement with seven-7 years maturity for getting financing to "Burç Bendi" and " Feke 1" Hes HEP projects has was signed between Akkur Enerji, which holds 90% of the shares of Akenerji, and the National Bank of Greece S.A. London branch. The loan is a two-2 year non- refundable credit and is valued at USD75,000,000. To guarantee the payback, Akkur Enerji has become a warrantor guarantor of the repayment of the loan and has provided the necessary guaranty to that necessary notice has been given to the bank. The loan agreement with eight years maturity for getting financing thee to Himmetli, Gökkaya and Bulam HES HEP projects has 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-3 year non- refundable credit and is valued at EUR28,000,000 and USD79,000,000. To guarantee the payback and absorb the costs which can be emerged during the investment, Akkur Enerji has become a warrantor guarantor of the repayment of the loan and coverage of costs arising during the investment, and has provided the necessary guaranty that necessary notice has been given to the bank. In accordance with the agreement, Türkiye Sınai Kalkınma Bankası A.Ş. has signed " a share pledge agreement of pledge on shares".
(**) Details of the guarantees which have given on behalf of other associations of Akenerji which that have are not included within the scope of consolidation as of 31 December 2010 are as below:
31 December 2010: 310,000,000 US Dollar (31 December 2009: 300,000,000 US Dollar)

In order to guarantee the payment of USD300,000,000, the balance of the purchase amount of Sedaş, a Bank Guarantee Loan Agreement was signed by and between Akcez as the loan receiver, Akenerji Elektrik Üretim A.Ş. and CEZ a.s. as guarantor and Akbank T.A.Ş. ("Akbank") and Türkiye İş Bankası ("İşbank") as loan providers and issuing banks, regarding the bank letters of guarantee; and regarding the bank letters of guarantee to be provided in favor of Akcez in order to guarantee other liabilities that will arise regarding this purchase, a General Loan Agreement was signed by and between Akcez as loan receiver, Akenerji Elektrik Üretim A.Ş. as guarantor, Isbank as loan provider; and a Side Letter, stating the conditions for the right to make equivalent proposals and pre-emptive right defined for other loans that are not in the scope of a loan agreement and / or that are not in the scope of a loan agreement but can be used in relation to the project, was signed by and between Akkök Sanayi Yatırım ve Geliştirme A.Ş. ("Akkök"), Akenerji Elektrik Üretim A.Ş., CEZ a.s. and Akcez, and Akbank and Isbank.

From the turnover cost, amounting of to USD600 million US Dollar, USD300 million US Dollar amount of the cost have been was paid .in 11 February 2009, the principal amount of USD150 million US Dollar of the rest remaining of USD300 million has been was paid to the Privatization Administration of therepublic of Turkey Prime Ministry Privatization Administration of the Republic of Turkey in on 26 January 2010. That principal installment payment have got was financed by using the a loan agreement amounting of to USD160,000,000 which has been provided to Akcez by Akbank N.V. , Yapı ve Kredi Bankası A.Ş. ve and Yapi Kredi Nederland N.V banks that necessary notice has been given to the bank. In accordance with this, the associated interest payment amounting of to USD9,786,663 has been was paid to Privatization Administration of the Prime Ministry of the Republic of Turkey on the republic of turkey prime ministry privatization administration in 11 February 2010.

Within in the framework of the loan contract which have been signed between Akenerji and International Finance Corporation ("IFC") in on 24 June 2010,the collateral which is valued at USD100,000,000 was provided: each, a the land of 51.,078,.79 m2 plot of land which is located in at Kemalpaşa Ulucak Village, Kirovasi Region District Izmir Kemalpasa Deed Administration Plot No: L18B03C4A-L18B03D03DB, Isle Map No: 534, Parcel No: 11 registered with the in Izmir Kemalpasa Title Deed Registry, and the prefab factory buildings, structures, administrative buildings, social facility premises and plot of lands which is of 11,.923,.64m2 and is located in at Kemalpasa Bozüyük Town, Yeni Mahalle District, Yafti Region Borough, Bilecik Bozüyük Plot No: 30 L1, Map No: 45, Parcel No:21 registered with the Bilecik Bozüyük Title Deed Registry are given.

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

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NOTE 14 - DERIVATIVE FINANCIAL LIABILITIES

Derivative financial instruments held for hedging:

	2010		2009	
	Contract amount	Fair value	Contract amount	Fair value
Interest rate swaps	208,035,786	5,838,077	264,599,928	6,571,214

Derivative financial instruments are initially recognised in the condensed 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 hedge of the fair value 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 are designated as being and qualify as cash flow hedges and are highly effective, are recognised in equity as "hedging reserve".

When a hedging instrument expires or is sold, or 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.

NOTE 15 - PROVISION FOR EMPLOYMENT BENEFITS

	2010	2009
Employment termination benefits	742,766	1,158,845
Unused vacation provision - short term	432,971	206,077
	1,175,737	1,364,922

The movement of employment termination benefits is as below:

	2010	2009
1 January	1,158,845	1,460,409
Current year change	24,685	241,888
Released provisions	(440,764)	(543,452)
31 December	742,766	1,158,845

The movement of provision for unused vacation is as below:

	2010	2009
1 January	206,077	-
Current year change	432,971	206,077
Released provisions	(206,077)	-
31 December	432,971	206,077

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NOTE 15 - PROVISION FOR EMPLOYMENT BENEFITS (CONTINUED)

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

Under Turkish Labour Law, the 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 length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL2,617.70 for each year of service as of 31 December 2010 (2009: TL2,365.16).

The liability is not funded, as there is no funding requirement in Turkey. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2010	2009
Discount rate (%)	4,66	5,92
Probability of retirement (%)	100,00	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. Consequently, in the accompanying financial statements as of 31 December 2010, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The amount payable consists of one month's salary limited to a maximum of TL2,517.01 for each period of service as of 31 December 2010 (31 December 2009: TL2,365.16).The maximum liability is revised semi annually.

NOTE 16 - EQUITY

Akenerji adopted the registered capital system applicable to the companies registered on the Capital Markets Board (CMB) defines limitations to registere capital for shares whose nominal value is TL1 ("One Turkish Lira")

As of 31 December 2010 and 2009 the share capital held is as follows:

	2010	2009
Limit on registered share capital (historical)	1,500,000,000	1,500,000,000
Issued capital	375,814,000	65,340,000

The Company's shareholders and share helding structure as of 31 December 2010 and 2009 are as follows:

	Share %	2010	Share %	2009
CEZ a.s.	37,36	140,409,411	37,36	24,411,946
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	20,43	76,789,568	20,43	13,350,834
Akarsu Enerji Yatırımları San.ve Ticaret A.Ş. ("Akarsu")	16,93	63,619,843	16,93	11,061,112
Publicly held	25,28	94,995,178	25,28	16,516,108
	100	375,814,000	100	65,340,000
Adjustment to share capital		101,988,910		101,988,910
Total paid-in capital		477,802,910		167,328,910

Share Premium

Share premiums presented in the consolidated financial statements represent the proceeds the excess of the amount of shares issued during the capital increases compared to their nominal values. As of 31 December 2009 the share premium of the Group amounted to TL48,869,596. As a result of the capital increase in May 2010 the share premiums of the Group increased by TL1,085,631 and reached to a total of TL49,955,227.

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NOTE 16 - EQUITY (CONTINUED)

Retained Earnings and Legal Reserves

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. In accordance with CMB Standards, these amounts should be classified as a “Legal Reserves”. The legal reserve amount is TL12,106,112 (31 December 2009: TL11,071,608) as of 31 December 2010.

Capital Increase

The Group increases its capital from TL65,340,000 to TL375,814,000 as of 31 December 2010. The TL231,994,931 amount of this increase is on prepaid capital advances and the rest of TL78,479,069 is paid cash in 2010.

NOTE 17 - TAX ASSETS AND LIABILITIES

	2010	2009
Corporate and income taxes payable	2,822,152	1,813,258
Prepaid taxes	(2,520,105)	(597,166)
Taxes on Income	302,047	1,216,092
Deffered tax assets	7,401,847	1,588,070
Deffered tax liabilities	(2,265,685)	(579,991)
Deferred tax assets	5,136,162	1,015,079

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

The effective rate of tax in 2010 is 20% (2009: 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 set off against other liabilities to the government

The details of taxation on income for the years ended 31 December 2010 and 2009 are as below;

	2010	2009
Current	(2,822,152)	(1,813,258)
Deferred	4,260,973	8,061,678
	1,438,821	6,248,420

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NOTE 17 - TAX ASSETS AND LIABILITIES (CONTINUED)

The reconciliation of current year tax income is stated below:

	2010	2009
Income / (Loss) before tax	(27,103,357)	17,820,405
Investment accounted through equity method	(6,562,612)	(1,212,493)
Tax calculated by using effective tax rate	6,733,193	(3,321,582)
Effect of exceptions	88,238	561,657
Disallowable expenses	(167,082)	(2,809,682)
Investment incentive	-	11,445,353
Losses not subject to tax (*)	(4,548,520)	(299,791)
Other	(667,008)	672,465
Current year tax income	1,438,821	6,248,420

(*) The effect of the losses of subsidiaries in the scope of consolidation which do not have tax bases as of 31 December 2010 in accordance with Turkish Tax Law.

Deferred Taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between 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 and are set out below.

	Differences		Deferred tax assets / (liabilities)	
	2010	2009	2010	2009
Carry forward tax losses	(37,028,066)	-	7,405,613	-
Investment incentive	(25,280,959)	(25,280,959)	5,056,192	5,056,192
Derivative financial instruments	(4,926,383)	(5,625,837)	985,277	1,125,167
Provisions for lawsuits	(1,607,241)	(762,343)	321,448	152,469
Provision for employment	(739.478)	(1.364.922)	147.896	272.984
Termination benefit	(739,478)	(1,364,922)	147,896	272,984
Unearned credit finance income	(442,887)	(621,444)	88,577	124,289
Provision for unused vacations	(50,196)	-	10,039	-
Property,plant and equipment	40,411,024	24,957,743	(8,082,205)	(4,991,521)
Loan commissions	3,803,255	4,225,838	(760,651)	(845,168)
Unrecognised credit finance expense	180,124	198,040	(36,024)	(39,608)
Provision for doubtful receivables	-	(801,376)	-	160,275
Deferred tax assets - net			5,136,162	1,015,079

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NOTE 17 - TAX ASSETS AND LIABILITIES (CONTINUED)

The movement of deferred tax assets is as below:

	2010	2009
1 January	1,015,079	(7,494,449)
Charge to statement of income (net)	4,260,973	8,061,678
Charged to equity	(139,890)	447,850
31 December	5,136,162	1,015,079

The analysis of the deferred tax assets and liabilities is as below;

	2010	2009
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	12,619,740	5,329,176
- Deferred tax asset to be recovered within 12 months	1,395,302	1,562,200
	14,015,042	6,891,376
Deferred tax liabilities		
- Deferred tax liabilities to be recovered after more than 12 months	(796,676)	(884,776)
- Deferred tax liabilities to be recovered within 12 months	(8,082,205)	(4,991,549)
	(8,878,881)	(5,876,325)

As of 31 December 2010, the Group's carry forward tax losses amounts to TL60,096,994, as a result of the assessments of the Group deferred tax assets amounting to TL37,028,066 has been recognized in the financial statements as of 31 December 2010:.

Due Date	Losses
2014	326,327
2015	22,742,601
	23,068,928

NOTE 18 - REVENUE AND COST OF SALES

	2010	2009
Sales	429,037,135	457,255,749
Sales Returns (-)	(682,383)	-
Sales (Net)	428,354,752	457,255,749
Cost of Sales (-)	(384,994,697)	(391,991,933)
Gross Operating Profit	43,360,055	65,263,816

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NOTE 19 - EXPENSES BY NATURE

	2010	2009
Direct raw material expenses	323,478,780	337,442,775
Depreciation and amortization expenses	28,472,618	26,165,034
General production expenses	24,837,171	20,841,200
Personnel expenses	20,250,923	13,596,211
Consultancy expenses	7,780,076	8,309,569
Tax expenses	3,342,887	2,488,595
Raw materials, spare parts and operating supplies expenses	2,285,534	2,292,456
Disallowable expenses	2,168,923	2,271,907
Office expenses	2,133,010	2,247,531
Insurance expenses	2,007,811	1,078,334
IT expenses	1,669,119	852,731
Vehicle expenses	1,602,794	1,030,170
Provisions for lawsuits	1,118,398	-
Rent expenses	956,689	1,236,987
Travel expenses	918,030	1,242,418
Security expenses	891,503	547,170
CMB expenses	747,309	-
Research and development expenses	495,575	738,511
EPDK licence expenses	59,563	72,524
Idle time expenses	-	1,796,408
Other expenses	3,271,247	1,254,288
	428,487,960	425,504,819

NOTE 20 - OTHER OPERATING INCOME AND EXPENSE

a) Other Operating Income

	2010	2009
Income from insurance reimbursements	2,587,075	-
Due date difference (*)	1,536,678	20,364,303
Gain on sale of property, plant and equipment	2,166,853	18,809,247
Released employment termination benefit provision	440,764	543,452
Released doubtfull receivable provision	801,376	650,548
Other income	1,353,892	1,950,926
Other Operating Income	8,886,638	42,318,476

(*) It consists of interest income for overdue trade receivables. Applied monthy interest rate is %1.95 (2009: %2.5) as of 31 December 2010.

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NOTE 20 - OTHER OPERATING INCOME AND EXPENSE (CONTINUED)

b) Other Operating Expenses

	2010	2009
Prior year expenses	692,438	566,830
TRT contribution fee principle and interest	-	10,676,253
Loss on sale of property, plant and equipment	-	35,354,919
Other expenses and loss	199,008	3,894,907
Other Operating Expenses	891,446	50,492,909

NOTE 21 - FINANCIAL INCOME AND EXPENSES

a) Financial income:

	2010	2009
Foreign exchange gains	6,598,773	22,812,470
Interest income	6,773,185	1,711,840
Unearned credit finance income	927,220	932,030
Financial income	14,299,178	25,456,340

b) Financial expense:

	2010	2009
Foreign exchange losses	27,942,705	6,457,723
Interest expenses	27,372,227	24,881,487
Unrecognized credit financé expense	512,199	1,085,715
Financial expenses	55,827,131	32,424,925

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NOTE22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Related party balances:

a) Receivables from related parties

Receivables from related parties - Short term

	2010	2009
Aksa Akrilik Kimya San. A.Ş.	27,486,558	5,681,896
Sedaş Elektrik Dağıtım A.Ş.("Sedaş")	1,233,131	-
BSH Ev Aletleri San. ve Tic. A.Ş. ("BSH")	965,237	1,045,814
Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş.("Eczacıbaşı")	771,593	716,829
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	376,911	392,336
Ak-Al Tekstil San. A.Ş.	-	457,736
Akkim Kimya San. ve Tic. A.Ş.	202,936	189,574
Other	707,056	521,426
Unearned credit finance income	(124,689)	(298,832)
	31,618,733	8,706,779

Maturity of trade receivables from related parties due date is approximately 10 days and applied annual interest rate is 6.62%. (2009: 6.72%).

Receivables from related parties – Long term

	2010	2009
Aksa Akrilik Kimya San. A.Ş.	-	2,822,400
Unearned credit finance income	-	(170,957)
	-	2,651,443

b) Other Receivables from related parties

	2010	2009
Akcez Enerji Yatırımları San. ve Tic. A.Ş.	22,721,362	8,245,775
CEZ a.s.	922,739	3,441,014
Sedaş	3,229,804	533,729
Akarsu Enerji Yatırımları San.ve Tic.A.Ş.("Akarsu")	890	-
Akkök Sanayi Yatırım ve Geliştirme A.Ş.("Akkök")	890	-
	26,875,685	12,220,518

Maturity of other (financial) receivables from related parties maturity of 1 year and applied annual interest rate is %4 (31 December 2009: %4.79).

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NOTE22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

c) Payables to related parties

	2010	2009
Çerkezköy Organize Sanayi Bölgesi ("ÇOSB")	5,406,585	6,440,512
Dinkal Sigorta Acenteliği A.Ş.	738,904	288,145
Akkök	513,606	553,121
Sedaş	1,520,909	-
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş. ("Aktek")	390,784	202,249
Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş. ("Ak-Han")	77,548	54,268
Other	144,188	42,866
Unrecognized credit finance income	(255,858)	(3,489)
	8,536,666	7,577,672

Maturity of trade payables to related parties maturity of 30 days and applied annual interest rate is 6.62% (2009: 7.67%).

d) Other payables to related parties

	2010	2009
CEZ a.s.	110,178,107	52,721,457
Akkök	59,548,448	86,160,039
Akarsu	50,146,060	-
Ak-Al Tekstil Sanayii A.Ş.	-	24,984,080
Akkim Kimya San, ve Tic. A.Ş.	-	20,104,935
	219,872,615	183,970,511

Maturity of other (financial) trade payables to related parties maturity of 1 year and applied annual interest rate is 4.48% (2009: 6.5%).

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NOTE22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

ii) The details of major sales and major purchase transactions between the related parties for the year ended 31 December 2010 and 2009

a) Sales to related parties

	2010	2009
Sedaş	29,225,177	738,996
BSH	9,456,581	10,007,708
Eczacıbaşı	7,020,757	5,759,846
Ak-Al Tekstil Sanayii A.Ş.	3,122,969	4,980,172
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	3,903,820	3,342,114
Akkim Kimya San. ve Tic. A.Ş.	2,457,909	10,834,280
Demirer Kablo Tesisleri San. ve Tic. A.Ş.	2,130,932	2,143,975
Aksa Akrilik Kimya Sanayi A.Ş.	20,879,153	50,350,619
Akkök	173,084	171,370
Akport Tekirdağ Liman İşletmeleri A,Ş	203,436	163,199
Aksu İplik Dokuma ve Boya Apre Fabrikaları T.A.Ş.	-	-
Aktops Tekstil Sanayi A.Ş.	-	2,482,866
Other	2,401,542	1,133,873
	80,975,360	92,109,018

The sales to related parties majorly consist of electricity sales.

b) Purchases from related parties

	2010	2009
ÇOSB	48,962,782	75,603,568
Sedaş	853,381	104,538
Akkök	7,091,966	12,028,046
CEZ a.s.	5,826,193	-
Dinkal Sigorta Acenteliği A.Ş.	4,939,971	2,436,609
Aktek	3,119,078	1,586,293
Akarsu	1,053,403	-
Ak-Han	1,023,247	493,073
Akkim Kimya San. ve Tic. A.Ş.	540,645	1,917,598
Aksa Akrilik Kimya Sanayii A.Ş	122,541	1,202,962
Üçgen Bakım ve Yönetim Hiz. A.Ş	134,711	153,416
Other	331,235	2,546,845
	73,999,153	98,072,948

(*) It consists of the the purchases of natural gas

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NOTE22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

iii) Key management compensation

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

	2010	2009
Employee Benefits	4,298,675	4,389,332

NOTE 23 - EARNINGS PER SHARE

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

	2010	2009
Net (loss) / income owned by main company	(26,369,923)	23,422,693
Weighted average amount of new issued shares	375,814,000	65,340,000
Earnings per 1,000 shares	(434)	358

Nominal value of each of the issued shares as of 31 December 2010 and 2009 is 1 Kr.

NOTE 24 - 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 company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by Akenerji's finance department under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

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NOTE 24 - FINANCIAL RISK MANAGEMENT (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

The following tables detail the Company's remaining 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 Company can be required to pay. The table includes both interest and principal cash flows. The adjustments column represents the possible future cash flows attributable to the insrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet.

The analysis of the financial liabilities according to their maturities as of 31 December 2010 and 2009 is as below;

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

2010	Carrying value	Total cash outflow due to contract	3 months or less	3 - 12 months	1 - 5 years	5 year and more
Financial liabilities	925,964,839	1,016,487,966	162,745,241	210,449,879	573,563,027	69,729,819
Trade payables	97,609,666	97,609,666	97,609,666	-	-	-
Other non current liabilities	112,754,518	112,754,518	13,831,126	-	10,236,882	88,686,510
	1,136,329,023	1,226,852,150	274,186,033	210,449,879	583,799,909	158,416,329

2009	Book Value	Total cash outflow due to contract	3 months or less	3 - 12 months	1 - 5 years	5 year and more
Financial liabilities	708,173,669	764,749,484	226,274,887	130,966,192	349,654,990	57,853,415
Trade payables	65,041,806	65,041,806	65,041,806	-	-	-
Other non current liabilities	6,067,188	6,067,188	6,067,188	-	-	-
	779,282,663	835,858,478	297,383,881	130,966,192	349,654,990	57,853,415

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NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. As the Group has no significant interest-bearing assets, the Group’s income and operating cash flows are substantially independent of changes in market interest rates. To decrease the interest rate risk, the cash equivalents which are not used, are put to the time deposits by the Group.

The table of the interest position of the company as of 31 December 2010 and 2009 is as below;

	2010	2009
Financial instruments with fixed interest rates		
Cash and cash equivalents	38,683,288	188,237,259
Trade receivables	106,628,611	102,138,599
Other receivables	26,875,685	12,220,518
Financial liabilities	393,949,298	195,329,912
Trade payables	79,790,627	65,239,829
Financial instruments with floating interest rates		
Financial liabilities	532,015,541	485,303,570
Trade payables	98,540,567	-

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated.

Based on the simulations performed if interst rates of borrowings with floating rates had been 1 basis points higher / lower with all other variables held constant, post tax profit of the Group would be TL1,770,932 lower / higher. (2009: 687,640 TL)

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 commercial transactions, recognised assets and liabilities. These risks are monitored and limited by the analysis of the foreign currency position.

The details of the foreign currency assets and liabilities as of 31 December 2010 and 2009 are presented as below;

	2010	2009
Assets	73,209,740	69,551,898
Liabilities	905,469,848	633,241,174
Net foreign currency position	(832,260,108)	(563,689,276)

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NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)

Assets and liabilities denominated in foreign currency held by the Group at 31 December 2010 and 2009 and their TL equivalent are as follows:

	2010				2009			
	TL Equivalent	US Dollar	Euro	Other	TL Equivalent	US Dollar	Euro	Other
Trade Receivables	242,304	36,898	90,411	-	3,400,690	899,910	946,950	-
Monetary financial assets	36,840,444	7,154,761	12,580,729	3	20,500,733	7,320,045	4,387,784	6
Other Receivables	21,391,654	9,816,638	3,033,103	-	1,017,648	90,707	407,846	-
Other Current Assets	2,288	1,480	-	-	1,920,997	1,097,929	123,985	-
Current Assets	58,476,690	17,009,777	15,704,243	3	26,840,068	9,408,591	5,866,565	6
Other non-current assets	14,733,050	4,435,502	3,843,523	-	42,711,830	8,212,684	14,047,119	-
Non-current assets	14,733,050	4,435,502	3,843,523	-	42,711,830	8,212,684	14,047,119	-
Total Assets	73,209,740	21,445,279	19,547,766	3	69,551,898	17,621,275	19,913,684	6
Trade Payables	13,005,273	2,498,231	4,164,758	254,962	19,304,670	1,092,322	8,174,773	-
Financial Liabilities	314,222,546	37,158,798	18,009,092	-	66,686,356	19,672,435	17,157,603	-
Financial Liabilites due to related parties		141,900,270	241,470		183,970,512	122,182,714	-	-
Other short term financial liabilities	1,090,483	431,000	206,516	599	1,289	401	-	473
Short term Liabilities	328,318,302	181,988,299	22,621,836	255,561	269,962,827	142,947,872	25,332,376	473
Financial Liabilities	577,151,545	288,621,161	63,902,801	-	363,278,347	137,292,989	72,469,700	-
Long term Liabilities	577,151,545	288,621,161	63,902,801	-	363,278,347	137,292,989	72,469,700	-
Total Liabilities	905,469,847	470,609,460	86,524,637	255,561	633,241,174	280,240,861	97,802,076	473
Net Foreing Currency Assets/Liabilites Position	(832,260,107)	(449,164,181)	(66,976,871)	(255,558)	(563,689,276)	(262,619,586)	(77,888,392)	(467)

NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The following table details the Group's sensitivity to a 10% increase and decrease in the TL against the relevant foreign currencies.

	2010 Profit / Loss	
	Appreciationf of Foreign currency	Depreciation of Foreign currency
%10 increase / decrease in US Dollar exchange rate		
Income / expense	(69,440,783)	69,440,783
US Dollar Net Effect	(69,440,783)	69,440,783
%10 increase / decrease in Euro exchange rate		
Income / expense	(13,724,231)	13,724,231
Euro Net Effect	(13,724,231)	13,724,231
Total Net Effect	(83,165,013)	83,165,013

	2009 Profit / Loss	
	Appreciationf of Foreign currency	Depreciation of Foreign currency
%10 increase / decrease in US Dollar exchange rate		
Income / expense	(21,649,515)	21,649,515
US Dollar Net Effect	(21,649,515)	21,649,515
%10 increase / decrease in Euro exchange rate		
Income / expense	(3,597,275)	3,597,275
Euro Net Effect	(3,597,275)	3,597,275
%10 increase / decrease in other exchange rate		
Income / expense	(69)	69
Total Net Effect	(25,246,859)	25,246,859

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NOTE 24 - 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.

(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 divided by 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 equity, as shown in the consolidated balance sheet, plus net debt.

Net debt / total equity ratio as of 31 December 2010 and 2009 is as below;

	2010	2009
Trade payables and due to related parties	196,150,233	65,041,806
Total financial liabilities	925,964,839	708,173,669
Other liabilities	14,213,951	6,067,188
Total debt	1,136,329,023	779,282,663
Less: Cash and Cash Equivalents (note 3)	(40,099,092)	(188,368,722)
Net debt	1,096,229,931	590,913,941
Total equity	764,724,614	714,577,117
Net debt/total equity ratio	%143	% 83

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NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk

The Company is affected by credit risks due to its open receivable balances with future collection dates and time deposits. If counterparties fail on the fulfilment 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 exposure of the Group to credit risk as of 31 December 2010 based on different financial instruments is as follows:

	Trade Receivables		Other Receivables		Bank deposit	
2010	Related Party	Other	Related Party	Other	Related Party	Other
Maximum credit risk exposure as of the reporting date	31,618,733	75,009,878	26,875,685	6,963,333	-	40,043,145
- Secured portion of the maximum risk by guarantees	*2,155,614*	*22,711,384*	-	-	-	-
Not due /not impaired Financial asset’s carrying value	31,579,337	68,655,136	26,875,685	6,963,333	-	40,043,145
Overdue but not impaired Financial asset’s carrying value	39,396	6,354,742	-	-	-	-
- Secured portion by guarantees	39,396	3,142,277	-	-	-	-
Net carrying value of Impaired assets	-	192,509	-	-	-	-
- Overdue (gross)	-	192,509	-	-	-	-
- Impairment (-)	-	(192,509)	-	-	-	-
- Secured portion by guarantees	-	-	-	-	-	-

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NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)

The exposure of the Group to credit risk as of 31 December 2009 based on different financial instruments is as follows:

	Trade Receivables		Other Receivables (*)		Bank deposit	
2009	Related Party	Other	Related Party	Other	Related Party	Other
Maximum credit risk exposure as of the reporting date	11,358,222	90,780,377	12,220,518	427,590	-	188,342,025
- Secured portion of the maximum risk by guarantees	2,178,170	6,818,948	-	-	-	-
Not due /not impaired Financial asset's carrying value	8,483,151	38,623,248	12,220,518	427,590	-	188,342,025
Overdue but not impaired Financial asset's carrying value	2,875,071	52,157,129	-	-	-	-
- Secured portion by guarantees	20,956	71,666	-	-	-	-
	-	-	-	-	-	-
Net carrying value of Impaired assets						
Overdue (gross)	-	-	-	-	-	-
- Overdue (gross)	-	993,885	-	850	-	-
- Impairment (-)	-	(993,885)	-	(850)	-	-
- Secured portion by guarantees	-	-	-	-	-	-

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NOTE 24 - 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, judgement is necessarily required to interpret market data to estimate the 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 currencies 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 carrying values.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate 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 be their fair values.

Monetary liabilities

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

Since, long term foreign currency loans generally have floating 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 6).

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NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)

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 (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

NOTE 25 - SUBSEQUENT EVENTS

a) With Board Decision No. 3065, dated 01 February 2010, the EMRA resolved that "according to the adjustment made in paragraph (c) of Article 4 of Turkish Radio Television Corporation Revenues Law No. 3093, dated 4 December 1984, made with Law No. 5784, dated 9 July 2008 and Board Decision No. 2999, dated 28 December 2010: "the sum of the retail sales service relating to the transmission, distribution, meter reading by licensed legal entities selling electrical energy to end users and the retail sales service fees apart from net energy and meter reading, excluding the fees relating to lost energy, shall be taken into consideration in the calculation of the TRT contribution fee."

b) The Company and its subsidiary Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Tic. A.Ş. complied with the EMRA Rule in the energy sales invoices issued to customers as of 1 January 2011; however, as a result of the negotiations with TRT, despite it being in contravention of the Board Decision, it issued a qualified declaration for and paid the TRT difference that commencing from January was not reflected to the customers (in accordance with the Board Decision) and chose to initiate legal proceedings subsequently.

c) The special status explanation published by the Group on 18 February 2010 is as follows:

"The Boards of Directors of Akkök Sanayi Yatırım ve Geliştirme A.Ş. and Cez A.Ş., two major shareholders of Akenerji A.Ş., taking into consideration the recent news about the interest in the assets of our Company, have authorised our Company to collect initial offers for the assets of Akenerji A.Ş."