Energy for sustainable growth

2007 ANNUAL REPORT

AKKÖK

CONTENTS

AKENERJİ IN BRIEF

Akenerji maintains an advantage as the leader in the energy sector with its substantial 18 years experience and active operations in the industry. It started its activities in 1989 as an electricity autoproducer group, becoming the first private sector electricity producer. The Company is now one of the biggest private sector electricity producers in the country both in terms of number of facilities and total generation capacity.

Bearing in mind the persistent increase in production costs in the electricity industry, regular analysis of the market risks ensures responses in the right way and at the right time with the least interuption to profitability. Akenerji maintains its position as the pioneering company of the industry with its operational competence and optimal sales portfolio.

In the energy sector, it is of utmost importance to make investment decisions correctly due to the high capital requirements and long payback periods of investments. Among the private sector electricity generating companies, Akenerji is the first to invest in renewable energy sources, particularly in the hydroelectric field, for the purpose of reaching diversity of resources, increasing profitability and enhancing the competitive edge in the market. In line with this, Akenerji is endowed with intensive knowledge on renewable energy investments as well as natural gas.

Akenerji is a company closely observing the developments in the industry and making strategic decisions with a proactive approach. These qualifications provide the Company with speed, flexibility and thereby a competitive advantage.

Akenerji generates power and heat (steam) energy via natural gas-fired power plants in its portfolio, using cogeneration or combined cycle methods.

The gas and steam turbines used in the power plants were predominantly procured from the General Electric and Siemens companies. The General Electric heavy-duty type Frame 6C gas turbines used in the Kemalpaşa power plants, feature state-of-the-art technology with highest efficiency in its class. In line with this strategy of employing advanced technology for efficient production, Akenerji envisages incorporation of latest innovations of turbines at the investment stage of its hyrdoelectic power plants.

With 11 power plants located in the industrialized regions of Turkey, Akenerji meets the power and heat energy requirements of these industrial facilities. The Company also sells energy under the Electricity Market Balancing and Settlement Regulations (DUY), which became effective in August 2006.

Akenerji diligently endeavors toward allocating the existing resources of the country into use in the most effective and economical way that meets the increasing needs arising in the supply-demand balance of the electricity market. In line with its horizontal and vertical growth strategy, Akenerji closely follows privatization tenders of power plants generating electricity from renewable energies, particularly hydroelectric power stations. The Company also pursues its interest in tenders for thermal power plants, prospective tender for the nuclear power plant, as well as conditional tenders for coal and electricity distribution.

In 2008 Akenerji plans to carry on its investment activities primarily in hydroelectric, as well as in lignite and wind power plants. Akenerji will also continue to closely monitor progress and developments in the privatization process of publicly owned electricity distribution and generation plants as well as the prospective nuclear power station tender.

Power Plants	Yalova I, Yalova II, Çerkezköy, Bozüyük, Alaplı, Gürsu, Uşak, Denizli, Çorlu, İzmir Batıçim, İzmir Kemalpaşa
Installed Capacity	541.3 MW electricity, 1,107 ton steam
Active Power Plants	Çerkezköy (98 MW), Bozüyük (132 MW), İzmir Kemalpaşa (127.6 MW), Yalova (70 MW), Alaplı (5 MW), İzmir Batıçim (45MW)
Generating Capacity	477.6 MW/year electricity
Products	Electricity, steam
Number of Employees	209
Investments in 2007	US$ 82.5 million
Turnover in 2007	US$ 348 million

ORDINARY GENERAL ASSEMBLY MEETING AGENDA

AKENERJİ

ELEKTRİK ÜRETİM A.Ş.

AGENDA

1- Opening, formation of the General Assembly Meeting Council and authorizing the Council on signing minutes of the meeting,

2- Presentation, discussion and submission for approval of the Annual Report of the Board of Directors, the Statutory and Independent Auditors' Reports, balance sheet, income statement and profit distribution proposal prepared by the Board,

3- Pursuant to Article 315 of the Turkish Commercial Code, formal discharge of the 2007 Board of Directors and Statutory Auditors for the operations of the Company and the approval of new appointments,

4- Re-election or replacement and determination of terms of office, remuneration and attendance fee for the Board Members and Statutory Auditors and giving the members of the Board of Directors the power stipulated in the Articles 334 and 335 of the Turkish Commerce Code,

5- In accordance with the Capital Markets legislation, informing the General Assembly about the donations made by the Company in 2007 and submitting for the approval of the Assembly the independent audit company selected by the Board of Directors.

Ömer Dinçkök
Chairman of the Board of Directors

MISSION

Providing competitive advantage to our customers by supplying continuous and reliable energy in competitive prices.

VISION

Being an energy generation company relying on diversity of resources with production plants equipped with state-of-the-art technology and holding the highest share in the Turkish market.

HISTORY

Akenerji, affiliated with Akkök Group of Companies, started its activities in 1989 as the first electricity autoproducer group in Turkey. Having undergone a status change as of early 2005, Akenerji started to carry out its activities as an "Electricity Generating Company" in the newly regulated electricity market. As a hundred percent Turkish capital undertaking, Akenerji is one of the biggest private electricity producers in Turkey with both its number of facilities and total generation capacity.

In addition to its Group Companies, Akenerji supplies power to other leading groups and companies in Turkey. Akenerji stepped up its recently implemented intense investment programs, and plans to continue this in a more speedily fashion in 2007.

Akenerji's pursuit toward diversity of resources bore results by making it one of the pioneering companies of the industry, particularly in the field of hydroelectric power plants.

ENERGY SECTOR IN TURKEY

New investments in the sector are less attractive due to the domination of publicly owned plants, high tax burden and suplementary costs. However, the new mechanism brought in by the Balancing and Settlement Regulations (DUY) as of August 2006 eased the industry to some degree, enabling transparent and cost-based pricing.

Rapid urbanization and population increase in the last 24 years has led to an 8% average annual rate of increase in electricity consumption in Turkey. This was higher than that of the growth in the gross national product, yet the average per capita electricity consumption remains 2 MWh. This is a very low level as compared to developed countries. Rapid economic growth, urbanization and industrialization signify that the present rate of increase in electricity consumption will be maintained. Thus, new generation plants should be installed to meet the potential increase in the electricity demand in the next 20 years. Accordingly, a US$ 4 to 5 billion investment capital will be required every year. Consequently, the electricity sector continues to attract intensive interest among domestic and foreign investors.

Today, the state-owned plants provide 85% of the electricity generated in Turkey. This structure in the supply side compels the private sector to compete with the publicly owned entities, which have a decisive influence on the fuel and electricity prices. Since 2003, the upward movement in oil and commodity prices caused the natural gas prices to increase 90% on TRY basis but this incremental cost was not reflected in the electricity tariffs, even though there was an increase in transmission and distribution fees and duties and taxes imposed on private producers. This supply/demand situation will bring electricity prices more in line with actual costs in the years to come. That's why an automatic pricing mechanism is currently being worked on.

New investments in the sector are less attractive due to the domination of publicly owned plants, high tax burden and suplementary costs. However, the new mechanism brought in by the Balancing and Settlement Regulations (DUY) as of August 2006 eased the industry to some degree, enabling transparent and cost-based pricing. Besides, the Nuclear Power Plants Law approved in 2007 paves the way for nuclear energy investments in Turkey and gives 1,000 MW and larger coal-fired power plants product purchase guarantee. Moreover, another positive development is that; with the Energy Efficiency Law, the product purchase guarantee period was extended from 7 to 10 years for the power plants using renewable energy resources.

BOARD OF DIRECTORS' REPORT

Akenerji Elektrik Üretim A.Ş.
The Board of Directors' Report Submitted to the General Assembly on the Company Activities in 2007.

Dear Shareholders,

We meet here in order to examine the accounts of our Company for the 2007 fiscal year, and to negotiate and determine the items on the agenda of our General Assembly. We greet with respect all of our shareholders participating in this meeting.

We present, for your information, the activity report of our Company covering the period 01.01.2007-31.12.2007 in which we apply all the corporate management principles of Capital Markets Board.

Our Board of Directors
Ömer Dinçkök Chairman, **Ali Raif Dinçkök** Vice Chairman, **Erol Lodrik** Member, **Hüsamettin Kavi** Member, **R. Önder Karaduman** Member and General Manager, **Zafer Tuncel** Member, **Raif Ali Dinçkök** Member

Board of Directors was appointed by the General Assembly of April 17th, 2007 for a term of three calendar years. As from 31.12.2007, Mr. R. Önder Karaduman resigned from his office of Board Member and General Manager. In his place, Mr. Ahmet Ümit Danışman was nominated in accordance with the Article 315 of Turkish Commercial Code to be submitted for the approval of the shareholders in the next General Assembly meeting.

Our Board of Auditors
Bülent Üstünel, Ersin Başaran

Nominal and Paid Capital and Profit/Loss for the Period

Dear Shareholders,

The registered capital ceiling of our Company is TRY 150,000,000 (one hundred and fifty million).

Our stock certificates of TRY 65,340,000 (sixty five million three hundred forty thousand) which represents our paid capital were distributed to our shareholders.

Our adjusted consolidated net loss for the period, as per the Communiqué Series XI, No: 25 of Capital Markets Board (CMB), is TRY 40,280,291.

Number of Shareholders, Value of Our Stock Certificates and Dividends Paid in the Last Three Years
The number of shareholders, who were present in our last Ordinary General Assembly meeting, is 10.

The closing price of our shares in the ISE (Istanbul Stock Exchange) on the last transaction day (December 31st) of 2007 was TRY 10.50.

Profit distribution of our Company in the last 3 years is as follows:

No dividend was paid in 2004.
No dividend was paid in 2005.
No dividend was paid in 2006.

Our company is based on a strong financial structure. The Company also has a strong cash position due to witholding the income from operations and activities of previous years as well as the sources obtained from the public offering launched in 2000.

Major Shareholders

The list of the shareholders holding 10% and more of the capital as of December 31st, 2007 are as follows.

Entity	%	TRY
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	40.86	26,701,668.00
Ömer Dinçkök	11.57	7,560,999.60
Ali Raif Dinçkök	11.57	7,560,999.60
Other	36.00	23,516,332.80

The Company has participations in five other companies.
1. The first one of these companies is Ak-El Yalova Elektrik Üretim A.Ş., which was founded to operate in the electricity generation industry. Our Company's portion in their equity capital of TRY 7,000,000 is 89.95%, which makes TRY 6,296,500.

2. The second company is AKEN bV, which is a consulting company whose scope of activities are to set up companies for new businesses, to buy shares of existing companies and to provide financing to new projects. Our Company's portion in their equity capital of TRY 1,747,135 is 100%.

3. The third company is Akenerji Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A,Ş., which was founded to carry out wholesale purchase and selling of electric energy in the free electric market, to sell energy to consumers who are in free consumer position and to import and/or export electricity from/to abroad. Our Company's portion in their equity capital of TRY 1,000,000 is 90.00%, which makes TRY 900,000.

4. The fourth company is Akkur Enerji Üretim Ticaret ve Sanayi A.Ş., which was founded for the purpose of generating and selling electric energy. Our Company's portion in their equity capital of TRY 42,300,000 is %99, which makes TRY 41,877,000.

5. The fifth establishment is Mem Enerji Elektrik Üretim Sanayi ve Tic. A.Ş., founded for the purpose of again generating and selling electric energy. Our Company's portion in their equity capital of TRY 2,000,000 is %99, which makes TRY 1,980,000.

Information on Securities Issued

There were no securities issued other than the shares which were issued for public offering.

Financial Structure

Our balance sheet as of 31st of December, 2007 and our income statement covering the period between January 01, 2007 and December 12, 2007 are presented for your opinion and approval in the following pages, together with our financial statements belonging to the previous year. As seen from these sheets and statements, the financial structure of the Company is strongly based. The Company also has a strong cash position due to witholding the income from operations and activities of previous years as well as the sources obtained from the public offering launched in 2000. Key ratios of the Company are as follows:

	January 31, 2006	December 31, 2007
Current Ratio	3.22	3.45
Liquidity Ratio	3.11	3.31
Gross Profit Margin	(7.48)	2.99
Total Debt/Total Assets	**0.33**	**0.3457**

Managerial Structure

The following change occurred in the managerial staff of the Company:

December 31, 2007

Mr. R. Önder Karaduman resigned from his office of Board Member and General Manager. In his place, Mr. Ahmet Ümit Danışman was nominated in accordance with Article 315 of the Turkish Commercial Code as to be submitted for the approval of the shareholders in the next General Assembly Meeting.

Donations and Social Assistance

In addition to providing quality products and services, Akenerji in conformity with the guidelines of its Corporate Social Responsibility, is fully aware of its duty to contribute toward improving social standards. Bearing in mind the needs of the next generations, the Company is responsive to the needs of the community. In this context, it adopts the principle to contribute to social welfare by making donations and providing assistance to educational, cultural, artistic and sportive activities preferentially in its near surroundings. Within the framework of its Corporate Social Responsibility Principles, the Company provided donations and social assistance amounting to TRY 70,111.84 to various institutions and organizations in 2007.

Details of these donations and assistance are as follows:

Donations and Social Assistance	(TRY)
Organizations and Charitable Foundations	69,111.84
Public Institutions	1,000.00
Total	**70,111.84**

Proposal for Profit Distribution and Conclusion

Dear Shareholders,

We present the Company's activity details together with the balance sheet and income statements of the previous year for your consideration, which we hope you would look upon favourably.

As for the profit distribution,

Considering that there is a net profit of 16,311,008.30 shown in the Company's financial statements prepared pursuant to Tax Procedural Law while a TRY 40,280,291 loss is shown in the financial statements prepared pursuant to CMB Communiqué Serial: XI, No: 25 for the period, we propose that

1. The TRY 40,280,291 loss for the period appeared in the financial statements prepared in accordance with CMB Communiqué Serial: XI, No: 25 will be retained in the Company's budget as to be set off against the extraordinary reserves and

2. The net profit of TRY 16,311,008.30 shown in the financial statements prepared pursuant to Tax Procedural Law is to be set off against the previous years' losses.

3. There remains no profit to be distributed this year according to CMB regulations.

We submit our report for your kind consideration and approval.

Dear Shareholders,

We present our compliments with our best wishes that the coming years would bring success and happiness for our Country, our Company and for all of you.

ÖMER DİNÇKÖK
CHAIRMAN OF THE BOARD OF DIRECTORS

MESSAGE FROM THE GENERAL MANAGER

Dear Shareholders,

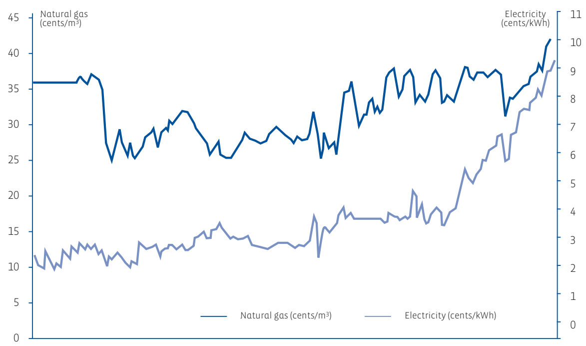
Turkish Electricity Market in 2007

2007 was a year when supply-demand balance gradually swung in favor of demand both in the country and abroad due to the insufficiency of investments and there was a steady upward trend in the energy prices mainly because of oil prices climbing up to a hundred US Dollars.

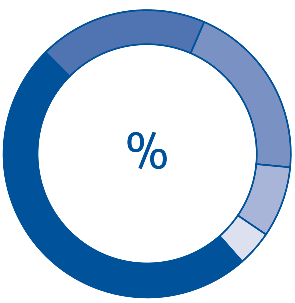
With the increasing pressure on the supply-demand balance, supply and demand was nearly equalized in the summer months of 2007 in consequence of the additional load resulting from increasing usage of air conditioners. This was to portend that power cuts could be expected starting from the summer of 2008.

The most important factor in the increasing difficulty in meeting the demand is the incapability of the private sector to make enough investments to meet the average annual consumption growth of 8% per year for the last twenty years period due to the lack of a conductive investment environment for the private sector.

Although approximately 49% of the electric energy is generated from natural gas, the increase in oil prices inevitably led to an increase in natural gas prices as well. Accordingly, attempts to avoid the effects of such an increase in natural gas prices upon electricity tariffs has become the main element in the energy policies followed in Turkey in the recent years.



ELECTRICITY GENERATION BY RESOURCES



Hydraulic	19
Lignite	20
Coal	8
Liquid Fuel	4
Natural Gas	49

For the private sector to make the required investments the necessary condition is to ensure the establishment of a cost based liberal market. Tenders for the privatization of some state owned electricity distribution companies will play a major role in formation of a liberal market and be of benefit to the improvement of supply-demand balance as well as reduce the rate of losses and theft in electricity distribution. Yet these tenders were cancelled in January, 2007 and the Afşin-Elbistan tender was postponed because no bids were received.

In 2003, the sector was faced with more than 90% increase in the natural gas prices and a 5% decrease in the electricity prices. By 2006, the sector had to meet escalating production costs and private electricity generation companies had to drop customers. By August 2006, the Balancing and Settlement System (DUY) introduced a system in which companies could sell a big part of their products. The Balancing and Settlement System has the characteristics of an exchange market where producers can reflect production costs and sell electricity on the basis of bid prices. Within this framework, the way was paved for purchases of energy from the private sector producers at market prices starting from 2007 in order for the electric network to be kept reliably available.

Moreover, the share transferred to TRT over electricity consumptions continued to be applied in 2007. The Special Consumption Tax (SCT) levied on natural gas consumptions increased by 210% since 2003, was again escalated by approximately 9.5% in November 2007. The sale price of electricity was raised by 19.5% for residential and by 12% for industrial consumption while the sale price of natural gas was increased by 7.4% for residential and by 6.5% for industrial consumption effective from the last days of 2007. Meanwhile, a new automatic pricing mechanism, through which electricity tariff will automatically change every 3 months according to price changes of fuel sources such as natural gas, was envisaged.

Product purchase guarantee provided to the big coal-fired power plants and the extension of product purchase guarantee from 7 to 10 years for power plants generating power from renewable energy resources can be listed as positive developments that took place in 2007. Plus, the draft law that paved the way for the base load nuclear power stations is of capital importance with regards to increasing electricity generating capacity and diversifying energy resources of Turkey.

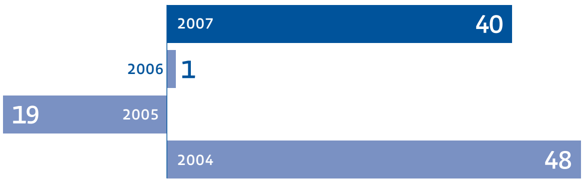
2007 Activities

The DUY market launched in 2006 led Akenerji to adapt to the new market and build a diversified customer portfolio. The Company canalized almost all of its power production, other than the energy consumed by the direct feed line customers, to the DUY market. Our Batıçim power plant, which we decided to shut down in May 2006 was again put into service in 2007.

With the contributions of our other saving and improvement policies, there was a significant upturn in our profit margin. This can be seen in the following financial statements.

The depreciation value of TRY 45 million in the operating expenses item of our financial statements of 2007, is not shown on the chart in order to make activities of the power plants comparable by years.

EBITDA (TRY million)



The Company's sales increased by 4% in 2007, compared to 2006.

NET SALES (TRY million)

Akenerji will continue its investments in primarily hydroelectric as well as coal and wind plants. Along with these, following the developments in nuclear energy, Akenerji will try to take up any opportunities that may arise in this field as well.

In consequence of the attempts to pave the way for investments in hydroelectric resources, Akenerji was awarded the first hydroelectric plant contract organized by the Energy Market Regulatory Authority (EMRA) for private bidders on March 14, 2005. In this contract, Akenerji was granted an operating license for 49 years for the Çınarcık Dam and the Uluabat Power Tunnel with 100 MW installed capacity.

2007 Investments

Pursuing its objective of achieving diversity of resources, Akenerji accelerated our investments in resources other than natural gas, notably hydroelectric, within the scope of activities that we started in 2001.

In consequence of the attempts to pave the way for investments in hydroelectric resources and for the private generators to keep up with the flexible production portfolio and cost advantage of the public sector electricity companies through a combined cost of different resources such as natural gas, coal and hydroelectric, Akenerji was awarded the first hydroelectric plant contract organized by the Energy Market Regulatory Authority (EMRA) on March 14, 2005. In this contract, Akenerji was granted an operating license for 49 years for the Çınarcık Dam and the Uluabat Power Tunnel with 100 MW installed capacity.

Following this, Akenerji was awarded a second hydroelectric plant contract for operating rights to the Erikli-Akocak Hydroelectric Plant with 81 MW installed capacity on April 6, 2005.

Çınarcık and Akocak hydroelectric plants were granted licenses. Investments in this plants started in 2006 and continue at full speed in order for the said installed capacities to be put into service in the first half of 2009.

Furthermore, Akenerji acquired Akkur Enerji A.Ş., a joint-stock company, which holds the license for the hydroelectric plants of Burç Bendi (28 MW), Feke I (30 MW) and Feke II (70 MW) to be installed in Adıyaman and Adana, at the cost of US$ 15,592,500 in 2006.

Also, in 2007, it was decided to acquire Mem Enerji Elektrik Üretim Sanayi A.Ş., a joint-stock company, which holds the license for Bulam Regulator and Hydroelectric Plant Project (7 MW), planned to be installed in Adıyaman. The Company also applied for a water use agreement with General Directorate of State Hydraulic Works (DSI) to obtain a production license for Yamanlı III (30 MW), for a price of US$ 10,642,500. Later on, it was seen fit for Yamanlı III Project to be split into three separate projects as Himmetli (24 MW), Gökkaya (30 MW) and Saimbeyli (3 MW). The Company submitted feasibility reports for these projects to the DSI. After having DSI's assent, a license application was presented to EMRA for the said power plants. It was assessed that the installed capacity of Bulam hydroelectric plant should be revised as 9 MW in view of discussions made with the electro mechanic suppliers and the Company applied to EMRA for a license amendment.

With the exception of Feke I, construction works of all the power plants that were granted licenses began. The construction of Feke I, Gökkaya, Himmetli and Salimbeyli, power plants will begin in 2008.

Power Plants in Construction Stage	Capacity (MW)
Uluabat HPP	100
Akocak HPP	81
Feke I HPP	30
Feke II HPP	70
Burç HPP	28
Himmetli HPP	24
Gökkaya HPP	30
Saimbeyli HPP	3
Bulam HPP	9
Ayyıldız WPP	15
Total	**390**

In addition to investments in hydroelectric energy the Company continued our pursuit for investment opportunities related to wind energy. The Company gained a license from EMRA for establishing a wind farm with 15 MW installed capacity in the Bandırma county of Balıkesir province. Construction work will begin just after the designation of the turbine supplier for this project. This plant is planned to be in service in 2010.

Akenerji is expected to attain a more competitive position by diversifying its energy costs with the gradual introduction of hydroelectric plants starting from the second half of 2009.

Akenerji will continue to make use of investment opportunities primarily in the field of hydroelectric plants as well as coal and wind plants. Along with these, following the developments in the nuclear energy, Akenerji will be open to any opportunities that may arise in this field as well.

Being also interested in tenders for electricity distribution along with generation plants, Akenerji succeeded in the pre-qualification stage of the tenders for privatization of Sakarya, Istanbul Anatolian Side and Başkent Electricity Distribution Zones.

Forecasts for the Industry

The average rate of increase in electrical energy demand is normally about 3% all over the world and 1.5% in the developed countries, whereas this rate is 8% in Turkey for the last twenty years, ranking third behind China, Brazil and India. In 2007, the electrical energy demand increased by 8.6% and electricity consumption was 189 billions kWh as of the year end.

This increase in consumption will make it necessary for a new electric capacity of approximately 51,000 MW to be put into use by 2020 according to TEİAŞ (Turkish Electricity Transmission Co.) reports. Therefore, about US$ 4-5 billions in new investment will be required for each year by 2020.

In spite of this requirement, there was no significant investment made by either the public or private sector and consequently, as mentioned above, supply shortages are expected starting from the next summer months when the system will be overloaded due to increasing use of air-conditioners. Considering the fact that this shortage in supply is estimated to continue steadily, it will cause an increase in electricity demand in the coming years.

Beginning in August 2006, positive developments in favor of private sector electricity generators continued with the announcement of a rise in 2008 electricity prices in the last days of 2007. The scheduled transition to the Automatic Pricing System was also noted as another positive development.

Looking forward, Akenerji will start to put into use its on-going renewable energy investments from the first half of 2009 and try to take on new investment opportunities. Thus, the Company will achieve a lower average production cost and a larger share in the market.

Growth alternatives in strategic partnership with foreign companies are also considered for better utilization of opportunities in the industry.

Besides, the Company started project development studies on expanding capacities of the existing natural gas plants by using high efficiency and high technology turbines and equipments while setting up new coal power plants, relying on local and imported resources.

We took the necessary steps to create more value and return on capital for our shareholder, and our efforts are continuing in line with this purpose.

AHMET ÜMİT DANIŞMAN
GENERAL MANAGER

HUMAN RESOURCES

Our approach is to continue our competitive advantage within the changing conditions of the sector with a labor force that operates with our Company's principles of being change oriented, creative, team spirited, result oriented and with powerful communication skills.

Our Human Resources Policy is to be an institution, with a qualified labor force and practices based on employee satisfaction, thereby developing a reputation in the sector such that everyone would prefer to be employed by Akenerji.

We are committed to staffing our team with highly educated, experienced or potential professionals who are exceptionally talented in their areas of specialization.

Our approach is to continue our competitive advantage within the changing conditions of the sector with a labor force that operates with our Company's principles of being change oriented, creative, team spirited, result oriented while possessing powerful communication skills.

Akenerji is responsible for providing a working environment that promotes an innovative and progressive culture where our team can realize their full potential.

2007 ACTIVITIES AND INVESTMENTS

As of the end of 2007, 80% of the Company's proceeds were derived from electric energy sales, while 20% were derived from steam sales.

While generating all of its electricity power from natural gas for the time being, Akenerji focused on investments in generation facilities, relying on renewable energy resources, and diversified sources of its production in the recent years in order to minimize the impact of increasing natural gas prices. In this context, Akenerji carries on its investments in 9 hydroelectric plants with 375 MW installed capacity and a wind plant with 15 MW installed capacity in addition to its existing installed capacity of 541 MW. Akenerji closely follows up and examines investment opportunities in lignite, coal, and nuclear energy generation, particularly in renewable energy resources to top up its existing investment portfolio.

In 2007, Akenerji's turnover amounted to US$ 348 million and the Company's sales increased by approximately 14% compared to the sales of 2006. Meanwhile, the EBITDA margin rose up to 9%. The turnover and profitability figures as well as profit margins were positively affected by the fact that energy generation was suspended at some power plants which became nonprofitable with a very low markup because of the substantial increase in natural gas prices in 2006. In addition to this, the sale of approximately half of the power generated by Akenerji on the DUY market was another factor that had a positive impact on the Company's turnover, profitability and profit margin figures.

Investments

Akenerji attaches great importance to this industry and has demonstrated this since its foundation by making progressive investments and maintaining its leading position in terms of growth.

While there is an 8% increase in annual energy demand in Turkey, investments in energy generation does not increase at the same rate. Hence, the strategic importance of the energy industry becomes even more prominent.

Following strategy of increasing its exiting natural gas capacity with the addition of new power plants, using renewable energy sources, Akenerji commenced its operations in 2003. Accordingly, it is planned that the Çınarcık Dam and Uluabat Power Tunnel with 100 MW installed capacity, construction works of which was started in 2006, will be commissioned simultaneously with Erikli, Akocak Regulators and Akocak Hydroelectric power plant with 81 MW installed capacity as of the first half of the year 2009.

Moreover, Akenerji acquired Akkur Enerji and Mem Enerji companies, which hold the licenses for Feke I (30 MW), Feke II (70 MW), Gökkaya (30 MW), Himmetli (24 MW) and Saimbeyli (3MW) Hydroelectric Plants in Adana and Bulam Regulator (9 MW) and Burç Bendi (28 MW) Hydroelectric Plant in Adıyaman. Those plants will be put into service in the coming years.

In addition to hydroelectric power, Akenerji closely watches investment opportunities in wind power. The Energy Market Regulatory Authority (EMRA) approved the application to set up a wind farm with an installed capacity of 15 MW in Bandırma, Balıkesir and granted a production license. This plant is planned to become operative in 2010.

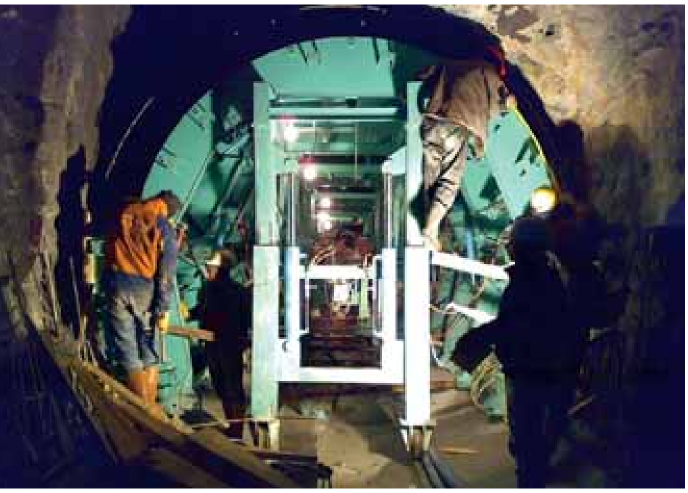
Being also in close pursuit of developments in the field of nuclear energy, Akenerji is ready to make use of any opportunities that may arise in this field.

The Company sees the electricity distribution tenders planned to be announced in the coming months among its strategic energy investments and Akenerji has already been approved as legally eligible for the tenders on the privatization of Sakarya, Istanbul Anatolian Side and Başkent Electricity Distribution Zones.

Çınarcık Dam and Uluabat Power Tunnel Hydroelectric Plant

On 14 March 2005, Akenerji submitted the highest bid for the Çınarcık Dam and Uluabat Power Tunnel & the HPP Project, which was the first tender for a HPP Project, opened to the private sector by EMRA. The Company has been granted the right to operate it for 49 years.

The project is planned to be completed in the first half of 2009 at the latest. For this project, an investment amounting to approximately US$ 162 millions is foreseen. When the Uluabat Power Tunnel & the HEPP Project located within the Susurluk Basin in the Marmara Region is commissioned, it will have an installed capacity of 100 MW and an annual generation of 422 millions kWh/year.



Erikli, Akocak Regulators and Akocak Hydroelectric Power Plant

Akenerji was further awarded the contract with a price of TRY 952.000 for another HPP tender held by EMRA on April 25, 2005 and thereupon concluded an agreement on water use for Erikli, Akocak Regulators and Akocak Hydroelectric Power Plant on June 16, 2005. After receiving the licence for operation of this project on October 23, 2005, the Company also obtained a positive Environmental Impact Assessment report in September 2006 and started the field works without any delay. Akenerji plans to complete this project in 48 months and commence operations in the first half of 2009. A total of US$ 73 million will be invested in the project. Loan assurance procedures for the credit to be used for this investment were completed and the first portion of the credit was used in 2006.

When completed, Erikli, Akocak Regulators and Akocak Hydroelectric Power Plant in Araklı, Trabzon will generate 257.44 Gwh per year with 81 MW installed capacity and make a significant contribution to reduce the average power generation cost of Akenerji.

Akkur A.Ş. Feke I Hydroelectric Power Plant, Feke II and Burç Bendi Hydroelectric Power Plants

Akenerji's strategy is to ensure efficiency and effectiveness in the generation of electricity by diversifying and relying mainly on renewable and domestic energy resources. While shutting down its plants with low capacity and productivity within the frame works of such a strategy the acquisition of Akkur Enerji, a company that holds the licence for setting up Feke I (70 MW) and Feke II (30 MW) hydroelectric power plants in Adana, and Burç Bendi (28 MW) hydroelectric power plant in Adıyaman, in exchange for US$ 15,592,500 was concluded.

Mem Enerji Himmetli Hydroelectric Power Plant, Gökkaya Hydroelectric Power Plant, Bulam Regulator and Hydroelectric Power Plant, Saimbeyli Hydroelectric Power Plant

Also, in 2007, Akenerji decided to acquire Mem Enerji Elektrik Üretim Sanayi A.Ş., which holds the license for Bulam Regulator and Hydroelectric Plant Project (7 MW) planned to be install in Adıyaman. The Company also applied for a water use agreement with DSI to obtain a production license for Yamanlı III (30 MW), for a price of US$ 10,642,500. Later on, it was seen fit for Yamanlı III Project to be split into three separate projects as Himmetli (24 MW), Gökkaya (30 MW) and Saimbeyli (3 MW). Akenerji submitted feasibility reports for these projects to the DSI. After having DSI's assent, a license application was presented to EMRA for the said power plants. It was assessed that the installed capacity of Bulam hydroelectric plant should be revised as 9 MW in view of discussions made with the electro mechanic suppliers and an application was made to EMRA for a license amendment.

Ayyıldız Wind Power Plant

Being in close pursuit of investment opportunities in wind and hydroelectric energy, Akenerji gained the license for establishing a wind farm with 15 MW installed capacity in the Bandırma County of the Balıkesir province from EMRA. Construction work will begin just after the designation of the turbine supplier for this project. This plant is planned to be in service in 2010.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

1. Corporate Governance Compliance Statement
Akenerji Electricity Generation Inc. (Akenerji Elektrik Üretim A.Ş.) aims to create enhanced value for its customers, employees and shareholders. It comprehends that quality corporate governance practices are as important as the financial performance in this period of high competition and rapidly changing environment. Since the establishment of our Company we have been practicing fundamental management principles in our relations with our shareholders, customers, employees and other institutions and organizations within the framework of our corporate governance concept. Our fundamental management principles are as follows:

Reliability: Reliability and stability are the main values of our Company. Our Company is aware that reliability forms the foundation of the energy sector and so customers, shareholders and employees are given clear and correct information. We have been carrying out our activities and operations with precision, punctuality and we are true to our word.

Honesty: In our operations and activities we have always been committed to the principle of uprightness. Our relations with our customers, employees, shareholders, group companies, banks and other institutions and organizations are based on ethical and professional rules.

Accountability: Our Company's Board of Directors and top management perform their tasks giving top priority to the profitability of the Company and benefits of its shareholders. Our Company's Board of Directors and top management are fully accountable for the corporate identity of the Company and accordingly for the shareholders.

Customer Satisfaction: We always give top priority to quality and customer satisfaction.

Transparency: We always make the necessary arrangements to provide information to our customers, employees, shareholders, regulatory bodies and public opinion concerning the Company. Excluding the information regarded as commercial secret and information barred from public disclosure, we always announce financial and non-financial information related to the Company to the public in a timely, correct, understandable, apparent, interpretable and easily accessible manner. We always give information related to the products that we offer to our customers in an open and clear manner.

Social Responsibility: Our Company pays attention not only to the Company image and profitability, but also to social benefits that support social and cultural activities and events that are in line with the principles of respect to the environment. Our Company has adopted an attentive and stable management style which is based on confidence. "Corporate Governance Principles" which are developed by the Capital Markets Board in parallel with the practices worldwide bear the purpose of strengthening and increasing the confidence of our present and probable shareholders, customers, regulatory body, and national and international public opinion. In accordance with this purpose Akenerji Electricity Generation Inc. (Akenerji Elektrik Üretim A.Ş.) declares that it will observe and abide by the Corporate Governance Principles and have made the necessary arrangements to be operated within the framework of practices required by these principles.

SECTION I - SHAREHOLDERS

2. Department of Relations with Shareholders
Relations with shareholders have been carried out within the organization by the Assistant General Manager, in charge of Finance. Procedures and transactions for dividends and capital increases related with the shares have been made through the bank branches that the Company has made agreements with, in accordance with the communiqués of the Capital Markets Board. When the terms of the agreements with the bank branches are expired, then such transactions have been followed up by means of a special program in the headquarters of the Company and the Company fulfills the rights of the shareholders. Formal requests from brokerage houses, investor institutions and individual investors have been responded periodically in three-month periods, in interim periods, if requested for meetings and/or through electronic mail. Moreover, Road Shows have been made in order to carry out the introduction and presentation of the Company for the international investors and to give information about the strategical and financial position of the Company at least once within a year. Since all these activities and operations have been performed within the tasks and functions of the present Financial Affairs organization, it is not deemed necessary to establish a new department.

3. Exercise of the Shareholders' Rights to Access Information
Requests of the shareholders for information are dealt with in wirting and/or via telephone and electronically. We also have a web page available, related with the activities and operations of the Company and we are regularly updating this web page. In addition to these, our shareholders may also receive information by sending messages to our Company's email address which is included in our web page (info@akenerji.com.tr).

There were no requests for the appointment of a special auditor within this period or during previous periods.

4. General Assembly Information
Announcement for a General Assembly is published in two newspapers 15 days prior to the date of General Assembly and notified to Istanbul Stock Exchange (ISE) as well. Published announcement of the general assembly includes the agenda, date, time, place of the general assembly and the conditions for participation. Minutes of the meeting and the list of the attendees are given to the shareholders who request them. Representatives of Stock Exchange, Brokerage Houses and Press can not participate in the General Assembly. Documents of the meeting are submitted to the Capital Markets Board (CMB) and the Istanbul Stock Exchange (ISE) following the meeting. The 2007 meeting quorum was 74.72% in the General Assembly. No questions were raised by the attendees of the General Assembly during the meeting. Proposals given by the shareholders were presented for the approval of the General Assembly and approved unanimously. Since the authorization concerning purchasing, selling and leasing of the assets of the corporation was granted to the Board of Directors in accordance with Article 15 of the Articles of Association of the Company, such particular subjects are not included in the agenda of the General Assembly.

5. Voting Rights and Minority Rights
According to the Articles of Association of the Company there is no privileged vote. Each share has only one voting right. We do not have any practice in our Company's policies for the representation of minority shares in management and in the cumulative voting method.

6. Profit Distribution Policy and Ceiling of Profit Distribution

So far, our Company managed the profit distribution to its shareholders in cash and/or as a promissory note in accordance with the legislation of the Capital Markets by taking into consideration the financial performance of the Company, sectoral conjecture and the economic conditions of our country. Our Company will make its decision on distribution of profit to its shareholders within the framework of the regulations prescribed by the legislation of the Capital Markets, by taking into consideration the financial performance of the Company, envisaged investment projects, as well as sectoral and economic conditions in the coming years. Dividend distribution information of the last five years is presented in the following chart.

7. Transfer of Shares

Shares of our Company are registered shares and there is no provision that restricts the transfer of the shares in the Articles of Association of The Company. Transfer of the shares, all of which are quoted in Istanbul Stock Exchange, can be performed in accordance with the provisions of the Turkish Commercial Code, Capital Markets Board Law, Energy Markets Regulatory Authority Act and Central Registry Agency Act.

Dividend Distribution Rates of the Last Five Years

Balance Sheet Term	Total Distribution	Without Charge	Distributed Profit	Paid Capital
2006	-	-	-	65,340,000
2005	-	-	-	65,340,000
2004	-	-	-	65,340,000
2003	20%	-	8,442,799	59,400,000
2002	20%	20%	19,821,597	13,500,000

SECTION II- PUBLIC DISCLOSURE AND TRANSPARENCY

8. Public Disclosure Policy of the Company

The Finance and Financial Affairs Coordinator answers the questions from the financial intermediaries and individual investors verbally and in writing, addresses the financial performance of Akenerji, organizes meetings related with this particular subject and regularly informs of activities carried out within the framework of our corporate governance principles and the requirements of the Capital Markets Board law as explained below.

Information which has importance at a level which can affect the share price of our Company are shared with the financial intermediary institutions after informing the Capital Markets Board and Istanbul Stock Exchange in accordance with the legislation of the Capital Markets Board.

Meeting and negotiation requests from brokerage houses and financial intermediary institutions are dealt with by the Vice General Manager responsible for the Finance and Financial Affairs.

Questions from the Brokerage Houses and Financial Intermediaries are presented for the information and approval of the Vice General Manager responsible for the Finance and Financial Affairs.

Roadshows and investor meetings are organized by means of the financial intermediaries for the purpose of increasing the value of the Company's share. In these meetings information related with the last period's financial performance of the Company, annual and strategic targets of the Company, its position in the market and its competitors, are presented to the representatives of the brokerage houses, financial intermediaries and to the investors.

General Manager and/or Vice General Manager responsible for the Finance and Financial Affairs do their best to carry out such meetings at least once a year.

A section under the title "Investor Relations" was developed on the web page of the Company which covers Reports and Financial Statements. This section provides shareholder services regarding the financial performance of the Company in a regular and updated manner.

The Annual Report issued every year is sent electronically to financial intermediaries and investors.

9. Material Disclosure

Within the framework of the principles of public disclosure and transparency, 20 "Material Disclosures" were made in 2005 in order to provide stakeholders and other relevant persons, primarily our shareholders with timely information. For the Material Disclosures which were made appropriate to the regulations of the Capital Markets Board and in a timely manner, there was no additional disclosure needed by the Capital Markets Board or the Istanbul Stock Exchange Market.

10. Company's Website and its Contents

The Company's internet site can be accessed at www.akenerji.com. Our internet site contains latest information on partnership and management structure, periodical financial statements, other reports, history, purpose of the Company, important actual developments concerning the Company and daily stock exchange price of our shares. Our website will be revised in order to provide all the information deemed as a necessary requirement of the corporate governance principles of CMB. In addition to this, persons who wish to get further information about our organization may send messages to info@akenerji.com.tr address.

11. Disclosure of Ultimate Controlling Shareholder/Shareholders

Akkök Sanayi ve Yatırım Geliştirme A.Ş. (Akkök Industry and Investment Development Inc.) and Emniyet Ticaret A.Ş. (Emniyet Trade Inc.) are the two main shareholders of our Company. Dinçkök family is the ultimate controlling shareholder of the first company whereas Lodrik family is the ultimate controlling shareholder of the latter company. Partnership structure is disclosed in the Annual Report every year.

12. Announcement of Insiders

Persons and departments that are in the insider position are composed of the General Manager, Vice General Manager for Finance and Financial Affairs, Accounting and Information Processing Departments.

SECTION III- STAKEHOLDERS

13. Announcements and Disclosures to Stakeholders

The parties determined as stakeholders of Akenerji are the shareholders, employees, customers, suppliers, society and public agencies. Akenerji specifies its main and intermediary goals, policies, strategies and company objectives by taking into consideration the present and future expectations of its stakeholders. During this process sharing of information with the stakeholders is carried out by various means.

Supplier Performance System is used for evaluating of the annual performances of our suppliers, and selecting them with their capacity of supplying products that meet the specifications of our Company. The suppliers that are evaluated in this content are provided with information related to areas where they should improve.

In addition to this, Company's policies, technical specifications/ terms of reference and agreements are also included within the content of shared information with the suppliers.

We are informing our customers of the amended legislations periodically. Furthermore, we are supporting our customers in order for them to fulfill the technical specifications of the institutions and enterprises such as TEDAŞ (Turkish Electricity Distribution Company). , TEİAŞ (Turkish Electricity Transmission Company) and Energy Market Regulatory Agency (EMRA).

Management of Akenerji comes together with the local people of regions where our power plants are installed for social activities from time to time, and the local people are informed about the activities of the Company concerning total quality and environmental issues as well as the Company policy through personal visits, presentations and manual distribution.

In Akenerji, establishing communication with its employees in an open and upright manner, and employee satisfaction constitute the fundamentals of its 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 (from upwards to downwards and from downwards to upwards) vertical communication channels. By using these means of communication, we inform our employees about our quality policy, activities, procedures and guidelines as well as take their opinions into consideration about particular subjects.

14. Stakeholders Participation in Management

In Akenerji, a Project Team for Quality was established for the purpose of obtaining ISO 9001-2000 certificate. Objectives of this team include evaluation of the proposals from employees within the year by co-operating with all the departments, and presenting the results for the approval of the top management. This plays an important part within in-house communications.

15. Human Resources Policy

Our Human Resources Policy is to be an institution, with a qualified labor force and practices based on employee satisfaction, and thus developing a reputation in the sector such that everyone would prefer to be employed by Akenerji. We are committed to staffing our team with highly educated, experienced or potential professionals who are exceptionally talented in their area of specialization.

Our approach is to continue our competitive advantage within the changing conditions of the sector with a labor force that operates with our company's principles of being change oriented, creative, team players, result oriented and with powerful communication skills.

Akenerji is responsible for providing a working environment that promotes an innovative and progressive culture where our team can realize their full potential.

16. Information Related to Customer Relations

Akenerji which supplies electric energy to over 400 leading industrial and trade companies of Turkey, carries out its sales and marketing operations with an understanding of customer focused service.

Whereas electric energy demand of some of the customers (transfer customers) are met by means of the lines of TEİAŞ (Turkish Electricity Transmission Company) and TEDAŞ (Turkish Electricity Distribution Company) over national energy network, electricity energy demand of others (direct feed line customers) are met by the direct lines which are installed directly from Akenerji Power Plants to the plant of the customer.

The technical quality of energy supplied by TEDAŞ (Turkish Electricity Distribution Company) to the transfer customers is low in quality, whereas the technical quality of the energy supplied to bus customers by Akenerji is of a high quality. Customer surveys are performed periodically both for transfer and bus customers in order to maintain the high service quality. Akenerji makes the necessary changes in its business processes in order to improve customer satisfaction and service quality according to results of the customer surveys.

Furthermore, Customer Complaint Form practice is carried on in order to evaluate customer complaints. Required improvements are implemented in accordance with the feedback received from customers.

17. Social Responsibility

Akenerji shows its corporate social responsibility by taking the necessary steps for preventing environmental pollution and protecting natural resources during manufacturing. Discovering, developing, adopting and applying innovative and environment-friendly technologies are the main issues that also fall within our Quality Policy. In every innovative project implemented, full compliance with environmental legislations begins in the preraparation stage of Environmental Impact Assessment Report. Any wastes generated from Akenerji Power Plants are disposed / recycled according to regulations issued by the Ministry of Environment and Forestry. The Akçevre Council was established in Yalova in 1993 by Akkök group of companies (Akenerji, Aksa, Akkim and Aktops). The council created a uniform approach to environmental issues and formed a venue to share experiences and problem solving activities. Information dissemination activities, social activities and environmental awareness raising activities are other ways in which the council hopes to spread information and share ideas. The Akçevre Council organizes awards and social activities not only for the Company's employees but also for students from regional schools. The annual employee "Environmental Awareness Award" was first organized in 1997 and aimed to motivate employees to propose environmental projects and activities. The "Composition and Painting Award for the Protection of the Environment" for students in the region is another annual award which aims to establish environmental awareness at an early age within the context of Worldwide Environment Day, June 5th. Occupational Health and Safety is one of the top priorities for Akenerji. All sorts of precautions are taken including preventing occupational risks, training and informing employees, organizing events, providing devices and tools, preparing procedures and directions to protect employees' health and safety.

Akkök Emergency Inspection Board was established in order to ensure that the Akkök Group companies take co-ordinated actions prior to, during and after any emergency. (The occupational health and safety of all Akkök Group's employees is given top priority, taking precautionary measure in the control and inspection stages to ensure that production process continues without interruptions.) The companies affiliated to the Akkök Group are inspected for compliance with the Akkök Emergency Preparation, Management, and Inspection Procedure. Based on these inspections, reports containing the determined strong and weak (subject to improvement) aspects are presented to the respective companies.

Akenerji is perceived favourably by the people who live in the surroundings of its power plants thanks to the employment opportunities created and our economical and other contributions.

SECTION IV - BOARD OF DIRECTORS

18. The Structure of the Board of Directors and Independent Members

The Board of Directors comprises of seven people who are Chairman, Vice Chairman, four members (two of them are responsible for independent auditing) and the General Manager. Five members of the Board of Directors perform executive functions. They have a division of labor in accordance with the nature of tasks. The Directors are not subject to any rules regarding taking duties outside of the Company.

19. Qualifications of the Board Members

Well-educated and skilled persons with managment and auditing experience, who are knowledgeable about the industry are nominated and appointed as members of the Board of Directors. There are no stipulations in the Articles of Association of the Company regarding qualifications of the Board members.

20. Mission and Vision of the Company and its Strategic Targets

Mission

Providing competitive advantage to our customers by supplying continuous and reliable energy in competitive prices.

Vision

Being an energy generation company relying on diversity of resources with production plants equipped with state-of-the art-technology and holding the highest share in Turkish market.

Our mission and vision are shared systematically with our employees through such methods as meetings and orientations.

In the beginning of each year, the Company determines the targets of the Company for that year, revises them if required, and shares the general and department specific targets of the Company with its employees. The Company targets are specified 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 prepare targets of their departments in light of the main targets of the Company that are determined annually and present such targets for the approval of the General Manager. Targets of the departments are in accordance with the purpose and targets of the Quality Management System. Personal targets are the sub-targets which are developed in the specified level of the organization in order to reach the targets of the departments and shared with the employees.

Every year during July each employee comes together with his/her immediate supervisor and they follow up and review the personal targets. The set targets are evaluated by the Management in Activity Review Meetings during interim and year end periods.

21. Risk Management and Internal Control Mechanism

In the Company, Finance and Risk Management Board Meetings are held once a month in order to carry out an efficient risk management. The General Manager presides over these meetings. Other members of this board are two Executive Board Members, Vice General Manager (Financial Affairs) and Marketing Manager. In this board, besides the commercial and financial risk of the Company, the assessment of financial performance is also evaluated. Especially in the receivables risk management instruments are used that evaluate customer by customer risk levels. Net foreign currency position of the Company is monitored for the purpose of avoiding foreign currency risk.

Furthermore, a “monitoring the process of keeping risks under control” procedure are carried out across the plants, in order to ensure that the existing risks as a natural consequence of the technologies employed in Akenerji are kept under control so that they do not pose any threat for the health and safety of our employees, our workplace as well as our environment.

22. Powers and Duties of Members of the Board and the Management

Duties and functions of managers of the Company are specified by written job descriptions and updated continuously according to the changes in their assignments. The authorities of the Board of Directors of the Company are determined in the articles of the association of the Company. The authorities of managers are reviewed every year.

23. Activities of the Board

A department performs secretarial functions in order to inform members of the Board of Directors and to provide communication within the Company. The Board of Directors carries out its operations and activities within the framework of the authorities specified in the Articles of Association of the Company. So far, all the resolutions have been passed unanimously. Members of the Board of Directors do not have weighted vote rights, they have negative vote rights but such right has not been used up till today.

24. Doing Business with the Company and Competition Ban

Competition Ban 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 competition of a Director with the Company.

25. Corporate Code of Ethics

The basic abilities, which everyone takes charge in Akenerji, are critical in supporting the Company culture targets. They are as follows;

1. Research and Acquisition of Knowledge: It is the will of a person to acquire information about his/her work environment, industry/market and the economical, social and political developments with a view to remain up-to-date on the best practices and to take right decisions in the workplace. Such a person has the necessary skills of figuring out the problems and opportunities in his/her work looking holistically inside and outside the Company, understanding developments and making in depth observations about people and issues, rather than perform the duties by asking routine questions as required by his/her job.

2. Honesty and Reliability: Expressing one’s feelings and opinions openly and truthfully under any circumstances in such a way that one’s discourse and behavior are coherent. Such a person tells openly when he/she makes a mistake and expects the same sincerity and openness also from others.

3. Team Work and Co-operation: This is the willingness for and competence of working cohesively together with the other members of a team. This ability requires working co-operatively in accordance with the department/company targets and giving priority to common targets over personal targets rather than regarding co-workers as rivals.

4. Responsiveness to Customers and Colleagues: This includes willingness to understand others. It is the ability of correctly inferring and being sensitive to other’s feelings, thoughts and worries, which they might not be able to express explicitly or put into words at all. This ability also includes inter-cultural sensitiveness.

5. Self-confidence: This is one’s belief that he/she has the necessary knowledge and skills to perform his/her duties in the best way and to choose the most effective approach to solve problems. A person with this ability feels and expresses confidence in his/her capabilities, ideas and judgements even in cases of increasing difficulty or in cases that he/she falls into conflict with his/her supervisors/customers.

6. Being Result-Oriented: Desire and motivation for doing better, achieving excellence and reaching challenging targets that contribute to improve one's and others' performance. This ability also includes being innovative or doing existing works in a different manner.

7. Creativeness and Innovativeness: Ability of effectively working in various environments with different persons or teams and able to adjust to changes. A person with this ability understands and appreciates different and counter views. He/she also helps such views be put into practice if such a change is needed in his/her job or work environment and adapts his/her personal approach according to the new situation by easily going along with the change made.

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

In this section, it is set forth whether corporate administrative committee or other committees together with the committee responsible for the auditing, is established. The chairpersons and members of such committees and their qualifications, their meeting frequencies, and their related activities, and procedures to be conducted while performing these activities is determined in order for the Board of Directors to fulfill their assignments and liabilities in a proper way, and to provide a reason in the event of not establishing a corporate administrative committee.

Furthermore, it is provided whether the chairpersons of the committees that are established by the board of directors, are chosen from the independent board members, and in case the committees comprise of two members, both members or in case the committees consist of more than two members, the majority of the members are the board members who are assigned for executive operations, and whether a board member is appointed to more than one committees. In case such principles are not complied with, the justification for this breach, and the conflict of interests that may happen arising from any failure of completely fulfilling these principles.

The Board of Directors of the Company consists of 7 members, of whom 5 are executives and 2 are members responsible for independent auditing. Every three months, financial statements are presented for the consideration of the Board of Directors, following the approval of the Auditing Board.

27. Financial Benefits Granted to the Board of Directors

In this section, all the benefits, rights, and wages granted to the members of the Board of Directors, and the criteria used in the calculation thereof, and whether a rewarding mechanism is applied which reflects the performance of the Company depending on the performances of the board members, in determining the financial rights of these members will be provided.

In this section, additionally, it is explained whether the Company gave a loan to any of the board members or managers, or extends maturity or makes change in favor of such board members or managers in the terms of the loans or credits used by them, whether the Company granted them a loan under the name of personal credit through a third person, or gave collaterals such as surety on behalf of board members and managers, and if one or more of the foregoing matters are applied, then the justification for them and the conflict of interests that may arise from these circumstances.

Material rights granted to the members of the Board of Directors are specified in the Articles of Association. According to Article 7 of the Articles of Association, monthly wages which are determined every year at the general assembly are seperated from the 2.5% distributed as per the regulations of the Capital Markets Board out of the net profit in accordance with Article 27/3 of the Articles of Association of the Company. Apart from the aforementioned, there are no other financial rights granted to the board members of the Company.

**AUDITING REPORT OF AKENERJİ ELEKTRİK ÜRETİM A.Ş.
PRESENTED TO THE ORDINARY GENERAL ASSEMBLY OF
SHAREHOLDERS FOR THE FISCAL PERIOD OF 2007**

Company's Name	:	Akenerji Elektrik Üretim A.Ş.
Head Office	:	Nispetiye Caddesi Akmerkez E-3 Blok Kat 14-15 Etiler/ISTANBUL
Share Capital (paid)	:	TRY 65,340,000
Field of Activities	:	Electricity and Steam Generation
Auditors' Names, Terms in Office	:	Bülent ÜSTÜNEL and Ersin BAŞARAN They are appointed for a term of one year, they are not shareholders
Number of Board Meetings attended and Auditors' Meetings held	:	We have attended three meetings held by the Board of Directors and four meetings by the Auditors Committee in the year.
Scope, dates and results of the examination of the accounts, books and documents of the Company and their results	:	Accounts, books and documents of the Company were examined 4 times at quarterly intervals in March, June, September and December respectively whereupon nothing was found to be in breach of the customary procedures. It has been observed that the balance sheet and the examinations income statement of the Company have been prepared in line with the records.
Number and results of the cash counts carried out at the Company pursuant to Article 353 of the Turkish Commerce Code	:	Cash counts were carried out under our supervision six times in 2 months intervals without any prior notice and such counts showed agreement with the records.
Results of the reviews conducted pursuant to Article 353/4 of the Turkish Commerce Code	:	In the reviews that we made once in a month, we determined that valuable documents and securities delivered to the Company as surety or bailment were issued in compliance with the applicable legislation and deposited in the Company and relevant records were kept.
Complaints and frauds brought to our notice and action taken in connection therewith	:	No complaints or notices were brought to our notice.

We have examined the accounts and transactions of Akenerji Elektrik Üretim A.Ş. for the period between 01.01.2007 and 31.12.2007 in accordance with the Turkish Commerce Code, Articles of Association of the Company and other legislation as well as in line with the generally accepted accounting principles and standards.

In our opinion, the attached balance sheet prepared as of 31.12.2007, the contents of which we accepted, presents a true and fair view of the financial position of the Company as of 31.12.2007. The income statement prepared for the period between 01.01.2007 and 31.12.2007 presents a true and fair view of the results from its operations for the said period and the proposed distribution of profit complies with the laws and the Articles of Association of the Company.

We hereby request approval of the Balance Sheet and the Income Statement, and the release of the Directors of the Board from their obligations.

Sincerely

Bülent ÜSTÜNEL　　　　Ersin BAŞARAN

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2007 AND THE
INDEPENDENT AUDITOR'S REPORT

Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Akenerji Elektrik Üretim A.Ş. (the Parent Company) and its Subsidiaries which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated statement of income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

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

Our independent audit involves the application of independent auditing techniques to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of the independent auditing techniques including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, is made by our professional judgment. In making those risk assessments; the internal control system of the entity is taken into consideration. However, this is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control but for displaying the relationship between the financial statements and the internal control system prepared by the entity in order to design audit procedures that are appropriate in the circumstances. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Akenerji Elektrik Üretim A.Ş. (the Parent Company) and its Subsidiaries as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards issued by the Capital Markets Board.

Explanatory Paragraphs

1. The subsidiary Aken BV and the affiliate Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş. in which the Parent Company has 100% and 33% interest, respectively as of 31 December 2007, do not materially affect the consolidated financial statements, hence these companies are stated at cost in the accompanying consolidated financial statements.

2. As stated in Note 42 to the consolidated financial statements, the Company Management has declared that there will be no profit distribution due to the resulting loss stated in the legal books.

Istanbul,
7 March 2008

Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.
Member firm of BDO International

Ömür Günel
Partner in charge

AKENERJİ ELEKTRİK ÜRETİM A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF 31 DECEMBER 2007 AND 2006 (TRY)

	Note	31 December 2007	31 December 2006
ASSETS			
Current Assets		**196,027,872**	**208,929,728**
Liquid Assets	3, 4	87,604,911	139,516,796
Marketable Securities (net)	3, 5	-	-
Trade Receivables (net)	3, 7	42,793,054	23,469,182
Receivables from Financial Leasings (net)	8	-	-
Due from Related Parties (net)	3, 9	13,651,712	23,098,056
Other Receivables (net)	10	703,352	47
Biological Assets (net)	11	-	-
Inventories (net)	3, 12	7,685,068	7,608,328
Receivables from Deferred Project Contracts (net)	13	-	-
Deferred Tax Assets	3, 14	-	-
Other Current Assets	15	43,589,775	15,237,319
Non-Current Assets		**399,016,736**	**428,333,721**
Trade Receivables (net)	3, 7	29,727	326,410
Receivables from Financial Leasings (net)	8	-	-
Due from Related Parties (net)	3, 9	-	-
Other Receivables (net)	10	-	-
Financial Assets (net)	3, 16	2,208,942	4,967,379
Positive/Negative Goodwill (net)	2, 17	36,028,678	22,472,300
Investment Properties (net)	18	-	-
Tangible Assets (net)	3, 19	327,688,065	366,346,757
Intangible Assets (net)	3, 20	33,000,628	34,138,913
Deferred Tax Assets	3, 14	-	-
Other Non-Current Assets	15	60,696	81,962
Total Assets		**595,044,608**	**637,263,449**

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

CONSOLIDATED BALANCE SHEETS

AS OF 31 DECEMBER 2007 AND 2006 (TRY)

	Note	31 December 2007	31 December 2006
LIABILITIES			
Short Term Liabilities		**56,877,292**	**64,826,024**
Financial Liabilities (net)	3, 6	159,225	-
Current Portion of Long Term Liabilities (net)	3, 6	8,050,876	13,456,807
Liabilities from Financial Leasings (net)	8	-	-
Other Financial Liabilities (net)	6	-	-
Trade Payables (net)	3, 7	36,208,981	40,637,363
Due to Related Parties (net)	3, 9	5,076,635	4,949,359
Advances Received	3, 21	589,465	6,947
Project Accrued Contract Income (net)	13	-	-
Provision for Liabilities and Expenses	23	4,820,740	4,554,821
Deferred Tax Liabilities	3, 14	-	-
Other Liabilities (net)	10	1,971,370	1,220,727
Long Term Liabilities		**148,848,268**	**142,813,239**
Financial Liabilities (net)	3, 6	147,454,057	126,726,667
Liabilities from Financial Leasings (net)	8	-	-
Other Financial Liabilities (net)	6	-	-
Trade Payables (net)	3, 7	-	-
Due to Related Parties (net)	3, 9	-	-
Advances Received	3, 21	-	-
Provision for Liabilities and Expenses	23	1,394,211	1,323,815
Deferred Tax Liabilities	3, 14	-	14,762,757
Other Liabilities (net)	15	-	-
MINORITY INTEREST	**2, 24**	**1,305,073**	**1,283,805**
EQUITY		**388,013,975**	**428,340,381**
Share Capital	**25**	**65,340,000**	**65,340,000**
Adjustment for cross shareholding	**25**	**-**	**-**
Capital Reserves	**26**	**468,931,915**	**468,931,915**
Share Premium		48,869,596	48,869,596
Share Premium of Cancelled Shares		-	-
Revaluation Fund		-	-
Revaluation Fund of Financial Assets		-	-
Differences Arising from Inflation Adjustment in Equity		420,062,319	420,062,319
Profit Reserves	**26, 27**	**90,947,836**	**90,947,836**
Legal Reserves		8,217,461	8,217,461
Statutory Reserves		-	-
Extraordinary Reserves		82,730,375	82,730,375
Special Reserves		-	-
Profit on Disposal of Tangible Assets and Investments To Be Added to Share Capital		-	-
Translation Differences		-	-
Net Profit/(Loss) For The Period		**(40,280,291)**	**(59,790,065)**
Retained Earnings/(Accumulated Losses)	**28**	**(196,925,485)**	**(137,089,305)**
Total Liabilities and Equity		**595,044,608**	**637,263,449**

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (TRY)

	Note	31 December 2007	31 December 2006
INCOME FROM PRINCIPAL ACTIVITIES			
Income From Sales (net)	36	452,074,250	434,274,123
Cost of Sales (-)	36	(438,553,247)	(466,779,040)
Service Income (net)		-	-
Other Income From Principle Activities/interest+dividend+rent (net)		-	-
GROSS PROFIT/(LOSS) FROM PRINCIPAL ACTIVITIES		**13,521,003**	**(32,504,917)**
Operating Expenses (-)	37	(69,588,703)	(24,515,206)
NET PROFIT/(LOSS) FROM PRINCIPAL ACTIVITIES		**(56,067,700)**	**(57,020,123)**
Other Income and Profits	38	18,942,998	34,825,368
Other Expense and Losses (-)	38	(15,226,196)	(49,033,851)
Financial Expenses (-)	39	(2,768,707)	(10,621,822)
OPERATING PROFIT/(LOSS)		**(55,119,605)**	**(81,850,428)**
Net Monetary Profit/(Loss)	40	-	-
MINORITY INTEREST	**2, 24**	**76,557**	**(165,803)**
PROFIT/(LOSS) BEFORE TAX		**(55,043,048)**	**(82,016,231)**
Taxes	3, 41	14,762,757	22,226,166
NET PROFIT/(LOSS) FOR THE PERIOD		**(40,280,291)**	**(59,790,065)**
EARNINGS/(LOSS) PER SHARE	**3, 42**	**(0.62)**	**(0.92)**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (TRY)

	Share Capital	Share Premium	Differences Arising from Inflation Adjustment on Equity	Legal Reserves	Other Reserves and Retained Earnings	Net Profit/ (Loss) for the Period	Retained Earnings/ (Accumulated Losses)	Total
Balance as at 1 January 2006	**65,340,000**	**48,869,596**	**420,062,319**	**8,217,461**	**82,730,375**	**(79,091,304)**	**(57,868,956)**	**488,259,491**
Transfer of 2005 loss to retained earnings/(losses)	-	-	-	-	-	79,091,304	(79,091,304)	-
Effect of subsidiary included in the consolidation	-	-	-	-	-	-	(132,103)	(132,103)
Effect of rate change in the subsidiary included in the consolidation	-	-	-	-	-	-	3,058	3,058
Loss for the period	-	-	-	-	-	(59,790,065)	-	(59,790,065)
Balance as at 31 December 2006	**65,340,000**	**48,869,596**	**420,062,319**	**8,217,461**	**82,730,375**	**(59,790,065)**	**(137,089,305)**	**428,340,381**
Transfer of 2006 loss to retained earnings/(losses)	-	-	-	-	-	59,790,065	(59,790,065)	-
Effect of subsidiary included in the consolidation	-	-	-	-	-	-	(46,115)	(46,115)
Loss for the period	-	-	-	-	-	(40,280,291)	-	(40,280,291)
Balance as at 31 December 2007	**65,340,000**	**48,869,596**	**420,062,319**	**8,217,461**	**82,730,375**	**(40,280,291)**	**(196,925,485)**	**388,013,975**

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (TRY)

	Note	31 December 2007	31 December 2006
A. CASH FLOWS FROM PRINCIPAL ACTIVITIES			
Net loss (-) before tax		(55,043,048)	(82,016,231)
Adjustments:			
Depreciation (+)		51,403,840	58,049,814
Goodwill amortisation (+)		653,516	76,697
Termination Indemnity		151,374	12,680
Provision for Debts		184,941	3,867,423
Other Provisions		45,155,399	(3,866,576)
Profit From Marketable Securities or Long Term Investment (-)		(9,836,901)	(12,605,071)
(Profit)/Loss on Disposal of Tangible Assets		(827,419)	7,909,604
Interest Expense (+)		2,768,707	2,783,949
Net Income (+)/Loss (-) Before Working Capital Changes		**34,610,409**	**(25,787,711)**
Increase (-)/decrease (+) in trade operations and other receivables		(19,027,189)	(6,345,981)
Increase (-)/decrease (+) in balances due from related parties		9,446,344	19,835,294
Increase (-)/decrease (+) in inventories		(76,740)	434,177
Increase (-)/decrease (+) in other receivables		(1,664,044)	(3,046,832)
Increase (+)/decrease (-) in trade payables		(4,428,382)	(3,482,578)
Increase (+/decrease (-) in balances due to related parties		127,276	(1,762,350)
Increase (+)/decrease (-) in advances received		582,518	(4,678)
Increase (+)/decrease (-) in other liabilities		750,643	(900,942)
Interest payments (-)		(739,270)	(2,393,964)
Tax payments (-)		-	(110,781)
Net cash provided from/used in principal activities	**43**	**19,581,565**	**(23,566,346)**
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
Acquisition of financial assets, net (-)		2,758,437	(220,264)
Acquisition (-)/disposal (+) of marketable securities		-	29,674,017
Positive goodwill (-)		(14,209,894)	(22,548,997)
Acquisition of tangible and intangible assets (-)		(84,556,094)	(61,829,588)
Cash inflows related to disposal of tangible assets (+)		1,250,800	1,444,739
Interest received (+)		9,836,901	12,605,071
Net cash provided from/used in investing activities	**43**	**(84,919,850)**	**(40,875,022)**
C. CASH FLOWS FROM FINANCIAL ACTIVITIES			
Cash outflows (-)/inflows (+) related to short and long term debts		13,451,247	93,319,471
Effect of subsidiary included in the consolidation		(46,115)	(132,103)
Effect of rate change in subsidiaries included in the consolidation		-	3,058
Decrease(-)/increase (+) in minority interest (-)		21,268	186,463
Net cash provided from financial activities	**43**	**13,426,400**	**93,376,889**
Increase/(decrease) in liquid assets	3.43	(51,911,885)	28,935,521
Liquid assets at the beginning of the period	4	139,516,796	110,581,275
Liquid assets at the end of the period	4	87,604,911	139,516,796
			-

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

1. Organization and Principal Activities

The principal activity of Akenerji Elektrik Üretim A.Ş. (the Parent Company) is the production of electrical energy and steam. The principal activities of the subsidiaries are the production, transfer, distribution, purchase and sales of electrical energy and to establish plants to serve such purposes and to realize local wholesale activities related to electrical energy and/or capacity with respect to the electrical energy legislation. The principal activities of the affiliate are air shipping and building management services.

The Parent Company, its subsidiaries and affiliates consist of the following:

Parent Company:
Akenerji Elektrik Üretim A.Ş.-Turkey

Subsidiaries:
Ak-El Yalova Elektrik Üretim A.Ş.-Turkey *
Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret A.Ş.-Turkey *
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.-Turkey *
Akkur Enerji Üretim Ticaret ve Sanayi A.Ş.-Turkey*
Aken BV-Holland**

Affiliates:
Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş.-Turkey**

* Included in the consolidated financial statement in accordance with the full consolidation method.
** Does not materially affect the consolidated financial statements, hence stated in the consolidated financial statements at cost.

The address of the Parent Company's head office is as follows:

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

The Parent Company, its subsidiaries and its affiliates are Akkök Group companies.

The Parent Company is registered at the Capital Markets Board and 52.82%of its shares are offered to public and being traded at the Istanbul Stock Exchange (ISE) since 3 July 2000.

As of 31 December 2007 and 2006, the shareholding structure of the Parent Company is as follows:

Name	31 December 2007 Shareholding	31 December 2006 Shareholding
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	40.12 %	16.59 %
Aksa Akrilik Kimya Sanayii A.Ş.	-	15.57 %
Ömer Dinçkök	11.57 %	11.57 %
Ali Dinçkök	11.57 %	11.57 %
Other *	36.74 %	44.70 %
	100.00 %	**100.00 %**

* Represents shareholdings of less than 10%.

As of 31 December 2007, the average number of employees is 208 (31 December 2006-269).

2. Presentation of the Financial Statements

(a) Basis of Presentation

The Parent Company and its Subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with the prevailing commercial and financial legislation. As stated below, certain adjustments and classifications have been made during the preparation of the accompanying consolidated financial statements in order to comply with the Communiqué nr XI/25 of the Capital Markets Board (CMB). The adjustments reflect to the accompanying financial statements are summarized in Note 2(b) and 2(d).

The accompanying consolidated financial statements and the related notes are presented in the formats held mandatory by the CMB announcement made on 10 December 2004.

(b) Adjustment of Financial Statements During Hyper-Inflationary Periods:

Section 15 of the Communiqué Nr XI/25 deals with the effects of inflation on financial statements and requires that financial statements prepared in the currency of a high inflation economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms. As per the resolution of the CMB dated 17 March 2005 Nr 11/367 the application of inflation adjustment of the financial statements has ended in 2005, hence the accompanying financial statements are restated at the purchasing value of the Turkish Lira as at 31 December 2004.

The restatement of the accompanying consolidated financial statements in Turkish Lira are calculated by means of conversion factors derived from the countrywide wholesale price index published by the Turkish Statistical Institute (TSI). Such indices and conversion factors are as follows:

Date	Index	Conversion Factor
31 December 2001	4.951.7	1.70
31 December 2002	6.478.8	1.30
31 December 2003	7.382.1	1.14
31 December 2004	8.403.8	1.00

The following principles have been applied in the preparation of the restated financial statements as of 31 December 2004:

- Financial statements are stated in terms of the measuring unit current at 31 December 2004 and the corresponding figures for the previous periods are restated in the same terms.

- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.

- Non-monetary assets and liabilities are restated by applying the relevant conversion factors.

- The effect of general inflation is included in the statement of income as “Net Monetary Gain/(Loss)”

The additions to monetary items subsequent to 1 January 2005 are stated at their nominal values.

(c) Consolidation Principles:

Consolidation is realized within the Parent Company, Akenerji Elektrik Üretim A.Ş., and the direct and indirect shareholdings of the Parent Company within its affiliates and subsidiaries are as follows:

Subsidiaries	**31 December 2007**	**31 December 2006**
Ak-El Yalova Elektrik Üretim A.Ş. *	89.95 %	89.95 %
Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret A.Ş. *	90.00 %	90.00 %
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. *	99.00 %	-
Akkur Enerji Üretim Ticaret ve Sanayi A.Ş. *	99.00 %	99.00 %
Aken BV **	100.00 %	100.00 %

* Stated in the accompanying consolidated financial statements as per the full consolidation method.
** Stated in the accompanying consolidated financial statements at cost.

Affiliates	**31 December 2007**	**31 December 2006**
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş.*	-	7.33 %
Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş.**	33.00 %	33.00 %

* Sold to Akkök Sanayi Yatırım ve Geliştirme A.Ş. as of 20 September 2007, hence stated in the accompanying consolidated financial statements as of 31 December 2006, at cost.
** Stated in the accompanying consolidated financial statements at cost.

Subsidiaries and affiliates are classified as financial assets available for sale representing shareholdings in which the direct and indirect votes of the Parent Company is below 20% or with insignificant influence even if above 20%, or those that do not have material effect on financial statements, or are not traded in the active markets or whose fair values cannot be determined reliably, are recognised at their restated cost values, less provision for value decrease, if any.

Consolidated financial statements have been prepared on the basis of principles stated below:

Full Consolidation Method:

- All balance sheet items except for the paid in capital of the Parent Company and the subsidiaries as well as their equities at the acquisition date are added, and inter-company balances are eliminated.

- The Parent Company's interest in the subsidiaries; The Long Term Financial Assets account of the Parent Company is set off against the Share Capital accounts of the Subsidiaries.

- As of the acquisition date, the Parent Company's shareholding in its subsidiaries is offsetting against the portion of share capital it owns in the subsidiary's equity for once. The equity of the subsidiary at the acquisition date should be drawn up according to the market value of the subsidiary's net assets at that date. If the cost value of the Parent Company's shareholding in its subsidiary is more than the nominal value of the part of the share capital in the subsidiary's equity, the difference is recorded as positive goodwill in the consolidated balance sheet as a separate item and it is amortised over the useful life of the future economic benefits that are expected to flow to the Parent Company. The amortisation period cannot exceed 20 years. If the cost value of the investment is less than the nominal value of the share capital of the subsidiary, the difference is recorded as the negative goodwill in the assets as a negative item and is also amortised over 20 years at maximum. However, in the event that the goodwill is explicitly related to an asset or a group of assets and that the asset or group of assets is expected to provide benefit throughout its economic life, the assumption that the economic life of the goodwill is limited to 20 years becomes void. The Parent Company has acquired 99% the shares of Akkur Enerji Üretim Ticaret ve Sanayi A.Ş., a company with TRY 5,000,000 capital of which TRY 4.541.600 is unpaid, for a total of USD 15,592,500 at 20 November 2006. The installed capacities of the hydroelectic power plants of the acquired company, Akkur Enerji Üretim Ticaret ve Sanayi A.Ş., owning manufacturing licenses are as follows:

Burç Bendi ve Hidroelektrik Santrali (planned to be established in Adıyaman	: 18.86 MWm/17.54 MWe
FEKE-I HES (planned to be established in Adana)	: 25.64 MWm/24.61 MWe
FEKE –II HES (planned to be established in Adana	: 149.57 MWm/143.58 MWe

  Furthermore, the said power plants have Water Consumption contracts entered into with Public Waterworks Administration within the scope of application for manufacturing license. The term of license for each of the three power plants is 49 years. For that reason, the economic life of the positive goodwill constituted due to the acquisition of Akkur Enerji Üretim Ticaret ve Sanayi A.Ş. is determined as 49 years and normal amortisation method has been used. The Parent Company has acquired 99% of the shares of Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş., a company with a capital of TRY 2,000,000, on 11 May 2007 at a total price of USD 10,642,500. The installed capacity of the Bulam Regulator and Hydroelectric Power Plant of the acquired company, Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş., which are planned to be established in Adıyaman is 7,90 MWm/7,11 MWe. Furthermore, Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. has applied to make a Water Consumption contract with Public Waterworks Administration in order to receive production license for Yamanlı III power plant planned to be established in Adana with an installed capacity of 30 MW. The term of license for the said power plant is 49 years. For that reason, the economic life of the positive goodwill constituted due to the acquisition of Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. is determined as 49 years and normal amortisation method has been used. As of 31 December 2007, goodwill amortisation expense amounts to TRY 653,516 and it is recognised among the general administration expenses in the accompanying consolidated financial statements (31 December 2006-TRY 76,697).

- Minority interests are deducted from all equity account group items including the paid in/issued share capital of subsidiaries included in the consolidation and are recognized as "Minority Interests" in the consolidated balance sheet before the equity account group and in the statement of income.

- The purchases and sales among the Parent Company and its Subsidiaries and the profit and losses arising from these transactions are eliminated in the Consolidated Income Statement. Further, profit and losses arising from the purchase or sale of marketable securities, stocks, tangible and intangible assets, long term financial assets and other assets among the consolidated group companies are also eliminated.

(d) Adjustments:

The accompanying financial statements have been prepared in accordance with the Communiqué Nr XI/25 with the below mentioned adjustments which are not stated in the statutory records:

- Rediscount calculation on post dated cheques, customers, and bank loans
- Depreciation adjustment
- Reversal of establishment and organization expenses
- Deferred tax adjustment
- Provision for doubtful receivables
- Provision for litigation
- Provision for impairment of tangible assets
- Provision for impairment of affiliates
- Calculation of goodwill and amortisation
- Elimination of intra-group balance and transactions as per the consolidation procedure
- Provision for impairment over the sales value of fixed assets ready for sale

(e) Comparative Information and Adjustment of Prior Period Financial Statements:

Balance sheets as of 31 December 2007 and 2006 and notes to these balance sheets as well as the statements of income, changes in equity, and cash flows for the years then ended have been presented comparatively. In order to comply with the presentation of the current period financial statements, the comparative information is reclassified when deemed necessary.

(f) Offsetting:

Offsetting financial assets and liabilities can only be made under the conditions where the offsetting transaction is legally allowed and the company has an intention in this respect or where the acquisition of assets and fulfillment of liabilities are realized simultaneously.

3. Accounting Techniques and Valuation Procedures Applied

(a) Financial Instruments:

Financial instruments consist of the financial assets and liabilities stated below:

i. Liquid Assets

Liquid assets consist of cash balances on hand, bank accounts and cheques received.

Cash is composed of balances in New Turkish Lira and Euro. The New Turkish Lira balances are stated at face values, and the foreign currency balances are translated at the foreign currency purchasing rate issued by the Turkish Central Bank as at the balance sheet date.

Bank accounts consist of demand and time deposit accounts and the related interest accrued. New Turkish Lira deposit accounts are stated at face values and foreign currency accounts are translated into New Turkish Lira at the foreign currency purchasing rate issued by the Central Bank as at the balance sheet date.

The cheques received with maturity dates exceeding the balance sheet date are stated in trade receivables and are rediscounted at a rate equivalent to the interest rate of government bonds constituted in stock markets or other organized markets.

Fair Value

Fair value is the amount for which a financial instrument could be exchanged between two willing parties in an arm's length transaction. It is primarily considered the same as the quoted value of the financial instrument; however in case there is no quoted value, the purchase or sales value of an instrument is deemed to be the fair value of the financial instrument.

As the foreign currency cash and cash equivalents are translated into New Turkish Lira at the foreign exchange rates valid at the balance sheet date, it is assumed that the fair values of these assets approximate to their book values.

As the deposit accounts, cash and cheques received are converted into cash in very short terms, and as there is no risk of value decrease, their book values are deemed to approximate to their fair values.

ii. Trade Receivables

Trade receivables are financial assets created by the Parent Company and its subsidiaries through selling goods directly to the customers. Trade receivables and post dated cheques are subject to rediscount.

Fair Value

Rediscounted trade receivables and doubtful receivables for which provisions are accrued are assumed to approximate to the fair values of these assets.

iii. Related Parties

The shareholders, board members and administrative personnel such as the general manager, their immediate relatives as well as the related companies, affiliates and partnerships of the Parent Company and its subsidiaries are regarded as related parties.

iv. Trade Payables

Trade payables are financial liabilities created through purchasing goods directly from the suppliers.

Fair Value

As the maturities of trade payables are less than one month, their book values are assumed to approximate to the fair values of payables.

v. Short and Long Term Bank Loans

Short and long term bank loans are stated at the value computed through addition of the principal amount and the interest expenses accrued as of the balance sheet date, discounted as per the effective interest method.

Fair Value

The fair value of the short and long term bank loans are assumed to be equivalent to the recorded values computed by adding the accrued interest liabilities calculated over the prevailing interest rate as of the balance sheet dates on the cost of the mentioned financial debts.

(b) Financial Risk Management:

i. Foreign Currency Risk

Balances of foreign currency transactions originating from operating activities, investment activities and financial activities of the Parent Company and its subsidiaries as of the reporting date are stated in Note 29. As the long term bank loans are denominated in foreign currency, the payments to be made in foreign currency creates foreign currency risk at times when the exchange rates increase against the New Turkish Lira.

ii. Doubtful Receivables Risk

The Parent Company and its subsidiaries have made provisions for doubtful receivables developed until the reporting date.

iii. Liquidity Risk

The funding risk of current and future loan requirements is monitored through maintaining continuous access to sufficient number of high quality commercial credit companies. The Parent Company and its subsidiaries create funds through converting short term financial instruments such as trade receivables into cash. The excess portion of the liquid assets (current assets-inventories) over the short term payables of the Parent Company and its subsidiaries is stated below in relation to the corresponding periods (TRY):

31 December 2007	131,465,512
31 December 2006	136,495,376

iv. Counterparty Risk

Retaining the financial instruments may lead to failure of the counterparty to fulfill the terms and conditions of the agreement. The Company management takes measures to prevent such risks through limiting the average risk for the counterparty (except for the related parties) at each agreement, and receiving guarantees if necessary.

v. Interest Rate Risk

The financial loan agreements of the Parent Company and its Subsidiaries are denominated in USD, Euro, and GBP and the interest rates are variable. As the payments are made in foreign currency, it is assumed that the market interest rate will not be subject to considerable changes until the maturity date; hence the interest rate risk is considered to be negligible.

(c) Inventories:

Inventories are stated at the lower of cost and net realizable value. Cost is determined by using the weighted average cost method.

(d) Financial Assets:

The Parent Company has classified its financial assets as financial assets available for sale.

Financial assets available for sale are those assets other than the loans and receivables, held-to-maturity investments and held for trading investments. Financial assets available for sale are valued at their fair value in the periods subsequent to the initial recognition. Financial assets available for sale representing shareholdings in which the direct and indirect votes of the Company is below 20% or with insignificant influence even if above 20%, or those that do not have material effect on consolidated financial statements, or are not traded in the active markets or whose fair values cannot be determined reliably, are reflected in the financial statements at their cost values, less provision for value decrease, if any.

Financial assets do not have a market value and are stated at their restated unit values as of 31 December 2004, less the value decrease, if any.

(e) Tangible Assets:

Tangible assets are stated at cost less their accumulated depreciation and less the value decrease, if any.

Tangible assets have been restated using the measuring unit current at 31 December 2004 from the dates of acquisition. Acquisitions subsequent to 1 January 2005 are stated at their nominal values. Depreciation of tangible assets is made over the inflation-adjusted amounts and the nominal values of acquisitions subsequent to 1 January 2005 on a straight-line basis. The depreciation periods, which approximate the economic useful lives of the assets, are as follows:

Land improvements	10-50 years
Buildings	50 years
Machinery, plant and equipment	5-22 years
Motor vehicles	5-8 years
Furniture and fixtures	3-5 years

(f) Intangible Assets:

Intangible assets are stated at cost less their accumulated amortization and value decrease, if any.

Intangible assets have been restated using the measuring unit current at 31 December 2004 based on the dates of acquisition. Acquisitions subsequent to 1 January 2005 are stated at their nominal values. Amortization of intangible assets is made over the totals adjusted with respect to inflation accounting and the nominal values of acquisitions subsequent to 1 January 2005 considering the approximate useful lives of the assets as stated in the following:

Rights	3-40 years
Special costs	5 years

(g) Assets and Liabilities in Foreign Currency:

Assets and liabilities in foreign currency are translated into New Turkish Lira at foreign currency purchasing rates and selling rates respectively as announced by the Turkish Central Bank as at the balance sheet dates. Transactions in foreign currencies during the period are translated into New Turkish Lira at the actual rates applicable on the transaction date. Exchange gains and losses resulting from such translations are included in the statements of income. The Central Bank foreign exchange rates used by the Parent Company and its subsidiaries in translating foreign exchange balances into New Turkish Liras as at the balance sheet dates are as follows:

	31 December 2007		31 December 2006	
	Purchasing	**Selling**	**Purchasing**	**Selling**
USD	1.1647	1.1703	1.4056	1.4124
EURO	1.7102	1.7184	1.8515	1.8604
CHF	1.0273	1.0339	1.1503	1.1577
GBP	2.3259	2.3381	2.7569	2.7713

(h) Impairment of Assets:

In case where the book value of an asset exceeds its recoverable value, a provision for impairment loss is taken so as to bring the book value of the asset down to the level of its fair value and the amount of the provision is recorded in the income statement as an expense.

On the other hand, the recoverable value of cash generating assets is deemed to be the higher of net selling price and the value in use. The value in use of those assets represents the net present value of net cash inflows to be acquired through continuous usage and sales of the assets, discounted at a reasonable discount rate.

(i) Deferred Taxes:

Deferred taxes are calculated on the temporary differences that arise between the deductible tax base and the book values of assets and liabilities, by using the liability method. The primary temporary differences arise from the income and expense items that are reported in different periods with respect to the Communiqué Nr XI/25 and the tax legislation. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated with the assumption that the Parent Company and its Subsidiaries will have taxable income during the future periods.

An enterprise should offset current tax assets and current tax liabilities if the enterprise has a legally enforceable right to set off the recognised amounts, provided that the tax assets and tax liabilities are subject to the tax legislation of the same jurisdiction.

(j) Income Taxes:

Corporate earnings are subject to corporation tax at a rate of 20%. In case investment allowance is deducted in the calculation of taxable income, same as with other profits exempted from corporation tax, no withholding calculation is required in cases where such earnings are not distributed. However in case the investment allowance used is based on the supplementary articles 1 and 6 of the Income Tax Law (ITL) which have been annulled by Law nr 4842, income tax withholding, whether distributed or not, is calculated at a rate of 19.8% according to the Provisional Articles 61 and 69 of ITL. Whether exempted or not, dividends paid in cash to real persons with full liability and real persons and entities with limited liability (non-residents) are subject to income tax withholding at a rate of 15% (10% prior to 26 July 2006). However, income tax withholding is not applicable to the dividends arising from 1998 and prior years' profits and from the exempt profits relating to the years 1999, 2000, 2001 and 2002 as well as income and profits corresponding to the above mentioned investment allowance taxed at the rate of 19.8%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distribution of profits and therefore no withholding tax is applicable to these earnings. On the other hand, no withholding tax is applicable to entities with full liability in profit distributions.

Further, provisional corporation tax is paid at a rate of 20% on the profits declared for interim periods to be deducted from the corporation tax.

For those benefiting from investment allowance according to the provisional article 69 of the Income Tax Law, the corporation tax and corporate provisional tax rate is 30%.

With respect to the article 298 (bis) of the Tax Law amended by Law 5024, the inflation adjustment application which started in 2004 has ended as the increase in the wholesale price indices for the last 36 months and the last 12 months ended March 2005 are below 100% and 10%, respectively. In the 31 December 2007 and 2006 accounting periods, the criteria of 100% and 10% have not been realized simultaneously in the Producers Price Index and for that reason no inflation adjustment has been applied.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

As of 31 December 2007 and 2006, income tax provisions have been made in accordance with the prevailing tax legislation.

(k) Provision for Termination Indemnity:

Under Turkish Labour Law Article 25/II, the Parent Company and its subsidiaries are required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity, is called up for military service, leaves within one year after marriage (women only), and to those employees who retire or die. The amount payable consists of one month's salary for each year of service. This entitlement is limited to TRY 2,030.19 in respect of each year of service as of 31 December 2007 (31 December 2006-TRY 1,857.44).

The Company has determined the termination indemnity liability stated in the accompanying financial statements as per the recognition and valuation principles stated in “Employee Benefits” section 29 of the Communiqué Nr XI/25. As the characteristics of the termination indemnity liabilities are similar to the “Post Employment Benefit Plans” stated in this section, these liabilities are calculated and stated in the financial statements on the basis of below mentioned “Proposed Unit Loan Method” and other various assumptions.

- The dates that the employees will gain their pension rights are determined with respect to the prevailing social security laws with consideration to their past employment durations.

- In calculating the current value of future liabilities that may arise due to the retirement or contract termination of an employee, it is assumed that the current salaries and wages or the value of the termination indemnity upper limit determined by the Labour Law for 31 December 2007 and 2006 to remain constant for restatement purposes, and later on, this value is reduced by the actual discount rate of 5.71% (31 December 2006-5.71%) calculated upon the assumption that the expected annual inflation rate will be 5%(31 December 2006-5%) and the expected discount rate will be 11% (31 December 2006-11%) which represents the proposed average interest rate per annum of the government bonds, in order to determine the current net value of the termination indemnity liability at the balance sheet date.

Actuarial calculation is needed to determine the ratio of the employees to gain their right for receiving termination indemnity to the total number of employees. This calculation is made through determining the ratio of former Company personnel who received their termination indemnity rights to the total number of personnel.

As of 31 December 2007 and 2006 actuarial assumptions for calculating termination indemnity are as follows:

	31 December 2007	31 December 2006
Discount rate	5.71 %	5.71 %
The ratio of the number of employees who have gained the right to receive termination indemnity in the prior years to the total number of employees	100 %	100 %

(l) Revenues and Expenses:

The accrual basis of accounting is applied for the recognition of revenues and expenses. The accrual concept requires that revenue, income and profits should be matched with costs, expenses and losses belonging to the same period.

(m) Earnings/(Loss) per Share:

Earnings/(loss) per share is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

(n) Accounting Estimates:

During the preparation of financial statements in accordance with the Communiqué Nr XI/25, the Management is required to disclose the balance sheet value of the assets and liabilities stated in the financial statements as of the balance sheet date and explanations regarding off balance sheet liabilities, and to provide assumptions that might affect the totals of income and expense realized during the period. However, actual results may vary from these results.

(o) Subsequent Events:

If the Parent Company and its subsidiaries receive information after the balance sheet date about conditions that existed at the balance sheet date, they update the financial statements that relate to those conditions, in the light of the new information. If non-adjusting events after the balance sheet date are material, they are disclosed during the related period.

(p) Conditional Assets and Liabilities:

Assets and liabilities that originate from past incidents and whose presence is not fully under the company management control as it can only be confirmed through the realization of one or more indefinite incidents to take place in the future are not included in the financial statements and are deemed as conditional liabilities and assets.

(r) Borrowing Costs:

Borrowing costs are recognized as expense. Borrowing costs related to the qualifying assets are included directly in the cost of the related qualifying asset. Upon completion of the necessary operations to make the qualifying asset ready for use or sale, the capitalization of the borrowing costs is discontinued. As of 31 December 2007, the net balance of TRY (8,019,558) (31 December 2006-TRY (6,298,755)) remaining after the deduction of the interest expenses directly related to the investments in progress from the gain on foreign exchange differences is deducted from the cost of the related asset.

4. Liquid Assets

Liquid assets consist of the following (TRY):

	31 December 2007	31 December 2006
Cash	26,557	27,504
Banks		
-TRY demand deposit	337,937	526,317
-Foreign currency demand deposit	1,465	1,114
-TRY time deposit *	19,424,879	34,412,060
-Foreign currency time deposit **	66,992,964	101,168,589
Cheques received	821,109	3,381,212
	87,604,911	**139,516,796**

* As of 31 December 2007, the interest rate on TRY time deposit accounts varies between 16% and 19% (31 December 2006-19%-21.25%).

** As of 31 December 2007, the net interest rates applied to Euro time deposits vary between 3.1% and 5.2%; those applied to USD time deposits vary between 5.4% and 5.65%; and the net interest applied to GBP time deposits is 5.60% (31 December 2006-Euro net 3.1%-4%; USD net 5.27%-5.75%; GBP net 5.75%;).

5. Marketable Securities

As of 31 December 2007 and 2006 there are no marketable securities.

6. Financial Liabilities

Financial liabilities consist of the following (TRY):

	31 December 2007	31 December 2006
Short term bank loans	159,225	-
Principal payments and interests of long term bank loans	8,050,876	13,456,807
Long term bank loans	147,454,057	126,726,667
	155,664,158	**140,183,474**

The maturity of long term loans varies between 10.04.2012-28.12.2013.

As of 31 December 2007 and 2006, the interest rates on long term Euro loans vary between 5.09% and 6.52%; and the interest rates on long term USD loans vary between 5.25%-6.47%.

7. Trade Receivables and Payables

Short term trade receivables consist of the following (TRY):

	31 December 2007	31 December 2006
Customers	39,929,304	18,924,872
Notes receivable and post dated cheques	2,917,091	4,691,330
Rediscount on receivables (-)	(106,795)	(154,253)
Deposits and guarantees given	49,660	6,929
Other short term receivables	3,794	304
Doubtful trade receivables	515,297	436,269
Provision for doubtful trade receivables (-)	(515,297)	(436,269)
	42,793,054	**23,469,182**

Long term trade receivables consist of the following (TRY):

	31 December 2007	31 December 2006
Deposits and guarantees given	29,727	326,410

Trade payables consist of the following (TRY):

	31 December 2007	31 December 2006
Suppliers	36,208,403	40,636,537
Deposits and guarantees received	578	826
	36,208,981	**40,637,363**

8. Leasing Receivables and Payables

As of 31 December 2007 and 2006, there are no leasing receivables and payables.

9. Due From and To Related Parties and Transactions

Balances due from related parties consist of the following (TRY):

	31 December 2007	31 December 2006
Aksa Akrilik Kimya San. A.Ş.	6,429,311	8,035,691
Akkim Kimya San. ve Tic. A.Ş.	2,939,314	2,191,919
Ak-Al Tekstil Sanayii A.Ş.	305,112	939,337
Aktops Tekstil San. A.Ş.	663,874	766,262
Üçgen Bakım ve Yönetim Hiz. A.Ş.	322,860	325,899
Ak-Pa Tekstil İhracat Pazarlama A.Ş.	-	3,017
Aken BV	5,200	5,107
Akport Tekirdağ Liman İşletmeleri A.Ş.	19,572	18,408
Aksu İplik Dokuma ve Boya Apre Fab. A.Ş.	32,199	-
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş.	231,682	-
Other	-	89,203
Other *	2,702,588	10,723,213
	13,651,712	**23,098,056**

Balances due to related parties consist of the following (TRY):

	31 December 2007	31 December 2006
Dinkal Sigorta Acenteliği A.Ş.	264,771	568,842
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	189,725	326,967
Aksu İplik Dokuma ve Boya Apre Fab. A.Ş.	-	28,289
Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş.	29,530	29,403
Other *	4,577,250	3,979,720
Due to shareholders	15,359	16,138
	5,076,635	**4,949,359**

* As of 31 December 2007, there are 24 shareholding companies that are not included in the Akkök Group and these companies are recognized as “Other” (31 December 2006-153).

For the years ended 31 December 2007 and 2006, sales to related parties consist of the following (TRY):

	31 December 2007	31 December 2006
Aksa Akrilik Kimya Sanayii A.Ş.	77,507,341	73,411,277
Akkim Kimya San. ve Tic. A.Ş.	24,447,738	21,623,053
Ak-Al Tekstil Sanayii A.Ş.	846,648	7,151,111
Aksu İplik Dokuma ve Boya Apre Fabrikaları T.A.Ş.	6,772,522	6,772,980
Akkök Sanayi Yatırım ve Geliştirme A.Ş. *	2,748,477	1,783
Aktops Tekstil San. A.Ş.	7,369,415	7,210,006
Akpa Tekstil A.Ş.	43,946	35,470
Üçgen Bakım ve Yönetim Hiz. A.Ş.	3,317,847	3,158,075
Akport Tekirdağ Liman İşletmeleri A.Ş.	81,462	62,044
Aktek Bilgi İşlem Tekn.San.ve Tic.A.Ş.	26,849	-
Other **	63,865,309	188,645,732
	194,027,554	**308,071,531**

* Ak Havacılık ve Ulaştırma Hizmetleri A.Ş. shares have been sold to Akkök Sanayi Yatırım ve Geliştirme A.Ş. at a total price of TRY 2,748,176 as at 20 September 2007.

** Total related to shareholders other than those included in Akkök Group.

For the years ended 31 December 2007 and 2006, purchases from related parties consist of the following (TRY):

	31 December 2007	31 December 2006
Aksa Akrilik Kimya Sanayi A.Ş.	1,999,633	1,814,584
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş.	-	1,014,264
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	1,332,861	1,302,241
Ak-Han Bakım Yön Serv. Hizm. Güven. Malz. A.Ş.	276,812	180,466
Akkim Kimya San. ve Tic. A.Ş.	352,621	388,754
Üçgen Bakım ve Yönetim Hiz. A.Ş.	93,878	146,218
Ak-Al Tekstil Sanayii A.Ş.	668,691	363,096
Aktek Bilgi İşlem Tekn.San.ve Tic.A.Ş.	175,707	-
Aksu İplik Dokuma ve Boya Apre Fabrikaları T.A.Ş.	7,255	1,956
Dinkal Sigorta Acenteliği A.Ş.	1,896,347	2,119,091
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.	-	1,644
Other**	50,205,440	38,696,055
	57,009,245	**46,028,369**

* Total related to shareholders other than those included in Akkök Group.

10. Other Receivables and Liabilities

Other receivables consist of the following (TRY):

	31 December 2007	31 December 2006
Short term other receivables	711,070	47
Rediscount on short term other receivables (-)	(7,718)	-
	703,352	**47**

Other liabilities consist of the following (TRY):

	31 December 2007	31 December 2006
Due to personnel	5,462	3,211
Other miscellaneous debts	590	562
Taxes, duties and other withholdings payable	1,681,098	807,033
Social security premiums payable	240,634	393,565
Other accrued liabilities	2,436	2,165
Expense accruals	41,150	14,191
	1,971,370	**1,220,727**

11. Biological Assets

None (2006: None).

12. Inventories

Inventories are as follows (TRY):

	31 December 2007	31 December 2006
Raw materials and supplies	7,415,453	7,241,163
Order advances given	269,615	367,165
	7,685,068	**7,608,328**

13. Receivables Related to Ongoing Construction Contracts and Contract Progress Income

As of 31 December 2007 and 2006 there are no receivables related to ongoing construction contract or contract progress income.

14. Deferred Tax Assets and Liabilities

Temporary differences creating a basis for calculating deferred tax assets/liabilities and deferred tax income/expenses are as follows (TRY):

Temporary Income/(Expense) Differences

	31 December 2007	31 December 2006
Adjustment of rediscount on cheques received and notes receivable	114,514	152,609
Adjustment of rediscount on customers	30,220	1,644
Termination indemnity adjustment	1,460,585	1,312,211
Adjustment on value decrease in affiliates	-	4,172,298
Provision for value decrease in fixed assets	45,155,399	-
Foreign exchange difference adjustment	747,271	707,538
Valuation of order advances given	63,310	42,200
Provision for litigation	58,782	80,866
2005 prior year losses *	42,370,412	63,571,095
2006 prior year losses *	25,747,120	-
Loan discount adjustment	663,766	581,306
Deferred tax asset base	116,411,379	70,621,767
Difference between the book values of tangible/intangible assets and their tax bases, net	116,411,379	144,435,550
Deferred tax liability base	116,411,379	144,435,550
Deferred tax liability base (net)	-	73,813,783
Tax rate	20%	20%
Deferred tax liability	-	14,762,757

* As it is probable that the profit to be generated will be sufficient to be used in future assumptions of the Company management, 2005 and 2006 financial losses are considered in the deferred tax calculations.

Deferred Tax Income/(Expense) (TRY):

	31 December 2007	31 December 2006
Current period deferred tax asset/(liability)	-	(14,762,757)
Reversal of prior period deferred tax (liability)/asset	14,762,757	37,099,704
Deferred tax income/(expense) (Note 41)	**14,762,757**	**22,336,947**

15. Other Current/Non-current Assets and Short/Long Term Liabilities

Other current/short term assets consist of the following (TRY):

	31 December 2007	31 December 2006
Expenses related to future months	1,122,916	1,033,280
Deferred VAT	13,704,780	12,759,274
Prepaid taxes and funds	942,152	1,232,605
Job advances	5,197	30,352
Personnel advances	444,278	181,808
Tangible and intangible assets ready for sale	72,525,851	-
Provision for value decrease in tangible and intangible assets ready for sale (-)	(45,155,399)	-
	43,589,775	**15,237,319**

Other non-current/long term assets consist of the following (TRY):

	31 December 2007	31 December 2006
Expenses related to future years	60,696	81,962

16. Financial Assets

Financial assets consist of the following (TRY):

	Shareholding	31 December 2007	31 December 2006
Affiliates;			
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş.*	7.33 %	-	6,920,473
Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş.	33.00 %	220,000	220,000
Subsidiaries;			
Aken BV	100.00 %	1,988,942	1,988,942
Other financial assets	**	-	10,262
		2,208,942	**9,139,677**
Provision for value decrease in affiliates (-)		-	(4,172,298)
		2,208,942	**4,967,379**

* Sold to Akkök Sanayi Yatırım ve Geliştirme A.Ş. as at 20 September 2007.

** Less than 1%.

17. Positive/Negative Goodwill

Positive/negative goodwill consists of the following (TRY):

As of 31 December 2007;

	Opening 1 January 2007	Additions	Disposals	Closing 31 December 2007
Positive goodwill Akkur Enerji Üretim Ticaret ve Sanayi A.Ş.	22,548,997	-	-	22,548,997
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	-	14,209,894	-	14,209,894
Accumulated amortisation (-)	(76,697)	(653,516)	-	(730,213)
	22,472,300	**13,556,378**	**-**	**36,028,678**

As of 31 December 2006;

	Opening 1 January 2006	Additions	Disposals	Closing 31 December 2006
Positive goodwill Akkur Enerji Üretim Ticaret ve Sanayi A.Ş.	-	22,548,997	-	22,548,997
Accumulated amortisation (-)	-	(76,697)	-	(76,697)
	-	**22,472,300**	**-**	**22,472,300**

18. Investment Property

As of 31 December 2007 and 2006 there are no investment properties.

19. Tangible Assets

Tangible assets consist of the following (TRY):

As of 31 December 2007;

	Opening 1 January 2007	Fixed assets ready for sale	Additions	Transfers	Disposals	Closing 31 December 2007
Land	7,259,011	(3,356,310)	-	-	-	3,902,701
Land improvements	48,100,194	(12,317,539)	6,841	-	-	35,789,496
Buildings	4,414,074	(333,589)	8,672	-	-	4,089,157
Machinery and equipment	638,598,995	(116,483,629)	2,040,823	5,747,526	(58,383,245)	471,520,470
Motor vehicles	3,252,887	(137,821)	333,881	-	(757,937)	2,691,010
Furniture and fixtures	8,496,038	(2,087,462)	121,531	-	(28,233)	6,501,874
Investment in progress	43,436,676	-	70,389,113	(5,747,526)	-	108,078,263
Order advances given	31,942,537	-	21,999,621	(10,393,470)	-	43,548,688
Sub total	785,500,412	(134,716,350)	94,900,482	(10,393,470)	(59,169,415)	676,121,659
Accumulated depreciation (-)	(405,703,949)	62,222,202	(50,248,175)	-	58,746,034	(334,983,888)
	379,796,463	**(72,494,148)**	**44,652,307**	**(10,393,470)**	**(423,381)**	**341,137,771**
Provision for impairment*	(13,449,706)	-	-	-	-	(13,449,706)
Total	**366,346,757**	**(72,494,148)**	**44,652,307**	**(10,393,470)**	**(423,381)**	**327,688,065**

As of 31 December 2006;

	Opening 1 January 2006	Effect of subsidiary included in the consolidation	Additions	Transfers	Disposals	Closing 31 December 2006
Land	7,259,011	-	-	-	-	7,259,011
Land improvements	47,803,504	-	27,340	269,350	-	48,100,194
Buildings	4,414,074	-	-	-	-	4,414,074
Machinery and equipment	643,822,344	-	926,207	7,724,641	(13,874,197)	638,598,995
Motor vehicles	3,390,719	33,183	-	-	(171,015)	3,252,887
Furniture and fixtures	6,249,944	-	327,655	1,918,439	-	8,496,038
Investments in progress	11,847,910	139,026	42,386,619	(9,916,615)	(1,020,264)	43,436,676
Order advances given	13,978,498	-	43,427,523	(25,463,484)	-	31,942,537
Sub total	738,766,004	172,209	87,095,344	(25,467,669)	(15,065,476)	785,500,412
Accumulated depreciation (-)	(354,738,899)	(8,849)	(56,748,886)	-	5,792,685	(405,703,949)
	384,027,105	**163,360**	**30,346,458**	**(25,467,669)**	**(9,272,791)**	**379,796,463**
Provision for impairment *	(21,488,580)	-	-	-	-	(13,449,706)
Total	**362,538,525**	**163,360**	**30,346,458**	**(25,467,669)**	**(9,272,791)**	**366,346,757**

* A portion of TRY 8,038,874 out of the total impairment of TRY 21,488,580 as of 31 December 2005 has been cancelled due to the sales made.

20. Intangible Assets

Intangible assets consist of the following (TRY):

As of 31 December 2007;

	Opening 1 January 2007	Assets ready for sale	Additions	Disposals	Closing 31 December 2007
Rights	37,124,859	(126,056)	17,614	-	37,016,417
Special costs	2,070,605	(255,558)	31,468	-	1,846,515
Sub total	39,195,464	(381,614)	49,082	-	38,862,932
Accumulated amortisation (-)	(5,056,551)	349,912	(1,155,665)	-	(5,862,304)
	34,138,913	**(31,702)**	**(1,106,583)**	**-**	**33,000,628**

As of 31 December 2006;

	Opening 1 January 2006	Effect of subsidiary included in the consolidation	Additions	Disposals	Closing 31 December 2006
Rights	37,274,093	1,650	23,869	(174,753)	37,124,859
Special costs	2,066,420	-	4,185	-	2,070,605
Sub total	39,340,513	1,650	28,054	(174,753)	39,195,464
Accumulated amortisation (-)	(3,857,673)	(248)	(1,291,831)	93,201	(5,056,551)
	35,482,840	**1,402**	**(1,263,777)**	**(81,552)**	**34,138,913**

21. Advances Received

Advances received consist of the following (TRY):

	31 December 2007	31 December 2006
Order advances received	4,315	6,947
Other order advances received*	585,150	-
	589,465	**6,947**

* Advance received for fixed assets to be sold to Batıçim Batı Anadolu Çimento Sanayii A.Ş. (Note 44(e)).

22. Pension Plans

As of 31 December 2007 and 2006 there are no pension plans.

23. Provisions for Debts

Provisions for short term debts consist of the following (TRY):

	31 December 2007	31 December 2006
Current period tax provisions (Note 41)	-	110,781
Prepaid taxes	-	(110,781)
Provisions for cost expenses	1,926,511	1,960,160
Provision for termination indemnity	80,978	-
Provision for litigation	58,782	80,867
Provision for TRT share	2,754,469	2,513,794
	4,820,740	**4,554,821**

Provisions for long term debts consist of the following (TRY):

	31 December 2007	31 December 2006
Provision for termination indemnity at the beginning of the period	1,323,815	1,311,135
Charge for the current period	70,396	12,680
Closing balance for long term debt provisions	1,394,211	1,323,815

24. Minority Interest

As of 31 December 2007 and 2006 minority interest is as follows (TRY):

	31 December 2007 Minority Interest	31 December 2006 Minority Interest
Share capital	1,246,500	1,226,500
Capital commitment	(294,752)	(373,000)
Legal reserves	19,732	19,215
Extraordinary reserves	223,455	213,614
Differences arising from inflation adjustment in equity	1,720,152	1,720,106
Retained earnings/(accumulated losses)	(1,533,457)	(1,688,433)
Current period profit/(loss)	(76,557)	165,803
	1,305,073	**1,283,805**

25. Share Capital

As of 31 December 2007 and 2006, the Parent Company's share capital consists of the following (TRY):

31 December 2007

Name	Shareholding	Book Value	Capital Adjustment	Total Adjusted Capital
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	40.12 %	26,214,408	40,917,951	67,132,359
Ömer Dinçkök	11.57 %	7,559,838	11,800,117	19,359,955
Ali Dinçkök	11.57 %	7,559,838	11,800,117	19,359,955
Other *	36.74 %	24,005,916	37,470,725	61,476,641
	100.00 %	**65,340,000**	**101,988,910**	**167,328,910**

* Represents total of shareholdings less than 10%.

31 December 2006

Name	Shareholding	Book Value	Capital Adjustment	Total Adjusted Capital
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	16.59 %	10,839,906	16,919,960	27,759,866
Aksa Akrilik Kimya Sanayii A.Ş.	15.57 %	10,173,438	15,879,673	26,053,111
Ömer Dinçkök	11.57 %	7,559,838	11,800,117	19,359,955
Ali Dinçkök	11.57 %	7,559,838	11,800,117	19,359,955
Other *	44.70 %	29,206,980	45,589,043	74,796,023
	100.00%	**65,340,000**	**101,988,910**	**167,328,910**

* Represents total of shareholdings less than 10%.

26. Capital Reserves

"Capital, Share Premium, Legal Reserves and Extraordinary Reserves" recognised among equity items in the financial statements prepared subsequent to the first-time inflation adjustment are stated at their book values. The differences arising from the inflation adjustment of the related equity items are stated in the "Differences Arising from Inflation Adjustment of Equity" account. The "Differences Arising from Inflation Adjustment of Equity" will only be used in offsetting bonus share increase or in offsetting losses.

The differences arising from inflation adjustment in equity originating from restatement of share capital, legal and extraordinary reserves as of 31 December 2007 and 2006 are as follows (TRY):

	Historical Value	Restated Value	Restatement Differences
Share capital	65,340,000	167,328,910	101,988,910
Share premium	48,869,596	173,250,498	124,380,902
Legal reserves	8,217,461	18,917,455	10,699,994
Extraordinary reserves	82,730,375	265,722,888	182,992,513
			420,062,319

27. Profit Reserves

Legal reserves, which are divided as First Legal Reserve and Second Legal Reserve as per the Turkish Commercial Code, are appropriated as below:

(a) First Legal Reserve: Appropriated out of net profit at the rate of 5% until such reserve is equal to 20% of issued and fully paid capital.

(b) Second Legal Reserve: Appropriated out of net profit at the rate of 10% of distributions after providing for First Legal Reserve and an amount equal to 5% of capital as dividends.

Legal reserves which do not exceed one half of share capital may only be used to absorb losses or for purposes of continuity of the business in times of business difficulties and to prevent unemployment or lessen its effects.

28. Retained Earnings/(Accumulated Losses)

Retained earnings/(accumulated losses) consist of the following (TRY):

	31 December 2007	31 December 2006
(Accumulated losses)	(137,089,305)	(57,868,956)
Transfer of loss for the period	(59,790,065)	(79,091,304)
Effect of subsidiary included in the consolidation	(46,115)	(132,103)
Effect of change in rate of subsidiary within the consolidation	-	3,058
	(196,925,485)	**(137,089,305)**

29. Foreign Currency Position

As of 31 December 2007 and 2006, the assets and liabilities denominated in foreign currencies which do not bear guaranteed rates of exchange, and, foreign currency amounts stated in the assets, together with their corresponding TRY equivalents are as follows:

Assets/(Liabilities):

		31 December 2007			Total
	USD	Euro	CHF	GBP	(TRY)
Cash	-	200,00	-	-	342
Banks	21,343,743	24,555,162	3	60,677	66,994,428
Customers	1,800	-	-	-	2,097
Other miscellaneous receivables	199,448	152,000	-	-	492,248
Order advances given	908,998	11,741,639	-	-	21,139,261
Suppliers	(918,540)	(501)	-	-	(1,075,829)
Capital installments and interest for long term loans	(573,452)	(4,294,556)	-	-	(8,050,876)
Other miscellaneous debts	-	-	(475)	-	(491)
Deposits and guarantees received	(400)	-	-	-	(468)
Advances received	(500,000)	-	-	-	(585,150)
Provision for cost expenses	-	-	-	(4,000)	(9,352)
Long term bank loans	(50,166,258)	(51,643,672)	-	-	(147,454,058)
Net Foreign Currency Position	**(29,704,661)**	**(19,489,728)**	**(472)**	**56,677**	**(68,547,848)**

Assets/(Liabilities):

			31 December 2006		Total
	USD	Euro	CHF	GBP	(TRY)
Cash	-	40	-	-	74
Bank deposits	22,890,747	34,540,580	3	1,829,077	101,169,703
Deposits and guarantees given	198,150	-	-	-	278,520
Other miscellaneous receivables	-	-	-	1,256	3,463
Order advances given	6,652,311	3,149,291	-	-	15,181,401
Suppliers	(2,509,349)	(2,005,944)	-	-	(7,241,146)
Capital installments and interest for long term loans	(851,125)	(3,655,825)	-	(1,758,047)	(12,811,861)
Deposits and guarantees received	(500)	-	-	-	(703)
Other miscellaneous debts	-	-	(475)	-	(546)
Provision for cost expenses	(124,619)	-	-	-	(175,165)
Long term bank loans	(43,448,045)	(35,132,578)	-	-	(126,118,541)
Net Foreign Currency Position	**(17,192,430,68)**	**(3,104,435,41)**	**(472)**	**72,286**	**(29,714,801)**

30. Government Incentives and Grants

None (2006: None).

31. Provisions, Conditional Assets and Liabilities

a) As of 31 December 2007, contingent liabilities amount to TRY 26,119,671 and USD 9,316,475 and Euro 3,008,466 (31 December 2006-TRY 10,295,383, USD 9,316,475, and Euro 775,836).

b) As of 31 December 2007, guarantees received for short term trade receivables amount to TRY 22,115,850, USD 3,249,652, EURO 7,467,866, and GBP 12,945 (31 December 2006-TRY 32,470,164, USD 3,943,348, EURO 7,484,866, and GBP 12,945).

c) As of 31 December 2007, the ongoing litigation commenced by the Parent Company against third parties and institutions amounts to TRY 700,074 (31 December 2006-TRY 535,916). As of 31 December 2007 the ongoing litigation commenced against the Parent Company amounts to TRY 86,835 (31 December 2006-TRY 187,710).

d) As of 31 December 2007, the overdue receivables and the related provisions made amount to TRY 515,297 (31 December 2006-TRY 436,269).

32. Mergers

As of 31 December 2007 and 2006, there are no mergers among companies.

33. Segment Reporting

As of 31 December 2007 and 2006, there is no segment reporting.

34. Subsequent Events

The termination indemnity upper limit which stood at TRY 2,030.19 as of 31 December 2007 has been increased to TRY 2,087.92 with effect from 1 January 2008 and to TRY 2,122.59 with effect from 1 July 2008 (31 December 2006-TRY 1,857.44).

35. Discontinued Operations

31 December 2006;

The production licenses of the power plants listed below have been cancelled upon application by the Energy Markets Regulatory Board at the corresponding dates:

Power Plant	Date and Number of License	Date of cancellation
Power Plant located at Orhangazi district in Bursa	1 April 2005-EÜ/468-08/531	1 May 2006
Mebal Power Plant located at E/5 road, Misinli Village Junction, Tekirdağ-Çorlu	1 April 2005-EÜ/468-07/530	19 November 2006
Uşak Power Plant located at Uşak Industrial Zone 102 Ave. Block 132 No.81	1 April 2005-EÜ/468-9/532	31 January 2007
Deba Power Plant located at Taşgeçit-Denizli	1 April 2005-EÜ/468-11/534	12 November 2006

Application has been made to the Energy Markets Regulatory Board for cancellation of the license dated 1 April 2005-EÜ/468-05/528 related to Batıçim Power Plant located at Ankara highway No:335 Naldöken Village, Bornova-Izmir, and the said license has not yet been cancelled as of the balance sheet date. The Parent Company has resolved to withdraw the application made to the EMRB for canceling the license of Batıçim Power Plant in order the re-start the operations at the said plant.

36. Income from Principal Activities

Income on sales, net, consists of the following (TRY):

	31 December 2007	31 December 2006
Domestic sales	452,074,250	434,240,141
Other sales	-	260,624
Sales returns (-)	-	(226,642)
	452,074,250	**434,274,123**

Cost of sales consist of the following (TRY):

	31 December 2007	31 December 2006
Cost of sales (-)	(438,553,247)	(466,779,040)

37. Operating Expenses

Operating expenses consist of the following (TRY):

	31 December 2007	31 December 2006
Research and Development Expenses	(262,935)	(134,511)
Marketing, Sales and Distribution Expenses	-	(5,417,729)
General Administration Expenses	(69,325,768) *	(18,962,966)
	(69,588,703)	**(24,515,206)**

* Includes the provision for impairment on tangible and intangible assets ready for sale, amounting to TRY 45,155,399 (Note 15).

38. Income/Expense and Profit/Loss from Other Operations

Income and profits from other operations consist of the following (TRY):

	31 December 2007	31 December 2006
Interest and other dividend income	9,836,901	12,605,071
Provisions no longer required	199,779	8,270,297
Foreign exchange gains	5,196,822	9,670,256
Rediscount interest income	154,253	129,232
Other income and profits from operations	738,685	1,736,546
Prior period income and profits	223,642	275,136
Cancellation of EMRB license	-	66,948
Compensation income	-	1,349,138
Profit on sales of fixed assets	1,027,069	146,343
Other	1,565,847	576,401
	18,942,998	**34,825,368**

Expenses and losses from other operations consist of the following (TRY):

	31 December 2007	31 December 2006
Foreign exchange losses	(11,674,025)	(5,999,666)
Provision expenses	-	(17,939)
Provisions for value decrease in affiliates	-	(4,172,298)
Rediscount interest expenses	(114,513)	(154,253)
Idle section expenses and losses	-	(101,143)
Prior period expenses and losses	(234,657)	(111,516)
TRT share	(1,980,272)	(28,226,351)
TRT share delay interest	-	(2,194,738
Loss on sales of fixed assets	(199,650)	(8,055,947)
Other	(1,023,079)	(-)
	(15,226,196)	**(49,033,851)**

39. Financial Expenses

Financial expenses consist of the following (TRY):

	31 December 2007	31 December 2006
Borrowing Expenses	(2,768,707)	(10,621,822)

40. Net Monetary Profit/Loss

CMB has declared that the high inflation period has come to an end. Therefore as of 31 December 2007 and 2006, the financial statements are no longer subject to inflation adjustments, hence monetary loss/gain is not reflected to the statement of income.

41. Income Taxes

The corporation tax rate for 2007 is 20% in Turkey (31 December 2006-20%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation through addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

Tax expenses and income stated in the statement of income are as follows (TRY):

	31 December 2007	31 December 2006
Current period Corporation Tax	-	(110,781)
Deferred tax income/(expense) (Note 14)	14,762,757	22,336,947
Total tax income/(expense)	**14,762,757**	**22,226,166**

Current period corporation tax is calculated as follows (TRY):

	31 December 2007	31 December 2006
As per statutory books	16,496,102	1,794,813
Disallowable expenses	7,512,665	230,929
Tax exempt income	(2,610,245)	-
Offsetting accumulated loss	(21,398,522)	(1,471,838)
Sub total	-	553,904
Tax rate (%)	20	20
Tax provision (Note 23)	-	110,781

42. Earnings/(Loss) Per Share

Earnings/(loss) per share is calculated as follows;

	31 December 2007	31 December 2006
Profit/(loss) for the period (TRY)	(40,280,291)	(59,790,065)
Weighted average number of ordinary shares	65,340,000	65,340,000
(per share of TRY 1 nominal value)		
Earnings/(loss) per share (TRY)	(0.62)	(0.92)

The Company Management has declared that no profit distribution will be made, due to the resulting loss in the accompanying consolidated financial statements.

43. Statement of Cash Flows

For the years ended 31 December 2007 and 2006 cash flows are as follows (TRY):

	31 December 2007	31 December 2006
Net cash flows from principal activities	19,581,565	(23,566,346)
Net cash flows from investment activities	(84,919,850)	(40,875,022)
Net cash flows from financial activities	13,426,400	93,376,889
	(51,911,885)	**28,935,521**

44. Other Issues Materially Affecting the Financial Statements or Requiring Disclosure for a Proper Interpretation and Understanding of the Financial Statements

a) Insurance totals of assets as of 31 December 2007 is TRY 479,203,588 (31 December 2006-TRY 518,378,107).

b) As of 31 December 2007, remuneration provided to top executives such as the CEO and members of the Board of Directors amount to TRY 5,026,579 (31 December 2006-TRY 2,785,397).

c) The announcement made by the Parent Company at the Istanbul Stock Exchange on 21 March 2006 is as follows:

"As appeared in the news on 20 March 2006, it is stated that a legal case is filed at the State Council with the request to cancel the production license given to Akenerji Elektrik Üretim A.Ş. regarding the operating rights of the hydroelectric power plant for a period of forty years, to cancel the related provision of the Electricity Market License Regulation which constitutes the basis of the legal case, and to cancel and suspend the execution of the "Communiqué on the Procedures Related to the Obligatory Selection in the event of Making More than One Application Regarding the Same Region and the Same Source for the purpose of Power Generation", that the execution has been suspended in regard to Çınarcık-Uluabat Power Tunnel and the hydroelectric power plant by the State Council as per the announcement of the Chamber of Electrical Engineers, and in regard to the communiqué and provision of the regulation constituting the basis of the license.

Our Company is not the defendant party at the legal case of annulment with the request of suspension of execution filed by the Chamber of Electrical Engineers with nr 2005/9346 at the State Council against the Energy Markets Regulatory Board (EMRB), but has made a request for intervention as of 6 January 2006 in the case as standing by the defendant EMRB.

At the Higher Court where our Company made a request for intervention as at 1 March 2006, decision is made to accept the request of suspension of execution made by the plaintiff Chamber of Electrical Engineers, with respect to the resolution of the same Court to suspend execution of the regulatory transactions constituting the basis of administrative act as of 8 February 2006 by file 2006/8292."

d) The legal case commenced at Ankara 1st Administrative Court with file nr. 2004/1716 by Power Generators Association together with Akenerji Elektrik Üretim A.Ş. against Turkish Radio and Television Institution (TRT Institution) with the demand to cancel the administrative act of payment of the TRT share to the TRT Institution has been declined by the said Court's resolution nr. 2005/167, however the local court resolution has been reversed by the State Council by file nr 2005/5560 and ruling nr. 2005/6151. The case resolved at the 1st Administrative Court as per the reversal decision of the State Council has been subject to general challenge and this resolution has been appealed; however the 10th Council of State acting as the court of appeal has rejected the request for appeal and approved the resolution of the local court.

While the case is pending, Turkish Radio and Television Institution has commenced a second administrative act against Akenerji Elektrik Üretim A.Ş. demanding a total of TRY 30,202,811.74 including the capital of TRY 18,592,372.90 and the related interest of TRY 11,605,438.84. With regard to this act and taking the opinion of Legal Consultants of the Company, a total of TRY 21,402,007.44 including the capital of TRY 13,913,832.09 and the related interests of TRY 7,488,175.35 has been paid to the Institution with a note of reservation upon notification of Beşiktaş 5th Notary dated 25.04.2006 nr. 10213. The Company management has stated that the TRT share demanded as stated above has been miscalculated, that this calculation is based on issues such as wholesale, steam sales, scrap sales, equipment sales, system utilization transmission fees, and distribution fees which are not to be taken as basis, and that the statement made by the Energy Markets Regulatory Board (EMRB) expresses that accrual of the total TRY share and energy fund calculated over the transmission and distribution tariffs added onto the same tariffs is not agreeable.

In addition to the above, the Company has filed for a case of suspension for execution of the TRT request in line with the resolution made to file for a separate case to cancel the administrative act. The 10th Council of State hearing the case has rejected the request for the suspension of execution by file nr 2006/3269, and the appeal made by the Company against this resolution to the Board of Administrative Acts of the State Council has not been accepted. The case is currently pending.

e) The Parent Company's letter dated 24 October 2007 which has been forwarded to the Istanbul Stock Exchange is as follows:

"With the objectives to lower our Company's production costs below the average level in the sector and to sell the gas turbines which are mostly used in the textile sector, for the purpose of creating funds for investing in the hydroelectric, coal or wind power plants; unanimous resolution is made to receive the necessary permissions from the Energy Markets Regulatory Board as per the provisions of Electricity Market License Regulation, from the Undersecretariat of Treasury as per the Provisions of the Communiqué nr. 2006/3 in relation to the Implementation of Resolution Regarding Government Aids in Investments, and from the Competition Board as per the Provisions of the Communiqué Related to Mergers and Acquisitions subject to Permission from the Competition Board so as to accomplish business transfer together with the workers of the currently operative cogeneration electrical power generation plant with a total production capacity of 45-MW composed of seven units operating with natural gas, bearing the investment incentive document dated 20.03.2000 nr. 61965 and the 15-years production license of T.C. Energy Markets Regulatory Board dated 01.04.2005 nr. EÜ/468-5/528 together with the investment completion visa, under the ownership of our Company located in the building situated at the address of "Naldöken Village, Ankara Road, Bornova district, No: 335-Izmir" registered under the name of Batıçim Batı Anadolu Çimento Sanayi A.Ş. at Bornova 2. Region Land Registry under Section 1-2-3, Block 18927, Parsel 2, to the company Batıçim Enerji Elektrik Üretim A.Ş. registered at İzmir Trade Registry by registration number Merkez-134607-K-11242."

f) The Parent Company's letter dated 1 November 2007 which has been forwarded to the Istanbul Stock Exchange is as follows:

"At the Board of Directors meeting held at the head office of the Company, the following resolutions have been made:

In relation to the integration of CEZ a.s whose head office is situated at Praha 4, Duhova 2/1444, PSC 14053-Czech Republic, established and operating under the Czech Republic laws among our the shareholders of our Company, negotiations have started among the authorities of the said company and ours, and public announcements related to further developments will be made in due course."

g) The Parent Company's letter dated 12 November 2007 which has been forwarded to the Istanbul Stock Exchange is as follows:

"At the Board of Directors meeting held at the head office of the Company, the following resolutions have been made:

With the objectives to lower our Company's production costs below the average level in the sector and to sell the gas turbines which are mostly used in the textile sector, for the purpose of creating funds for investing in the hydroelectric, coal or wind power plants; resolution is made unanimously to transfer from our natural gas operated cogeneration power plant with a total built-in capacity of ((2x10,5)+17+21,5+(5,25x2))=70,00-MW situated at Tasköprü District in Yalova, bearing the production license dated 01.04.2005 nr. EÜ/468-6/529 to our group company Aksa Akrilik Kimya Sanayi Anonim Şirketi the four units with a power of ((2x10,5)+17+21,5)=59,5 MW and to our group company Ak-Kim Kimya Sanayi ve Ticaret Anonim Şirketi the two units with a power of (5,25x2)=10,5 MW; and in order to realize the transfer operations, to receive the necessary permissions from the Energy Markets Regulatory Board as per the provisions of Electricity Market License Regulation, from the Undersecretariat of Treasury as per the Provisions of the Communiqué nr. 2006/3 in relation to the Implementation of Resolution Regarding Government Aids in Investments; to determine the transfer price and payment terms by the related parties taking as basis the value stated in the report of the valuation company determined by the Capital Markets Board; subsequent to receipt of the abovementioned permissions, to realize the transfer operations and to make all the public announcements related to the said operations."

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