AKKÖK
CEZ GROUP

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Agenda of the Ordinary General Assembly

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING OF AKENERJİ ELEKTRİK ÜRETİM ANONİM ŞİRKETİ FOR THE OPERATING YEAR 2011 TO BE HELD ON JUNE 20, 2012

I- that the Ordinary General Meeting of our Company for the operating year 2011 will be held on June 20, 2012, at 13:00 pm in Grand Hyatt Istanbul Hotel, Troy Hall at Taşkışla Caddesi, No: 1, 34437, Taksim, Istanbul,

II- that the Ministry commissioner will be invited to the General Assembly meeting by filing an application with the Provincial Directorate of Science, Industry and Technology,

III- that the meeting agenda will include the following items:

AGENDA

1- Opening and election of the General Assembly Meeting Council,

2- Authorization of the Meeting Council to sign the minutes of General Assembly Meeting,

3- Presentation, discussion and approval of the 2011 Annual Report, the Auditor's and Independent Auditors' Report,

4- Presentation, discussion and approval of the balance sheet and income statement and the dividend distribution proposal of the Board of Directors for the year 2011,

5- Release of Members of the Board of Directors and the Auditors separately, from liability as regards to their operations in 2011,

6- Approval of the amendment to Article 4: "Purpose and Subject," Article 5: "Company's head Office," Article 6: "Date of Incorporation and Term," Article 11: "Board of Directors," Article 14: "Duties and Powers of the Board of Directors," Article 16: "Board Meetings- Quorum for Meeting and Resolution," Article 20: "General Assembly Meetings- Quorum for Meeting and Resolution", Article 21: "Attendance of Ministry Commissioner at Meetings", Article 25: "Annual Reports," Article 29: "Amendments to the Articles of Incorporation," Article 30: "General Assembly Meetings-Announcements on Reduction of Capital and Dissolution," Article 31 "Submission of the Articles of Incorporation" of the Articles of Incorporation and including Provisional Article 2: "Corporate Governance Principles Compliance" to the Articles of Incorporation, provided that necessary authorizations are obtained from the Capital Market Board (CMB), the Energy Market Regulatory Authority (EMRA) and the Turkish Ministry of Customs and Trade,

7- Determination of the number of Board members, their office terms and remuneration, election of members in line with the number thus determined and approval of election of Independent Board members,

8- Election of auditors and determination of their remuneration,

9- Approval of the Independent Auditing Firm, designated by the Board of Directors, upon the proposal by the Audit Committee, pursuant to the "Communiqué on the Independent Auditing Standards for Capital Markets," issued by the CMB,

10- Authorization of the shareholders controlling the management, Board members, top executives and their blood relatives and by marriage up to second degree to be engaged in any activity that may result in conflict of interest and to compete with the Company or its subsidiaries, to undertake business that falls within the business scope of the company on behalf of themselves or of others and to be shareholders in companies that undertake such business and to be engaged in other activities, pursuant to the CMB's Corporate Governance Principles and to authorize the Board members also according to Articles 334 and 335 of the Turkish Commercial Code and to inform the General Assembly about the transactions realized in this respect,

11- Providing information to the General Assembly about the "Remuneration Policy" for the Board members and top executives, as per the Corporate Governance Principles,

12- Providing information to the General Assembly about the "Corporate Disclosure Policy" for the Board members and top executives, as per the Corporate Governance Principles,

13- Providing information to shareholders about the assurance, pledge, mortgage and guarantees provided by the Company in favor of third parties and the revenues or benefits gained by the Company,

14- Providing information to the shareholders about the aids and donations granted by the Company pursuant to the Capital Market legislation and about the related party operations realized under the evaluation reports obtained as per the provisions of the 'Communiqué on the Principles to be observed by the Joint Stock Companies subject to the Capital Market Law' Series: IV No: 41.

BOARD OF DIRECTORS

The energy we generate inspires confidence...

As one of the leading players in the Turkish energy sector, Akenerji has sustained its high rate of investments in 2011. Registering remarkable progress in terms of EBITDA in 2011, Akenerji is continuing to move forward towards its new objectives by reinforcing trust in the Company.

Energy of trust

In 2011, Akenerji started to import energy from Bulgaria and realized the first energy export to Greece. Furthermore, the Company signed the European Federation of Energy Traders' (EFET) contract with the German energy firm RWE, as a first in its field and thereby has taken a noteworthy step to attain a more transparent and liberal structure for the Turkish energy sector.

Akenerji in Brief

Backed by its operational competencies and visionary strategy, Akenerji is strengthening its position as the "leading energy company."

Generation Capacity
658.2 MW electricity
417 tons of steam

Power Plants
Bozüyük NGPP (132 MW)
Çerkezköy NGPP (98 MW)
Kemalpaşa NGPP (127.2 MW)

Ayyıldız WPP (15 MW)

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

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

Number of Employees
311

2011 turnover
TL 560 million

Energy of the change

As a member of the Akkök Group of Companies, Akenerji is one of the largest private power generation companies in Turkey. The Company started its operations in 1989 with the auto producer group in the power sector; in 2005, the Company changed its status and the trade name to Akenerji Elektrik Üretim A.Ş. (Akenerji Power Generation Inc.). With 22 years of experience in power generation, Akenerji maintains its pioneering position in the Turkish power generation industry based on a total 658.2 MW power generation capacity and its ongoing investments. The Company closely watches the developments in the liberalized energy sector and effectively implements strategic decisions using proactive approaches. These qualities, such as flexibility and a renewed competitive edge are further strengthening the Company's position among Turkey's leading industrial establishments. Akenerji has appeared in the list of "Turkey's 500 Largest Industrial Establishments" released by the Istanbul Chamber of Industry (ICI) uninterruptedly since 1993. In 2010, the Company was ranked 274th among the ICI 500 with net sales revenue from production listed as TL 216,882,725.

Benefitting from its operational competence and visionary strategy, Akenerji is strengthening its position as "pioneering energy corporation" and setting an example in the sector with its investments in renewable energy resources. Continuing operations utilizing an integrated concept, Akenerji is focusing on regular pre-analysis of market risk and on implementation of the right strategy at the right time when carrying out its activities. The Company owns one of the most comprehensive customer portfolios in this sector which continues to expand at a fast pace. Within the framework of the energy purchase agreements concluded with several energy corporations, in addition to the power plants, the Company is achieving management and sales of energy well above its existing capacity. Having achieved the first cross-border energy trade via the European interconnected system in 2011, the Company is closely following opportunities to play an active role in international trade.

Strategic alliances shaping our future in terms of energy

Akenerji, a leading company in the power generation and trade industry, formed a consortium with Akkök and the Czech power company ČEZ under the title of "AkCez" and won the tender for the privatization of Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) with a bid of US$ 600 million. As of February 2009 Akenerji is an integrated company that has taken over electricity distribution in a region that covers Sakarya, Kocaeli, Bolu and Düzce in the heartland of the nation's industry, serving the final consumer.

With the participation of SEDAŞ, Akenerji reached an active position in all its operations such as generation, distribution, energy trade, power wholesale and retail sales and became an integrated energy company by expanding its operations to all possible areas that private sector energy companies operate.

The collaboration between Akkök and ČEZ before the SEDAŞ tender has been turned into a strategic alliance with equal participation upon the signing of the agreement in October 2008. Accordingly, 50% of Akenerji's non-public shares have been assigned to ČEZ Group against an amount of US$ 303 million. Based on this agreement, Akenerji has enjoyed the support of two powerful corporations: Akkök and ČEZ. The first investment in a generation was made after the establishment of this strategic alliance has been the Egemer Natural Gas Combined Cycle Power Plant at Erzin in Hatay.

Despite the uncertainties prevailing in the global economy, the alliance has not rescheduled its investment plans and will gain more strength when the 900 MW Egemer Natural Gas Combined Cycle Power Plant is launched. With reliable energy investments accomplished using environmental friendly technology, Akenerji continues to fortify its position within the sector and to shape the country's energy future.

Investment for a clean and sustainable future

Akenerji, which is among the leading companies in Turkey in power generation, has been supporting a cleaner and sustainable energy future, being responsible towards society and environment. In order to diversify its sources of generation and to manage fuel resources risks -besides its investments in natural gas- Akenerji has been among the pioneering private power generation companies that invest in renewable energy.

In 2005, when the Energy Market Regulatory Authority (EMRA) managed its first tenders to build hydroelectric power plants, Akenerji began to invest in these kinds of projects. Launching its first renewable energy generation plant, Ayyıldız Wind Power Plant in 2009, Akenerji has also launched Akocak, Bulam, Burç Bendi, Feke II and Uluabat Hydroelectric Power Plants in 2010 and increased its installed capacity on renewable resources to 301 MW. Thus, the Company increased its share of renewable energy, within the total installed capacity, to 46% and accomplished a leap forward with the further diversification of its fuel portfolio. During 2012, the Company intends to commission Feke I, Himmetli and Gökkaya HEPP projects, currently under construction, with total capacity of 87 MW.

Continuing its investments in the field of renewable energy, Akenerji purchased İçkale Enerji Elektrik Üretim ve Tic. A.Ş. in 2010, holder of the license for the Kemah Dam and Hydroelectric Power Plant with a total of 160 MW installed capacity. In 2011, the Company revised the installed power of the Kemah Hydroelectric Power Plant Project by increasing it to 198 MW, up from 160 MW. As the largest HEPP Project in the Akenerji portfolio, the Kemah Dam and HEPP Project is expected to be completed and commissioned in 2016.

Developments leaving their mark in 2011

In 2011, Akenerji took another noteworthy step that has helped shape the energy market. An energy sale transaction by Akenerji to the German RWE, one of the leading power and gas corporations in Europe, was realized upon execution of EFET (European Federation of Energy Traders) agreement. Accordingly, Akenerji was the first energy corporation that applied the general agreement with the EFET, established to develop and support energy trade in Europe, for the first time in Turkey.

Akenerji in Brief

Akenerji participated in the Cross Border Transmission Capacity Tender held by TEİAŞ and obtained the capacity utilization right for 20 MW base load TEİAŞ line in August.

Akenerji participated in the Cross Border Transmission Capacity Tender held by TEİAŞ, obtained the capacity utilization right for 20 MW base load TEİAŞ line in August and realized its first import. The second cross border trade activity was carried out as an export to Greece in November. In order to cope with rapidly changing supply and demand equilibrium, Akenerji aims to enlarge its contribution to meet seasonal demand increases in Turkey by gaining experience in international trade.

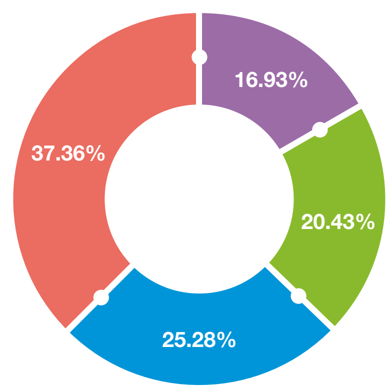
In accordance with its growth strategies, Akenerji has become the first energy corporation in Turkey to receive the Investors in People (IIP) Commitment Certificate. The Company completed studies initiated in 2010 rapidly in a ten-month period and became eligible to receive the certificate in March 2011. IIP, the first and only international management and development standard offering an integral and result-oriented framework to increase the company performance through developing the human resources, aims to create a human-oriented development and management culture.

Subsidiaries and Affiliates

- AkCez Enerji Yatırımları Sanayi ve Ticaret A.Ş.
- Ak-El Yalova Elektrik Üretim A.Ş.
- Aken BV
- Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Tic. A.Ş.
- Akka Elektrik Üretim A.Ş.
- Akkur Enerji Üretim Tic. ve San. A.Ş.
- Egemer Elektrik Üretim A.Ş.
- Mem Enerji Elektrik Üretim San. ve Tic. A.Ş.
- Ak-El Kemah Elektrik Üretim A.Ş.
- Akenerji Doğalgaz İthalat-İhracat ve Toptan Tic. A.Ş.
- Sakarya Elektrik Dağıtım A.Ş.*

* As of February 11, 2009, Sakarya Elektrik Dağıtım A.Ş., which was purchased by AkCez Enerji Yatırımları Sanayi ve Ticaret A.Ş., is an indirect affiliate of Akenerji Elektrik Üretim A.Ş. and therefore included in the consolidated financial tables via shareholders' equity.

Share Structure



- Akkök
- ČEZ A.Ş.
- Akarsu Enerji Yatırımları San. ve Tic. A.Ş.
- Free Float

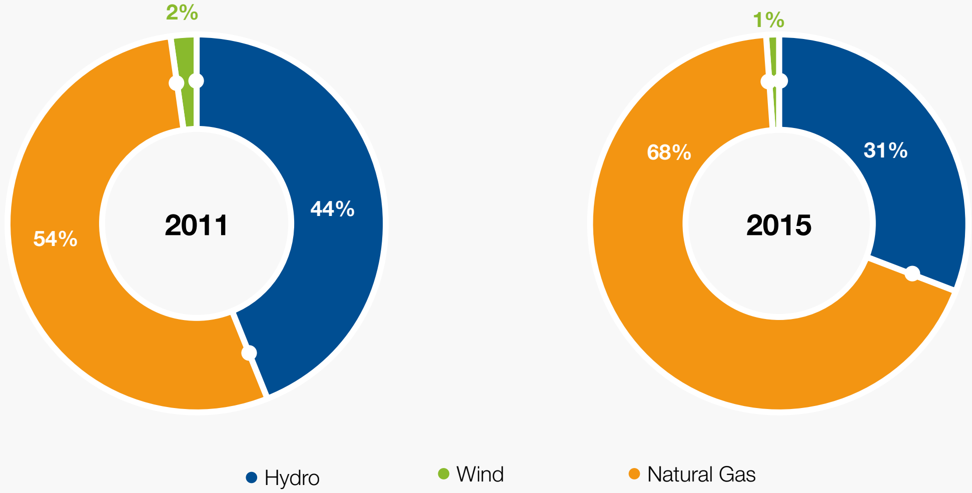
Paid-in capital in 2011:
TL 375,814,000


AKENERJİ

Map of Operations

Akenerji is achieving top of the line investments that will strengthen its competitive edge, by realizing resource diversification in power generation.

Distribution of Installed Capacity According to Resources



Installed Capacity

Installed Capacity (MW)

Bozüyük NGPP	132 MW
Çerkezköy NGPP	98 MW
Egemer NGPP**	900 MW
Kemalpaşa NGPP	127.2 MW
Ayyıldız WPP	15 MW
Akocak HEPP	81 MW
Bulam HEPP	7 MW
Burç Bendi HEPP	28 MW
Feke I HEPP**	30 MW
Feke II HEPP	70 MW
Gökkaya HEPP**	30 MW
Himmetli HEPP**	27 MW
Kemah HEPP*	198 MW
Uluabat HEPP	100 MW

* Investments in project phase
** Investments in construction phase

Steam Generation Capacity

Bozüyük Natural Gas Plant	141 tons/h
Çerkezköy Natural Gas Plant	144 tons/h
Kemalpaşa Natural Gas Plant	132 tons/h

Current Generation Capacity

(Natural gas, hydroelectric and wind)

658.2 MW

Investments in Construction Phase

(Natural gas and hydroelectric)

987 MW

Investments in Project Phase

(Hydroelectric)

198 MW

Geothermal Licensing Phase

5 fields

Financial and Operational Indicators

Akenerji increased its operating profit from TL 8 million in 2010 to TL 59 million in 2011.

Consolidated Financials (TL million)

	2007	2008	2009	2010	2011
Net Sales	452	607	457*	428	560
Gross Sales Profit	14	100	65	43	110
EBIT	(55)	67	24	8	59
EBITDA	(4)	89	50	36	106
Net Profit /(Loss)	(40)	90	24	(26)	(213)
Total Current Assets	196	238	353	187	220
Short-Term Liabilities	57	116	426	471	644
Working Capital	23	46	38	9	(3)
Tangible and Intangible Assets	361	537	852	1,353	1,539
Total Financial Liabilities	156	297	708	926	1,419
Total Assets	595	863	1,506	1,911	2,229
Total Liabilities	206	386	791	1,146	1,705
Shareholders' Equity	388	478	715	765	525
Period End Value of Cash and Similar Assets	88	101	188	40	85
CAPEX	70	130	364	465	267
ISE	686	399	915	1,357	691
Average FTE (Full Time Employee)	208	217	235	289	315

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

Net Sales (TL millions)

2007	452
2008	607
2009	457*
2010	428
2011	560

Total Current Assets (TL millions)

2007	196
2008	238
2009	353
2010	187
2011	220

Total Assets (TL millions)

2007	595
2008	863
2009	1,506
2010	1,911
2011	2,229

Total Shareholder's Equity (TL millions)

2007	388
2008	478
2009	715
2010	765
2011	525

* The transfer of Yalova Power Plant, with a total of 70 MW installed capacity, to Aksa Akrilik Kimya San. A.Ş. on April 30, 2009 has been reflected as a drop in net sales.

Financial Ratios

Return on Equity (%)

2007	(10)
2008	19
2009	3
2010	(3)
2011	(41)

Current Ratio

2007	3.45
2008	2.05
2009	0.83
2010	0.40
2011	0.34

Total Liabilities/Total Equity

2007	0.53
2008	0.81
2009	1.11
2010	1.50
2011	3.25

Total Liabilities/Total Assets

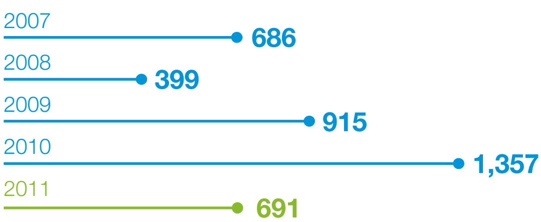
2007	0.35
2008	0.45
2009	0.53
2010	0.60
2011	0.76

Financial and Operational Highlights

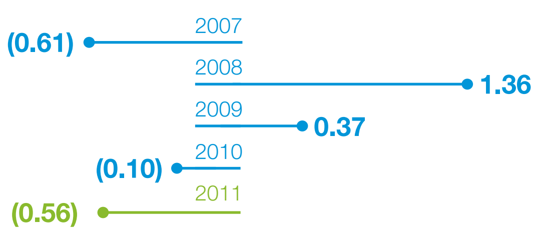
Akenerji intends to maintain its financial performance in 2012 upon commissioning of new hydroelectric power plants.

ISE Performance

Year-end Market value-ISE (TL million)

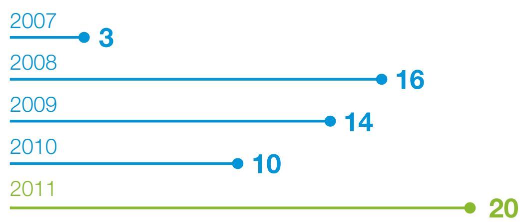


Profit/Loss per Share

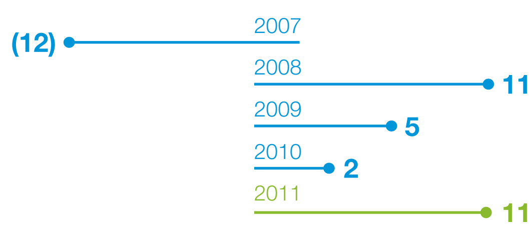


Profit Margins

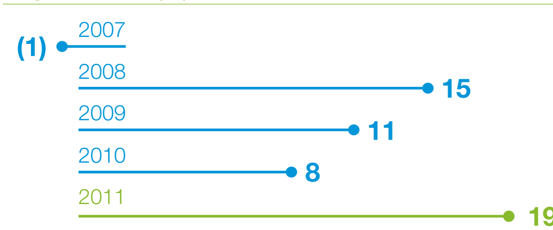
Gross Profit Margin (%)



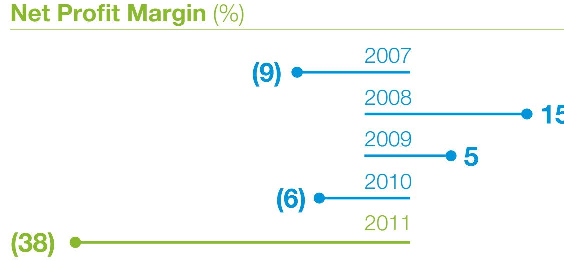
Operating Profit Margin (%)



Earnings Margin before Interest, Tax and Depreciation (%)



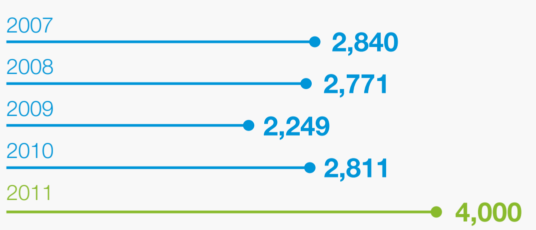
Net Profit Margin (%)



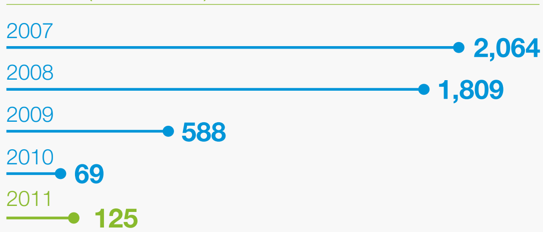
With the ability to carry out all generation, distribution, energy trade, energy retail and wholesale activities with the participation of SEDAŞ, Akenerji has become an integrated energy company by implementing activities in all possible fields that allow for private sector energy companies in Turkey.

Sales

Electricity (GWh)

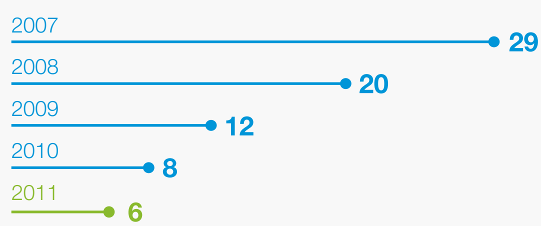


Steam (1,000 tons)

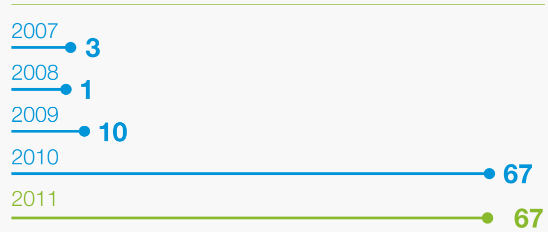


Electricity Sales Distribution (%)

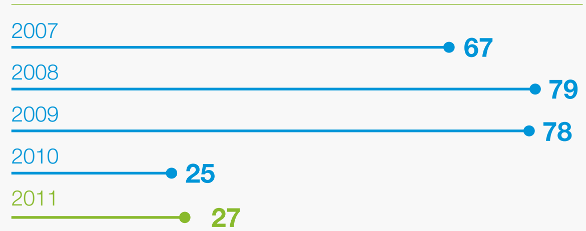
Direct



Indirect



DUY / Other

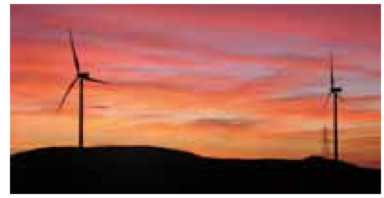


The energy of responsibility

Akenerji is carrying out its operations utilizing the utmost care for the protection of natural resources and with environmentally friendly generation. Disclosing its policies to the public with regard to greenhouse gas emissions and climate change under the scope of the Carbon Disclosure Project (CDP), the Company is leading the energy market for this and for emission trade.

The 2009 commissioned Ayyıldız Wind Power Plant has been registered in accordance with the Gold Standard. To date, Akenerji has completed the certification process for Uluabat, Burç, Akocak, Feke I and Feke II power plants.

Milestones



1989

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

1993

The Yalova Power Plant, with an installed capacity of 59.5 MW, was taken over gradually from Aksa Akrilik Kimya Sanayii A.Ş.

Akenerji came in 188th in the "Top 500 Industrial Corporations" list prepared by the Istanbul Chamber of Commerce (ICC). Akenerji has risen in the ICC 500 list since 1993.

1996

Çerkezköy Power Plant, with a total installed capacity of 98 MW, commissioned in phases.

With the 6.3 MW installed capacity, the Alaplı Power Plant also became operational.

1997

Bozüyük Power Plant commissioned with a 132 MW installed capacity.

2000

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

2001

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

2002

The capacity of Gürsu Power Plant increased to 15.60 MW.

2003

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

2005

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

As a result of the hydroelectric power plant tenders managed by the Energy Market Regulatory Authority (EMRA) in early 2005, Akenerji was granted the right to operate Uluabat Hydroelectric Power Plant (100 MW) and Akocak Hydroelectric Power Plant (81 MW) for a period of 49 years.

Izmir Kemalpaşa Power Plant started up with 127.2 MW installed capacity.

2006

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

2007

As a result of market developments, operations at Orhangazi, Uşak, Gürsu, Çorlu and Denizli power plants have been terminated and the respective licenses have been cancelled.

Akenerji filed its licensing application for the Yamanlı III (Himmetli-Gökkaya 57 MW) project and acquired the Mem Enerji Elektrik Üretim Sanayi T.A.Ş., license holder for Bulam Regulator and Hydroelectric Power Plant project (7 MW).

2008

Batıçim Power Plant has been sold to Batıçim Enerji Elektrik Üretim A.Ş. and the license has been assigned accordingly.

Due to market developments, the license of Alaplı Power Plant has been cancelled.

Akenerji established a consortium between the Akkök Group of Companies and the Czech company ČEZ; and has won the SEDAŞ tender, now called AkCez.

2009

SEDAŞ transferred to the AkCez consortium with a handover ceremony held in Ankara, on February 11, 2009.

Following the strategic partnership agreement signed with ČEZ, with a target of reaching a 3,000 MW installed capacity in five years, Akenerji bought Egemer Elektrik Üretim A.Ş., owner of the natural gas power plant project with an installed capacity of 900 MW in Hatay, on March 20, 2009. Being the first generation investment of the Akenerji- ČEZ partnership, the Egemer Project is also the biggest one-off investment of the Company to date.

The Yalova Power Plant's license transferred to Aksa as of April 30, 2009.

Share transfer process between Akkök Group of Companies, one of the most prominent Turkish industrial groups, and ČEZ, the leading power company of Central and Eastern Europe, completed. In line with the agreement, ČEZ acquired 37.36% of Akenerji shares on May 14, 2009.

The Ayyıldız Wind Power Plant commissioned on September 2009 with an installed capacity of 15 MW.

2010

Akenerji purchased İçkale Enerji Elektrik Üretim ve Tic. A.Ş. that holds the license for Kemah Dam and Hydroelectric Power Plant with an installed capacity of 160 MW. (The acquired company was renamed Ak-El Kemah.)

An agreement has been signed to purchase Polat Energy's wind power plants' total generation capacity of 100 MW installed capacity until the end of 2010. This collaboration has been extended until the end of 2011 with the renewal agreement signed yearend 2010.

Çınarcık Dam and the Uluabat Power Tunnel Hydroelectric Power Plant with an installed capacity of 100MW became operational.

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

Burç Bendi Hydroelectric Power Plant with 28 MW installed capacity commissioned.

Bulam Hydroelectric Power Plant with 7 MW installed capacity commissioned.

Feke II Hydroelectric Power Plant with 70 MW installed capacity commissioned.

Akenerji's 2009 Annual Report won the Gold and the Bronze Award in two categories of League of American Communications Professionals.

Akenerji's 2009 Annual Report won the Gold Award in 24th "The Academy Awards of Annual Reports" competition.

2011

Akenerji has become the first energy company in Turkey to be awarded the IIP (Investors in People) Commitment Certificate.

Akenerji has become the first energy company in Turkey to apply the European Federation of Energy Traders (EFET) contract in Turkey.

Akenerji participated in the Cross Border Transmission Capacity Tender held by TEİAŞ and initiated energy import and export activities.

Akenerji was granted the Energy Oscar, given for the first time last year, at the 17th International Energy and Environment Fair and Conference-ICCI2011 event. Having established the first co-generation plant in Turkey, the Company won the award in the category of "Best Leading Investor of the Year."

Akenerji extended its cooperation until end 2011 with the aim of acquiring the whole generation capacity of Polat Enerji's wind plants. It has purchased the entire 128.3 MW installed capacity wind plant, planned to be increased gradually to 189.2 MW before year's end, upon execution of the agreement in May 2011.

Akkök in Brief

As a consequence of globalization and increased international competition, the Akkök Group has focused its activities in the fields of chemistry, energy and real estate.

Akkök Group of Companies

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

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

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

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

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

The Akkök Group of Companies, established in 1952 by the late Mr. Raif Dinçkök, comprise 17 commercial and industrial companies (one of which is abroad), as well as 18 production plants in various sectors. Due to increased globalization, international competition and the integration process of the world economy, the Group has focused its operations on chemistry, energy and real estate.

Akkök Group of Companies

Aksa is the world's largest vertically integrated producer of acrylic fibers, with a production capacity of 308,000 ton per year. With a 14% share in the world acrylic fiber production, in pursuit of its product innovation strategy, Aksa's investment in carbon fibers created a company that is Turkey's first and only, and the world's ninth largest carbon fiber producer.

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

The Company achieved energy distribution of 6.7 billion kWh in 2011 through SEDAŞ, the first positive outcome of the strategic alliance between Akkök and the ČEZ Group, Europe's leading energy corporation.

2.9

With its 3,200 employees, Akkök Group of Companies has gained US$ 2.9 billion consolidated turnover during 2011.

Akiş, a subsidiary of the Akkök Group of Companies, with proven achievements in the real estate sector through its Akmerkez project, opened Akbatı Shopping and Wellness Center in the Esenyurt section of Istanbul in September 2011. The Company maintains its fast growth in the sector with ongoing projects such as Akbatı White Tower at Esenyurt and Akasya Residence and Shopping Mall project in Acıbadem.

With the commissioning of three hydroelectric power plants with a total capacity 87 MW in the next year and upon completion of Egemer Natural Gas Combined Cycle Power Plant with around 900 MW capacity and Kemah HEPP with 198 MW installed capacity, in addition to its current total installed capacity of 658.2 MW, 301 MW of that depending on renewable source of energy, Akenerji will attain the capacity to realize a major part of the energy generation of Turkey.

Egemer Natural Gas Combined Cycle Power Plant planned to be constructed at Erzin, Hatay is one of the outstanding projects of the Akkök- ČEZ strategic alliance that will be achieved by Akenerji. The design of the Egemer Natural Gas Combined Cycle Power Plant is prepared by Egemer Elektrik Üretim A.Ş., a subsidiary of Akenerji; the average annual generation of the power plant is anticipated to be 6.7 billion kWh.

Bringing to the region a contemporary, environmentally friendly high-efficiency power plant, the project will realize 2.6% of Turkey's total power generation, thus will play a key role in meeting the rapidly increasing deficit in the power supply.

Producing more than 400 different chemical products in its plants with a total production capacity of 600,000 tons, Ak-Kim has penetrated world markets offering a wide variety of products and has completed turnkey projects in foreign countries.

Akiş, a subsidiary of the Akkök Group of Companies, with its proven achievement in the real estate sector through its Akmerkez project, opened Akbatı Shopping and Wellness Center in the Esenyurt section of Istanbul in September 2011. The Company maintains its fast growth in the sector with ongoing projects at Akbatı White Tower in Esenyurt and the Akasya Residence and Shopping Mall project in Acıbadem. Akiş aims to realize new, unique and large-scale real estate projects, primarily inner-city shopping mall projects that increase value on a daily basis.

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

Akkök Group of Companies with its 3,200 employees, has attained a combined turnover of US$ 2.9 billion in 2011; US$ 458 million of this total consists of exports to over 50 countries.

ČEZ in Brief

ČEZ has retained its credit rating with international rating agencies based on its solid financial stability and has become one of few companies with this status.

As a dynamic and integrated energy corporation of the Czech Republic, ČEZ a.s. operates in the areas of coal mining, natural gas sales and carbon trade along with power and heat generation, distribution and sales, its main fields of activity. The Czech Republic holds 70% of ČEZ shares and is the Company's major shareholder. Having defined its primary mission as providing the highest added value to its shareholders, ČEZ carries out operations within four essential objectives:

To increase the performance in core processes and to attain optimum cost efficiency

In line with this objective, ČEZ intends to become the most efficient energy corporation within the European energy sector in 2012.

To expand its operations beyond the Czech Republic in specified target countries

Within this framework, the Central and Southeast European countries, experiencing the transition phase to liberal economy, constitute the target markets for ČEZ. One of the prime goals of ČEZ is to penetrate into these markets through bidding for privatization tenders held in countries across these regions.

To update the power plant portfolio for continuous success

ČEZ plans to make investments in the rehabilitation of outdated thermal power plants using lignite coal and for the construction of new generation power plants with high efficiency. Renewable power plants have a significant share among these power plants. In line with its target, ČEZ intends to retrofit existing power plants in Hungary, Romania, Bulgaria, Poland, Slovakia and Turkey and to construct new power plants in these countries.

Innovation

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

As of 2011, ČEZ has many subsidiaries operating in Poland, Bulgaria, Romania, Holland, Germany, Hungary, Serbia, Turkey, Albania and Slovakia in addition to the Czech Republic. The Company is engaged in power distribution and sales in the western part of Bulgaria and in power generation at the thermal power plant located in the eastern part of the country, near Varna. Being engaged in power generation, distribution and sale activities in Romania, ČEZ has two thermal power stations in Romania using pit coal for production. ČEZ has a joint enterprise in Germany engaged in coal mining, while serving as the sole power distribution company in Albania. In Slovakia, the Company is carrying out its studies together with its partner to build a nuclear power plant in the region of Jaslovské Bohunice. Engaged also in power selling activities in the countries in which it operates, ČEZ closely monitors opportunities in such countries, as well.

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

Mission, Vision and Values

Mission

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

Vision

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

Institutional Values

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

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

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

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

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

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

Common Competences of Akenerji Employees

Communication: The Akenerji employee conveys knowledge and ideas forthrightly to individuals and groups by various written and/or verbal means; this ensures that the target group will take notice of, understand and remember that which was conveyed.

Persuasion: The Akenerji employee exhibits proper attitudes to ensure the acceptance of ideas and plans and communicates with other in an effective manner; exhibits required attitudes and behaviors with different individuals, situations and tasks.

Result Oriented: The Akenerji employee sets the highest goals both for individuals and the team; measures the level of attainment of these goals; feels satisfied with attaining the objectives and continuous improvement and acts with determination to attain or pass over the objectives.

Cooperation: The Akenerji employee identifies the opportunities to establish/develop cooperation between its own work area and other work areas, teams, departments and units in order to attain business goals.

Planning and Organizing: The Akenerji employee forms action plans for itself and other individuals to ensure that their work is completed in an efficient manner.

Decision Making: The Akenerji employee detects and understands problems and opportunities; compares the data gathered using different sources to come through; defines the approaches to be employed to find suitable solutions and actions; takes action considering the available data, constraints and implications.

Customer Oriented: The Akenerji employee makes the customer and their needs the principal focus of every effort made; develops and maintains efficient customer relations.

Energy of the future

Initially established to meet increasing energy demand in Turkey and to establish a cost-efficient and highly productive facility, Akenerji developed the Egemer Natural Gas Combined Cycle Power Plant project. Despite the global economic crisis in 2011, the Company managed to raise funds for the project and initiated the construction of the power plant that is expected to become operational in 2014. Located in Erzin county in the Hatay region, the power plant will have an annual power generation capacity of 6.7 billion kWh. Designing and actualizing future energy sources today, Akenerji believes that a robust economy can be achieved through powerful energy sources.

Message from the Chairman

One of the first companies in Turkey to invest in renewable energy, Akenerji strives to create a clean and sustainable future in energy.

Mehmet Ali Berkman
Chairman

Dear Shareholders,

We have left behind the year 2011, filled with uncertainties that prevailed in commodity markets and the ongoing concern for a possible backlash. Almost all companies around the world preferred to suspend their investment plans during 2011 when the financial systems of many EU countries, lead by Greece, Italy, Ireland, Portugal and Spain, were deeply shaken. The deepening of the public finance crisis that prevailed in the euro zone created reactions also in the social and political arena.

The disintegration between developed and developing countries that emerged after the global crisis continued into 2011. According to the IMF's World Economic Outlook Report, issued in January 2012, developed countries attained a growth rate of 1.6%; this figure was 6.2% for developing countries. Developing economies such as Far Eastern countries, Russia, India and Turkey became prominent during the year, while the credit rating agencies lowered the rating of many European countries one after the other. Although the fiscal support package applied in the USA and the succeeding low interest policy yielded positive results for certain sectors, the desired growth momentum could not be attained during the year.

Having achieved a stable macroeconomic basis in the aftermath of the 2001 crisis, Turkey attained a growth rate, beyond expectations in 2011, benefitting also from favorable market conditions. Owing to the 8.5% growth rate and positive developments in the employment rate together with the sound banking sector and strong budget performance, Turkey maintained its position as the focus of international investors. On the other hand, high current deficit and inflation rate emerged as the greatest risks encountered by the Turkish economy in 2011. It is anticipated that for 2012, shrinking global trade volume will adversely affect current deficit problems and growth will slow down in Turkey, as it will globally. The World Bank announced in its 2012 Global Economic Outlook Report that the 2012 growth rate forecast for Turkey would be 2.9%

Problems resulting from the Arab Spring that started in Tunisia and spread to North African countries and the Arab world, plus the nuclear crisis with Iran have given rise to large fluctuations in oil and commodity prices as well as inflation in 2011. The UN Climate Summit organized in the Republic of South Africa witnessed again heated debates, while the ever-increasing energy demand throughout the world is forcing energy companies to seek new resources.

The energy sector is, by its nature, a sector that is closely related with the economic growth. Within the last decade, Turkey has become one of the OECD countries that experienced highest increase in energy demand. It is expected that such trend will continue next year, as well. Accordingly, during last two decades, the energy demand in Turkey increased on average 7% p.a, well above the economic growth and increased by 9% as of end 2009, compared to previous year, and reached the level of 230,000 GWh. According to the capacity projections issued by TEİAŞ, total energy demand is expected to reach 433,900 GWh in 2020, in case the annual increase in energy demand will be 7.5% on average.

The energy sector is, by its nature, a sector that is closely related to economic growth. Within last decade, Turkey has become one of the OECD countries that has experienced high increases in energy demand.

52%

Akenerji will increase its total power generation capacity to 746 MW and the share of renewable sources within total capacity to 52%, upon commissioning of three new hydroelectric power plants in 2012.

Consequently, the energy sector has played a key role in overcoming the current deficit problem. Using domestic resources and reducing foreign dependency through resource diversification has become of great importance to the reduction of the current deficit as well as to ensure the security of supply to meet the increasing demand. In an effort to enable the private sector to put into use new projects in a timely manner, suitable investment conditions should prevail in the market. In this context, it is of critical importance that the public share of market-disrupting extent be reduced and that the government be responsible only for supervision and regulation of the market.

According to TEİAŞ projections, it is foreseen that no supply deficit will arise until 2020 due to the currently installed capacity, yet it is stated that new power generation plants must be integrated into the system no later than 2017 in order to avoid any energy bottleneck.

With its major goal to attain uninterrupted and dependable power generation, Akenerji continued its investments sustainably in 2011, when large projects suffered from serious financial difficulties. The Company obtained the US$ 650 million tranche of total financing of the Egemer Natural Gas Combines Cycle Power Plant with 900 MW installed capacity, expected to meet 2.6% of current energy demands of Turkey, from a consortium consisting of three Turkish banks. Work has been initiated for the power plant.

Granting the necessary funds for a 'milestone' project during economically difficult times, both on a national and a global level, with respect to financial resources and liquidity, is an indicator of confidence in Akenerji and the energy sector.

As one of Turkey's first companies making investment in renewable energy, Akenerji is striving to create a clean and sustainable energy future. After commissioning five hydroelectric power plants successively in 2010, Akenerji is meeting 46% of the power generation needs using renewable sources. It will increase its total power generation capacity to 746 MW and the share of renewable sources within total power generation to 52%, upon commissioning of three new hydroelectric power plants in 2012.

Aware of the strong potential inherent within the energy sector and conscious of the fact that a position of sustainable leadership depends on power generation that is not harmful to the environment, Akenerji, will continue to utilize its resources in the best possible way. Our major goals are to maintain our operational profitability aiming top level customer satisfaction while creating lasting values for Turkey in 2012. The experience we gained in the energy sector, with projects completed one after another and qualified human resources have allowed us to look future with hope.

On behalf of our Board of Directors, I would like to thank all our employees for their dedicated efforts. I wish to express my gratitude to our shareholders, customers, sponsors and stakeholders for their continuous support.

Sincerely,

Board of Directors

Mehmet Ali Berkman, Chairman

Born in 1943 in Malatya, Mehmet Ali Berkman graduated from Middle East Technical University, Department of Business Administration, and Industrial Management and later earned his MBA from Syracuse University in the USA where he began initially as TEV scholarship student, concentrating on Operations Research. In 1972, he joined the Koç Group and served as CEO at Mako, Döktaş, Uniroyal and Arçelik companies within the Group. In August 2000, he was appointed Head of Strategic Planning at the Koç Group and has served also as the Head of Human Resources since 2001. As per the Group's policy, Berkman retired early 2004 and became a Board member and Chairman of the Executive Committee at Akkök Sanayi Yatırım ve Geliştirme A.Ş. in September 2005. He has also served as Chairman at Aksa and as a member and Chairman of Board of Directors at other Group companies.

Dr. Martin Roman, Vice Chairman

Martin Roman was born in 1969 and graduated from Charles University in Prague, from the Faculty of Law. He started his career during his undergraduate studies and then served as an executive within different private sector companies until 2004. Dr. Roman joined the ČEZ Group in February 2004 as Chairman and is currently serving as Chairman and CEO at ČEZ.

Ali Raif Dinçkök, Member

Born in 1944 in Istanbul, Ali Raif Dinçkök graduated from the Austrian High School and then from Aachen University, Department of Textile Engineering in 1969.He started his career at the Akkök Group of Companies and is currently serving as Chairman at Akkök Sanayi Yatırım ve Geliştirme A.Ş. and also as a Chairman and member of Board of Directors for a number of Group companies.

Ömer Dinçkök, Member

Born in 1948 in Istanbul, Ömer Dinçkök graduated from Robert College, Department of Business Administration and Economics and then completed its post graduate study in 1971 in England. Dinçkök began his professional career at the Akkök Group of Companies and is currently serving on the Board of Directors at Akkök Sanayi Yatırım ve Geliştirme A.Ş. and various other Group companies. Dinçkök also served as Chair of TEV Board of Trustees between 2004 and 2007, as Chairman at TEV between 2001 and 2004, as Chair of Council at the Istanbul Chamber of Industry between 1992 and 2001, as Chair of the Industrial Council of the Turkish Union of Chamber and Commodity Exchanges between 1992 and 2000, as a member of Board of Trustees of Wilberforce University between 1989 and 2000 and as Chairman of the Turkish Industrialists' and Businessmen's Association (TÜSİAD) between 1987 and 1989. Dinçkök is currently serving as an honorary member on the TÜSİAD Chairmen's Council, as founding member and member of Board of Trustees of TEGV.

Tomaš Pleskać, Member

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

Raif Ali Dinçkök, Member

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

Vladimir Schmalz, Member*

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

Gamze Dinçkök Yücaoğlu, Member

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

Peter Bodnár, Member

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

Petr Štulc, Member

Štulc received his master's degree in geophysics at Charles University in Prague in 1992 and received his PhD from the same department in 1995. Štulc served as Eurelectric's Central Eastern Region Coordinator, Vice President of the OECD BIAC Energy Committee and Member of the Vattenfall Europe Power Consult Advisory Board and later joined ČEZ in 2004. As Head of Strategy in ČEZ, his current responsibilities include the enhancement of the ČEZ Group market strategy, evaluation of acquisition targets throughout Europe, design of the future ČEZ generation plant portfolio and market analysis.

* Vladimir Schmalz retired from office on January 1, 2012: M. Pacovsky has been appointed to fill this position.

Message from the CEO

In 2012, Akenerji plans to put three additional hydroelectric power plants in service, with a total capacity of 87 MW.

Ahmet Ümit Danışman
CEO

Dear Shareholders,

Maintaining growth while adhering to its mission to provide sustainable and long lasting contributions to Turkey's energy demand, Akenerji increased the pace of its investments during 2011. In this year, the Company reaped the fruits of its new hydroelectric power plant projects that became operational in 2010 and increased its power generation volume and operational profitability. Supplying power to various corporate customers operating in different segments with an installed capacity of 658.2 MW, by the end of 2011 the commercial portfolio of the Company consisted of 600 corporate customers and 13,000 subscribers.

The strategic alliance established between Akkök and ČEZ, the leading energy corporation in Central and Eastern Europe, continued in 2011. Egemer Elektrik Üretim A.Ş., a subsidiary of Akenerji, obtained the project finance for the natural gas combined cycle power plant to be built in Erzin, Hatay in October 2011; construction work has begun. The US$ 651 million portion of the total financing has been obtained from a consortium of three Turkish banks and the Company's shareholders' equity will cover the US$ 279 million portion. The Natural Gas Power Plant with a 900 MW installed capacity will increase the total installed power generation capacity in Turkey by 1.7% to approximately 53,200 MW.

Having achieved a big step toward its objective to diversify the generation portfolio through commissioning of Akocak, Bulam, Burç Bendi, Feke II and Uluabat hydroelectric power plants in 2010, Akenerji is striving to start three additional hydroelectric power plants under construction with total capacity of 87 MW in 2012. With the completion of Feke I, Himmetli and Gökkaya hydroelectric power plants, currently under construction, plus the Egemer Natural Gas Combined Cycle Power Plant, the Company will control a major portion of Turkey's total power generation volume. The Kemah HEPP project, currently in the designing phase and defined as the largest hydroelectric power plant project in Akenerji's portfolio, will considerably increase the generating power of the Company once completed.

Another noteworthy achievement in 2011, aiming to play an effective role in cross border power dealing, has been the first energy import from Bulgaria and first energy export to Greece, following Turkey's integration into the European system. Akenerji was the first energy corporation to sign the European Federation of Energy Traders' (EFET) general agreement, established to develop and support energy trade in Europe. It is used by corporations within the European energy sector. With this initiative, the Company has made a considerable contribution toward a more transparent and liberal market structure for the Turkish energy sector while serving as a model for other private sector energy corporations in Turkey.

In 2011, Akenerji participated in the Carbon Disclosure Project (CDP), launched by corporations, investors and governments throughout the world to gather and share information that would enable them to take necessary measures against the threat of climate change and disclosed its policies on carbon emissions and climate change. The Company has become one of two Turkish energy corporations participating in the CDP.

1.7%

Egemer Natural Gas Combined Cycle Power Plant Project, will make an increase of 1.7% in the existing installed power generation capacity in Turkey of 53,235 MW.

Intending to become the leader in the carbon emission trade segment as well, Akenerji has made a commitment to prevent CO_2 emissions nearly one million tons per year, pioneering all attempts made in Turkey in this respect.

In 2011, Akenerji participated in the Carbon Disclosure Project (CDP), launched by corporations, investors and governments throughout the world to gather and share information that would enable them to take necessary measures to help reduce climate change, disclose its policies on carbon emissions and climate change and become one of two Turkish energy companies participating in the CDP. Under this project, using the rating methodology developed by CDP, the responses by Akenerji have been disclosed to the public, together with responses of other participating energy corporations within the country report issued at the end of the year.

SEDAŞ, a subsidiary providing service to almost 1.5 million subscribers within a large geographical area covering Sakarya, Kocaeli, Bolu and Düzce provinces, made an energy purchase of 6.7 billion kWh and energy sales of 6.1 billion kWh in 2011. SEDAŞ continued its investments, primarily for information technology, customer services and a call center, in line with its purpose to improve customer satisfaction with an investment of TL 56.3 million.

Akenerji has become the first energy corporation in Turkey to receive the Investors in People (IIP) Commitment Certificate in May 2011. The Company improves employee motivation and efficiency by means of the IIP standard that will enable the Company to attain its objectives with regard to human resources management most efficiently.

Regarding financial highlights, Akenerji had a year-end net sales revenue of TL 560 million and the earnings before interest, taxes, depreciation and amortization (EBITDA) of TL 106 million. Owing to its diversified portfolio through productive and renewable power plants, the Company managed to hedge itself against price movement and risk, despite the increase in natural gas-source power generation costs resulting from rising natural gas prices in 2011. With increasing energy demand and new hydroelectric power plants put into service, Akenerji will further enhance its financial performance in 2012.

I would like to thank the Akenerji Family whose efforts have enabled us to reach high levels of achievement. I wish to express my gratitude to our shareholders, customers, sponsors and stakeholders who always supported our efforts to maintain our investments as an integrated energy corporation.

Sincerely,

The Energy Sector in the World and in Turkey

In parallel with high economic growth in 2011, Turkey's energy demand reached 230,000 GWh by the end of the year.

World

It is anticipated the energy demand will increase by one-third throughout the world within next 25 years and that 90% of this will originate from developing countries. Worldwide, it has been observed that respective shares of natural gas, coal and nuclear energy are increasing with that of the renewable energy to meet the rising demand for energy. Even though the utilization of alternative energy sources, such as wind and solar, is becoming widespread, fossil fuels continue to be used with natural gas becoming more distinguished among fossil fuels as the cleanest alternative in terms of environmental emissions.

The year 2011 saw many fluctuations in energy markets depending on the political and financial developments. The Arab Spring that emerged in Tunisia at the end of 2010 and quickly spread to the Arab world and North African countries caused great changes in supply of oil. Additionally, tension between Iran, the USA and the European Union due to Iran's search for nuclear power amplified supply uncertainties. In the aftermath of the nuclear disaster in Fukushima, Japan, debates on the future of nuclear energy have grown, yet China, Russia, Korea and India did not revise their plans to develop nuclear energy. This fact strengthened expectations for an increase also in nuclear energy generation until 2035.

In spite of several warnings from the International Energy Agency and similar international organizations about climate change, the necessary changes have not reached the desired levels in 2011. The two-week United Nations Climate Summit organized in the Republic of South Africa concluded with a soft consensus, while the financial crisis that hit European countries imposed difficulties on the process. Increased natural source consumption and demand urged corporations to seek new sources and triggered technological developments, while creating vulnerable geopolitical equilibrium.

Turkey

In parallel with high economic growth in 2011, Turkey's energy demand increased by 9% and reached approximately 230,000 GWh by year-end, thus the increase in Turkey's energy demand during last two decades was 7% per annum, on average.

The Turkish electricity market is going through a fast-paced liberalization process. Privatization of electricity distribution has been completed to a large extent and the public share within total installed capacity has been reduced to 45% in 2011 from 49% the previous year.

Upon effectiveness of the Final Stabilization and Reconciliation Regulation as of December 2011, the transition from "Day Ahead Planning" to "Day Ahead Market" has been completed and the guarantee mechanism and advance payments put into effect following the transition have been remarkable steps to provide a more stable financial position for the system. It aimed to prevent possible problems that might arise out of the non-payment risk and to establish a system where the strong financial situation of market participants is gaining importance, since wholesale and retail companies would suffer from funding costs.

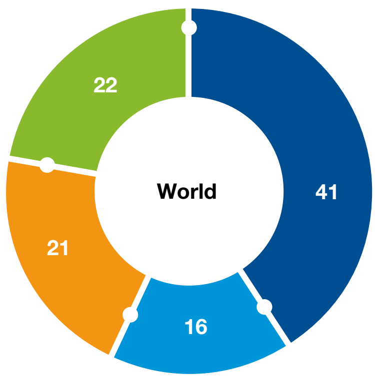
In contrary to the general trend throughout the world, natural gas is preferred in Turkey, instead of coal, as the source of power generation. During the last decade, natural gas was the top source for power generation with a 45% share, followed by coal with 27% and renewable sources with 23%.

Energy and Current Account Balance

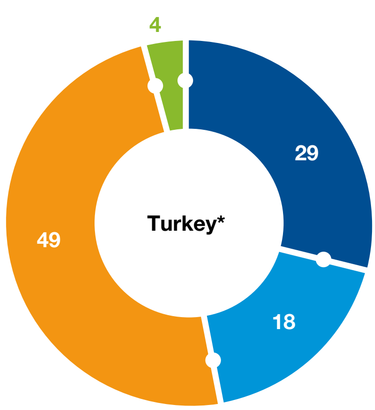
The current account deficit for 2011 was US$ 77 billion; energy imports of roughly US$ 50 billion indicate the volume of energy's share within the current account deficit, accepted to be the prime problem within the national economy. In this respect, reducing foreign-source dependency by utilizing renewable sources such as hydroelectric and wind makes domestic resources more crucial.

* The Public: EUAŞ and EUAŞ Subsidiaries

Resource Diversification in Electricity Generation* (%)



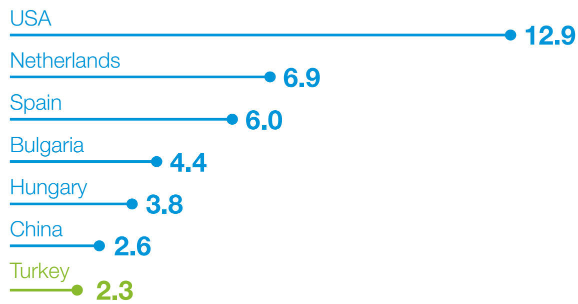
- Coal
- Natural gas
- Hydro
- Others



- Coal
- Natural gas
- Hydro
- Others

* International Energy Agency (IEA), 2011-TEİAŞ data for the year 2011.

Average per Capita Electricity Consumption* (MWh)

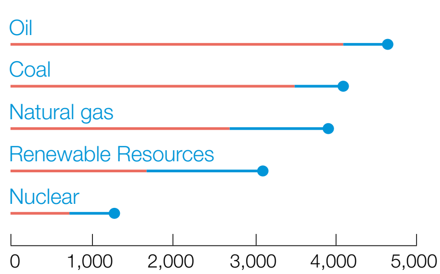


* Worldbank Development Indicators, 2011

Energy Markets toward 2035

The share of fossil fuels in global primary energy consumption was 81% in 2010; this is expected to drop to only 75% by 2035. It is forecast that natural gas will be the only fossil fuel that will increase its share among global energy resources during this period.

World



- 2010
- 2035 Perspective

* International Energy Agency (IEA), 2011

Operations in 2011

Generation

Akenerji continues to shape the future of the Turkish energy sector.

Power Plants Utilizing Renewable Sources

Started-up	Installed capacity (MW)	Date of Commission
Ayyıldız RES	15	September 2009
Akocak HEPP	81	July 2010
Bulam HEPP	7	August 2010
Uluabat HEPP	100	October 2010
Burç Bendi HEPP	28	November 2010
Feke II HEPP	70	December 2010
Total	**301**	

With the commissioning of five hydroelectric power plants successively in 2010, Akenerji enhanced its power generation capacity and achieved a considerable increase in sales volume during 2011 due to the additional sales capacity from these new power plants. The commissioning of these new power plants with a total of 286 MW installed capacity has fortified Akenerji's position among the top players in the energy sector. Having increased its power generation capacity by 55% in 2011, the Company continues to shape Turkey's future in energy, backed by its diversified portfolio, consisting of productive and renewable energy utilizing power plants.

Wind

With the anticipation that the use of renewable energy sources will continue to rise, Akenerji continues investments in this area. Its operations at the Ayyıldız Wind Plant that was put into service in 2009 was the first power plant to utilize renewable energy.

Hydroelectric

Akocak, Bulam, Burç Bendi, Feke II and Uluabat hydroelectric power plants were commissioned in 2010, increasing Akenerji's installed capacity using renewable source to 301 MW. The share of renewable resources in its total installed capacity rose to 46% and helped the Company to diversify its portfolio. In addition to the installed capacity, during 2012 the Company plans to put Feke I, Himmetli and Gökkaya Hydroelectric Power Plants, under construction, into service for a total capacity of 87 MW.

Natural gas

Besides the projects located in industrial regions of Turkey, as Bozüyük (Bilecik- 32 MW), Çerkezköy (Tekirdağ-98 MW) and Kemalpaşa (İzmir-127.2 MW) natural gas power plants, Akenerji obtained finance for the Egemer Project, one of Turkey's largest ongoing natural gas power plant projects and started construction work. This natural gas power plant with approximately 900 MW total capacity to be built in Hatay's Erzin county, is a major project by the Akkök-ČEZ strategic alliance. The project of the Egemer Natural Gas Combined Cycle Power Plant was prepared by Egemer Elektrik Üretim A.Ş., a subsidiary of Akenerji; the annual average generation of the power plant is anticipated to be 6.7 billion kWh.

Operations in 2011

Energy Trade

Akenerji is enlarging its portfolio through energy supply contracts.

Akenerji is supplying energy to eligible consumers. Carrying on energy supply to eligible customers across Turkey by means of bilateral agreements and electricity wholesaling, the Company is entitled to realize electricity imports and exports under the license it holds. It is expected that electricity wholesale, on the rise in 2011 through bilateral agreements, will increase in the coming year.

Electricity trade with European countries has begun

The national interconnected system has been integrated with European countries via Bulgaria and Greece as of June 2011. Akenerji realized a small-scale trial trade for the first time in June and July. The Company performed the first large-scale cross border power trade in August 2011 with Bulgaria. As result of imports made during the month, a total 15 million kWh energy supply was achieved. The first electricity export as part of a cross border trade was made with Greece in November 2011. Akenerji exported a 5 MW base load during November and realized a total of 3.6 million kWh electricity sales. The Company is deeply interested in cross border trade and closely follows the capacity tenders held on monthly basis.

Akenerji's generation portfolio is evaluated on the basis of Day Ahead Market and Balancing Market, in addition to bilateral agreements and cross border trade. With secondary services provided, the Company contributes to maintaining reliable, high quality and continuous energy supply in Turkey.

Offering energy to customers affordable and possessing the generation capacity and market vision to consistently maintain advantages it offers, Akenerji is providing energy to its corporate customers operating in different sectors, including industry, healthcare, communications, retailing, data processing, hotel management, banking and at shopping centers.

Akenerji quickly adapted to the changing market structure in early 2010 as a result of its win-win philosophy and customer-oriented growth strategies and has become one of the most preferred companies in the energy sector. Akenerji carried on its customer-oriented strategy during 2011; its commercial portfolio volume has reached approximately 600 corporate customers and 13,000 subscribers by the end of the year.

With the aim to become the energy provider of choice and due to its competitive advantages, Akenerji signed supply agreements with other power companies and consequently has added to its power portfolio.

With top quality and customer satisfaction approach, Akenerji continues to supply energy as needed by its customers under "Akenerji assurance".

13,000

Akenerji's commercial portfolio volume reached approximately 600 corporate customers and 13,000 subscribers as of the year-end.

Akenerji conducts the sales of "Green Power" that is generated by wind and hydroelectric power plants, jointly with companies with a green power policy and its investment contributes to boost the environment.

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

Emission Trade

Being prominent with investments in renewable energy and aiming to become Turkey's leading corporation in the area of emissions trade, Akenerji is a pioneer in this field. To this end, Akenerji is carrying out the carbon certification and sales processes for all renewable energy investments. Akenerji has filed certificate applications with the Voluntary Carbon Market for these investments and has progressed in its efforts to receive carbon certification in 2011.

Ayyıldız Wind Plant was put into service in September 2009; it has been registered in accordance with the Gold Standard and the certification process for Uluabat, Burç, Akocak, Feke I and Feke II power plants have been completed. As the leading corporation with regards to the prevention of carbon emissions, Akenerji's Uluabat Hydroelectric Power Plant is currently the largest hydroelectric power plant with a reservoir in Turkey, registered in accordance with the Voluntary Carbon Standard.

Registration procedures for Bulam Hydroelectric Power Plant with 7 MW installed capacity are almost finished and the certification studies for the Himmetli and Gökkaya HEPP are ongoing and the validation process is almost completed.

Within the scope of certification efforts, Akenerji is committed to preventing approximately one million tons of CO_2 per year upon commissioning of all renewable energy power plants, in other words, it will make a contribution to nature equivalent to the fresh air emitted by roughly 42.2 million trees on 82,600 hectares.

Akenerji is one of the sector's leading companies with regards to emission trade as it supports projects contributing to the minimization of carbon emissions through carbon credits. In this sense, Akenerji actively sells emission reduction certificates in the market, that correspond to the power generated at Ayyıldız Wind Plant and are registered with Gold Standard. Upon registration of certificates corresponding to the power generation by other HEPPs that became operational in 2010, such certificates will be actively offered for sale in 2012.

The energy for growth

As electricity becomes the most crucial element of life, Akenerji is striving to develop new resources and to transmit energy to consumers safely. Carrying out electricity distribution and retail sales in four industrialized cities, Kocaeli, Düzce, Sakarya and Bolu, SEDAŞ is supplying uninterrupted electricity to satisfy the needs of 1.5 million subscribers. Fulfilling tasks responsibly, SEDAŞ invested a total of TL 56.3 million in 2011 to strengthen the distribution network and to improve service quality even further.

Operations in 2011

Distribution

In 2011, SEDAŞ realized investments worth TL 56.3 million.

Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) is carrying out electricity retail trade in addition to electricity distribution, its primary duty. As a part of distribution, SEDAŞ has set up the technical infrastructure required for the region in which it operates and is supplying efficient power to meet the demand of around 1.5 million subscribers continuously.

The Company initiated a fast-paced transition and improvement process as of February 11, 2009, the closing date of transfer procedures, after Akkök-Akenerji-ČEZ consortium (AkCez) won the SEDAŞ privatization tender against the bid amount of US$ 600 million. The shareholders of the Company and their participating shares include: Akenerji Elektrik Üretim A.Ş. 45%, Akkök Sanayi Yatırım ve Geliştirme A.Ş. 27.5% and ČEZ 27.5%.

Going ahead with investments to enhance customer satisfaction

As a private sector enterprise, SEDAŞ is carrying on with its operations and investments in four cities that are located in the industrial heartland of the nation. Sakarya, Kocaeli, Bolu and Düzce all suffered from the earthquakes that hit the region in the past; it is also a place where migrants from other parts of Turkey are relocating in record numbers and is in need of a substantial infrastructure. Until 2036, AkCez will hold the operating license for SEDAŞ.

Cognizant of its responsibility with regards to investments, SEDAŞ has served almost 1.5 million subscribers as of the end of 2011 and employed 783 persons plus another approximately 2,000 persons from companies it gets services from.

Expediting its studies devoted to branding and enhancing service quality as part of the Transition Project it implemented during 2011, SEDAŞ realized investments of TL 56.3 million for the restoration and upgrade of the electricity distribution network. As of yearend 2011, the total electricity purchase of SEDAŞ reached 6,715,590,396 kWh and total electricity sales were 6.105,805,962 kWh. The Company intends to make a total of TL 313 million investments, approved by EMRA, in the region it operates prior to 2015.

Investments

Akenerji has started the construction process at Egemer Power Plant.

During 2011, Akenerji concentrated on the construction of the Feke I HEPP, Himmetli HEPP and Gökkaya HEPP projects. The Himmetli HEPP project will be completed during the first half of 2012, well in advance of the specified completion date, despite severe climate conditions. Feke I and Gökkaya HEPP projects will be put into service during second half of 2012. Kemah HEPP, currently in the project phase is defined as the largest hydroelectric power plant project in Akenerji's portfolio.

In 2011, Akenerji obtained finance for Egemer Natural Gas Combined Cycle Power Plant project, the largest investment made to date and started construction.

Investments Under Construction

Feke I HEPP

Construction work at the Feke I HEPP (30 MW) project is ongoing; it will be completed soon. The construction work at Feke I HEPP was nearing completion at the end of 2011; the electro-mechanical installation and test studies will be carried out in first quarter of 2012. The Company plans to put the power plant into operation in the second half of 2012.

Himmetli and Gökkaya HEPP

The Company performed excellently and completed construction work and the electro-mechanical installation for the Himmetli HEPP (27 MW) project in 2011 almost three months ahead of the scheduled completion date; testing and commissioning are ongoing and the power plant will be put into service in the first half of 2012.

The construction of Gökkaya HEPP (30MW) along with electro-mechanical installation continued into 2011 and is expected to be completed on time in 2012. The power plant will start up during second half of the year.

Egemer Natural Gas Combined Cycle Power Plant

The 900 MW natural gas combined cycle power plant to be built in Erzin, Hatay is another of the major projects of the Akkök-ČEZ strategic alliance. The project of the Egemer Natural Gas Combined Cycle Power Plant was prepared by Egemer Elektrik Üretim A.Ş., a subsidiary of Akenerji; the annual average generation from the power plant is anticipated to be 6.7 billion kWh.

Aiming to bring to the region a contemporary, environmental-friendly and high-efficiency power plant, the project will realize 2.6% of Turkey's total electricity generation, thus will play a key role in meeting the rapidly increasing deficit in the electricity supply.

With the Egemer Project as the largest investment made by the Company to date and scheduled to become operational in 2014 upon commissioning of other hydroelectric power plants in 2012, Akenerji will increase its current installed capacity of 658.2 MW to 1,646 MW.

Permits

Following receipt of the electricity generation license and the affirmed Environmental Impact Assessment (EIA) certificate, approval for tentative and master plans for the Egemer Power Plant, the Company has almost completed land allocation procedures; on September 16, 2011, it obtained the construction permit for this project. Unqualified opinions from twenty-eight separate institutions on the pipeline route have been obtained, although the construction and operation of natural gas pipeline are not included in activities that require an EIA report. The EIA process for the transmission lines that will provide Erzin TM and Tosçelik TM was initiated on August 2, 2011; it is expected to be completed in March 2012.

Construction Process

Based on the turnkey engineering, procurement, construction contract concluded on December 15, 2010 with the Gama Güç Sistemleri-GE Energy-Gama Ltd.-General Elektrik A.Ş. Consortium (Gama-GE Consortium), a definite statement of commencement for construction has been submitted to the Gama-GE Consortium. The Consortium completed the mobilization and on November 23, 2011 construction work at the site was started.

Operations in 2011

Investments

With the Egemer Power Plant, Akenerji is to attain high efficiency ratings.

Project Financing

Attaching great importance to the financing of the project, Akenerji signed a contract with ING serving as financial advisor and with Linklaters LLP and Çakmak Lawyer Office as legal advisors. The total investment for the project is US$ 930 million; US$ 651 million of which has been provided by the banking syndicate consisting of three Turkish banks on October 11, 2011 as a 12-year term financing loan. The equity totaling US$ 279 million required for the project will be provided by Akenerji. The loan repayment period is two years and the grace period will be the first 3.5 years of the investment period.

Environmental and Social Responsibility

Akenerji aims to attain high productivity at the Egemer Power Plant, generating electricity using a natural gas combined cycle method and employing advanced technology. To set up an environmental-friendly system oriented to generate more energy with less resource consumption, the Company gets support from competent research and engineering companies. By using natural gas, a clean fuel, at the Egemer Power Plant, the Company will bring CO_2 emissions to the lowest possible level, thus preventing regional agriculture from experiencing adverse effects. The Company will sustainably and carefully monitor gas emission values from the power plant through hi-tech control monitoring systems and expert staff keeping the values under limits specified in the EU Environmental Legislation. Ambient air quality will be continuously controlled by the online ambient air quality monitoring station to be established near the power plant.

The Company will comply with all environmental criteria required by legislation, including the prevention of noise pollution, waste water treatment and discharge and waste disposal, further to the aforesaid measures. With the cooling process using sea water, underground water resources will be preserved.

As per the agreement signed with Enon Çevre Danışmanlık Ltd. Şti., pre-construction period monitoring studies were carried out from March 2011 to exhibit the present condition of the project site and impact area, covering the studies on underground and surface water, soil quality, flora and fauna. Apart from these studies, the population of species considered to be of importance for the region, was observed and sea turtles were monitored. At the completion of construction work, evaluation reports, management and monitoring plans were prepared to use as guides during construction as well as in the operation period. Environmental monitoring efforts will be carried out during construction under the responsibility of Game-GE Consortium. In addition to pre-construction period studies, noise, air quality and water quality inspection studies will take place to observe the construction-originated effects on the environment. Monitoring practices will be maintained throughout the operation period with the same meticulous care. At the end of the first year of operation, the monitoring schedule will be revised in accordance with the requirements and thereafter implemented.

It is anticipated that employment rates will increase with the recruitment of a 1,000 person labor force during construction, followed by a 60 person labor force during the operation period. Gama-GE Consortium visited the Erzin Public Training Center to obtain information about the potential labor force in the region. The Company aims to employ locals for seasonal work or on a temporary basis.

For public disclosure purposes, all project data has been made accessible since 2010 and announcements are regularly updated. Egemer Elektrik Üretim A.Ş. as well as the Gama-GE Consortium has appointed a Communications Contact Officer to ensure continuity of information flow, to respond to inquiries and to maintain relations.

The Kemah HEPP project, to be built in Erzincan province, is defined as the largest hydroelectric power plant project in the Akenerji's portfolio.

Investments in Project Phase

Kemah Dam and Hydroelectric Power Plant

Steadily carrying on investments for renewable energy, Akenerji maintains efforts in this field with the Kemah HEPP project to be built in Erzincan province; the license of the project is held by İçkale Enerji Elektrik Üretim ve Tic. A.Ş. and was taken over by Akenerji in May 2010.

The feasibility studies for the Kemah HEPP project have been completed and the projects process is ongoing. The power plant's installed capacity of 160 MW has been revised as 198 MW together with two separate power generation plants. The Company continues its efforts for the amendment of the generation license and the affirmed Environmental Impact Assessment (EIA) certificate by the Ministry of Environment and Urban Planning and the EMRA.

Scheduled to be completed in 2016 with an average 564 GWh per year generation capacity, the Kemah HEPP project is defined as the largest hydroelectric power plant project in the Akenerji's portfolio.

Operations in 2011

Perspectives for the Future

Akenerji strives to become the leader in Turkey's emission trade.

Vital to economic growth, the energy sector plays a key role for countries to achieve their development goals. Turkey maintains its position as an attractive center for both national and international investors, owing to its rapid growth rate. According to forecasts from TEİAŞ, the power demand will reach 433,900 GWh by 2020, subject to an annual average increase of 7.5%. On the other hand, provision of the security of supply depends on the commissioning of the new projects in a timely manner and minimizing foreign-source dependency. Increasing the rate of renewable sources used in power generation is required to ensure the environmental and economic durability.

As a clear electricity source importing country, Turkey absolutely needs to turn towards domestic sources, primarily renewable ones. The share of hydro and wind-source power generation within total power generation has been gradually increasing in recent years. As one of the private sector energy companies in Turkey that launched renewable energy-based projects, Akenerji holds a geothermal source exploration license for four fields in the Aegean Region and for one field at Bursa in addition to its ongoing hydroelectric power plant projects; it is currently carrying on surveys at these fields. The Company is closely watching the developments in the area of solar energy.

With a share of 4.3% in total electricity generated by private generation companies in Turkey as of 2011, Akenerji has succeeded in diversifying its power generation portfolio considerably via renewable energy-source power plants.

Akenerji continued its investments steadily in 2011 when global sources of finance were exceptionally restricted. The Company obtained financing for the Egemer Natural Gas Combined Cycle Power Plant Project from Turkish banks and thus managed to realize its largest investment project.

Enjoying a sales capability well-above its generation capacity, Akenerji is moving toward its objective to become Turkey's largest and most efficient energy trade platform. With supply agreements concluded with other energy corporations, Akenerji is steadily extending its energy portfolio. Attaching special importance to "Green Energy" generated at wind and hydroelectric power plants, the Company sustained the cooperation developed in 2010 with Polat Enerji and gradually increasing its wind-energy based power generation capacity in 2011.

Akenerji aims to become Turkey's leading company in the emission trade. Pioneering all attempts in this field, Akenerji is carrying on carbon certification and sales processes for all investments in renewable energy. It has filed certificate applications by the Voluntary Carbon Market and made excellent progress in 2011 with regards to its certification work.

Akenerji participated in the Carbon Disclosure Project (CDP), launched in the international arena to reduce emissions. It has been implemented in Turkey since 2010 and has thus become one of two Turkish electricity companies to participate in the CDP. This project ensures the public disclosure of climate change and carbon emission strategies of the companies and governments and allows them to improve their performance.

In 2011, Akenerji has also participated in the Istanbul Stock Exchange Sustainability Index project, that will be launched to encourage and enable large companies in Turkey to compete successfully in the international market. Akenerji took part in index preparation within the scope of the project and is closely following the relevant developments.

Akenerji Employee Profile

Based on its vision to become a consistently developing, innovative and creative establishment, Akenerji invests in human resources.

Creative and open to development work environment

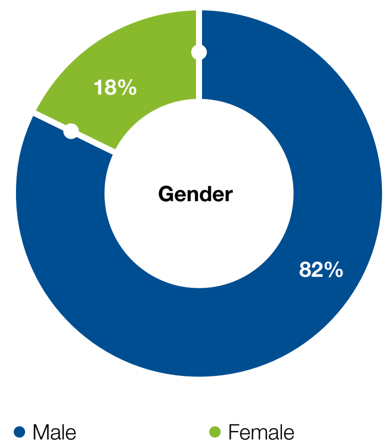
Considering human resources as its most valuable asset, Akenerji offers employees a respect-driven work environment in which they can develop their full potential. The Company's human resource policy is established with the vision to become a model corporation in the energy sector with a qualified labor force and employee satisfaction-oriented practices. Akenerji is attentive to creating strategic-minded, well educated, solution-generating, results-oriented staff able to act in compliance with Company goals and principles.

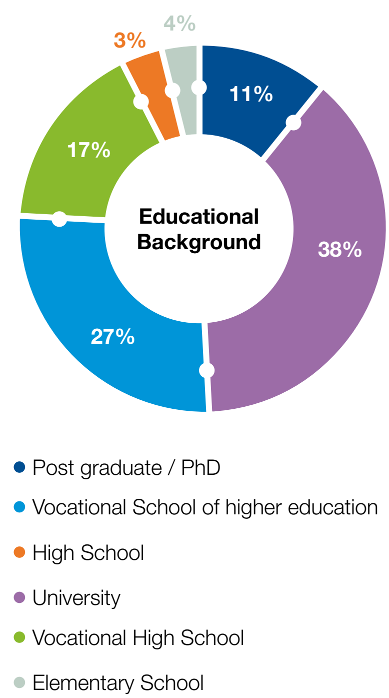
Akenerji is investing in human resources according to its vision to become a steadily developing, innovative and distinctive corporation. Akenerji encourages employees to participate in training programs, symposiums, panels, conferences, seminars, exhibitions, fairs and sector meetings that will contribute to their personal and career development. In 2011, the Executive Development Training and Understanding the Leadership Competence and Development Planning Training programs were organized under Akkök Talent Management project. The Development Planning process for all Company employees was initiated the same year.

Career and development planning for Akenerji employees is defined within the scope of competence evaluations, talent management, human resource planning and performance evaluation processes. Professional and individual training plans are prepared in line with employee development needs and technical, professional and personal development training programs that are organized for their benefit.

New Graduates Program

Akenerji has adopted a modern recruitment program that aims at maintaining the Company's dynamic organization, further to its investments in human resources. The New Graduates Program, launched in 2009, is ongoing. Due to its efforts, the Company can reach candidates defined as potential human resources and offers jobs to new graduates and/or candidates with 1-3 years of experience.





Environmental Practices and Social Responsibility

Environment

Akenerji takes all necessary environmental measures at all power plants it operates.

Akenerji is aware of its responsibilities towards society and the environment and thus takes all necessary precautions to prevent pollution and to preserve natural resources, leading the way for the whole sector with its commitment. The Company is also a pioneer in research, development and adoption of innovative and environmentally friendly technologies. Akenerji is one of the leading companies in the sector in the field of emissions trading, which is the subsidization of projects contributing towards the reduction of carbon emissions via carbon credits. Akenerji stands out with its renewable energy investments, aiming at the leadership of emission trade in Turkey. In line with the contract signed with Global Tan Energy, Akenerji conducts the process of carbon certification for all its renewable energy projects. Akenerji applied for a Voluntary Emission Reduction (VER) certificate for all its renewable energy projects and made tremendous progress in its efforts for carbon certification in 2011. Uluabat Hydroelectric Power Plant is the largest hydroelectric power plant with a dam in Turkey and is registered in accordance with the Voluntary Carbon Standard. Akenerji will prevent the emission of more than a million tons of CO_2 per year upon completion and with the commissioning of all renewable energy projects. It will make a contribution to nature equivalent to the fresh air emitted by an estimated 42.2 million trees on an area of 82,600 hectares.

Acting in strict compliance with EU Environmental Legislation regarding every investment project put into practice, Akenerji takes the necessary environmental measures at all power plants it operates. Disposal and recycling treatment of waste from power plants is carried out by licensed establishments, in compliance with the regulations announced by the Ministry of Environment and Urban Planning. Akenerji power plants are equipped with state of the art technology gas and steam turbines able to run at the highest efficiency in its class. Investment plans for turbines to be installed at the power plants in the design stage are prepared according to the latest technological developments.

Sustainability of the Integrated Management System, Documents and Certificates

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

Akenerji successfully passed the First Interim Control inspection under the Quality management System (ISO 9001:2008), Environmental Management System (ISO 14001:2004) and Occupational Health and Safety Management System (OHSAS 18001:2007) made on June 8-10, 2011. As a result of these inspections, Ayyıldız Wind Power Plant has been included in the certification process, thus the number of Akenerji locations included in certification has risen to five and are located at the Head Office, Çerkezköy Power Plant, Bozüyük Power Plant, Kemalpaşa Power Plant and Ayyıldız Power Plant.

All hazardous waste from the power plants and Akhan, the head office of Akenerji, are delivered to licensed establishments authorized by the Ministry of Environment and Urban Planning in accordance with the Environmental Legislation for recycling and disposal purposes.

IFC performance standards for Akenerji practices

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

In November 2011, field audits have been carried out at all HEPP projects in Adana Region, in line with the preparations for quality, environmental and occupational health and safety management systems and within the scope of integration studies for environment and occupational health and safety legislation. There has been a current situation assessment regarding environment and occupational health and safety in accordance with the action plan made. A field auditing observation report has been prepared for all projects in Adana Region and presented to IFC.

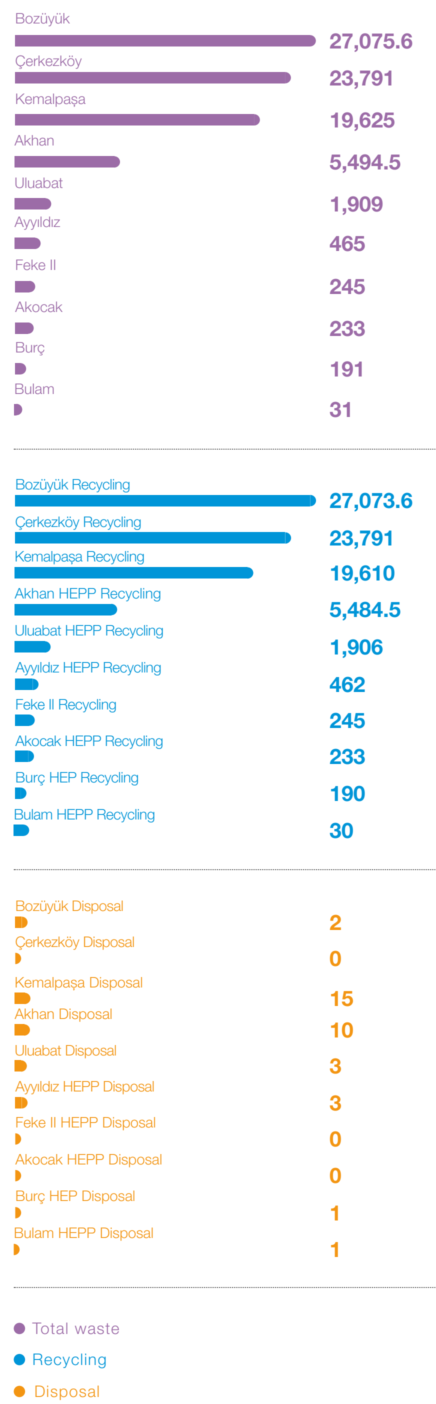
Efficient Waste Management

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

Believing that awareness is improved by training, Akenerji is raising awareness levels of its employees about environmental legislation and waste management through training programs organized on site as well as at the Head Office.

All hazardous waste from the power plants and at Akhan, the head office of Akenerji, are delivered to licensed establishments authorized by the Ministry of Environment and Urban Planning in accordance with Environmental Legislation for recycling and disposal purposes. In 2011, approximately 35 tons of waste was disposed of and approximately 75 tons of waste was recycled. Also in 2011, the Company continued to collect used batteries, separate from other waste materials at Akhan with the support of all Akenerji and other Akkök Group company employees. A total of 35 kg of used batteries from Akhan and power plants were delivered to TAP. Apart from this, recyclable materials are collected at Akhan and all power plants; accordingly in 2011, 5,246 tons of waste paper were collected and recycled by a recycling company contracted by the district municipality. A total of 351 tons of scrap material recycled by the Akenerji power plants were sold to separating and recycling companies holding a waste collection certificate.

Total waste, recycling and disposal amounts as of the end of 2011 (kg)



Environmental Practices and Social Responsibility

Social Responsibility

Akenerji is strengthening its leading position in the sector with its corporate social responsibility projects.

Carrying on its operations without compromising principles of clarity, transparency and trustworthiness, Akenerji is strengthening its leading position in the sector with its corporate social responsibility projects. In 2007, Akkök Group Companies signed the UN Global Compact and as a result Akenerji was included in the first Global Compact Progress Report, covering years 2008-2009. In this extensive report, Akenerji's practices regarding its employees and social responsibility actions in education, environment, arts and culture fields throughout Turkey, are explained in detail. Akenerji's affiliate companies have every opportunity to take part in projects relating to social responsibility awareness that all Akkök Group companies have.

Being aware that corporations bear tremendous responsibility as do individuals to improve and sustain the community's level of welfare, Akenerji continued to develop successful projects in 2011 for a better community and a better environment.

The Electricity Market and Trade Outlook Certification program was held at the Istanbul Bilgi University

Through its collaboration with Istanbul Bilgi University within the scope of corporate social responsibility projects, Akenerji introduced the energy sector to young generations and conveyed core knowledge about the energy sector. The program known as "The Electricity Market and Trade Outlook Certification Program" took place from April 20 until May 11, 2011; it was a collaboration with the Career Center from Istanbul Bilgi University. Within the context of the program organized by Akenerji Sales and Marketing Directorate, basic information about the use of power generation to the components of the electricity market, the development process of the market, current developments and latest situation of the Turkish energy market were conveyed to students.

The certificates for the first graduates of the program were presented by Akenerji CEO Ahmet Ümit Danışman at the ceremony on May 18, 2011. Akenerji believes that it is important to provide professional employment along with offering high quality services in the energy sector. It aims to make contributions to both the sector and the country in this sense.

Akenerji and SEDAŞ sponsored the KSO Chamber Orchestra

As part of the social responsibility projects in cultural and artistic fields, Akenerji and its subsidiary SEDAŞ sponsored performances by the Kocaeli Chamber of Industry (KSO) Chamber Orchestra during 2010-2011 season.

Aware that corporations bear tremendous responsibility as do individuals to improve and maintain sustainable levels of welfare, Akenerji continued to develop successful projects in 2011 for a better community and environment.

Within the scope of this relationship, the first of the concert series was organized at Kazıklı Kervansaray Cultural Center in Gölcük, Kocaeli to honor the 87th Anniversary of the establishment of the Turkish Republic. The second performance was held on Thursday, March 24, 2011 at Düzce University's Conference Hall followed by the third one on Wednesday, May 11th , 2011 at Provincial Directorate of Culture and Tourism of Bolu during the İzzet Baysal Commemoration Days. The KSO Chamber Orchestra conducted by Özgür Günay and consisting of 21 musicians, with majority of graduates from Kocaeli University, Faculty of Fine Arts, presented to the audience with a program comprising work by composers such as Mozart and Vivaldi.

With these performances were organized and attended by Ahmet Ümit Danışman, CEO, the Company aims to increase the community interest in classical music, to familiarize every segment of society with classical music and to support young people working together for this cause. The synergy created by collaborating with the KSO Chamber Orchestra has been a positive attainment for both the Akenerji Family and art-lovers.

Akenerji was granted the Energy Oscar for its Leader Investor Identity

Having proven its decisiveness to contribute to national development and meet the energy deficit once again through commissioning five HEPP projects during 2010 with a total investment of US$ 500 million, Akenerji earned the Energy Oscar, presented for the first time during the 2011 17th International Energy and Environment Fair and Conference-ICCI. The prize was presented at the ceremony held on June 15, 2011 at the WOW Convention Center.

Akenerji has improved social life in the regions in which it operates

In 2011, Akenerji helped to repair of roads in Yardibi, Kapaklı and Himmetli villages, constructed lodging for religious leaders and provided water carriers as well as helping to solve several problems in the region, such as the overhaul of the elementary school in Cumhurlu Village. It also met the needs of Atatürk Elementary School in Saimbeyli district by providing a projection device and lighting for the Saimbeyli Penal Institution, while continuing the work for Gökkaya and Himmetli HEPP projects. It thus improved the social life in the regions it operates and acted according to its social responsibilities.

Akkur Enerji Üretim Tic. ve San. A.Ş., a subsidiary of Akenerji, built a dormitory for secondary school students next to the Lütfiye Ayşe Baytok Regional Boarding Elementary School building, as part of its social responsibility activities.

As per the protocol signed on July 29, 2011 by and between Akkur, Governorship of Adana, Provincial Directorate for National Education, District Governorship of Feke and the Directorate for National Education in the Feke District, the construction of the dormitory was initiated on September 14, 2011. The building was delivered to the Directorate for National Education of Feke District on February 15, 2012.

Akkur established the power, water and waste water systems and built a wall surrounding the prefabricated buildings erected on the real property and owned by the Turkish Treasury and allocated by the General Directorate for Secondary Education of the Ministry of National Education. This project consisted of a kitchen and dining hall both 72 square meters and dormitory rooms and living units of 223 square meters and 249 square meters, respectively.

Corporate Governance Principles Compliance Report

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

1. Corporate Governance Principles Compliance Statement

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

SECTION I - SHAREHOLDERS

2. Shareholders Relations Department

On March 17, 2009 the Company established the Shareholder Relations Unit. Relations with shareholders are carried out within the organization by the Assistant General Manager in charge of Finance and by the Directorate of Financial Control and Risk Management. All transactions related to dividends and capital increases are effectuated by contracted banks and financial intermediaries which deliver barter and custody services in line with CMB regulations. When the contract expires, it is monitored with a special program at the Company headquarters and the ensuing rights of the shareholders are fulfilled. The Company has created an accessible and transparent communication platform including all of its stakeholders and accordingly organizes periodical meetings and answers relevant questions via emails or meetings, upon demand. The demands of the financial intermediaries, corporate investors and individual investors are met by emails and/or meetings organized periodically -quarterly- or ad hoc, upon request. All written or verbal information requests coming from shareholders, potential shareholders, analysts evaluating the Company, or academics and students carrying out research on the Company or the sector, are met via email, telephone or meetings as soon as possible -with the exception of any information unrevealed to the public, such as commercial secrets. In 2011, one-on-one meetings were held with 20 investors to convey detailed information about the Company's operations.

Detailed contact information for the Unit is announced in the Company's website at www.akenerji.com.tr under the Investor Relations section.

3. The Use of Shareholders Rights to Obtain Information

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

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

4. General Assembly Information

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

During the 2011 calendar year, one Ordinary General Assembly Meeting was held on May 9, 2011 with 28,283,760,382 shares (75.26%) out of a total 37,581,400,000 representing the Company capital. The Company holds meetings at a central location to increase the number of attendants and to facilitate access to the meeting place and in accordance with the estimated number of attendants. The shareholders and their representatives, who applied to the Company during the statutory period presenting the blockage letter. The Board members, auditors, Company executives and the personnel who were charged with preparatory work attended the meeting. Representatives of the Stock Exchange, broker agencies and the media did not attend the General Assembly meeting. The shareholders exercised their right to pose questions to the Company management. Proposals brought forward by the shareholders were submitted for the approval of the General Assembly and were approved by a majority of votes pursuant to Company rules. Documents from the meeting were delivered to the Capital Market Board and the Istanbul Stock Exchange and also disclosed on the Company's website. The minutes of meeting and the attendants' list are provided to shareholders upon request and disclosed on the Company's website.

The authorization concerning purchasing, selling and leasing of the Company assets are laid out in Article 14 of the Articles of Association of the Company.

5. Voting Rights and Minority Rights

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

6. Dividend Distribution Policy

The Company's dividend distribution policy, including the dividend for 2011, is as follows:

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

In line with the decision taken at the General Assembly, the dividend can be paid exclusively in cash, exclusively in bonus shares or as a combination of the two. If the dividend is to be distributed in cash, it must be paid at the latest at the end of the fifth month following the end of the related fiscal period; if it is to be distributed in bonus shares, it must be paid at the end of the sixth month latest. According to the dividend distribution policy, the dividend is distributed evenly to all of the shares present in the said fiscal period.

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

a- 5% of this amount is spared for legal reserve funds.

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

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

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

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

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

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

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

Corporate Governance Principles Compliance Report

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

	Total Distribution (%)	Bonus Share	Profit Distributed	Paid-in Capital
2010	-	-	-	375,814,000
2009	-	-	-	65,340,000
2008	26.83	-	17,530,000	65,340,000
2007	-	-	-	65,340,000
2006	-	-	-	65,340,000

7. Transfer of Shares

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

8. Donations and Social Contributions

Within the framework its Social Responsibility Principles, Our Company is aware of its responsibilities for raising social standards as well as its responsibilities for offering quality products and services. The Company is sensitive to society's needs and always regards the needs of future generations. In this context, our Company has adopted the principle of supporting social life by donating and doing social contributions in its operational neighborhoods in the fields of education, environment, sports and arts. As per our Corporate Social Responsibility Principles, our Company has made a donation and social contribution total of TL 2,490.00 in 2011.

The main areas are:

Donations and Social Contributions (TL)

Associations and Foundations:	2,240.00
Public Institutions	250.00
Total	2,490.00

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

9. Company Information Disclosure Policy

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

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

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

10. Disclosure of Special Cases

According to the principle of public disclosure and transparency, in order to make sure that shareholders and other stakeholders are timely informed, 16 "Special Case Announcements" were made in 2011. The special case announcements were timely and in conformity with CMB regulations and not necessitated further elaboration vis-à-vis CMB or ISE. Since the Company is not a quoted capital markets intermediary in foreign stock exchanges, it does not have the obligation to make Special Case Announcements outside of the ISE. All Special Case Announcements have been made within the term provided by the law, such that CMB has not imposed any sanctions.

11. Company Website and Its Content

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

12. Disclosure of Ultimate Controlling Shareholder/ Shareholders

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

As of end 2011, the Company's share structure is as follows:

13. Disclosure of Insiders

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

Insiders
Name and Title
Mehmet Ali Berkman, Chairman of the Board

Martin Roman, Vice Chairman

Ali Raif Dinçkök, Member of the Board

Ömer Dinçkök, Member of the Board

Raif Ali Dinçkök, Member of the Board and Audit Committee

Gamze Dinçkök Yücaoğlu, Member of the Board

Tomas Pleskac, Member of the Board and Audit Committee

Peter Bodnar, Member of the Board

Martin Pacovsky*, Member of the Board
Petr Stulc, Member of the Board

Ahmet Ümit Danışman, CEO

Vrastilav Domalip, Deputy CEO

Shareholders Structure

Shareholders	Share Value (TL)	Share Percentage (%)
Akkök Sanayi Yatırım ve Geliştirme A.Ş.	76,789,567.78	20.43
Akarsu Enerji Yatırımları San. ve Tic. A.Ş.	63,619,843.01	16.93
ČEZ, a.s.	140,409,410.79	37.36
Halka Açık Kısım	94,995,178.42	25.28
Open to Public	375,814,000.00	100.00

Alişan Yücel Coşkun, Executive Vice President

Selçuk Kulaç, Executive Vice President

Jindrich Weiss, Executive Vice President for Finance

Sevilay Uçar, Human Resources Director

Mehmet Selim Güven, Energy Trade and Strategic Planning Director

Ali Fecri Bayüstün, Accounting Group Manager

Özge Özen Aksoy, Finance Group Manager

Nilüfer Aydoğan, Budget Manager

Serhat Ergin Baykara, Legal Advisor

Tevfik Ülker, Information Systems Manager

SECTION III - STAKEHOLDERS

14. Informing Stakeholders

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

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

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

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

* Took office as of January 01, 2012 replacing Vladimír Schmalz.

Corporate Governance Principles Compliance Report

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

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

15. Stakeholder Participation in Management

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

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

Mechanisms and models, encouraging the stakeholders particularly the Company employees, are developed to avoid hindering the Company's operations. Stakeholder participation in management is encouraged by means of proposals, surveys, similar in a way to avoid hindering the Company's operations.

16. Human Resources Policy

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

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

Organizational Development

Equality of opportunity to all

Selection and Placement

Right person for the right job

Salary Management

Equal pay for equal jobs / Performance and perfection effect

Performance Management

Evaluation on the basis of success

Rewarding

Timely acquaintance and appraisal

Industrial Relations

Increasing productivity through sustained labor peace

Communication

Providing timely and correct information, publicizing business processes and accordingly, making necessary organizations

17. Information Related to Customer Relations

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

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

18. Social Responsibility

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

Akenerji prioritizes Occupational Health and Safety; therefore the Company takes every precaution necessary, organizes events and supplies equipment in order to protect workers' safety and health, to avoid occupational risks and to provide training and information. Akenerji prepares the necessary procedures and guidelines to inform employees on this subject.

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

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

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

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

As of 2011, the names and functions of the Board of Directors members are listed below.

Mehmet Ali Berkman, Chairman

Dr. Martin Roman, Vice Chairman

Ömer Dinçkök, Member

Peter Bodnár, Member

Ali Raif Dinçkök, Member

Raif Ali Dinçkök, Member (responsible for Audit)

Gamze Dinçkök Yücaoğlu, Member

Tomáš Pleskač, Member (responsible for Audit)

Vladimir Schmalz*, Member

Petr Štulc, Member

Ahmet Ümit Danışman is the General Manager of the Company as of December 26, 2007.

20. Qualifications of the Board Members

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

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

Mission:

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

Vision:

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

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

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

22. Risk Management and Internal Control Mechanism

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

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

*Resigned as of January 01, 2012; Martin Pacovsky has been appointed to the position.

Corporate Governance Principles Compliance Report

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

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

24. Principles Governing the Activities of the Board

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

Members of the Board of Directors do not have weighted vote rights, they do have negative vote rights.

In General Assembly Meetings, divergent opinions or dissenting votes are included in the Resolution of the Board of Directors and are publicly disclosed. However, there was no instance of divergence of opinions in 2011 General Assembly. The secretarial department is charged with informing the members of the Board of Directors and to provide communication within the Company.

25. Prohibitions Concerning Transactions and Competition with the Company

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

26. Ethical Rules

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

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

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

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

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

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

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

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

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

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

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

28. Remuneration of the Board of Directors

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

Dividend Payment Proposal

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

1) Based on the fact that our Company is in loss in 2011 financial year and this fact is reflected in 2011 financial statements prepared in accordance with Turkish Tax Procedural Law and the Capital Market legislation and Capital Market Board Communiqué Serial: XI, No: 29, not to pay any dividend,

2) The loss of our Company in 2011 financial year indicated in our ledger records, prepared as per Turkish Tax Procedural Law, and also indicated in our financial statements for 2011 financial year prepared as per the Capital Market legislation and Capital Market Board Communiqué Serial: XI, No: 29, to be reserved in accounts,

3) This matter to be presented for the approval at our Company's Ordinary General Assembly meeting which shall be convened on 20.06.2012.

Best Regards,

Board of Directors

Auditors' Report

AKENERJI ELEKTRIK URETIM ANONIM SIRKETI
AUDITORS' REPORT SUBMITTED TO THE ORDINARY GENERAL ASSEMBLY OF SHAREHOLDERS FOR THE OPERATING PERIOD OF 2011.

Title of Company	:	Akenerji Elektrik Üretim A.Ş.
Company's Head Office	:	Miralay Şefik Bey Sk. No: 15/17 Akhan Kat: 3-4 Gümüşsuyu / ISTANBUL
Company's Capital (Pain-in)	:	TL 375.814.000.-
Field of activity	:	Electric Energy and Steam Generation
Names and Terms of Office of Auditors	:	Bülent ÜSTÜNEL and ÜMİT AK Term of office is one year. Not a shareholder.
Number of Board of Directors participated and of Supervisory Board Meetings held	:	They participated in three Board of Directors Meetings. They held four meetings for auditing company books and documentation.
Dates of Audit on Partnership Accounts And Scope Result	:	It was found in the audits conducted in March, June, September, December that the company's books are kept in accordance with the laws and based on supporting documents.
Number and Results of Counting at Partnership Counters as per the Turkish C.C. Article 353	:	It was found in the counter counting made every two months 6 times in a year that the assets agree with the records.
Results of Audit conducted as per the Turkish C.C. Article 353/4	:	It was found in monthly audits that the negotiable papers delivered to the company as a pledge, guarantee or deposit have been issued in accordance with the legislation and kept and preserved in the company.
Complaints and Corruptions submitted to the company	:	No application was made to the company auditors for complaint and corruption.

We have audited the accounts and transactions of Akenerji Elektrik Uretim Anonim Sirketi for the period of 01.01.2011 -31.12.2011 as per the Turkish Commercial Code; articles of association and other legislation of the partnership and generally accepted accounting principles and standards.

The attached balance sheet issued as of 31.12.2011 that we adopted in our opinion reflects actual financial condition of the partnership on that date and profit-loss statement for the period of 01.01.2011 - 31.12.2011, actual results of operations for that period and the proposal for profit distribution complies with the laws and articles of association and whereby request for approval of the balance sheet and profit-loss statement and discharge of the Board of Directors.

Best Regards,

Bülent ÜSTÜNEL

Ümit AK

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

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

1. We have audited the accompanying consolidated financial statements of Akenerji Elektrik Üretim A.Ş. ("Akenerji") and its subsidiaries (collectively referred as, the "Group") which comprise the consolidated balance sheet as of 31 December 2011 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards issued by the Capital Markets Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except for the matter described in paragraph 4 below, we conducted our audit in accordance with the auditing standards issued by the CMB. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

Basis for qualified opinion

4. There are differences between the trade receivables data obtained from the accounting and accrual/collection departments of SEDAŞ, subsidiary of Akenerji, which use different and non-integrated computer applications. The unreconciled differences between the detailed listing of trade receivables and accounting records amount to Turkish Lira ("TL") 18,192 thousand and TL12,220 thousand as of 31 December 2011 and 2010, respectively. Therefore, we were not able to perform the related audit procedures for trade receivables of SEDAŞ.

Qualified opinion

5. In our opinion, except for the effects of such adjustments, if any, relating to the matter described in paragraph 4 above, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Akenerji Elektrik Üretim A.Ş. as of 31 December 2011 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

Additional Paragraph for Convenience Translation into English

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

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

ORIGINAL TURKISH VERSION WAS SIGNED OFF

Ediz Günsel, SMMM
Partner

Istanbul, 28 February 2012

Akenerji Elektrik Üretim A.Ş.
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010
(Amounts expressed in Turkish Lira ["TL"] unless otherwise indicated.)

	Notes	31 December 2011	31 December 2010
ASSETS			
Cash and cash equivalents	3	85,100,382	40,099,092
Trade receivables			
- Other trade receivables	5	73,821,560	70,130,790
- Due from related parties	22	11,756,744	31,618,733
Inventories	7	10,333,913	4,388,873
Other receivables			
- Other receivables	6	6,868,313	6,963,333
- Due from related parties	22	23,313,831	26,875,685
Other current assets	8	9,000,304	7,138,394
Current Assets		**220,195,047**	**187,214,900**
Trade receivables	5	29,739,153	4,879,088
Financial assets	9	1,988,942	1,988,942
Investments accounted through equity method	10	185,195,166	226,437,578
Property, plant and equipment	11	1,412,103,667	1,226,195,882
Intangible assets	12	126,397,701	127,112,275
Deferred tax asset	17	47,449,588	5,136,162
Other non-current assets	8	206,142,782	131,943,416
Non-Current Assets		**2,009,016,999**	**1,723,693,343**
TOTAL ASSETS		**2,229,212,046**	**1,910,908,243**

The consolidated financial statements as of and for the year ended 31 December 2011 have been approved for issue by the Board of Directors ("BOD") on 28 February 2012 and signed on behalf of the BOD by General Manager Ahmet Ümit Danışman and Deputy General Manager Vratislav Domalip. These consolidated financial statements will be definitive following their approval in the General Assembly.

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

Akenerji Elektrik Üretim A.Ş.
CONSOLIDATED BALANCE SHEETS AT
31 DECEMBER 2011 AND 2010
(Amounts expressed in Turkish Lira ["TL"] unless otherwise indicated.)

	Notes	31 December 2011	31 December 2010
LIABILITIES			
Financial liabilities			
- Other financial liabilities	4	207,833,040	130,760,796
- Financial labilities from related parties	22	265,962,296	219,872,615
Trade payables			
- Other trade payables	5	80,391,633	89,073,000
- Due from related parties	22	18,043,275	8,536,666
Taxes on income	17	260,219	302,047
Other payables	6	11,371,984	13,831,126
Derivative financial instruments	14	41,921,415	5,838,077
Provisions	13	15,916,903	2,490,993
Other current liabilities	8	2,767,942	480,722
Current Liabilities		**644,468,707**	**471,186,042**
Financial liabilities	4	945,379,928	575,331,428
Other trade payables	5	113,116,776	98,540,567
Other payables		711,717	382,825
Provisions for employment benefits	15	955,285	742,766
Non-Current Liabilities		**1,060,163,706**	**674,997,586**
Total Liabilities		**1,704,632,413**	**1,146,183,628**
EQUITY			
Share capital	16	375,814,000	375,814,000
Adjustment to share capital	16	101,988,910	101,988,910
Share premium	16	49,955,227	49,955,227
Hedge funds		(30,954,333)	(3,919,731)
Restricted reserves	16	12,351,012	12,106,112
Other funds		(4,322,722)	(4,322,722)
Retained earnings		229,759,030	256,373,853
Net loss for the year		(211,048,080)	(26,369,923)
Equity Attributable To Equity Holders Of The Parent		**523,543,044**	**761,625,726**
Non-Controlling Interest		**1,036,589**	**3,098,889**
Total Equity		**524,579,633**	**764,724,615**
TOTAL LIABILITIES AND EQUITY		**2,229,212,046**	**1,910,908,243**
Provisions, Contingent Assets and Liabilities	13		

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

Akenerji Elektrik Üretim A.Ş.
Consolidated Statements Of Income
For The Years Ended 31 December 2011 And 2010
(Amounts expressed in Turkish Lira ["TL"] unless otherwise indicated.)

	Notes	31 December 2011	31 December 2010
CONTINUING OPERATIONS			
Revenue	18	559,970,769	428,354,752
Cost of sales (-)	18	(450,452,548)	(384,994,697)
GROSS PROFIT		**109,518,221**	**43,360,055**
General administrative expenses (-)	19	(50,454,484)	(42,997,688)
Research and development expenses (-)	19	(58,479)	(495,575)
Other operating income	20	15,089,250	8,886,638
Other operating expense (-)	20	(15,169,422)	(891,446)
OPERATING PROFIT		**58,925,086**	**7,861,984**
Shares of income of investments accounted through equity method	10	(41,242,412)	6,562,612
Financial income	21	24,707,760	14,299,178
Financial expenses (-)	21	(289,861,282)	(55,827,131)
LOSS BEFORE INCOME TAX		**(247,470,848)**	**(27,103,357)**
Current income tax expense	17	(1,349,183)	(2,822,152)
Deferred tax income	17	35,483,615	4,260,973
NET LOSS FOR THE YEAR		**(213,336,416)**	**(25,664,536)**
Net loss attributable to:			
Equity holders of the parent		(211,048,080)	(26,369,923)
Non-Controlling interest		(2,288,336)	705,387
		(213,336,416)	**(25,664,536)**
Losses per 1,000 shares	23	(562)	(97)

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

Akenerji Elektrik Üretim A.Ş.

Consolidated Statements Of Comprehensive Income

For The Years Ended 31 December 2011 And 2010

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

	Notes	31 December 2011	31 December 2010
Loss fort the year		**(213,336,416)**	**(25,664,536)**
Changes in hedge funds	14	(33,793,252)	(1,149,107)
Changes in the deferred tax effect of hedge funds	14	6,758,650	1,730,045
Other comprehensive loss/ (income) (after tax)		**(27,034,602)**	**580,938**
Total comprehensive loss		**(240,371,018)**	**(25,083,598)**
Total comprehensive loss attributable to:			
Equity holders of the parent		(238,082,682)	(25,788,985)
Non-Controlling interest		(2,288,336)	705,387
		(240,371,018)	**(25,083,598)**

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

Akenerji Elektrik Üretim A.Ş.

Consolidated Statements Of Changes In Equity

For The Years Ended 31 December 2011 And 2010

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

	Attributable to equity holders of the parent										
	Share Capital	Adjustment to share capital	Capital Advances	Share Premium	Hedge Funds	Restricted Reserves	Other Funds	Retained Earnings	Net Loss	Non Controlling Interest	Total Equity
1 January 2010	**65,340,000**	**101,988,910**	**231,994,931**	**48,869,596**	**(4,500,669)**	**11,071,608**	**-**	**233,985,664**	**23,422,693**	**2,404,384**	**714,577,117**
Capital increase	310,474,000	-	(231,994,931)	-	-	-	-	-	-	-	78,479,069
Share premium	-	-	-	1,085,631	-	-	-	-	-	-	1,085,631
Addition to scope of consolidation (*)	-	-	-	-	-	-	(4,322,722)	-	-	(10,882)	(4,333,604)
Transfers	-	-	-	-	-	1,034,504	-	22,388,189	(23,422,693)	-	-
Total comprehensive income	-	-	-	-	580,938	-	-	-	(26,369,923)	705,387	(25,083,598)
31 December 2010	**375,814,000**	**101,988,910**	**-**	**49,955,227**	**(3,919,731)**	**12,106,112**	**(4,322,722)**	**256,373,853**	**(26,369,923)**	**3,098,889**	**764,724,615**
1 January 2011	**375,814,000**	**101,988,910**	**-**	**49,955,227**	**(3,919,731)**	**12,106,112**	**(4,322,722)**	**256,373,853**	**(26,369,923)**	**3,098,889**	**764,724,615**
Capital commitment payment	-	-	-	-	-	-	-	-	-	226,036	226,036
Transfers	-	-	-	-	-	244,900	-	(26,614,823)	26,369,923	-	-
Total comprehensive income	-	-	-	-	(27,034,602)	-	-	-	(211,048,080)	(2,288,336)	(240,371,018)
31 December 2011	**375,814,000**	**101,988,910**	**-**	**49,955,227**	**(30,954,333)**	**12,351,012**	**(4,322,722)**	**229,759,030**	**(211,048,080)**	**1,036,589**	**524,579,633**

(*) The amount results from the acquisition of Egemer Elektrik Üretim A.Ş. shares.

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

Akenerji Elektrik Üretim A.Ş.
Notes To The Consolidated Statement Of Cash Flows
For The Year Ended 31 December 2011
(Amounts expressed in Turkish Lira ["TL"] unless otherwise indicated.)

	Note	31 December 2011	31 December 2010
Cash flows from operating activities:			
Loss before tax		(247,470,848)	(27,103,357)
Depreciation and amortisation	11,12	47,138,421	28,472,618
Interest income	21	(6,644,931)	(6,773,185)
Interest expense	21	49,519,868	27,372,227
Change in provision for employment termination benefits		212,519	(416,079)
Provisions for doubtful receivables	5,6	(17,939)	(801,376)
Provisions for unused vacations		240,725	226,894
Unrealized foreign exchange losses (net)		202,324,496	9,578,618
Provisions		14,309,662	1,728,650
Loss / (profit) provided from investments valued by equity method	10	41,242,412	(6,562,612)
Unearned credit finance income		504,222	415,021
(Income) / expense from sales of property, plant and equipment	20	(4,094,294)	(2,166,853)
Net cash (used in) / generated from operating activities before changes in operating assets and liabilities		**97.264.313**	**23.970.566**
Changes in trade receivables	5,22	14,884,798	(6,518,618)
Changes in other receivables	6,22	3,656,874	(21,190,910)
Changes in inventories	7	(5,945,040)	(512,598)
Changes in other current assets	8	(1,861,910)	41,205,753
Changes in long term trade receivables	5	(24,860,065)	2,651,443
Changes in non-current assets	8	(74,199,361)	(56,706,905)
Changes in trade payables	5,22	1,625,380	32,331,378
Changes in derivative financial instruments	14	36,083,338	(733,137)
Changes in other current liabilities	8	2,046,499	37,512
Changes in short-term other payables	6	(2,459,145)	7,763,938
Changes in long term trade payables	5	14,576,209	94,206,963
Changes in other long term payables		328,891	382,825
Other provisions paid	13	(883,752)	(1,235,545)
Taxes paid	17	(1,391,011)	(3,736,197)
Net cash (used in) / generated fromoperating expenses		**58,866,018**	**111,916,468**
Cash flows from investing activities:			
Purchase of property plant and equipment and intangible assets	11,12	(271,149,900)	(533,367,034)
Proceeds from sale of property, plant and equipment and intangible assets		42,912,561	5,281,899
Paid capital commitments of minority interest		226,036	-
Interests received		6,632,802	6,835,907
Net cash used in investing activities		**(221,378,501)**	**(521,249,228)**
Cash flows from financial activities:			
	4	446.713.339	468.451.557
Proceeds from bank borrowings	4	446,713,339	468,451,557
Repayment of bank borrowings	4	(173,791,242)	(267,119,962)
Hedge funds		(33,864,418)	720,828
Share premium		-	1,085,631
Capital increase		-	78,479,069
Interest paid		(42,259,380)	(21,556,941
Net cash generated from financial activities		**196,798,299**	**260,060,182**
Net changes in cash and cash equivalents		34,285,816	(149,272,578)
Effect of exchange rate differences on cash and cash equivelants		10,703,344	1,065,671
Changes in restricted cash		2,902,570	(22,651,089)
Cash and cash equivalents at the beginning of the year	3	**13,582,079**	**184,440,075**
Cash and cash equivalents at the end of the year	3	**61,473,809**	**13,582,079**

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

Akenerji Elektrik Üretim A.Ş.
Notes To The Consolidated Financial Statements
For The Year Ended 31 December 2011
(Amounts expressed in Turkish Lira ["TL"] unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

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

The Company is registered to the Capital Markets Board ("CMB"), and its shares are publicly traded in Istanbul Stock Exchange ("ISE"). As of 31 December 2011, 52.82% of its shares are open for trading (31 December 2010: 52.82%).

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

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

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

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

2.2 Basis of consolidation

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

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

Akenerji Elektrik Üretim A.Ş.
Notes To The Consolidated Financial Statements
For The Year Ended 31 December 2011
(Amounts expressed in Turkish Lira [“TL”] unless otherwise indicated.)

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

The table below sets out all subsidiaries and demonstrates the proportion of ownership interest as of 31 December 2011 and 2010:

	Direct and indirect ownership interest by the Company and its Subsidiaries (%)	
Subsidaries	**31 December 2011**	**31 December 2010**
Akenerji Toptan [(1)]	90.00	90.00
Ak-el [(1)]	90.07	90.07
Mem Enerji [(1)]	99.00	99.00
Akkur Enerji [(1)]	99.00	99.00
Akka Elektrik [(1)]	90.00	90.00
Egemer [(1)]	100.00	100.00
Akel Kemah [(1)]	99.99	99.99
Akenerji Doğalgaz [(1)]	99.99	99.99
Aken BV [(2)]	100.00	100.00

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

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

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

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

The table below sets out all associates and demonstrates the proportion of ownership interest ratios as of 31 December 2011 and 2010:

	31 December 2011	**31 December 2010**
Associates		
Akcez	45%	45%

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

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

2.3 Admendments in International Financial Reporting Standards

(a) Standards, amendments and interpretations effective from 1 January 2011:

• IAS 24 (amendment), "Related party disclosures", (effective for annual periods beginning on or after 1 January 2011).

(b) Amendments and interpretations effective from 1 January 2011 but not has material impact on Group's financial statements:

• IAS 32 (amendment), "Financial instruments: Presentation", (effective for annual periods beginning on or after 1 February 2010);
• IFRIC 19, "Extinguishing financial liabilities with equity instruments", (effective for annual periods beginning on or after 1 July 2010);
• IFRS 1 (amendment), "First-time adoption of IFRS", (effective for annual periods beginning on or after 1 July 2010);
• IFRIC 14 (amendment), "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction", (effective for annual periods beginning on or after 1 January 2011);
• Annual Improvements to IFRSs 2010. Amendments effect six standards and one IFRIC: IFRS 1, IFRS 3, IFRS 7, IAS 27, IAS 34 and IFRIC 13.

c) Standards, amendments and interpretations to existing standards that are not yet effective as of 2011 and have not been early adopted by the Group

• IFRS 1 (amendment), "First-time adoption of IFRS", (effective for annual periods beginning on or after 1 July 2011);
• IAS 12 (amendment), "Income taxes", (effective for annual periods beginning on or after 1 January 2012);
• IAS 1, (amendment), "Presentation of financial statements" (effective for annual periods beginning on or after 1 July 2012);
• IAS 19 (amendment), "Employee benefits" (effective for annual periods beginning on or after 1 January 2013);
• IFRS 9, "Financial instruments" (effective for annual periods beginning on or after 1 January 2015);
• IFRS 10, "Consolidated financial statements" (effective for annual periods beginning on or after 1 January 2013);
• IFRS 11 "Joint arrangements" (effective for annual periods beginning on or after 1 January 2013);
• IFRS 12, "Disclosures of interests in other entities" (effective for annual periods beginning on or after 1 January 2013);
• IFRS 13, "Fair value measurement" (effective for annual periods beginning on or after 1 January 2013);
• IAS 27 (revised), "Separate financial statements" (effective for annual periods beginning on or after 1 January 2013);
• IAS 28 (revised), "Associates and joint ventures" (effective for annual periods beginning on or after 1 January 2013);
• IFRIC 20, Stripping costs in the production phase of a surface mine.

Akenerji Elektrik Üretim A.Ş.
Notes To The Consolidated Financial Statements
For The Year Ended 31 December 2011
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies

a) Revenue Recognition

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

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

b) Trade Receivables and Impairment

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

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

c) Cash and cash equivalents

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

d) Related parties

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

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

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

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

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged A number of transactions are entered into with related parties in the normal course of business (Note 22).

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

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

2.5 Summary of Significant Accounting Policies (continued)

e) Inventories

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

f) Functional and presentation currency

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

g) Property, plant and equipment

Property, plant and equipment acquired before 1 January 2005 are carried at restated cost in purchasing power of TL as at 31 December 2004 less accumulated depreciation and impairment losses. Property, plant and equipment acquired after 1 January 2005 are carried at cost less accumulated depreciation and impairment losses (Note 11). Land is not depreciated as it is deemed to have an indefinite life. Depreciation is provided on restated costs of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets. The mentioned asset's useful lives are presented below:

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

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

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

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

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

h) Intangible Assets

Intangible assets acquired before 1 January 2005 are carried at restated cost in purchasing power of TL as at 31 December 2004 less accumulated depreciation and impairment losses. Intangible assets acquired after 1 January 2005 are carried at cost less accumulated depreciation and impairment losses. Intangible assets comprise licences, rights and computer softwares (Note 12). They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives of 3-49 years. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

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

2.4 Summary of significant accounting policies (continued)

i) Impairment of non-financial assets

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

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

j) Borrowing costs and financial liabilities

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

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

k) Trade payables

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

l) Provisions, contingent liabilities, contingent assets

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

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

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized. A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

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

m) Employment termination benefits

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

Under the Turkish Labour Law, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees (Note 15).

n) Earnings per share

Earnings per share are determined by dividing net gain by the weighted average number of shares that have been outstanding during the related year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and allowable reserves. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year (Note 23).

o) Current and deferred income tax

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

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

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

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities (Note 17).

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

p) Reporting of cash flows

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

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

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

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

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

r) Subsequent events

Subsequent events consist of all events between balance sheet date and date of authorization for validity, even if they have been existed after public explanation of an announcement about profit or other financial information. In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the financial statements (Note 25).

s) Capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are calculated by reducing retained earnings in the period in which they are declared (Note 16).

t) Share premium

Share premium represents differences resulting from the sale of the Group's Subsidiaries' and Associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies (Note 16).

u) Derivative financial instruments

The derivative financial liabilities of the Group comprise of interest rate swaps.

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income (Note 14).

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

v) Offsetting

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

y) Financial assets

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

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

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

Loans and Receivables

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

2.5 Comparatives and restatement of prior year financial statements

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

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

The Group has performed reclassifications in the consolidated balance sheet as of 31 December 2010 in order to conform to presentation of consolidated balance sheet as of 31 December 2011 and consolidated statements of income for the years then ended. Such reclassifications are explained as follows:

i) Deferred VAT given amounting to TL82,785,797 classified under other current assets are reclassified to other non-current assets in the consolidated balance sheet as of 31 December 2010.

ii) Electricity transmission cost amounting to TL4,879,088 classified under current trade receivables are reclassified to non-current trade receivables in the consolidated balance sheet as of 31 December 2010.

iii) Funds arised from share purchase amounting to TL4,322,722 classified under minority interest are reclassified to other funds in the consolidated balance sheet as of 31 December 2010.

iv) Deposits and warranties received amounting to TL382,825 classified under current other payables are reclassified to non-current other payables in the consolidated balance sheet as of 31 December 2010.

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

2.6 Critical accounting estimates and judgements

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

Deferred tax assets for the carry forward tax losses

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

As a result, as of Group is divided into deferred tax asset for unused tax losses amounting to TL159,264,586, as of 31 December 2011 (31 December 2010: TL37,028,066). The remaining amount TL61,153,195 (31 December 2010: TL23,068,928), were not calculated deferred tax asset for prior periods’ tax losses (Note 17).

Fair value of interest rate contracts

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

NOTE 3 - CASH AND CASH EQUIVALENTS

	2011	2010
Cash	23,726	55,947
Banks		
- time deposits	57,147,826	38,683,288
- demand deposits	27,928,830	1,359,857
	85,100,382	**40,099,092**

As of 31 December 2011, the average effective interest rate which is applied for the time deposits of the Group for TL time deposits is 9.59% (2010: 6.25%), for USD time deposits 4.82% (2010: 2.73%) and for EURO time deposits 1.51%’dir (2010: 1.30%).

The remaining day to maturity date of the time deposits as of 31 December 2011 is shorter than 90 days.

The details of cash and cash equivalents include the following for the purpose of the statements of cash flows as of 31 December 2011 and 2010:

	2011	2010
Cash and banks	85,100,382	40,099,092
Restricted cash (-)	(23,595,547)	(26,498,116)
Interest accruals (-)	(31,026)	(18,897)
Cash and cash equivalents	**61,473,809**	**13,582,079**

As of 31 December 2011 the Group’s restricted cash amounted to TL23,595,547 (2010: TL26,498,116) . This restricted amount is related with the loans borrowed by Group.

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NOTE 4 - FINANCIAL LIABILITIES

The details of financial liabilities as of 31 December 2011 and 2010 are as follows:

	2011	2010
Short term bank borrowings	14,341	50,396,683
Short term portion of long term bank borrowings	207,818,699	80,364,113
Short term financial liabilities to releated parties (Note22.d)	265,962,296	219,872,615
Total short term financial liabilities	**473,795,336**	**350,633,411**
Long term bank borrowings	945,379,928	575,331,428
Total financial liabilities	**1,419,175,264**	**925,964,839**

The details of the short term bank borrowings as of 31 December 2011 and 2010 are as follows:

	Original Currency		Waighted average effective interest rate (%)		TL equivalent	
	31 December 2011	31 December 2 010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
USD	-	10,223,766	-	2.94	-	15,805,944
TL	14,341	34,590,739	-	7.78	14,341	34,590,739
					14,341	**50,396,683**

The interest accurals amount for short and long term bank borrowings as of 31 December 2011 is TL13,075,779 (2010: TL5,815,289).

The details of the short term portion of the long term bank borrowings as of 31 December 2011 and 2010 are as follows:

	Original Currency		Waighted average effective interest rate (%)		TL equivalent	
	31 December 2011	31 December 2 010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
USD	81,170,528	28,112,343	3.64	2.52	153,323,010	43,461,683
EURO	22,299,570	18,009,092	3.25	2.82	54,495,689	36,902,430
					207,818,699	**80,364,113**

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NOTE 4 - FINANCIAL LIABILITIES (Continued)

The details of the long term bank borrowings as of 31 December 2011 and 2010 are as follows:

	Original Currency		Weighted average effective interest rate (%)		TL equivalent	
	31 December 2011	31 December 2 010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
USD (*)	433,493,173	287,443,850	4.44	3.97	796,633,426	444,388,193
EURO (**)	62,250,255	63,902,801	4.89	4.01	148,746,502	130,943,235
					945,379,928	**575,331,428**

(*) The amount of the loan obtained from consortium of T. Garanti Bankası A.Ş. , Yapı Kredi Bankası A.Ş. and T. Vakıflar Bankası T.A.O is TL161,495,311 (USD85,497,015). The commission of TL22,191,828 has been deducted from the original amount. This amount will be amortised until the end of loan agreement.
(**) The amount of the loan obtained from HSBC PLC is TL33,317,811 (EUR13,633,608). The commission of TL3,380,671 has been deducted from the original amount. This amount will be amortised until the end of loan agreement.

Letters of guarantee given, pledges and mortgages related to financial liabilities are explained in Note13.

The details of redemption schedule of the long term bank borrowings as of 31 December 2011 and 2010 are as follows:

	2011	2010
Up to 1-2 years	221,740,418	148,474,525
Up to 2-3 years	152,530,021	167,875,042
Up to 3-4 years	121,318,187	72,242,107
Up to 4-5 years	240,059,256	76,113,477
More than 5 years	209,732,046	110,626,277
	945,379,928	**575,331,428**

The details of the carrying values and fair value of the long term bank borrowings as of 31 December 2011 and 2010 are as follows:

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
USD borrowings	796,633,426	975,263,250	444,388,193	518,092,756
Euro borrowings	148,746,502	173,539,213	130,943,235	149,051,696
	945,379,928	**1,148,802,463**	**575,331,428**	**667,144,452**

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

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NOTE 5 - TRADE RECEIVABLES AND PAYABLES

a) Short term other trade receivables:

	2011	2010
Trade receivables	67,107,959	69,579,610
Other short term trade receivables	6,046,027	298,703
Notes receivables and post-dated cheques	1,160,000	763,184
Provision for doubtful receivables (-)	(174,570)	(192,509)
	74,139,416	**70,448,988**
Unearned credit finance income (-)	(317,856)	(318,198)
	73,821,560	**70,130,790**

As of 31 December 2011, the trade receivable maturities are less than 4 months and are discounted by using effective interest rate 11.27% annually (2010: 6.62%).

The movement for provision for doubtful receivables is as below;

	2011	2010
Balance at 1 January	**192,509**	**993,885**
Released provisions	(17,939)	(801,376)
Balance at 31 December	**174,570**	**192,509**

As of 31 December 2011 the amount of receivables overdue and impaired is TL174,570 (2010: TL192,509). The aging list of these receivables as of 31 December 2011 and 2010 is as follows:

	2011	2010
More than 12 months	174.570	192.509
	174.570	**192.509**

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NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

The amount of trade receivables past due but not impaired is TL8,638,526 as of 31 December 2011 (2010: TL6,394,138). The aging list of these receivables as of 31 December 2011 and 2010 is as follows:

	2011	2010
Up to 0-1 month	6,549,361	3,556,335
Up to 1-3 months	1,985,801	2,458,772
Up to 3-12 months	103,364	379,031
	8,638,526	**6,394,138**

b) Long term other trade receivables:

	2011	2010
Long term other trade receivables (*)	29.739.153	4.879.088

(*) Llong term other trade receivables consists of 154KW power transmission line cost which is reflected to TEİAŞ by Group.

c) Short term other trade payables:

	2011	2010
Suppliers	80,791,551	89,251,647
Unrecognized credit finance expenses (-)	(399,918)	(178,647)
	80.391.633	**89.073.000**

d) Long term other trade payables:

	2011	2010
Payables to DSI (*)	113,116,776	98,540,567

(*) The Group signed an agreement with the General Directorate of State Hydraulic Works (DSİ) Department of Investigation and Planning for the Water Usage of Ulubat Power Tunnel and Hydroelectric Energy Power Plant within the scope of the Emet-Orhaneli Çınarcık Dam Project. Even though the responsibility relating to the Energy Share Contribution Fee to be paid for the project, whose construction is ongoing and which has been taken over by the Group from DSİ according to this agreement, arises as the project starts operation, payments relating to this responsibility will start five years after the start of operations. According to the agreement, the obligations are calculated in line with the WPI and payments will be made in 10 equal instalments. The project has been completed as of the balance sheet date and TL113,116,776 has been recorded under long-term other payables of the Group; the first instalment is to be paid in 2015.

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NOTE 6 - OTHER RECEIVABLES AND PAYABLES

a) Other receivables:

	2011	2010
Receivables from tax office	6,651,868	6,402,907
Short term other receivables	159,216	509,116
Deposits and guarantees given	57,229	51,310
	6,868,313	**6,963,333**

b) Other payables:

	2011	2010
Taxes, fees and other charges	10,417,548	13,358,559
Social security payables	883,039	407,339
Payables to personnel	49,915	46,436
Other liabilities	5,938	5,671
Other payables	15,544	13,121
	11,371,984	**13,831,126**

NOTE 7 - INVENTORIES

	2011	2010
Spare parts	10,037,291	4,120,665
Other raw materials	173,256	179,731
Operating supplies	123,366	88,477
	10,333,913	**4,388,873**

The cost of inventories recognized as expense and included in cost of sales amounted to TL1,886,269 for the year ended 31 December 2011 (2010: TL2,285,534).

NOTE 8 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	2011	2010
Prepaid expenses (*)	6,585,879	2,897,434
Deferred VAT	1,048,585	1,603,118
Advances given for purchases	579,772	1,118,111
Prepaid taxes and funds	358,421	1,234,471
Work advances	348,542	159,729
Personnel advances	79,105	125,531
	9,000,304	**7,138,394**

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

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NOTE 8 - OTHER ASSETS AND LIABILITIES (Continued)

b) Other non-current assets:

	2011	2010
Deferred VAT	106,528,982	82,785,797
Advances given (*)	92,826,300	45,513,673
Prepaid expenses	6,580,835	3,474,016
Deposits and guarantees given	206,665	169,930
	206,142,782	**131,943,416**

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

c) Other non-current liabilities:

	2011	2010
Premium liability	1,772,347	-
Unused vacation liability	673,696	432,971
Advances received on orders	284,006	19,094
Other non-current liabilities	37,893	28,657
	2,767,942	**480,722**

NOTE 9 - FINANCIAL INVESTMENTS

Subsidiaries	2011	2010
Aken BV (Note 2.2)	1,988,942	1,988,942

NOTE 10 - INVESTMENT ACCOUNTED THROUGH EQUITY METHOD

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

	2011	2010
At 1 January	226,437,578	219,874,966
Shares of (loss) / income from investments accounted through equity method	(41,242,412)	6,562,612
As of 31 December	**185,195,166**	**226,437,578**

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NOTE 10 - INVESTMENT ACCOUNTED THROUGH EQUITY METHOD (Continued)

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

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

			2011		
	Assets	Liabilities	Sales	Net loss	Interest held (%)
Akcez	1,269,780,120	766,585,502	1,329,359,693	14,583,581	45

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2011	Additions	Transfers	Disposals	31 December 2011
Cost:					
Lands	7,076,287	-	-	(3,356,310)	3,719,977
Land improvements	577,318,847	1,489,968	43,708,239	-	622,517,054
Buildings	59,285,585	36,500	1,553,905	(1,418,305)	59,457,685
Machinery and equipment	598,665,163	1,861,530	2,162,204	(16,455,193)	586,233,704
Motor vehicles	1,787,137	69,349	-	(734,988)	1,121,498
Furnitures and fixtures	6,553,439	774,758	1,030	-	7,329,227
Leasehold improvements	13,718,296	31,820	-	-	13,750,116
Construction in progress (*) (**)	283,006,706	266,697,223	(47,890,873)	(30,374,703)	471,438,353
	1.547.411.460	**270.961.148**	**(465.495)**	**(52.339.499)**	**1.765.567.614**
Accumulated depreciation:					
Land improvements	9,403,402	17,645,062	-	-	27,048,464
Buildings	666,247	1,480,776	-	(159,090)	1,987,933
Machinery and equipment	304,394,620	25,665,337	-	(12,710,624)	317,349,333
Motor vehicles	1,095,873	150,487	-	(651,517)	594,843
Furnitures and fixtures	4,078,972	472,529	-	-	4,551,501
Leasehold improvements	1,576,464	355,409	-	-	1,931,873
	321,215,578	**45,769,600**	**-**	**(13,521,231)**	**353,463,947**
Net Book Value	**1,226,195,882**				**1,412,103,667**

(*) Construction in progress consists of the hydroelectricity terminals of Feke 1, Gökkaya, Himmetli, Kemah and combined natural gas terminals of Egemer Iskenderun Erzin.
(**) TL5,064,624 of the disposals of construction in progress is related to Salihler and Çamlıca windpower plant and Saimbeyli hydroelectricity terminal and TL24,103,440 of the disposals is related to the 154 KW electricity transmission line cost that is reflected to TEİAŞ.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2010	Additions	Transfers	Disposals	31 December 2010
Cost					
Lands	7,076,740	-	-	(453)	7,076,287
Land improvements (**)	13,530,689	28,529	563,759,629	-	577,318,847
Buildings	3,495,991	33,205	55,756,389	-	59,285,585
Machinery and equipment	399,214,006	11,009,082	191,744,589	(3,302,514)	598,665,163
Motor vehicles	2,655,487	624,201	-	(1,492,551)	1,787,137
Furnitures and fixtures	5,936,544	629,388	98,547	(111,040)	6,553,439
Leasehold improvements	13,676,250	42,046	-	-	13,718,296
Construction in progress (*) (***)	634,099,222	464,506,962	(814,802,131)	(797,347)	283,006,706
	1,079,684,929	**476,873,413**	**(3,442,977)**	**(5,703,905)**	**1,547,411,460**
Accumulated depreciation:					
Land improvements	4,800,765	4,602,637	-	-	9,403,402
Buildings	317,749	348,498	-	-	666,247
Machinery and equipment (**)	283,522,626	23,698,886	-	(2,826,892)	304,394,620
Motor vehicles	2,459,824	128,600	-	(1,492,551)	1,095,873
Furnitures and fixtures	3,834,006	354,262	-	(109,296)	4,078,972
Leasehold improvements	1,229,313	347,151	-	-	1,576,464
	296,164,283	**29,480,034**	**-**	**(4,428,739)**	**321,215,578**
Net Book Value	**783,520,646**				**1,226,195,882**

(*) Construction in progress consist of the hydroelectricity terminals of Uluabat, Feke 1, Feke 2, Akocak, Kemah, Bulam, Gökkaya, Burç and Himmetli and combined natural gas terminals of Egemer Iskenderun Erzin.
(**) Depreciation expense of TL2,003,047 has been charged to the cost of land improvements, since the machinery and equipment was used in the construction of land improvements.
(***) The disposals from construction in progress includes the sales of 154 KW electricity transmission line to Aksa Akrilik Kimya Sanayii A.Ş..

Depreciation expense of TL45,083,202 has been charged in cost of sales (2010: TL26,889,293), TL686,398 in general administrative expenses (2010: TL587,694).

The amount of capitalized borrowing costs for the year ended 31 December 2011 amounted to TL20,904,385 (2010: TL5,459,639).

Details of the guarantees, pledges and mortgages on property, plant and equipments as of 31 December 2011 and 2010 are explained in Note 13.

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2011	Additions	Transfers	31 December 2011
Cost				
Rights	7,642,987	188,752	465,495	8,297,234
Licences	126,308,521	-	-	126,308,521
	133,951,508	**188,752**	**465,495**	**134,605,755**
Accumulated amortisation				
Rights	1,552,473	468,007	-	2,020,480
Licences	5,286,760	900,814	-	6,187,574
	6,839,233	**1,368,821**	**-**	**8,208,054**
Net book value	**127,112,275**			**126,397,701**

	1 January 2010	Additions	Transfers	31 December 2010
Cost				
Rights	2,341,413	1,858,597	3,442,977	7,642,987
Licences (*)	71,510,330	54,798,191	-	126,308,521
	73,851,743	**56,656,788**	**3,442,977**	**133,951,508**
Accumulated amortisation				
Rights	1,425,642	126,831	-	1,552,473
Licences	4,417,960	868,800	-	5,286,760
	5,843,602	**995,631**	**-**	**6,839,233**
Net book value	**68,008,141**			**127,112,275**

(*) The licences as of 31 December 2010 comprise to the purchase of electricity licence of Akel Kemah Elektrik Üretim ve Ticaret A.Ş.. and Akenerji Doğalgaz İthalat İhracat Ve Toptan Ticaret A.Ş.

Depreciation expense of TL242,506 has been charged in cost of sales (2010: TL19,128), TL1,126,315 in general administrative expenses (2010: TL976,503).

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NOTE 13 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

13.1 Provisions

There are various lawsuits against or in favour of the Group. The majority of these lawsuits constitues doubtful receivables or labour lawsuits. The Group management estimates the outcomes of these lawsuits and the financial effects thereof, and the required provisions are accounted for based on these estimates. The amount of provisions for the lawsuits as of 31 December 2011 is TL2,778,855(31 December 2010 TL1,607,241).

	2011	2010
Expense accruals (*)	919,048	883,752
Provisions for lawsuits (**)	2,778,855	1,607,241
Other provisions (***)	12,219,000	-
	15,916,903	**2,490,993**

(*) Expense accruals comprise periodical maintanence expenses.
(**) The law suit Toprak Kağıt Sanayi A.Ş. filed against the Group in the amount of TL3,547,161 as a result of power consumption at more than the cost without prejudice to the rights provided in the total amount of TL7,800.and the law suit which Toprak Seniteri filed against the Group in the amount of TL53,367 as a result of power consumption at more than the cost without prejudice to the rights provided in the total amount of TL6,800 have been incorporated by the court. Group management expects maximum liability amounting to TL14,600 as of balance sheet date in accordance with the view of the Group's legal representative and the related amount has been reflected to the financial statements as the provision for the lawsuit (31 December 2010: TL150,000).
Toprak Seramik ve Gida Sanayi ve Ticaret A.Ş. prosecuted the Group in the amount of TL1,532,214 as a result of power consumption by more than the cost without prejudice to the rights provided in the total amount of TL15,600. The court of first instance which is the pending place of action concluded the law suit in favour of Akenerji. The period for appeal of the litigant continues. The group management does not anticipate any additional financial liabilities as a result of this law suit as of balance sheet date,in accordance with the view of the Group's legal representative.
Other provisions are related with labour lawsuits against the Group.
(***) According to the precautionary principle, the Group management has booked provision in the amount of TL 12,219,000 about a terminated investment project of Akka Elektrik Üretim A.Ş (a subsidiary of the Group) that has been made in the terms of a pursuant to the contract.

The movement of the provision for expenses is as below:

	2011	2010
1 January	**883,752**	**1,235,545**
Current year changes	919,048	883,752
Payments	(883,752)	(1,235,545)
31 December	**919,048**	**883,752**

The movement of lawsuits is as below:

	2011	2010
1 January	**1,607,241**	**762,343**
Current year changes	1,804,614	1,118,398
Released provisions	(633,000)	(273,500)
31 December	**2,778,855**	**1,607,241**

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

13.1 Provisions (Continued)

The movement of other provisions is as below:

	2011	2010
1 January	-	-
Current year changes	12,219,000	-
31 December	**12,219,000**	**-**

13.2 Contingent Liabilities

a. Letters of guarantee given

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

		31 December 2011		31 December 2010	
	Currency	Original currency	Local currency (TL)	Original currency	Local currency (TL)
Letters of guarantee given	TL	132,615,732	132,615,732	86,023,171	86,023,171
Letters of guarantee given	Euro	8,012,270	19,580,385	25,894,021	53,059,438
			152,196,117		**139,082,609**

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

b. Purchase Commitment

The Group has committed to purchase 360,000,000 Sm3 natural gas from its suppliers within the year 2011 with a minimum volume of 288,000,000 Sm3. The minimum purchase commitment is achieved by the Group as of the balance sheet date.

The Group has signed a contract to purchase all electrical energy produced through wind turbines of Dogal Enerji Elektrik Üretim A.Ş. and Soma Elektrik Üretim A.Ş. owned by Polat Enerji until the end of 2011. According to the agreement, the Group has committed to purchase all electrical energy produced by Polat Enerji. The Group, within the framework of the Electricity Market Balancing and Settlement Code, was responsible for balance party of Polat Enerji and was entitled to receive all the active electrical energy the relevant settlement to trade in.There is not any commitment risk as the Group performs the trading of whole committed energy through spot market and bilateral agreements.

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

13.3 Contingent Assets

		31 December 2011		31 December 2010	
	Currency	Original currency	Local currency (TL)	Original currency	Local currency (TL)
Guarantee letters obtained	TL	76,484,590	76,484,590	117,804,551	117,804,551
Guarantee letters obtained	USD	14,932,537	28,206,069	11,941,596	18,461,707
Guarantee letters obtained	Euro	64,232,142	156,970,510	8,304,122	17,015,976
Guarantee letters obtained	GBP	182,203	531,487	6,258	14,948
			262,192,656		**153,297,182**

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

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

The Group's guarantees, pledges, mortgage ("GPM") positions in TL as of 31 December 2011 and 2010 are as follows:

		31 December 2011		31 December 2010	
		Original	Local	Original	Local
	Currency	currency	currency (TL)	currency	currency (TL)
A. GPM's given for companies own legal personality (*)	USD	200,000,000	377,780,000	200,000,000	309,200,000
	TL	152,196,117	152,196,117	86,023,171	86,023,171
	EURO	-	-	26,014,602	53,306,520
B, Total amount of GPM given for the subsidiaries and associates in the scope of consolidation (**)	USD	805,000,000	1,520,564,500	154,000,000	238,084,000
	EURO	28,000,000	68,426,400	28,000,000	57,374,800
C,Total amount of GPM given for the purpose ofMaintaining operating activities	-	-	-	-	-
D,Total other GPM's given (***)	USD	-	-	310,000,000	479,260,000
			2,118,967,017		**1,223,248,491**

(*) Within in the framework of the loan contract signed between Akenerji and the International Finance Corporation ("IFC") in on 24 June 2010, the collateral for which is valued at USD100,000,000 51,078.79 m2 plot of land in Kemalpaşa Ulucak village, Kirovasi region İzmir district, Kemalpasa Deed Administration Plot No. L18B03C4A-L18B03D03DB, Isle Map No: 534, Parcel No. 11, registered with the İzmir Kemalpasa Title Deed Registry, and the prefab factory buildings, structures, administrative buildings, social facility premises and plot of land of 11,923.64m2 located at Kemalpasa Bozüyük town, Yeni Mahalle district, Yafti region, Bilecik Bozüyük Plot No. 30 L1, Map No. 45, Parcel No.21 registered with the Bilecik Bozüyük Title Deed Registry. By force of the IFC Loan Agreement, these mortgages will be annulled after the expropriation of the Ulubat and Akocak facilities or after Ulubat and Akocak usufruct mortgages are put in place.
The rest of the letter of guarantees in the amount of TL152,196,117 consist of the guarantees given to the suppliers and customs.

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

(**) Details of the guarantees which have given on behalf of the associations of Akenerji which have included within the scope of consolidation as of 31 December 2011 are as below (TL):

The loan agreement with seven years maturity for financing "Burç Bendi" and "Feke 1" HEP projects was signed between Akkur Enerji, which holds 99% of the shares of Akenerji, and the National Bank of Greece S.A. London branch. The loan is a two year non- refundable credit and is valued at USD75,000,000. To guarantee repayment, Akkur Enerji has become a guarantor of the repayment of the loan and has provided the necessary guaranty to the bank. The loan agreement with eight years maturity for financing the Himmetli, Gökkaya and Bulam HEP projects was signed between MEM Enerji, which holds 99% of the shares of Akenerji, and Türkiye Sınai Kalkınma Bankası A.Ş. The loan is a three year non-refundable credit and is valued at EUR28,000,000 and USD79,000,000. To guarantee the payback and absorb any costs arising during the investment, Akkur Enerji has become a guarantor of the repayment of the loan and coverage of costs arising during the investment, and has provided the necessary guaranty to the bank. In accordance with the agreement, Türkiye Sınai Kalkınma Bankası A.Ş. has signed "a share pledge agreement of pledge on shares".

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

(***) Details of the guarantees which have given on behalf of the associations of Akenerji which have not included within the scope of consolidation as of 31 December 2011 are as below (TL):

Two equal instalment payments for the remaining balance of USD300 million of Sedaş's total turnover cost (USD600 million), after the payment of USD300 million on 11 February 2009, has been agreed with the Republic of Turkey Prime Ministry Privatisation Administration and a letter of guarantee with a total amount of USD300 million was given for these instalments. Akenerji stood guarantor for Akcez for the related letters of guarantee and gave all necessary commitments to the related banks (Akbank T.A.Ş. (Akbank) ve Türkiye İs Bankası (İşbank)).

The first principal amount of USD150 million was paid to the Republic of Turkey Prime Ministry Privatisation Administration on 26 January 2010. Akenerji stood guarantor for Akcez and paid all related collaterals to the banks as guarantee for the loan agreements. That first principal payment was financed by using a loan agreement amounting to USD160,000,000 with a maturity date of one year and one week, provided to Akcez by Akbank N.V. , Yapı ve Kredi Bankası A.Ş. ve and Yapi Kredi Nederland N.V banks. In accordance with this, the associated interest payment amounting to USD9,786,663 was paid to the Republic of Turkey Prime Ministry Privatization Administration on 11 February 2010. The part amounting to USD150 million of the letter of guarantee with a total amount of USD300 million given previously was recalled and returned to the banks by this payment.

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

The guarantee given to Akcez by Akenerji within the context of the loan agreement amounted to USD160 million and was terminated by the closing of the loan on 1 February 2011.

The liability of Akenerji arising from being the guarantor of the letter of guarantee in the amount of USD150 million was terminated by the USD150 million payment by Akcez to the Republic of Turkey Prime Ministry Privatisation Administration on 7 January 2011. With this payment, the letter of guarantee given by Akcez in the amount of USD150 million was recalled and returned to the banks.

Ratio of GPMs given by the Group to equity is 404%(31 December 2010: 160%).

NOTE 14 - DERIVATIVE FINANCIAL LIABILITIES

Derivative financial instruments held for hedging:

	2011		2010	
	Contract amount	Fair value	Contract amount	Fair value
Interest rate swaps	334,408,369	41,921,415	208,035,786	5,838,077

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

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

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

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

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NOTE 14 - DERIVATIVE FINANCIAL LIABILITIES (Continued)

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

	2011	2010
1 January	**(5,838,077)**	**(6,571,214)**
Correlated with income statement		
- financial expense/ (income)	(3,471,393)	970,550
Correlated with commprehensive income statement		
- hedge funds	(33,793,252)	(1,149,107)
Correlated with balance sheet		
-constructions in progress	1,181,307	911,694
31 December	**(41,921,415)**	**(5,838,077)**

NOTE 15 - PROVISION FOR EMPLOYMENT BENEFITS

	2011	2010
Employment termination benefits	955,285	742,766
	955,285	**742,766**

The movement of employment termination benefits is as below:

	2011	2010
Beginning of the period	**742,766**	**1,158,845**
Service Cost	359,653	(133,128)
Interest Cost	34,629	54,028
Paid compensation	(212,519)	(416,079)
Actuarial losses	30,756	79,100
End of the period	**955,285**	**742,766**

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

Under Turkish Labour Law, the companies are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL 2,731.85 for each year of service as of 31 December 2011 (2010: TL2,517.01).

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NOTE 15 - PROVISION FOR EMPLOYMENT BENEFITS (Continued)

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

	2011	2010
Discount rate (%)	4.66	4.66
Probability of retirement (%)	100.00	100.00

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The amount payable consists of one month’s salary limited to a maximum of TL 2,805.04 for each period of service as of 1 January 2012 (1 January 2011: 2,623.23).The maximum liability is revised semi annually.

NOTE 16 - EQUITY

Share capital

As of 31 December 2011 and 2010 the share capital held is as follows:

	2011	2010
Limit on registered share capital (historical)	1,500,000,000	1,500,000,000
Issued capital	375,814,000	375,814,000

The Company’s shareholders and share helding structure as of 31 December 2011 and 2010 are as follows:

	Share %	2011	Share %	2010
CEZ a.s.	37.36	140,409,411	37.36	140,409,411
Akkök Sanayi Yatırım ve Geliştirme A,Ş,	20.43	76,789,568	20.43	76,789,568
Akarsu Enerji Yatırımları San,ve Ticaret A,Ş, (“Akarsu”)	16.93	63,619,843	16.93	63,619,843
Publicly held	25.28	94,995,178	25.28	94,995,178
	100	**375,814,000**	**100**	**375,814,000**
Adjustment to share capital		101,988,910		101,988,910
Total paid-in capital		**477,802,910**		**477,802,910**

Share Premium

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

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NOTE 16 - EQUITY (Continued)

Retained Earnings and Legal Reserves

	2011	2010
Legal reserves	12,351,012	12,106,112
	12,351,012	**12,106,112**

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

Dividend distribution

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

According to the Board's decision and Communiqué No. IV-27 issued by the CMB regarding the allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realised as cash or as bonus shares or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the Company.

In addition, according to the aforementioned Board decision, who are required to prepare consolidated financial statements the entities can provide the necessary amount from their statutory reserves, the distributable profit can be calculated based on the net income declared at the publicly announced consolidated financial statements in the accordance with Communiqué XI No. 29. Akenerji adopted the registered capital system applicable to the companies registered on the Capital Markets Board (CMB) defines limitations to registere capital for shares whose nominal value is TL 1 ("One Turkish Lira")

The remaining current year income and the reserves of the Group that can be subject to the dividend distribution is TL 6,745,914 (31 December 2010: TL 14,104,322).

NOTE 17 - TAX ASSETS AND LIABILITIES

	2011	2010
Corporate and income taxes payable	1,349,183	2,822,152
Prepaid taxes (-)	(1,088,964)	(2,520,105)
Taxes on Income	**260,219**	**302,047**

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

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

In Turkey, the effective rate of tax in 2011 is 20% (2010: 20%).

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

The details of taxation on income for the years ended 31 December 2011 is as below;

	2011	2010
Current income tax expense	(1,349,183)	(2,822,152)
Deferred tax income	35,483,615	4,260,973
	34,134,432	**1,438,821**

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

	2011	2010
Loss before tax	(247,470,848)	(27,103,357)
Tax calculated by using effective tax rate	49,494,169	5,420,671
Tax effect of exemptions	(3,372,340)	(78,844)
Losses not subject to tax (*)	(12,230,639)	(4,548,520)
Other	243,242	645,514
Current year tax income	**34,134,432**	**1,438,821**

(*) The effect of the losses of subsidiaries in the scope of consolidation which do not have tax bases as of 31 December 2011 and 2010 in accordance with Turkish Tax Law.

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

Deferred Taxes

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

	2011	2010
Deferred tax assets	50,564,501	14,015,042
Deferred tax liabilities	(3,114,913)	(8,878,880)
Deferred tax assets, net	**47,449,588**	**5,136,162**

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2011 and 2010 are as follows:

	Differences		Deferred tax assets / (liabilities	
	2011	2010	2011	2010
Carry forward tax losses	(159,264,586)	(37,028,066)	31,852,917	7,405,613
Investment incentive	(47,631,041)	(25,280,959)	9,526,208	5,056,192
Derivative financial instruments	(39,075,443)	(4,926,383)	7,815,089	985,277
Provisions for lawsuits	(2,778,855)	(1,607,241)	555,771	321,448
Provision for employment	(955,285)	(742,766)	191,057	148,553
Unearned credit finance income	(671,256)	(442,887)	134,251	88,577
Provision for unused vacations	(673,696)	(432,971)	134,739	86,594
Property,plant and equipment	12,125,949	40,411,024	(2,425,190)	(8,082,205)
Loan commissions	3,380,671	4,189,315	(676,134)	(837,863)
Unrecognised credit finance expense	67,947	180,124	(13,589)	(36,024)
Provision for premium	(1,772,347)	-	354,469	-
Deferred tax assets - net			**47,449,588**	**5,136,162**

The movement of deferred tax assets as of 31 December 2011 and 2010 is as below:

	2011	2010
1 January	**5,136,162**	**1,015,079**
Correlated with the statement of income (net)	35,483,615	4,260,973
Correlated with the equity	6,829,811	(139,890)
31 December	**47,449,588**	**5,136,162**

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets and liabilities as follows:

	2011	2010
Deferred tax assets:		
- Deferred tax assets to be recovered within 12 months	41,379,125	12,619,740
- Deferred tax asset to be recovered within 12 months	9,185,376	1,395,302
	50,564,501	**14,015,042**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	(689,723)	(796,676)
Deferred tax asset to be recovered within 12 months	(2,425,190)	(8,082,204)
	(3,114,913)	**(8,878,880)**

As of the balance sheet date, the Group has carry-forward tax losses amounting to TL 220,417,781 to be deducted from future profits and has recognized deferred tax assets for the carried forward tax losses amounting to TL159,264,586 which the Group believes it will utilize in the future. The expiration dates of recognized carry-forward tax losses are as follows:

Due Date	Losses
2015	34,166,736
2016	125,097,850
	159,264,586

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

Due Date	Losses
2014	330,336
2015	25,184,644
2016	35,638,215
	61,153,195

NOTE 18 - REVENUE AND COST OF SALES

	2011	2010
Sales	561,218,154	429,037,135
Sales returns (-)	(1,247,385)	(682,383)
Sales (Net)	**559,970,769**	**428,354,752**
Cost of sales (-)	(450,452,548)	(384,994,697)
Gross Operating Profit	**109,518,221**	**43,360,055**

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NOTE 19 - EXPENSES BY NATURE

	2011	2010
Direct raw material expenses	365,569,050	323,478,780
Depreciation and amortization expenses (Note 11,12) (*)	47,138,421	28,472,618
Personnel expenses (**)	27,286,668	20,250,923
General production expenses	19,856,033	24,226,567
Consultancy expenses	9,039,374	7,780,076
Insurance expenses	4,593,225	2,007,811
IT expenses	2,443,037	1,669,119
Tax expenses	2,236,332	3,342,887
Office expenses	2,149,697	2,133,010
Vehicle expenses	1,903,897	1,602,794
Other raw materials, spare parts and operating supplies expenses	1,886,269	2,285,534
Provisions for lawsuits	1,804,614	1,118,398
Rent expenses	1,301,416	1,567,293
Travel expenses	992,248	918,030
Advertising expenses	534,191	249,910
Communication expenses	419,908	325,625
EMRA licence expenses	265,650	59,563
Security expenses	78,444	891,503
Research and development expenses	58,479	495,575
Other expenses	11,408,558	5,611,944
Total	**500,965,511**	**428,487,960**

(*) Depreciation expense of TL45,325,708 has been charged in cost of sales, TL1,812,713 in general administrative expenses.
(**) Personnel expense of TL13,092,322 has been charged in cost of sales, TL14,194,346 in general administrative expenses.

NOTE 20 - OTHER OPERATING INCOME AND EXPENSE

a) Other operating income

	2011	2010
Income from insurance reimbursements (*)	7,597,554	2,587,075
Gain on sale of property, plant and equipment	4,094,294	2,166,853
Released litigation provision	656,870	440,764
Scrap sales	572,132	119,099
Counter difference income	528,632	-
Due date difference (**)	326,590	1,536,678
Released doubtfull receivable provision	17,939	801,376
Other income and profits	1,295,239	1,234,793
Total	**15,089,250**	**8,886,638**

(*) It consists of collected insurance benefit for the incident occured at Akocak Project.
(**) It consists of interest income for overdue trade receivables. Applied monthy interest rate is 1.40% as of 31 December 2011 (2010: 1.95%).

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NOTE 20 - OTHER OPERATING INCOME AND EXPENSE (Continued)

b) Other operating expenses

	2011	2010
Provision expenses (*)	12,219,000	-
Additional system usage compensations	1,448,684	-
Project expenses (**)	404,765	-
Counter difference expenses	270,373	56,833
Other expenses and losses	826,600	834,613
Total	**15,169,422**	**891,446**

(*) According to the precautionary principle, the Group management has booked provision in the amount of TL 12,219,000 about a terminated investment project of Akka Elektrik Üretim A.Ş (a subsidiary of the Group) that has been made in the terms of a pursuant to the contract.
(**) As Mem Enerji is a subsidiary of the Group, this amount consists of the expenses of Mem Enerji's feasibility studies for cancelled Saimbeyli Project.

NOTE 21 - FINANCIAL INCOME AND EXPENSES

a) Financial income:

	2011	2010
Foreign exchange gains	16,758,469	6,598,773
Interest income	6,644,931	6,773,185
Unearned credit finance income	1,304,360	927,220
Total	**24,707,760**	**14,299,178**

b) Financial expense:

	2011	2010
Foreign exchange losses	226,248,036	27,942,705
Interest expenses	49,519,868	27,372,227
Unrecognized credit finance expense	800,138	512,199
Other financial expenses (*)	13,293,240	-
Total	**289,861,282**	**55,827,131**

(*) The balance is the index difference of the liability due to Uluabat DSİ Water Use Agreement calculated by WPI as of balance sheet date. Since the investment has been continuing, index difference has been capitalised on the constructions in progress in 2010.

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NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Related party balances:

a) Receivables from related parties

	2011	2010
Sedaş Elektrik Dağıtım A.Ş.("Sedaş") (*)	8,427,326	1,233,131
BSH Ev Aletleri San. ve Tic. A.Ş. ("BSH")	1,120,725	965,237
Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş.("Eczacıbaşı")	876,180	771,593
Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (*)	376,485	376,911
Akkim Kimya San. ve Tic. A.Ş. ("Akkim") (*)	247,975	202,936
Aksa Akrilik Kimya San. A.Ş. ("Aksa") (**)	13,452	27,486,558
Other	878,667	707,056
Unearned credit finance income (-)	(184,066)	(124,689)
	11,756,744	**31,618,733**

(*) The Group makes electricity sales to Sedaş, Üçgen Bakım ve Yönetim Hizmetleri A.Ş. and Akkim. These receivables have subsequently been collected.
(**) Receivables from Aksa in 2010 was a result of natural gas sale to Aksa by Akenerji Doğalgaz. Group has not sold any natural gas in 2011to Aksa.

Maturity of trade receivables from related parties due date is approximately 20 days and applied annual interest rate is 11.27% (2009: 6.62%)

b) Other financial receivables from related parties

	2011	2010
Akcez Enerji Yatırımları San. ve Tic. A.Ş.	20,948,790	22,721,362
Sedaş	2,362,091	3,229,804
CEZ a.s.	2,950	922,739
Akarsu Enerji Yatırımları San. ve Tic. A.Ş.("Akarsu")	-	890
Akkök Sanayi Yatırım ve Geliştirme A.Ş.("Akkök")	-	890
	23,313,831	**26,875,685**

Maturity of other (financial) receivables from related parties due date is 1 year and applied annual interest rate for TL other financial receivables 11%, for USD and EURO other financial receivables 5.5%. (31 December 2010: for TL financial receivables: 8.5%, USD ve EURO receivables: 4%)

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NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

c) Payables to related parties

	2011	2010
Çerkezköy Organize Sanayi Bölgesi ("ÇOSB") (*)	8,172,775	5,406,585
Dinkal Sigorta Acenteliği A.Ş. (**)	7,840,416	738,904
Sedaş	1,286,893	1,520,909
Akkök	481,064	513,606
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş. ("Aktek")	292,601	390,784
Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş. ("Ak-Han")	99,917	77,548
Other	70,950	144,188
Unrecognized credit finance income (-)	(201,341)	(255,858)
	18,043,275	**8,536,666**

(*) The payable amount to ÇOSB is related to the natural gas purchases.
(**) This balance is related to the payables about the insurances for construction in progress.

Maturity of trade payables to related parties maturity of 30 days and applied annual interest rate is 11.27% (2010: 6.62%)

d) Other financial payables to related parties

	2011	2010
CEZ a.s.	133,666,103	110,178,107
Akkök	71,844,077	59,548,448
Akarsu	60,452,116	50,146,060
	265,962,296	**219,872,615**

Maturity of other (financial) trade payables to related parties maturity of 1 year and applied annual interest rate for USD other financial payables is 5.5% (2010: 4.48%).

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NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) The details of major sales and major purchase transactions between the related parties for the year ended 31 December 2011 and 2010:

a) Sales to related parties

	2011	2010
Sedaş	47,127,074	29,225,177
BSH	9,835,230	9,456,581
Eczacıbaşı	7,491,454	7,020,757
Ak-Al Tekstil Sanayii A.Ş.	5,568,108	3,122,969
Akkök	5,150,000	173,084
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	4,288,192	3,903,820
Demirer Kablo Tesisleri San. ve Tic. A.Ş.	2,975,714	2,130,932
Akkim Kimya San. ve Tic. A.Ş.	2,391,648	2,457,909
Akport Tekirdağ Liman İşletmeleri A.Ş.	257,897	203,436
Aksa Akrilik Kimya Sanayi A.Ş.	136,023	20,879,153
Other	4,225,993	2,401,542
	89,447,333	**80,975,360**

The sales to related parties majorly consist of electricity sales.

b) Purchases from related parties

	2011	2010
ÇOSB (*)	58,311,512	48,962,782
Dinkal Sigorta Acenteliği A.Ş.	15,456,947	4,939,971
CEZ a.s. (**)	10,375,098	5,826,193
Akkök (***)	8,217,616	7,091,966
Aktek (****)	3,190,095	3,119,078
Akarsu (*****)	2,512,344	1,053,403
Ak-Han	1,310,836	1,023,247
Akkim Kimya San. ve Tic. A.Ş.	460,852	540,645
Üçgen Bakım ve Yönetim Hiz. A.Ş.	167,331	134,711
Aksa Akrilik Kimya Sanayii A.Ş.	136,807	122,541
Sedaş	81,180	853,381
Other	342,020	331,235
	100,562,638	**73,999,153**

(*) It consists of the the purchases of natural gas of Akenerji.
(**) The balance is related to the consulting services procurement from CEZ a.s..
(***) This amount consists of the consulting services and rent charges from Akkök.
(****) The Group's IT fixed asset procurements are made through Aktek. Moreover, the balance is about the IT services obtained.
(*****) The amount consists of the interest invoices about the financial loans obtained from Akarsu.

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NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

iii) Key management compensation as of 31December 2011 and 2010:

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

	2011	2010
Employee Benefits	3,219,581	3,043,814
Bonus premium	683,034	653,849
Attandence fee	599,424	601,013
	4,502,039	**4,298,676**

NOTE 23 - EARNINGS PER SHARE

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

	2011	2010
Net loss owned by main company	(211,048,080)	(26,369,923)
Weighted average amount of new issued shares	375,814,000	375,814,000
Losses per 1,000 shares	(562)	(97)

Nominal value of each of the issued shares as of 31 December 2011 and 2010 is 1 Kr.

NOTE 24 - FINANCIAL RISK MANAGEMENT

Financial risk management

Financial Risk Factors

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

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

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

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NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

(a) Liquidity risk

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

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

The analysis of the financial liabilities according to their maturities as of 31 December 2011 and 2010 is as below;

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

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

2010	Carrying value	Total Cash outflow due to contract	3 months or less	3 - 12 months	1 - 5 years	5 year and more
Financial liabilities	925,964,839	1,016,487,966	162,745,241	210,449,879	573,563,027	69,729,819
Trade payables	196,150,233	196,491,781	97,779,630	-	9,871,215	88,840,936
Other non currentliabilities	14,213,951	14,213,951	13,831,126	-	382,825	-
	1,136,329,023	**1,227,193,698**	**274,355,997**	**210,449,879**	**583,817,067**	**158,570,755**

[(1)] Maturity analysis was applied only to financial instruments. Legal obligations are not included in the maturity analysis.
[(2)] These amounts are contructual undiscounted cash flows. Balances with maturities less than 3 months is equal to their carrying values due to the negligible discount amount.

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NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

Derivative financial liabilities:

2011	Carrying value	3 months or less	3 - 12 months	1 - 5 years	5 year and more
Financial liabilities	41.921.415	-	-	41.921.415	-

2010	Carrying value	3 months or less	3 - 12 months	1 - 5 years	5 year and more
Financial liabilities	5.838.077	-	-	5.838.077	-

(b) Market Risk

Interest Rate Risk

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

The table of the interest position of the Group as of 31 December 2011 and 2010 is as below:

	2011	2010
Financial instruments with fixed interest rates		
Cash and cash equivalents	57,147,826	38,683,288
Trade receivables	115,317,457	106,628,611
Other receivables	30,182,144	34,014,079
Financial liabilities	384,312,207	393,949,298
Trade payables	98,434,908	97,609,666
Financial instruments with floating interest rates		
Financial liabilities	1,034,863,057	532,015,541
Trade payables	113,116,776	98,540,567

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated. Based on the simulations performed if interst rates of borrowings with floating rates had been 1 basis points higher / lower with all other variables held constant, post tax profit of the Group would be TL1,196,540 lower / higher. (2010: TL1,770,932).

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NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated assets and liabilities to local currency. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. These risks are monitored and limited by the analysis of the foreign currency position.

The details of the foreign currency assets and liabilities as of 31 December 2011 and 2010 are presented as below;

	2011	2010
Assets	162.828.870	73.209.740
Liabilities	1.444.060.625	889.663.912
Net foreign currency position	**(1.281.231.755)**	**(816.454.172)**

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NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

Assets and liabilities denominated in foreign currency held by the Group at 31 December 2011 and 2010 and their TL equivalent are as follows:

	2011				2010			
	TL Equivalent	US Dollar	Euro	Other	TL Equivalent	US Dollar	Euro	Other
Trade Receivables	209,982	27,224	64,882	-	242,304	36,898	90,411	-
Monetary financial assets	62,360,808	14,118,676	14,605,136	3	36,840,444	7,154,761	12,580,729	3
Other Receivables	12,558,553	3,693,368	2,268,440	13,211	21,391,654	9,816,638	3,033,103	-
Other Current Assets	137,426	41,449	24,197	-	2,288	1,480	-	-
Current Assets	75,266,769	17,880,717	16,962,655	13,214	58,476,690	17,009,777	15,704,243	3
Other non-current assets	87,562,101	6,899,044	30,497,789	-	14,733,050	4,435,502	3,843,523	-
Non-current assets	87,562,101	6,899,044	30,497,789	-	14,733,050	4,435,502	3,843,523	-
Total Assets	**162,828,870**	**24,779,761**	**47,460,444**	**13,214**	**73,209,740**	**21,445,279**	**19,547,766**	**3**
Trade Payables	24,468,543	7,351,312	4,330,406	1	13,005,273	2,498,231	4,164,758	254,962
Financial Liabilities	207,818,699	81,170,527	22,299,570	-	80,364,113	31,650,620	15,339,542	-
Financial Liabilites due to related parties	265,962,296	140,140,584	511,804	-	219,872,615	141,900,270	241,470	
Other short term financial liabilities	431,159	32,900	151,000	-	1,090,483	431,000	206,516	599
Short term Liabilities	498,680,697	228,695,323	27,292,780	1	314,332,484	176,480,121	19,952,286	255,561
Financial Liabilities	945,379,928	433,493,173	62,250,255	-	575,331,428	287,710,960	63,701,276	-
Long term Liabilities	945,379,928	433,493,173	62,250,255	-	575,331,428	287,710,960	63,701,276	-
Total Liabilities	**1,444,060,625**	**662,188,496**	**89,543,035**	**1**	**889,663,912**	**464,191,081**	**83,653,562**	**255,561**
Net Foreing Currency Assets/ Liabilites Position	**(1,281,231,755)**	**(637,408,735)**	**(42,082,591)**	**13,213**	**(816,454,172)**	**(442,745,802)**	**(64,105,796)**	**(255,558)**

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NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

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

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

	2010	
	Profit / Loss	
	Appreciation of Foreign currency	Depreciation of Foreign currency
10% increase / decrease in US Dollar exchange rate		
Income / expense	(69,440,782)	69,440,782
US Dollar Net Effect	**(69,440,782)**	**69,440,782**
10% increase / decrease in Euro exchange rate		
Income / expense	(13,135,919)	13,135,919
Euro Net Effect	**(13,135,919)**	**13,135,919**
10% increase / decrease in other exchange rates		
Income / expense	(61,043)	61,043
Other currencies net effect	**(61,043)**	**61,043**
Total Net Effect	**(82,637,744)**	**82,637,744**

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NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

(c) Funding risk

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

(d) Capital risk management

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

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

Net debt / total equity ratio as of 31 December 2011 and 2010 is as below

	2011	2010
Trade payables and due to related parties	211,551,684	196,150,233
Total financial liabilities	1,419,175,264	925,964,839
Other liabilities	12,083,701	14,213,951
Total debt	1,642,810,649	1,136,329,023
Less: Cash and Cash Equivalents (note 3)	(85,100,382)	(40,099,092)
Net debt	1,557,710,267	1,096,229,931
Total equity	**524,579,633**	**764,724,615**
Net debt/total equity ratio	**297%**	**143%**

(e) Credit Risk

The Group is affected by credit risks due to its open receivable balances with future collection dates and time deposits. If counterparties fail on the fulfilment of the agreement, the Group is exposed to the risk upon holding the financial instruments. Management covers the risk by limiting the average risk of counterparties (except for related parties) on agreements and by obtaining guarantees if necessary.

The group has internal credit procedures, the credit rating system and internal policies for credit risk management related with the trade receivables from its customers. According to these procedures, the group separately approve, increase or decrease the credit limits for customers with material balances, The credit limits are created due to the past payment performances, finacial status, commercial relations, commercial growth potential, and management conceptions. The credit limits are reviewed every year and the group use bank guarantees. Heritable securities and other guarantees for the customers which considered as high potential collection risk.

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

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

The exposure of the Group to credit risk as of 31 December 2011 based on different financial instruments is as follows:

	Trade Receivables		Other Receivables		Bank deposit	
2011	Related Party	Other	Related Party	Other	Related Party	Other
Maximum credit risk exposureas of the reporting date	**11,756,744**	**103,560,713**	**23,313,831**	**6,868,313**	**-**	**85,076,655**
- Secured portion of the maximum risk by guarantees	***2,547,465***	***26,272,626***	***-***	***-***	***-***	***-***
Not due /not impairedFinancial asset's carrying value	11,754,405	94,924,526	23,313,831	6,868,313	-	85,076,655
Overdue but not impairedFinancial asset's carrying value	2,339	8,636,187	-	-	-	-
- Secured portion by guarantees	251	7,550,894	-	-	-	-
Net carrying value of						
Impaired assets	-	174,570				
	-	174.570	-	-	-	-
- Overdue (gross)	-	174,570	-	-	-	-
	-	(174.570)	-	-	-	-
- Impairment (-)	-	(174,570)	-	-	-	-
	-	-	-	-	-	-
- Secured portion by guarantees	-	-	-	-	-	-

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NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

The exposure of the Group to credit risk as of 31 December 2010 based on different financial instruments is as follows:

	Trade Receivables		Other Receivables		Bank deposit	
2010	Related Party	Other	Related Party	Other	Related Party	Other
Maximum credit risk exposure as of the reporting date	**31.618.733**	**75.009.878**	**26.875.685**	**6.963.333**	**-**	**40.043.145**
- Secured portion of the maximum risk by guarantees	***2,155,614***	***22,711,384***	***-***	***-***	***-***	***-***
Not due /not impairedFinancial asset's carrying value	31,579,337	68,655,136	26,875,685	6,963,333	-	40,043,145
Overdue but not impairedFinancial asset's carrying value	39,396	6,354,742	-	-	-	-
	39.396	3.142.277	-	-	-	-
- Secured portion by guarantees	*39,396*	*3,142,277*	-	-	-	-
	-	192.509	-	-	-	-
Net carrying value of						
Impaired assets	-	192,509	-	-	-	-
- Overdue (gross)	-	*192,509*	-	-	-	-
- Impairment (-)	-	*(192,509)*	-	-	-	-
- Secured portion by guarantees	-	-	-	-	-	-

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The fair values of financial instruments that are not traded in an active market have been determined by the Group using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein may differ from the amounts the Group could realise in a current market Exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

Foreign currencies denominated balances are translated into Turkish Lira with the rates at the balance sheet date. The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate carrying values.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

NOTE 24 - FINANCIAL RISK MANAGEMENT (Continued)

Monetary liabilities

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

Since, long term foreign currency loans generally have floating rate, fair value is close to their book value. Fair value of long term bank loans are discounted amounts of contractual cash flows with the market interest rate (Note 4).

Fair value estimation:

Effective from 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities

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

Level 3: Inputs for the asset or liability that are not based on observable market data

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature.

Trade receivables and payables are valued at amortized cost using the effective interest method, And in this way, trade receivables and payables are considered to approximate fair values (level 2).

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2:

Derivative financial liabilities	2011	2010
Level 1	-	-
Level 2	41,921,415	5,838,077
Level 3	-	-
	41,921,415	**5,838,077**

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NOTE 25 - SUBSEQUENT EVENTS

- The group has provided 35,000,000 US Dollar loans on 25 June 2009 and 14 December 2010 respectively from CEZ a.s which is the shareholder of the Group. The Group has also provided 19,000,000 US Dollar loan from Akkök Sanayi Yatırım ve Geliştirme A.Ş. on 15 December 2010 and 16,000,000 US Dollar loan from Akarsu Enerji Yatırımları Sanayi ve Ticaret A.Ş. on 15 December 2010, 19,000,000 US D ollar from Akkök Sanayi Yatırım ve Geliştirme A.Ş. and 16,000,000 US Dollar from Akarsu Enerji Yatırımları Sanayi ve Ticaret A.Ş. These loans maturity dates are extended to 27 June 2012 in accordance with Capital Markets Board Commitee by Kapital Karden Bağımsız Denetim ve YMM. A.Ş.'s valuation report with fair and reasonable market conditions on 5 January 2012

- The provision that restricted investment allowance to 25% of revenue, which was added to Temporary Article 69 of the Income Tax Law as a result of the promulgation of Law No. 6009, has been cancelled by a decision by the Constitutional Court dated 09 February 2012. The validity of said provision is suspended until the court's decision is published in the Official Gazette. The Constitutional Court's stay of execution decision was put into force after its promulgation in Official Gazette No. 28208 on 18 February 2012. The Group did not benefit from investment allowance during the year 2011

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