ANNUAL REPORT / 2010

AYEN

AYEN ENERJİ A.Ş.

CONTENTS

FOREWORD

In Turkey, where impacts of the global financial crisis have been gradually settling down, the energy consumption has increased by 8.2% in 2010. Privatisations in the energy sector have started as per the strategy plan and privatisations related with distribution companies have been successfully completed at the first phase. And, it was announced that energy generation power plants are going to be privatised within the scope of the second phase. In that case, we may suggest that Government's share in the energy market would gradually decrease and the market would evolve to full competition and free market conditions.

It is expected that the installed capacity of Turkey will increase from 50,000 MW in 2010 to 110,000 MW in 2023. Therefore, with the energy sector attracting more attentions the number of actors in the market has increased thereby causing unexpected movements in the sector. Nevertheless, consolidation would be inevitable as a result of this movement and except those, who know the sector better, other actors would be excluded.

Bearing this fact in mind, our Company has continued to make new investments under economic and feasible terms and without any risk to our investors.

In this scope, construction and equipment deployment in Buyukduz HEPP project, one of our company's projects, is ongoing and it is planned that the project be commissioned at the end of 2011.

Regarding wind energy projects, our company has ordered equipment for Mordogan and Korkmaz WEPPs and construction will start after TEIAS awards the contract for transformer center and transmission line necessary for projects.

On the other hand, our projects abroad are ongoing and our company has been working on construction and operation of a basin-based hydroelectric power plant in Albania.

Similarly, our company has acquired 70% stake of 72-MW AKSU wind power plant and it is planned that the power plant be commissioned at the end of 2011.

Our company continues to strengthen its position in the energy market in terms of generation and trade capabilities with its new investments.

Respectfully,
Fahrettin Amir ARMAN
General Manager

AYEN ENERJİ ANONİM ŞİRKETİ

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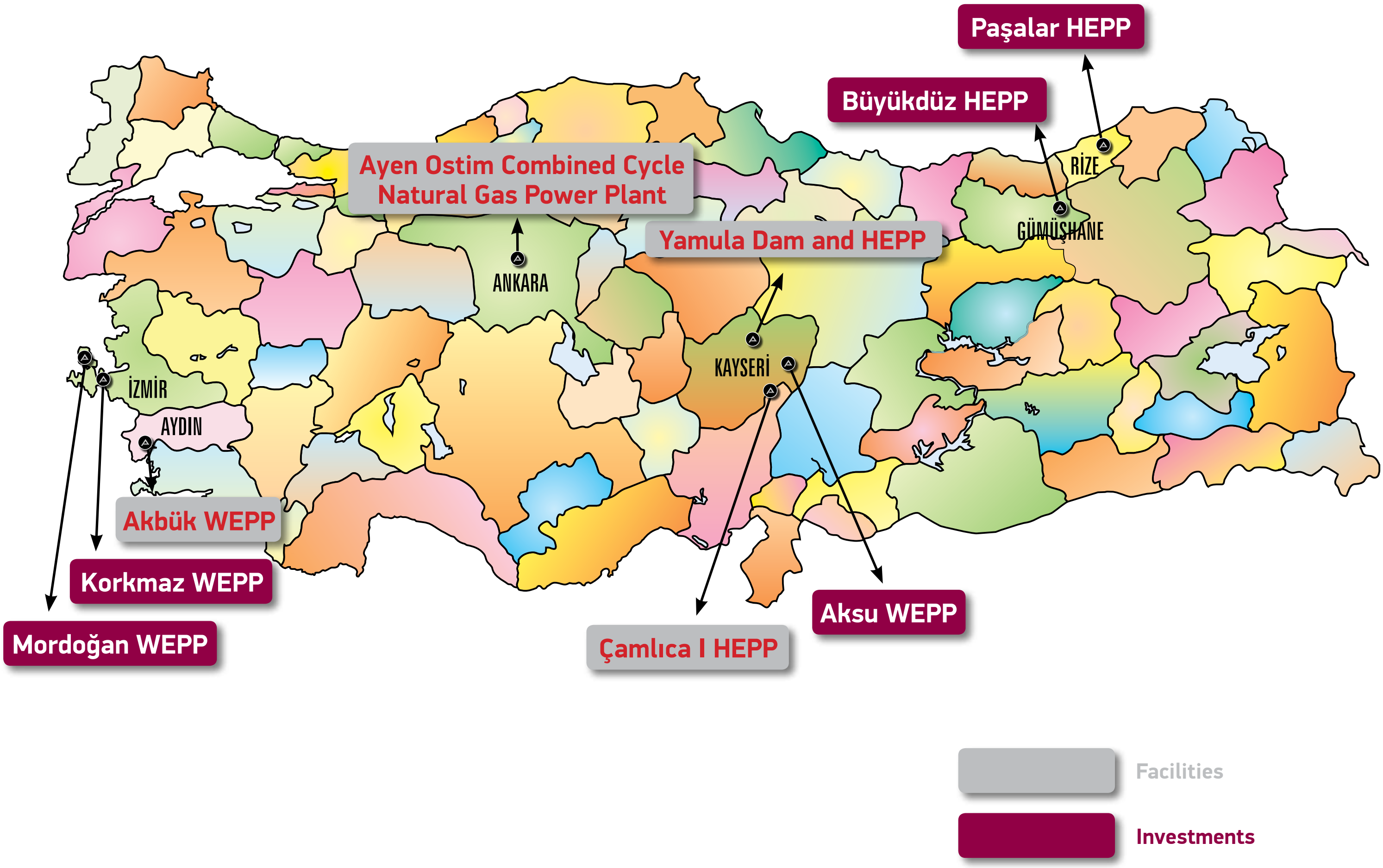


2010 SHAREHOLDERS' ORDINARY GENERAL ASSEMBLY AGENDA

1- Opening and formation of the meeting committee,

2- Giving authorization to the meeting committee to sign the minutes of meeting,

3- Presentation and deliberations on the Annual Report of the Board of Directors and Auditor's Report for 2010 operations and accounts,

4- Presentation of the Independent Auditor's Report for 2010 operations,

5- Presentation, deliberation and approval of the Company's 2010 Balance Sheet, Income Statement and Consolidated Financial Statements,

6- Releasing the Board of Directors and the Auditor,

7- Approval or rejection of the Board of Directors' proposal concerning the selection of the independent audit institution in accordance with the Capital Market Board Regulations,

8- Deliberation and approval or rejection of the proposal of the Board of Directors concerning the profits from 2010 operation results,

9- Informing the Shareholders regarding profit distribution policy for 2010 and subsequent years,

10- Electing the Auditor,

11- Wishes,

12- Closing.

ANNUAL REPORT 2010

BOARD OF DIRECTORS
DIRECTORS

FULL NAME	TITLE	TERM OF OFFICE
Mehmet AYDINER	Chairman	3 years from 29.04.2010
Turgut AYDINER	Board Member	3 years from 29.04.2010
Ayşe Tuvana AYDINER KIRAÇ	Board Member	3 years from 29.04.2010
Ömer Ali AYDINER	Board Member	3 years from 29.04.2010
Fahrettin Amir ARMAN	Board Member	3 years from 29.04.2010

The Company shall be represented and bound by joint signatures of any two members of the Board of Directors under the corporate title. The Board of Directors has resolved that all or part of the authority related to the Company's representation and binding can be granted to any member of the Board of Directors or to a third party by power of attorney.

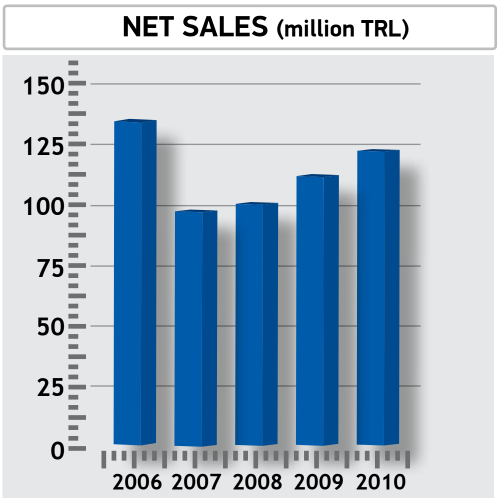
SHAREHOLDING

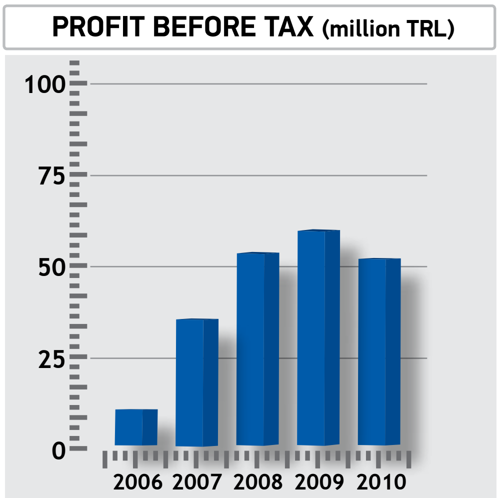
Shareholder's Name	Number of Shares	Share Ratio %	Value of Shares (TRL)
Aydıner İnşaat A.Ş.	10,164,175,500	84.98	101,641,755
Offered to Public	1,795,500,000	15.01	17,955,000
Other (6 shareholders)	1,324,500	0.01	13,245
Total	11,961,000,000	100	119,610,000

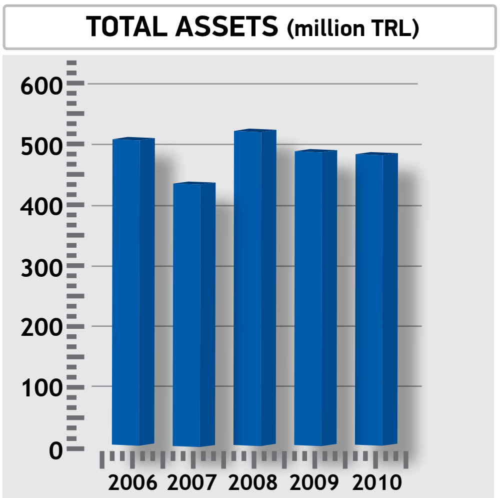
AYEN ENERJİ ANONİM ŞİRKETİ

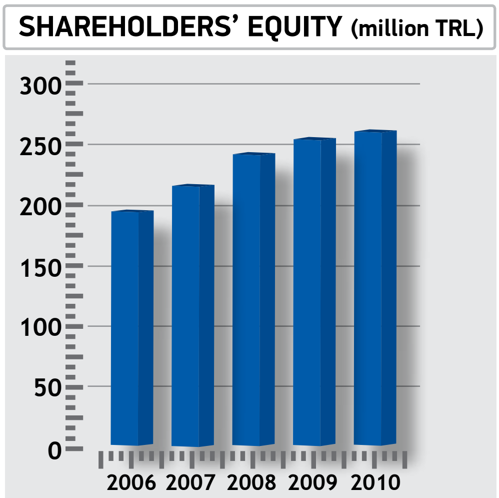
Established	: 15.08.1990
Head Office	: Hülya Sokak No: 37 G.O.P. / ANKARA
Tel	: +90 (312) 445 04 64
Fax	: +90 (312) 445 05 02
e-mail	: ayen@ayen.com.tr
Capital	: TRL 119,610,000
Trade Register	: 79297-Center
Industry Register No	: 520264.34
Tax Office / Reg.No.	: Cumhuriyet-119 004 5930
Nature of Business	: Electricity Generation and Trade

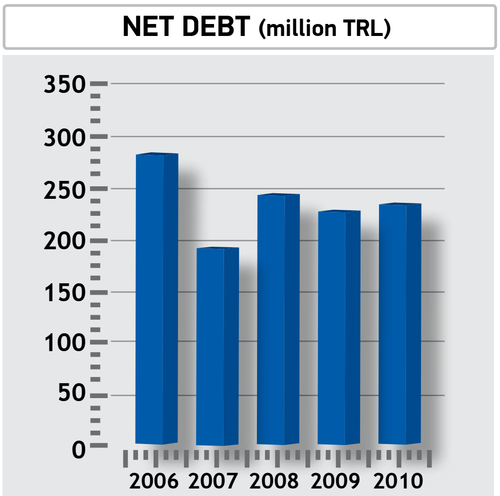
FINANCIAL HIGHLIGHTS

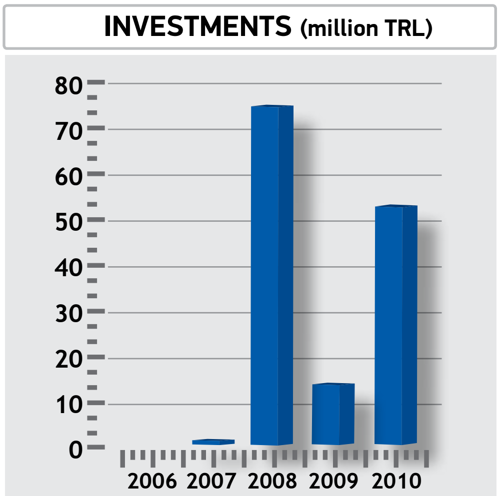












Within our revenues, we have a Generation guarantee for the Çamlıca I HEPP and Yamula HEPP revenues. Energy charges are collected within 30 days following the delivery date according to the foreign exchange rate on the date of payment and as a result, a regular cash flow can be obtained.

The prices at Ostim Natural Gas Power Plant, on the other hand, are determined by taking the prices that occur according to the Electricity Market Balancing and Settlement Regulation (DUY) as basis. The amounts of the invoices are paid by the Market Operator (MFSC-Market Financial Settlement Center) within 7 business days following the notification date of the invoice. In case of default, a default penalty is calculated in accordance with default terms specified by MFSC and collected against an invoice issued by the company.

Further, electric energy is sold to free consumers through bilateral agreements. The price is agreed by bargaining on the TEDAŞ tariffs and applying a certain discount rate. The average collection term of invoices is 15 days. Risks are alleviated by obtaining Security Letters or similar instruments.

A significant part of our sales revenues are based on foreign currency. Even though we are exposed to the exchange risk due to loan debts based on foreign currency, this risk is limited to a large extent since the sales revenues are received in foreign currency and the maturity composition of the foreign currency loans are arranged in a way not to impair the liquidity balance.

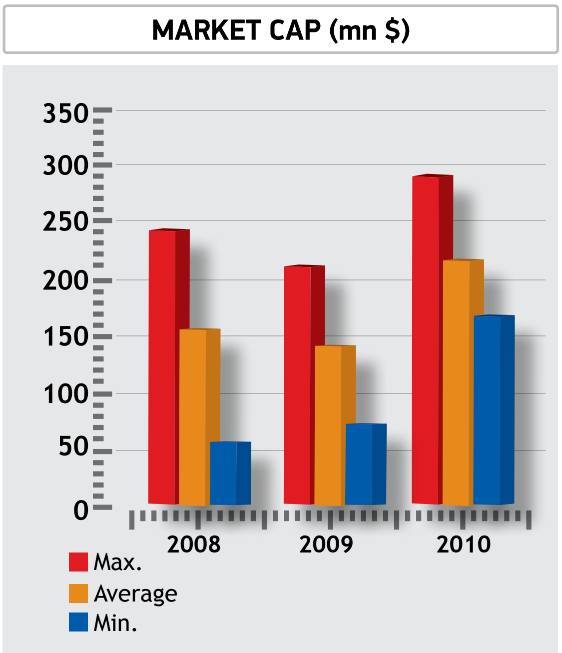
Certain key ratios of our Company according to the Financial Statements that reflect our financial results for 2010 are given below:

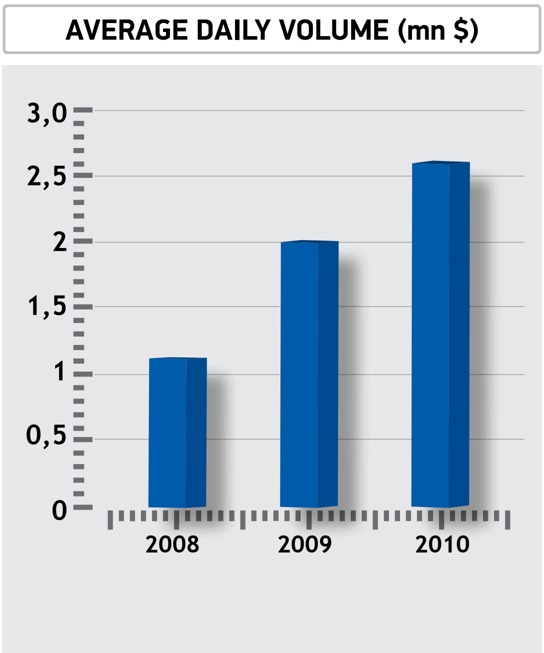
A) LIQUIDITY RATIOS	31 December 2010	31 December 2009
Current Ratio	1.44	1.08
B) FINANCIAL STRUCTURE RATIOS		
Total Liabilities / Total Assets	0.47	0.49
Equity / Total Assets	0.53	0.51
Net Liabilities/EBITD	2.74	2.73
Net Liabilities/Shareholders' Equity	0.65	0.72
Net Liabilities/Cash from Operations	1.31	1.93
C) PROFITABILITY RATIOS		
Gross Profit Margin (%)	45.56	54.97
Operating Profit Margin (%)	40.88	50.55
EBITDA Margin (%)	39.03	47.19

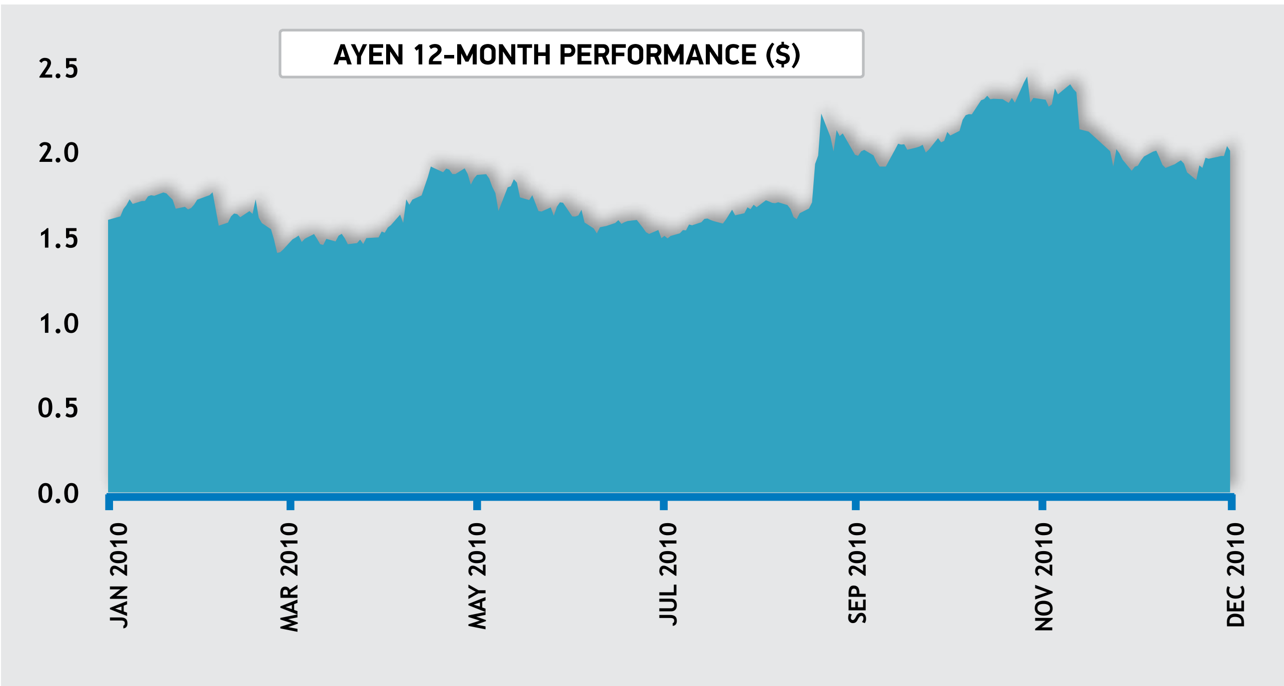
AYEN ENERJI IN ISE

Ayen Enerji shares traded at an average daily volume of TL 3.91 million (USD 2.61 million) in 2010. The average daily volume reached to its maximum value at TL 85.2 million (USD 56.2 million) and its minimum value at TL 288,811 (USD 187,479).

In 2010, the average Mcap was USD 216.5 million. The Stock's minimum price was realized as TL 2.18 (USD 1.41) and maximum price as TL 3.48 (USD 2.45), representing a maximum Mcap of USD 293.1 million and a minimum Mcap of USD 168.8 million, respectively.







ENERGY SECTOR AT A GLANCE

National electricity consumption in 2010 was 209.4 bn kWh with an 8.2% increase compared to 2009, and generation was 210.2 bn kWh with an 8.3% increase compared to 2009. The total installed power (all sources) in our country reached to 50,015.6 MW. The power demand in 2010 was 33,392 MW.

2010 INSTALLED POWER BY ENTITIES AND FUEL TYPES IN TURKEY

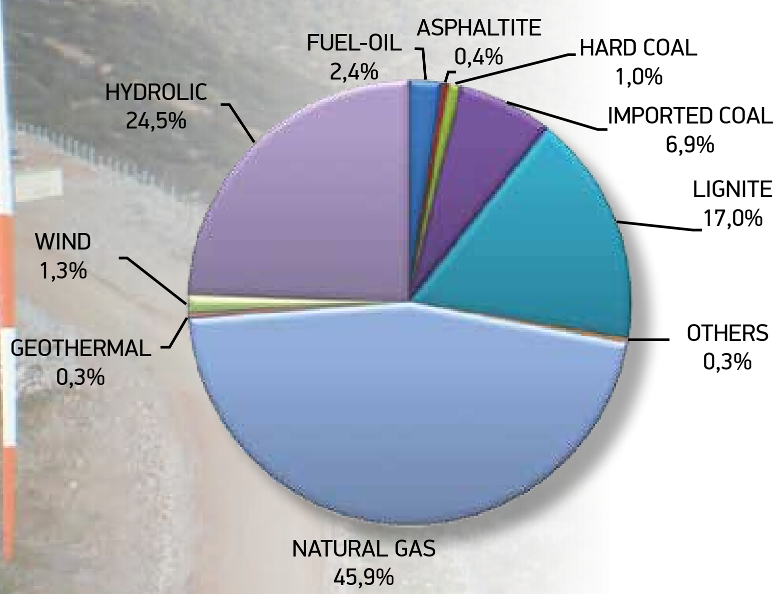
ENTITIES	THERMAL		HYDROELECTRİC		WIND		TOTAL	
	Installed Power (MW)	Share (%)	Installed Power (MW)	Share (%)	Installed Power (MW)	Share (%)	**Installed Power(MW)**	**Share (%)**
EÜAŞ	8,690.9	17.4%	11,640.6	23.3%			**20,331.5**	**40.7%**
EÜAŞ SUBSIDIARIES	3,834.0	7.7%	0.0	0.0%			**3,834.0**	**7.7%**
TOR PPs	620.0	1.2%	62.5	0.1%			**682.5**	**1.4%**
MOBILE PPs	262.7	0.5%					**262.7**	**0.5%**
BOPPs	6,101.8	12.2%					**6,101.8**	**12.2%**
BOT PPs	1,449.6	2.9%	972.4	1.9%	17.4	0.0%	**2,439.4**	**4.9%**
GEN. CO. PPs	9,013.3	18.0%	2,950.9	5.9%	1,339.4	2.7%	**13,303.5**	**26.6%**
AUTO PRODUCER PPs	2,514.8	5.0%	544.2	1.1%	1.2	0.0%	**3,060.2**	**6.1%**
TOTAL	**32,487.1**	**65.0%**	**16,170.6**	**32.3%**	**1,358.0**	**2.7%**	**50,015.6**	

2010 GENERATION IN TURKEY BY ENTITIES

ENTITIES	Generation (GWh)	Share (%)
EÜAŞ	79,111.89	37.6%
EÜAŞ SUBSIDIARIES	16,254.73	7.7%
TOR PPs	4,323.63	2.1%
MOBILE PPs	0.00	0.0%
AUTO PRODUCER PPs	11,807.82	5.6%
BOPPs	45,219.61	21.5%
BOT PPs	13,557.84	6.5%
GEN. COMPANIES	39,906.06	19.0%
TOTAL GENERATION IN TURKEY	**210,181.58**	
TOTAL IMPORTS	1,882.54	
TOTAL EXPORTS	2,674.62	
TURKEY TOTAL SUPPLY	**209,389.50**	

GENERATION IN TURKEY BY SOURCES

ENTITIES	Generation (GWh)	Share (%)
FUEL-OIL	4,956.95	2.4%
DIESEL OIL	0.00	0.0%
HARD COAL	2,047.41	1.0%
IMPORTED COAL	14,491.00	6.9%
LIGNITE	35,651.33	17.0%
ASPHALTITE	900.55	0.4%
NATURAL GAS	96,474.41	45.9%
LPG	145.44	0.1%
NAFTA	142.73	0.1%
BIOGAS	337.27	0.2%
OTHER	50.99	0.0%
TOTAL THERMAL	**155,198.09**	**73.8%**
Dam	44,320.01	21.1%
River	7,184.54	3.4%
TOTAL HYDRO	**51,504.56**	**24.5%**
TOTAL GEOTHERMAL	**646.14**	**0.3%**
TOTAL WIND	**2,832.78**	**1.3%**
TOTAL GEN. IN TURKEY	**210,181.58**	



TURKEY'S POWER GENERATION CAPACITY PROJECTION FOR 10 YEARS

The demand projections in the study of Turkey Electric Energy 10-Year Generation Capacity Projection for 2010-2019 conducted by the General Directorate of Turkish Electricity Transmission Company (TEIAS) as a guide for market players were prepared using the High Demand and Low Demand series revised by the Ministry of Energy and Natural Resources considering the effects of the economic crisis, within the framework of the Electricity Market Law No. 4628 and Grid Regulation.

According to the high demand, considering the effects of the economic crisis, the energy demand of 210 bn kWh in 2010 is expected to increase to 389.9 bn kWh in 2019. According to the low series, the demand is expected to be 367.3 bn kWh in 2019.

In meeting the demand, two scenarios were prepared for the plants that are already in operation and under construction as well as those plants that are licensed by EMRA and expected to commission by the designated dates. In Scenario 1, the installed capacity is expected to be 61,700MW by 2019, while in Scenario 2, the installed capacity is expected to be 60,062 MW.

If the High Demand occurs, under Scenario 1; in respect of energy generation, energy demand cannot be met from 2018 according to design generation, and from 2016 according to reliable generation. Under Scenario 2; energy demand cannot be met from 2018 according to design generation, and from 2016 according to reliable generation. However, in any case it appears that energy reserve is very low compared to that of previous year.

If the Low Demand occurs, under Scenario 1; in respect of energy generation, energy demand cannot be met from 2019 according to design generation, and from 2017 according to reliable generation. Under Scenario 2; energy demand cannot be met from 2018 according to design generation, and from 2016 according to reliable generation.

HYDROELECTRICITY POWER POTENTIAL IN TURKEY

As a result of the studies and stochastic calculations realized in the existing 25 catchment basins of Turkey by DSI (State Hydraulic Works) and EİE (General Directorate of Electrical Power Resources Survey and Development Administration), the theoretical Electric Energy Generation Potential of Turkey has been determined as gross 433 bn kWh/year, while the technical and economic energy generation potentials have been established as 216 bn kWh/year and 126 bn kWh/year, respectively.

However, even if the Social Cost element is not taken into consideration, when more realistic and rational criteria are used instead of stochastic economic profitability criteria, this ratio of potential use will increase at a rate of approximately 25 %. In an economic profitability analysis, which also includes the Social Costs, on the other hand, the ratio of potential use will increase to the level of 45 %.

In addition, it is estimated that a minimum quantity of 10-15 bn kWh/year of energy could be generated in small plants with a capacity ranging between 1 and 30 MW and 3-5 bn kWh/year electricity could be generated through small turbines to be placed in canals and dams throughout Turkey.

When all these criteria are taken into consideration, it is possible to say that the economic hydroelectric generation potential of Turkey can be around 190-210 bn kWh/year, while the installed power value can be 48-50 MW.

With existing share of 1% in world's hydroelectric potential Turkey ranks 8th in the world and has almost 20% of the technical hydroelectric potential of Europe.

When we look at the subject in terms of installed power capacity, the installed hydroelectric power capacity of Turkey is 16,171 MW as of the end of 2010. The total installed power capacity (in all resources) of our country, on the other hand, has reached to 50,016 MW. As can be seen here, the installed hydroelectric power capacity constitutes 32.3 % of the total installed power capacity of the country.

When we consider this issue in terms of energy generation, 51.5 bn kWh of energy, which is 24.5% of the total generation of Turkey, has been generated in hydroelectric power plants under operation.

WIND ENERGY

As the environmental problems that today's world deals with; such as air pollution, acid rains and greenhouse effect and the harms they inflict on humanity are aggravated, the interest shown to renewable energy sources has also begun to increase accordingly. The fact that fossil fuel resources are limited and wind power stands out among renewable energy sources such as wind, sun, geothermal, biomass and wave lead the recent advancement of this technology. Wind power's being the cheapest among renewable sources has cast it to the forefront, and drawn more attention to wind power technology.

Wind power has become a renewable energy source with one of the highest increase in terms of usage in the world.

The installed power from wind energy is rapidly growing in the world. According to the data from the World Wind Energy Association (WWEA), while the capacity of wind power was 2,160 MW in 1990; 18,039 MW in 2000; and 59,033 MW in 2005, the total installed power in the whole world has become 159,213 MW by 31.7% increase in 2009. And it is 194,390 MW as the end of 2010.

As the end of 2010, all wind turbines installed around the world generated 402 bn kWh of energy. And, total 36 GW new wind energy installed capacity has been added in the whole world.

In spite of these numbers and although the usage of wind power in the world is very low at the present, studies are conducted for meeting 12 % of the world's electricity demand from wind power in 2020.

The installed power capacity of our country, which was 20 MW in 2005, has reached 51 MW at the end of 2006 and 433.35 MW at the end of 2007. This capacity increased to 801 MW by the end of 2009. In 2010 WEPP installed capacity has faced a significant increase in amount of 528 MW and total installed capacity of wind energy has reached to 1,329 MW by the end of the year and it is 1,358 MW as of the first quarter of 2011. Total energy generation of these wind energy power plants is 2,832.78 GWh.

The Ministry of Energy and Natural Resources has set the installed wind power capacity to be connected to the system in the next 5 years as 11,200 MW. EMRA, until today, have given permission for investments of nearly 4,000 MW as approval decisions and license approvals. The installed power capacity will go up to 20,000 MW by 2020.


AYEN

AYEN ENERJI A.S. IN THE ENERGY SECTOR

Ayen Enerji A.Ş. was established in 1990 for the Generation, Transmission, Distribution, and Trade of Electricity. It went public in 2000 and started to be traded at the Istanbul Stock Exchange (ISE).

The projects established by our Company are as follows:

Çamlıca I HEPP is located on Zamantı Creek, which is one of the main branches of Seyhan River at the locality of Çamlıca Village connected to Yahyalı district in the Province of Kayseri. The facility, which was started to be constructed under the Build-Operate-Transfer model in 1995, was commissioned in December 1998. The installed power capacity of the power plant is 84 MW with an annual generation quantity of 429 m kWh

Akbük WPP is at the locality of Saplatan Mountain within the boundaries of the district of Didim in the Province of Aydın. The facility, which was started to be constructed in 2008 with the Generation License for 49 years obtained from the Energy Market Regulatory Authority within the scope of the Law no. 4628, was commissioned in March 2009. The installed power capacity of the power plant is 31.5 MW, while its annual generation quantity is 122.5 m kWh. The facility was commissioned-after its acceptance by the Ministry of Energy and Natural Resources-on 03 April 2009.

Ayen Ostim Combined Cycle Natural Gas Power Plant was commissioned in June 2004 by AYEN OSTİM ENERJİ ÜRETİM A.Ş., one of our subsidiaries, in Ankara Ostim Organized Industrial District, with the Generation License obtained from the Energy Market Regulatory Authority within the scope of the Law no. 4628. The installed power capacity of the power plant is 41 MW, while its annual generation is 300 m kWh.

Yamula Dam and HEPP was commissioned in July 2005 under the Build-Operate-Transfer model by KAYSERİ ELEKTRİK ÜRETİM SAN. ve TİC. A.Ş., one of our subsidiaries, on Kızılırmak River of the Province of Kayseri. The installed power capacity of the power plant is 100 MW, while its annual generation quantity is 423 m kWh.

In addition, Generation Licenses for 49 years have been obtained from the Energy Market Regulatory Authority and investments have been started within the scope of the Electricity Market Law no 4628 for **Korkmaz WPP** with an installed power capacity of 24 MW and a generation capacity of 73 m kWh, **Mordogan WPP** with an installed power capacity of 30.75 MW and a generation capacity of 96 m kWh, **Pasalar HEPP** with an installed power capacity of 40 MW and a generation capacity of 151 m kWh, and **Büyükdüz HEPP** with an installed power capacity of 48.8 MW and a generation capacity of 138 m kW. 65% of construction of Buyukduz HEPP is completed and it is planned that the plant will be commissioned at the end of 2011.

Our company acquired 2,128,000 shares, 70% stake of Aksu Temiz Enerji Elektrik Uretim San. ve Tic. A.S, the company which holds a 49-year generation license for a 72-MW Wind Energy Power Plant with generation capacity of 295,800,000 kWh/year to be built in Yahyali, Kayseri, from current shareholders. Negotiations with turbine suppliers have been taking place. Applications for site permits required for construction of the power plant have been lodged and, if no delays occur, it is planned that the plant will be commissioned at the end of 2011.

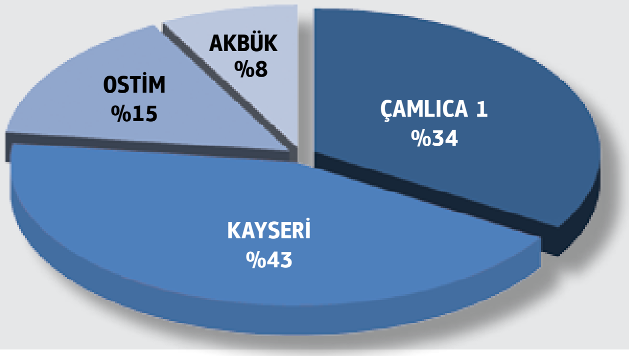
AYEN ENERJI A.S. & A.S Energy SH.P.K submitted the best offer for the contract for "Fan River Basin Hydroelectric Plant Project", a Project awarded under a 35-year concession contract by the Ministry of Economy, Trade, and Energy of the Republic of Albania under unrestricted and competitive tender procedure for the construction of 5 hydroelectric plants with total annual generation capacity of 377,350,00 kWh, including 4 river type an 1 dam hydroelectric plants, with installed capacity of 87.7 MW. The Joint Venture was awarded the contract and given an "Invitation for Contract Signing" by the Ministry after completion of necessary legal procedures required under Albanian legislation. Negotiations for execution of the final contract are ongoing.

AYEN ENERJİ A.Ş. currently boasts a total installed power of 256.5 MW, comprised of 184 MW hydroelectric, 31.5 MW wind and 41 MW natural gas; and a total annual electricity generation capacity of 1.274,5 bn kWh, comprised of 852 m kWh hydroelectric, 122.5 m kWh wind, and 300 m kWh natural gas. It is aimed to increase installed capacity to 432.05 MW and generation capacity to 1,877,300,000 kWh with planned power plants, which are to be commissioned at the end of 2012.

OPERATIONS

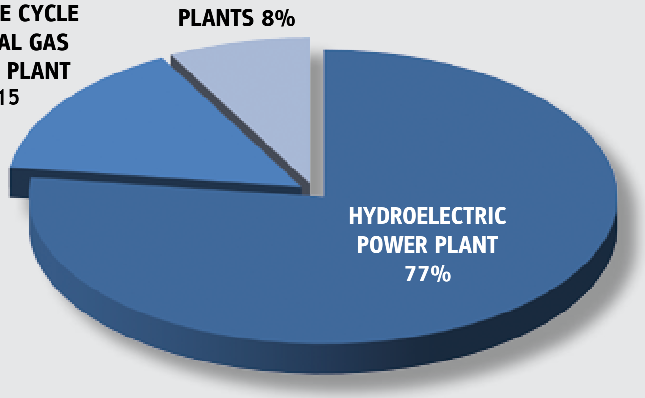
GENERAL	ÇAMLICA	AKBÜK	YAMULA (*)	AYEN OSTİM
Plant Location	Zamantı River-Kayseri	Didim - Aydın	Kızılırmak Nehri - Kayseri	Ostim - Ankara
Plant Type	Gated weir with overfall spillway and silting tank	Wind Power Plant	With Reservoir	Combined Cycle Natural Gas Power Plant
Installed Power	84 MW	31.5 MW	100 MW	41 MW
Annual Generation	429 mn kWh	122.4 mn kWh	422.3 mn kWh	280 mn kWh
2010 Proved	280.7 mn kWh	122.4 mn kWh	535.9 mn kWh	280 mn kWh
2010 Actual (Gross)	418.3 mn kWh	97.4 mn kWh	535.9 mn kWh	186.1 mn kWh
Availability	100%		100%	
Capacity Utilization	97%	80%	110%	67%
Water Utilization	100%		100%	

(*) Commissioning date of Yamula HEPP has been taken as 31th July-1st August:



GENERATION BY PLANTS

GENERATION BY RESOURCES

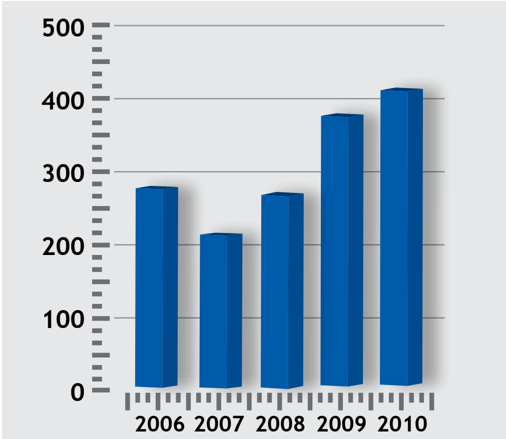


ÇAMLICA I HYDROELECTRIC POWER PLANT

Çamlıca 1 HEPP is located on Zamantı, one of the main branches of Seyhan River, in Çamlıca Village of Yahyalı district in Kayseri Province. The Facility is 42 km from Yahyalı and 150 km from Kayseri. The construction of Çamlıca I was started in 1995, and the plant was put into operation in December 1998. The installed capacity of the plant is 84 MW and its annual generation is 429 m kWh. The electro-mechanical equipment of the Plant was supplied by ABB-Sulzer consortium as a turnkey project, and the latest technology was used. The Facility is capable of full-automatic operation operating without any personnel and can be monitored from our head office in Ankara. Since Çamlıca is a river type power plant and has no storing capacity like Dams, the efficient use of water has further importance on operations. There are 34 personnel employed, including 9 for security.

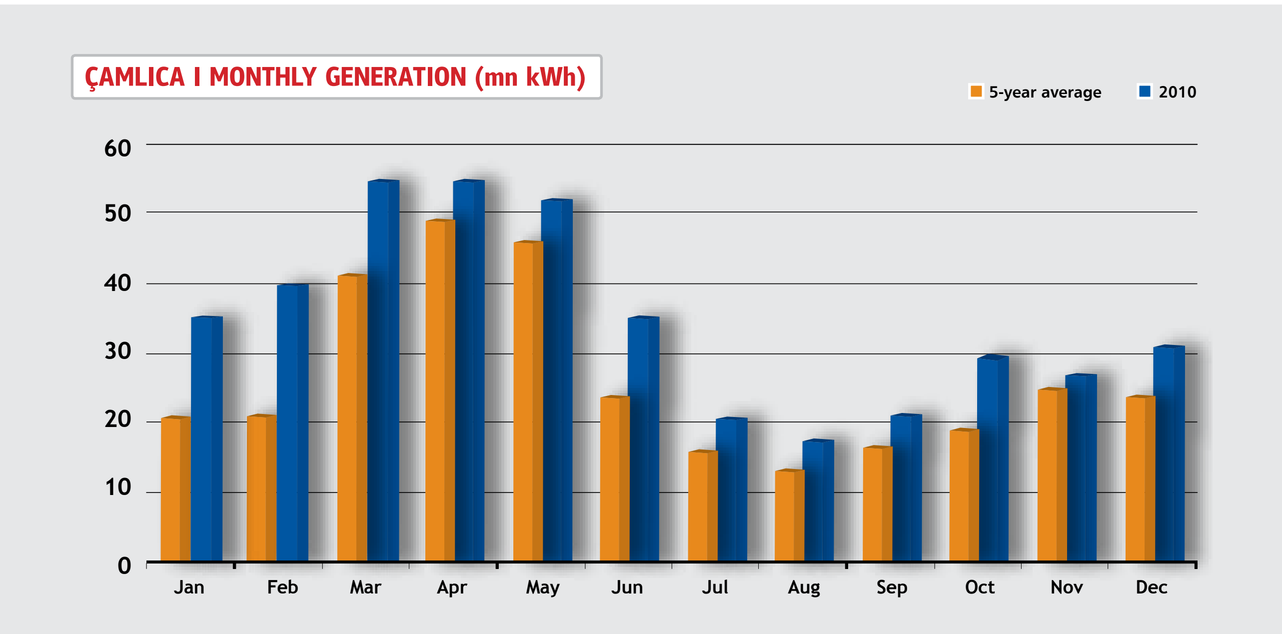
The generation in 2010 was 9% more than in 2009 because no drought was experienced in 2010. There was no technical problem that would affect the generation.

ÇAMLICA I ANNUAL GENERATION (mn kWh)



Çamlıca I HEPP Electricity Sales Price

The electricity sales price is determined annually with a contract during the operating period. The price is increased each year by 70% of the rise in the USA Consumer Price Index. Under the contract, if the generation realized at the end of the year is below the generation anticipated in the feasibility study, the difference is compensated by the Ministry of Energy and Natural Resources. If generation is more than the quantity specified in the feasibility study the excess energy shall be sold for ¼ of the price set for that year. Also the annual generation anticipated in the feasibility study is revised according to the last three years' average generation and the price is readjusted keeping the total income constant.



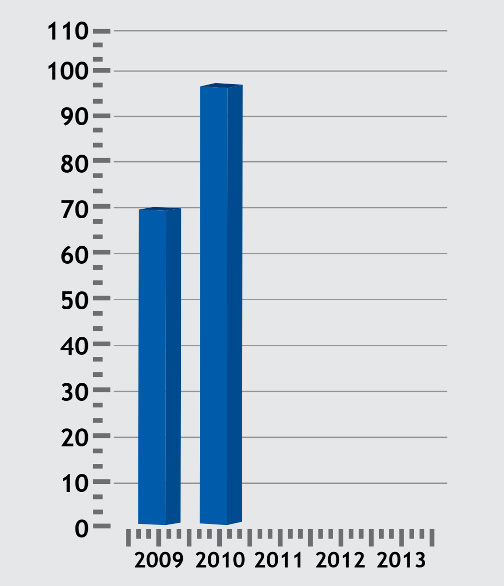
ÇAMLICA I HYDROELECTRIC POWER PLANT

Plant Location	:	On Zamantı River within the province of Kayseri
Plant Type	:	Gated weir with overfall spillway and silting tank
Nominal Water Elevation	:	1193.85 m.
Maximum Water Elevation	:	1193.85
Spillweir Discharge Capacity	:	400 m^3/sec
Regulator Type	:	Radial Gate Concrete
Number of Silting Tanks	:	3
Diversion Tunnel Length	:	10.483 m.
Diversion Tunnel Type	:	Concrete Covered Horseshoe Section
Diversion Tunnel Inner Diameter	:	3.60 m.
Diversion Tunnel Nominal Flow	:	35 m^3/sec
Surge Tank Diameter	:	22.0 / 12.5 m.
Surge Tank Volume	:	2000 m^3
Penstock Diameter	:	3.25 / 3.00 / 2.75 m.
Penstock Length	:	914 m.
TURBINES		
Number and Type of Units	:	3-Vertical Axis Francis
Gross Fall	:	331 m.
Net Fall (Single Unit)	:	325 m.
Net Fall (Three Units)	:	295 m.
Turbine Nominal Power	:	28 MW
Installed Power	:	84 MW
Speed	:	750 rpm
Turbine Discharge	:	11.66 m^3/sec
Total Discharge	:	35 m^3/sec
Specific Water Factor	:	1.30 m^3/kWh
GENERATORS		
Number and Type of Units	:	3-Three-phased Extending Pole, Synchronous
Power	:	31.5 MVA
Power Factor	:	0.90
Output Voltage	:	10600 V
Rotation	:	750 rpm
Frequency	:	50 Hz
TRANSFORMERS		
Number and Type of Units	:	3-Oil-cooled, External Type
Cooling System	:	ONAN/ONAF
Power	:	32 – 40 MVA
Voltage	:	10.6 / 154 ± 3 x 2.5 % kV
Power for Internal Transformer	:	2 x 630 kVA
ANNUAL POWER GENERATION	:	**429,000,000 kWh**

AKBÜK WIND POWER PLANT

Akbük WPP is located at the locality of Saplatan Mountain in Didim, Aydin. The facility, which was started to be constructed in 2008 with the Generation License for 49 years obtained from EMRA within the scope of the Law no. 4628, was completed in March 2009. The installed power capacity of the power plant is 31.5 MW, while its annual generation quantity is 122.5 m kWh. The facility was commissioned-after its acceptance by the Ministry of Energy and Natural Resources-on 03 April 2009.

AKBÜK ANNUAL GENERATION (mn kWh)

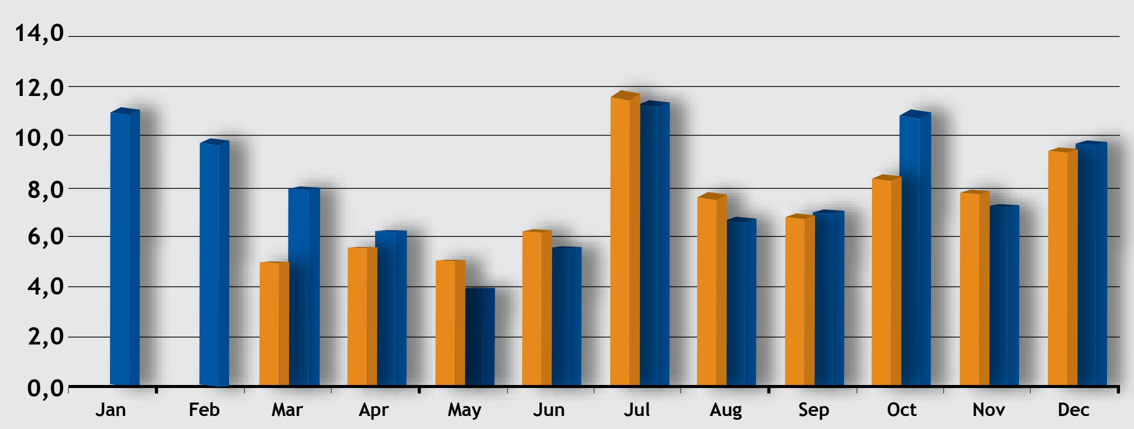


Akbük WPP Electricity Sales price

The prices in Ostim Natural Gas Power Plant, on the other hand, are determined by taking the prices that occur according to the Electricity Market Balancing and Settlement Regulation (DUY) as basis. The amounts of the invoices are paid by the Market Operator (MFSC-Market Financial Settlement Center) within 7 business days following the notification date of the invoice. In case of default, a default penalty is calculated in accordance with default terms specified by MFSC and collected against an invoice issued by the company.

Further, electric energy is sold to free consumers through bilateral agreements. The price is agreed by bargaining on the TEDAŞ tariffs and applying a certain discount rate. The average collection term of invoices is 15 days. Risks are alleviated by obtaining Security Letters or similar instruments.

AKBÜK MONTHLY GENERATION (mn kWh)



Installed Power	:	31.5 MW
Plant Type	:	Wind
Annual Generation Capacity	:	122.461.800 kWh/year
Capacity Factor	:	42.6%
Average Wind Speed (at 30 m)	:	7.90 m/sec
Number of Units	:	15
Turbine Power of Each Unit	:	2.1 MW
Turbine Supplier	:	Suzlon, Denmark
Turbine Center Height	:	79 m
Generator Output Voltage	:	690 V AC
Power Factor	:	0.92

YAMULA DAM AND HYDROELECTRIC POWER PLANT

Yamula Dam and Hydroelectric Power Plant, located 30 km northwest of Kayseri, on Kızılırmak River, is one of the most important Build-Operate-Transfer (BOT) type power and irrigation projects in Turkey.

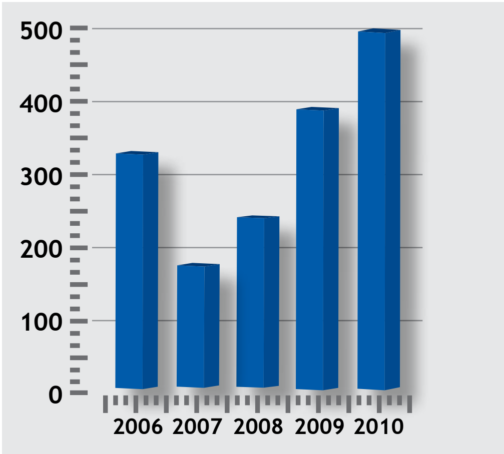
The Project was realized by Kayseri Elektrik Uretim San. ve Tic. A.Ş., one of the subsidiaries of Ayen Enerji A.Ş..

The electro-mechanical equipment was provided by GE and ABB and the latest technology was used. There are 36 personnel employed, including 12 security personnel.

The generation at Yamula in 2010 was realized according to the program that DSI (General Directorate of State Hydraulic Works) has prepared for Kızılırmak basin.

The over capacity water flow is stored in facility's dam during the overflow season. There was no technical problem that would affect the generation and the periodical maintenances were performed regularly.

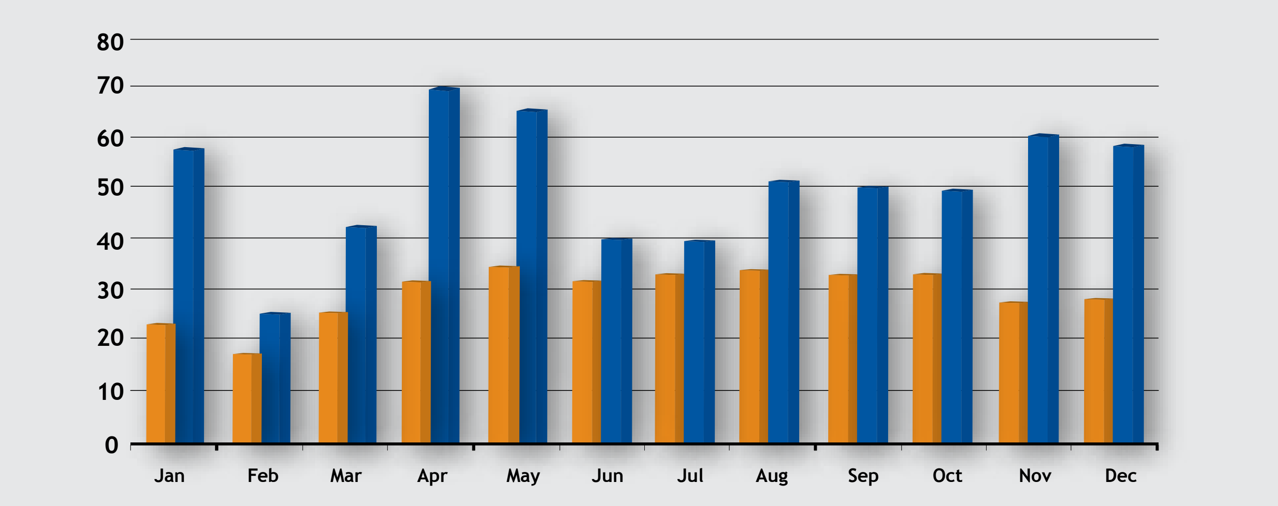
YAMULA ANNUAL GENERATION (mn kWh)



Yamula HEPP Electricity Sales Price

The electricity sales price is determined annually with a contract during the operating period. From the date of operation, the sales price is determined by escalating the operation costs according to the increase in the earlier year's USA Consumer Price Index. The energy generation is realized according to the Operations Schedule, prepared with the related institutions under the coordination of the Ministry of Energy and Natural Resources and the sales price is readjusted keeping the total income constant. According to the contract, during the loan repayment period, if the anticipated annual generation value could not be realized because of insufficient water flow, the income loss caused by the difference between the anticipated and the realized generation will be compensated by Ministry of Energy and Natural Resources.

YAMULA MONTHLY GENERATION (mn kWh)



YAMULA DAM AND HYDROELECTRIC POWER PLANT

Dam Location: On Kızılırmak River within the province of Kayseri

HYDROLOGY

Precipitation Area	: 15,581.6 km^2
Annual Average Natural Flow	: 2,135 x 10^6 m^3
Annual Average Flow	: 1,956 x 10^6 m^3
Average Flow	: 67.7 m^3/sec
Maximum Flood	: 5,500 m^3/sec

DAM BODY

Type	: Partitioned, clay-kernel, rockfill
Crest Height	: 1,104.00 m
Crest Length	: 510.00 m
Thalweg Height	: 984.00 m
Max Height from Thalweg	: 120.00 m
Max Height from Base	: 130.00 m

REZERVUAR

Max. Water Level	: 1,100.00 m
Min. Water Level	: 1,070.00 m
Max. Water Level (under flood)	: 1,102.50 m
Total Volume	: 3, 476.00 x 10^6 m^3
Active Volume	: 2 ,025 x 10^6 m^3
Dam Area (normal water level)	: 85.3 x 10^6 m^2

DIVERSION TUNNELS

Type	: Concrete cover, circular
Number of Tunnels	: 2
Length T1	: 630.44 m
T2	: 691.46 m
Diameter	: 6.5 m each

SPILLWEIR

Location	: Left Coast
Type	: Gate controlled, overfall
Threshold Height	: 1,086.00 m
Max. Discharge Capacity	: 5,500 m^3/sec
Gate Type	: Radyal
Number of Gates	: 4

ENERGY TUNNEL

Type	: Steel coated
Diameter	: 7.00 m
Length	: 248,77 m

PENSTOCK

Diameter	: 7m, 5m, 2 x 3 m after pant
Length	: 202,02 m
Type	: Steel

PLANT

Length	: 45,10 m
Width	: 25,85 m
Number of Units	: 2
Unit Power	: 50 MW
Total Installed Power	: 100 MW

TURBINES

Type	: Düşey eksenli, Francis
Number	: 2
Rpm	: 250
Max. Net Fall	: 105.53 m
Min. Net Fall	: 74.12 m
Net Design Fall	: 96.47 m
Output Power of Each Turbine	: 51 MW

GENERATOR

Type	: Düşey eksenli, çıkık kutuplu senkron
Number	: 2
Power	: 59 MVA
Output Voltage	: 11 kV
Frequency	: 50 Hz
Power Factor	: 0.85

UNIT TRANSFORMERS

Type	: External, three-phased
Number	: 2
Voltage	: 11/154 (+/- 2x2.5%) kV
Frequency	: 50 Hz
Connection Group	: Ynd 11

SWITCHING AREA

Type	: Harici, iki ana bara
Max. System Voltage	: 170 kV
Nominal Voltage	: 154 kV
Number of Breakers	: 5
Unit Inputs	: 2
Line Outputs	: 2
Transfer	: 1

RELIABLE POWER AND GENERATION

Reliable Power	: 35,300 kW
Reliable Generation	: 309.23 x 10^6 kWh
Secondary Generation	: 114.33 x 10^6 kWh

TOTAL ANNUAL GENERATION : 422.300.000 kWh

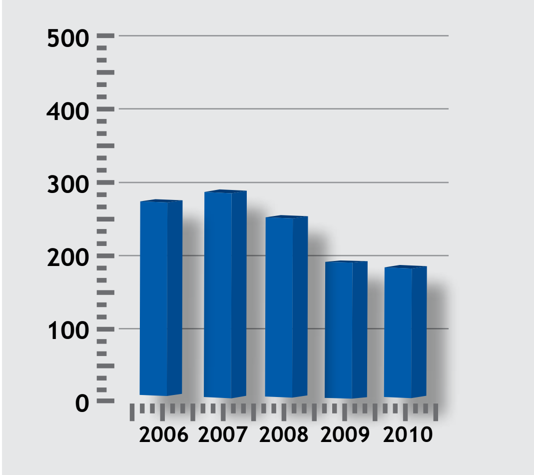
AYEN OSTİM COMBINED CYCLE NATURAL GAS PLANT

AYEN Ostim Natural Gas Plant is a 41 MW Natural Gas Plant Project that our subsidiary, Ayen Ostim Energy Generation Co. Inc., realized in order to meet the power demand in the Ostim Organized Industry District.

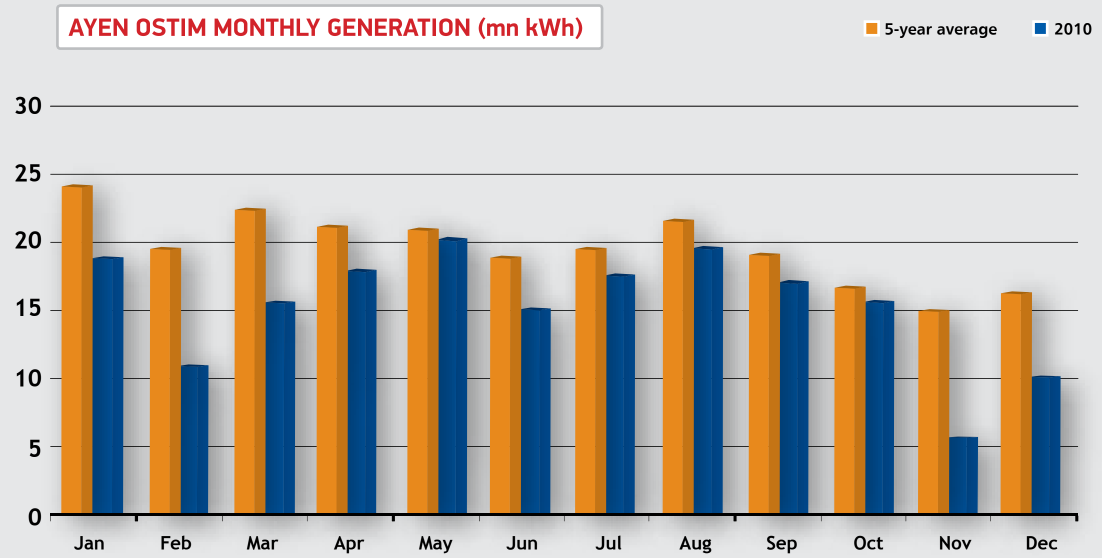
186,135,000 kWh energy generated in 2010 was sold under bi-lateral agreements and in accordance with BSR (balancing and Settlement Regulation) in the free market.

A long term maintenance agreement, including planned and unplanned maintenance of the gas turbines, was signed with the manufacturer company GE, and the maintenances were carried out as planned. There was no technical problem that would effect generation.

AYEN OSTIM ANNUAL GENERATION (mn kWh)



AYEN OSTIM MONTHLY GENERATION (mn kWh)




AYEN OSTİM

OSTİM KOMBİNE ÇEVRİM SANTRALI

Plant Location	:	Ostim Organized Industry District within Province of Ankara
Plant Type	:	Combined Cycle Natural Gas Plant
Installed Power	:	37.5 MW (ISO)
Net Output Power (operating conditions)	:	34.5 MW
GAS TURBINE		
Ambient Temperature	:	15 °C
Output Power at Generator Terminal	:	25 952 KWe
Thermal Value	:	9569 KJ/kWh
Electricity Efficiency	:	37.62%
STEAM TURBINE		
HIGH PRESSURE LINE		
Steam Pressure	:	65 Bar
Steam Temperature	:	460 °C
Steam Flow	:	8.63 kg/s
LOW PRESSURE LINE		
Steam Pressure	:	5.3 Bar
Steam Temperature	:	180 °C
Steam Flow	:	2.28 kg/s
EXHAUST		
Pressure	:	0.07 Bar
Flow	:	10.91 kg/s
Output Power at		
Generator Termi	:	9 150 KWe
WASTE HEAT BOILER		
Ambient Temperature	:	15 °C
Exhaust Flow (Gas Turbine)	:	74.3 kg/s
Exhaust Temperature (Gas Turbine)	:	508 °C
Supply Water Temperature	:	60 °C
Chimney Temperature	:	<105 °C
TRANSFORMERS		
Type	:	External, Oil-cooled
Number	:	2
Gas Turbine Transformer Output Power	:	36 MVA
Steam Turbine Transformer Output Power	:	12 MVA
Voltage	:	10.5/34,5(+/- 2x2.5%) kV
Frequency	:	50 Hz
Internal Needs Transformer Power	:	1600 kVA
ANNUAL ENERGY GENERATION	:	**280,000,000 kWh**

PRODUCTIVITY

As the periodic maintenance is done properly, no decrease in productivity is expected over the time. The productivity of the plants is depends on the water inflow and the water usage capacity. Since both HEPPs operated by our company are river type plants, it is not possible to use all the water coming through the plant. However, looking at our operational results almost all of the water coming through plants was used. During the months when the water flow is high (March, April and May) plants are working at full capacity and the maximum generation is reached. In the remaining of the year, the revisions and maintenance works are done on the units that are not in operation. Yamula HEPP operated by our company, on the other hand, has a reservoir and is working at maximum productivity power from the tribunes.

Generation Site	2010 Quantity kWh	2009 Quantity kWh	2008 Quantity kWh
Çamlıca I HEPP	418,351,500	383,079,700	271,776,500
Yamula HEPP	535,891,170	388,898,230	238,200,840
Ayen Ostim	186,135,000	191,138,690	245,049,845
Akbük WPP	97,418,107	70,203,660	

Price	2010 Cent/kWh	2009 Cent/kWh	2008 Cent/kWh
Çamlıca I HEPP(*)	3.86	3,025	7.640
Yamula HEPP(***)	8,298-5,19	11,523/0,298	21,328/11,523
Ayen Ostim (**)			
Akbük WPP(*****)			

(*) Çamlıca I HEPP's revised tariff of 2010 was approved on 29.10.2010
(**) Ayen Ostim Natural Gas Plant prices vary as it is doing business in the free market.
(***) Revised tariff of Yamula HEPP for the period between 01.08.2010 and 31.07.2011 was approved in 2010. The operating period is between 2st August and 31st July (Generation figures are shown by generation year. Under the program, the generation in 2010 would be 612,499,280 kWh)
(*****) Akbük WPP prices vary as it is doing business in the free market.
A purchase guarantee of USD 7.30 cent shall apply until 31.12.2013 pursuant to Renewable Energy Sources Law.

INVESTMENTS

1- WIND POWER PLANT PROJECTS

The generation license for the Mordoğan WPP with an established power capacity of 30.75 MW and a generation capacity of 99.41 GWh/year, which we are planning to establish in Mordoğan, has been obtained from the Energy Market Regulatory Authority. The necessary application has been made to the Ministry of Environment and Forestry for the allocation of the required lands and the preliminary permission has been obtained.

Likewise, the generation license for the Korkmaz WPP with an established power capacity of 24 MW and a generation capacity of 83 GWh/year, which we are planning to establish in Seferihisar, has been obtained from the Energy Market Regulatory Authority. The necessary application has been made to the Ministry of Environment and Forestry for the allocation of the required lands and the preliminary permission has been obtained.

Investment Incentive Certificates have been obtained for both projects.

For wind turbines to be used in both plants, turbine supply and maintenance contracts have been signed with Suzlon, Denmark. Construction of power plants is ongoing. It is planned that manufacturing of turbine parts be completed in the mid of March 2011 and delivered to the site after completion of customs clearance formalities in April.

Our company waits for TEIAS to start construction of transformer station, which will connect these two WPP projects to the national grid, in the Cesme Peninsula. Our company has signed a preliminary agreement with TEIAS in connection with these projects. According to this agreement all companies intending to build a generation plant in the region will be required to cover the costs on pro rata basis.

EMRA approved acquisition of 2,128,000 shares out of 3,040,000, i.e. 70% of stake, of Aksu Temiz Enerji Elektrik Uretim San. ve Tic. A.S, a company with shareholders' equity of TRL 15,200,000, holding a generation license of 49 years for a 72-MW Wind Power Plant with annual generation capacity of 295,800,000 kWh, a power plant to be built in Yahyali, Kayseri. The power plant will have installed capacity of 72 MW, including 36 wind turbines with capacity of 2.0 MW each. Negotiations with potential turbine suppliers have been ongoing. Applications for site permits required for construction of the power plant have been lodged and except for delays it is planned that the power plant will be commissioned at the end of 2011.

2- HYDROPOWER PLANT PROJECTS

Generation Licenses have been obtained from the Energy Market Regulatory Authority for Paşalar Hydroelectric Power Plant with an established power capacity of 40 MW and an annual generation capacity of 151,309,300 kWh, which is planned to be established in the province of Rize within the scope of the Energy Market Law no 4628 as well as Taşoba / Elmalı Regulators and Büyükdüz Hydroelectric Power Plant with an established power capacity of 48.8 MW and an annual generation capacity of 130,886,000 kWh, which are planned to be established within the boundaries of the province of Gümüşhane.

EIA (Environmental Impact Assessment) permit has been obtained together with other legal licenses for the Buyukduz HEPP Project and the construction works have commenced. In this context, expropriations of lands within the plant area have commenced; and construction works are underway accordingly. As of today, 65% construction is completed.

Ayen Enerji Buyukduz HEPP Construction - Elmalı Regulator

The Environmental Impact Assessment (EIA) report obtained for Pasalar HEPP has been annulled at a lawsuit initiated against the Ministry of Environment and Forestry. The Ministry's request of Stay of Execution against the annulment has been rejected. As of the date of this report, the court has not yet returned its reasoned verdict on the merits, thus the legal process continues.

An action for annulment has been initiated related to the Project, concerning the Grade 1 Natural Site Area declaration made by the Trabzon Regional Board for the Protection of Cultural and Natural Assets. The objection has been rejected by Trabzon Regional Administrative Court by its decision dated 02.03.2010 no.2010/45 YD: Objection; and no decision has yet been made on the merits of the case.

SUBSIDIARIES

1 - AYEN OSTİM ENERJİ ÜRETİM A.Ş.

Ayen Enerji A.Ş. has signed a cooperation agreement with the Ostim Organized Industry District Directorate in October 2001 to built and operate a Natural Gas Power Plant to meet the needs of the district. Pursuant to this agreement, Ayen Ostim Enerji was founded.

The investment was started in 2002 for a natural gas power plant with 41 MW power, and was put into operation in June 2004.

The company; which at the time had the Auto-producer Group license under the Electricity Market Licensing Regulation; made amendments to its articles of association to change its title, purpose and subject, and changed its license to Generation License.

Our company holds 76 % of the shares of this subsidiary, with a capital of TRL 44,000,000.

2 – AYEN ELEKTRİK TİCARET A.Ş

Founded in 2002 with a capital of TRY 5 bn, Ayen Elektrik Ticaret A.Ş. made amendments in its articles of association to change its title, purpose and subject to obtain a wholesale license under the Electricity Market Licensing Regulation. The Company has a TRY 2,000,000 capital, which 99.9% of the shares are owned by Ayen Enerji A.Ş. The electricity wholesale license is obtained, and the Company engages in energy sales and purchase in the electricity market.

Fundamental principles of the Company are to provide high quality services to the customers under best conditions and to create long term relationships. We analyze the load and consumption of our customers and offer them alternative solution packages that fit their needs and special cases. Ayen Elektrik Ticaret A.Ş. informs its customers on the legislation and electrical energy trading in the free market, and supports them in benefiting this free market

Ayen Elektrik Ticaret A.Ş. started from the second half of 2010 to sell electricity to free consumers through bilateral agreements. In 2010, a total of 365,109,748 kWh was sold.


Ayen Enerji Büyükdüz HEPP Construction

3 – KAYSERİ ELEKTRİK ÜRETİM SAN. ve TİC. A.Ş.

KAYSERİ ELEKTRİK ÜRETİM

Founded in 1988, Kayseri Elektrik Üretim Sanayi ve Ticaret A.Ş. engages in electricity generation, transmission, distribution and investments in construction of hydroelectric plants, gas and wind power plants inside and outside the country. The company is the project developer and concession agreement holder of Yamula Dam and HPP Build-Operate-Transfer Project that is on Kızılırmak River in Kayseri and will be operated for 20 years under the Law no.3096.

Yamula Dam and HPP project with 100 MW installed power and 422 GWh/year generation capacity is the most important energy project in the region

In 2010, the total generation at the plant was 535,891,170 kWh, and the scheduled generation was realized completely (The operating period for Yamula HEPP is between 1st August and 31st July. Generation figures are shown by generation year. Under the program, the generation in 2010 would be 612,499,280 kWh.)

AFFILIATES

AYEL ELEKTRİK ÜRETİM SANAYİ VE TİCARET A.Ş.

A Y E L

Founded on 28.01.2010 with capital of TRL 1,000,000.00, the company, a subsidiary of AYEN ENERJI where AYEN ENERJI holds 10% stake thereof, engages in construction, ownership, operation, and leasing of hydroelectric, wind, sun, natural gas, and other power plants inside and outside the country and sales of electricity energy and capacity generated to customers.

The company is not yet active


Ayen Enerji Büyükdüz HEPP Construction - Penstock

SOCIAL RESPONSIBILITIES

SPECIAL FORESTATION WORKS

Renewable Natural Resource: Forest

Forests have a different meaning than just mass of trees that are forming them. This is because the forests are like the main gear of the system that provides for all living beings to live. It constitutes genetic variety and resources that provide the assurance for living and healthy continuity of generations as well as it provides food sources and oxygen, which is the source of our lives. Therefore developed countries consider forests in their countries as one of the most important items in calculations of national wealth thereof.

For a small example: the trees in forests produce 93 bn tons of oxygen per year, which represents 66 % of the oxygen produced by all plants living on land. For example, 10 decares (10,000 m2) forest absorbs 6 tons of carbon dioxide (CO_2) per year. An average sized tree absorbs around 12 m3 of CO_2 per year. This provides the quantity of oxygen a family needs for a year to the atmosphere.

New Century and Importance of Greening

We, unfortunately, entered the new century with significant environmental problems at global scale. Increased carbon emissions, global warning, the ozone layer depletion (the so-called “hole”), rapid deforestation, and extinguishing species... We have to face many more problems for the future of global economy without any tangible solution to most problems.

Polished promises of the new millennium are already overshadowed by unprecedented hazards awaiting human kind. That is where we should do our best to take care and nurture the environment both individually and as an entity to light up this depressed outlook.

Kızılcahamam Forest: Debt Repaid to the Nature

Turkey is located in a zone where adverse effects of global warming can be seen earlier and heavier than any part of the world and even today some of these adverse effects are visible. Having this fact in mind, our group companies have submitted a Project for cooperation to the Ministry of Environment and Forestry to take the lead in reclamation of degraded forests, which are allocated to the Group for this purpose.

With this aim, we have taken the 1,505 thousand square meters of damaged forest area in the vicinity of the Kurtboğazı-Çeştepe village in the Kızılcahamam district of the province of Ankara under protection and contributed to the assets of the forest through forestation works. Our Company established protection by fences around this damaged forest area, which is owned by the General Directorate of Forestry but allocated to our Company until 2046, and re-forested a section of 1,160 decares. The remaining 340 thousand square meters of the land has been protected as is. Further 100 decares of land have been preserved by allocating them for zoning and rehabilitation since they contained sufficient oak clusters and groups, and fire protection has been established and a service road has been constructed in an area of 40 thousand square meters.

It will not be wrong to call this forest area as “Our Forest” since we all re-made it a forest. A total of 183,000 young trees consisting of the Taurus Cedar, Black Pine, False Locust, Mahaleb Cherry, Wild Pear, Walnut, Wild Plum, Wild Cranberry, and Linden species were planted in the damaged forest area now destined to be trees. In addition, 1,500 kg. oak seeds have been sown in various parts of the area. Our first plantations have reached heights of 3 m. and the oak forests protected and subjected to rehabilitation have exceeded 10 meters.

Besides the works performed to protect the natural ecosystem and the wild life, the existing Wild Pear, Wild Apple, Wild Plum, Thorn Apple, etc. shrubs in the area have been transformed into such fruit bearing trees as Pear, Apple, Plum, Medlar with the permission of the Ministry.

In addition to the replacements in the vegetation assets within this protected area, increases in the fauna have also been observed and positive developments are continuing in the population of Partridges, Rabbits, Foxes, and Wild Boars in favor of the nature.

We Promise ...

We aim to be a company that produces the most accurate solutions to our customers in every field we engage. We make efforts to be useful to the society as much as we can, and cause as least harm to the nature as we can to achieve our goals. We are realizing an approach that goes beyond the mere rationale for profits, and we promise that we will not pollute the environment, prevent harm to the nature and historic fabric, lead the sector by environment-friendly and clean, sensitive investments with strict Environmental Impact Assessments and emission measurements.

HUMAN RESOURCES

“Our most valued capital is our human resources” represents the logic behind our human resources policy.

We strictly follow the principle of giving equal opportunity to those under equal conditions when creating our recruitment policies and doing career planning.

Our objective in human resources process is to enhance continually competences of our human resources and to sustain our competitive advantage in the global environment by adhering to the following principles:

Right man for the right position
Equal pay for equal work
Merit based on success
Equal opportunity for all

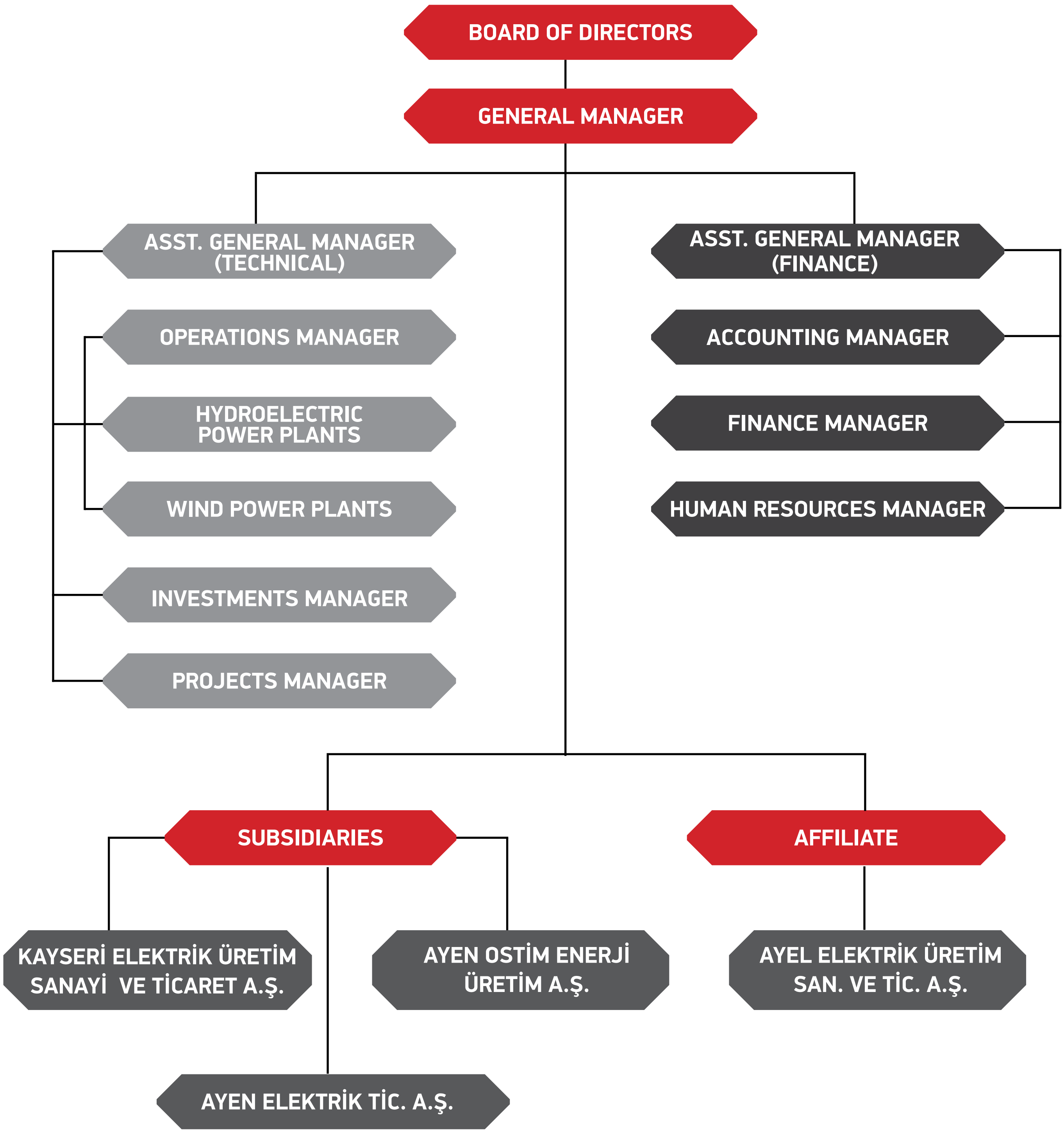
Our company does not discriminate against religion, language, race org ender, treats all employees equally in training and promoting; plans training and formulates training policies to enhance knowledge, skill and experience.

In our Company’s work environment, the highest safety and efficiency conditions are ensured.

Job description and work distribution, performance and reward criteria for our employees are defined by managers and announced to employees.

The Company employs a total of 186 employees, with 42 at the Head Office, 34 at Çamlıca HEPP, 34 at Ostim Natural Gas Plant Management, 36 at Yamula HEPP, 18 at Akbük WPP construction site, 15 at Büyükdüz HEPP and 7 permanent employees at Kızılcahamam Forest investment. 10 to 15 temporary workers are employed temporarily for hoeing and irrigation Works at our Kızılcahamam Forest Establishment. Workers are not unionized. Employees who have tenure longer than one year are paid bonuses twice a year each at one month’s pay and for each employee who completed a year, a severance pay fund is reserved at one month’s pay, and this amount is paid upon layoff, retirement, military service call or death (in case of death it is given to the heirs).

ORGANIZATION CHART




AYEN
AYEN

AYEN ENERJİ A.Ş. INCOME STATEMENT 2010

	Current Period (01.01.2010-31.12.2010)		Previous Period (01.01.2009-31.12.2009)	
A- GROSS SALES		**46,272,611.21**		**34,598,831.22**
1- Domestic Sales	46,272,611.21		33,741,471.43	
3- Other Revenues			857,359.79	
B- SALES DEDUCTIONS (-)		**-1,791,371.97**		**-793,820.12**
3- Other Deductions (-)	-1,791,371.97		-793,820.12	
C- NET SALES		**44,481,239.24**		**33,805,011.10**
D- COST OF SALES (-)		**-26,727,065.77**		**-26,598,983.05**
1- Cost of Products Sold (-)	-24,493,157.96		-24,359,255.34	
2- Cost of Merchandise Sold (-)	-2,233,907.81		-1,079,187.50	
3- Cost of Services Sold (-)			-1,160,540.21	
GROSS PROFIT OR LOSS		**17,754,173.47**		**7,206,028.05**
E- OPERATING EXPENSES (-)		**-4,022,202.30**		**-3,419,945.32**
2- Marketing, Selling and Distribution Expenses (-)	-648,072.26		-464,932.08	
3- General Administration Expenses (-)	-3,374,130.04		-2,955,013.24	
OPERATING PROFIT (LOSS)		**13,731,971.17**		**3,786,082.73**
F- INCOME AND PROFIT FROM OTHER OPERATIONS		**43,214,153.11**		**21,812,016.67**
1- Dividend Income from Subsidiaries				
2- Dividends from Affiliates	26,373,311.64		7,413,454.61	
3- Interest Income	1,520,170.08		5,569,918.33	
4- Commission				
5- Provisions No Longer Required	24,129.00		17,169.00	
6- Profit on Sale of Marketable Securities	1,864.93		622.85	
7- Profit From Foreign Currency Exchange	12,552,399.99		6,629,525.34	
8- Other Income Profit	2,742,277.47		2,181,326.54	
G- EXPENSES AND LOSSES FROM OTHER OPERATIONS		**-10,871,144.69**		**-7,152,686.99**
4- Loss from Foreign Currency Exchange	-8,479,952.72		-5,377,042.24	
5- Other Ordinary Expense and Losses	-2,391,191.97		-1,775,644.75	
H- FINANCING COSTS (-)		**-2,971,376.89**		**-1,970,566.03**
1- Short Term Borrowing Expenses (-)	-1,736,725.64		-1,970,566.03	
2- Long Term Borrowing Expenses (-)	-1,234,651.25			
ORDINARY PROFIT OR LOSS		**43,103,602.70**		**16,474,846.38**
I- EXTRAORDINARY REVENUES AND PROFITS		**22,069.33**		**78,280.29**
1- Previous Period Revenues and Profits				
2- Other Extraordinary Revenues and Profits	22,069.33		78,280.29	
J- EXTRAORDINARY EXPENSES AND LOSSES		**-30,696.66**		**-130,674.89**
1- Expenses and Losses from Non-Working Parts (-)				
2- Previous Period Expenses and Losses (-)	-30,641.18			
3- Other Extraordinary Expenses and Losses (-)	-55.48		-130,674.89	
PROFIT OR LOSS FOR THE YEAR		**43,094,975.37**		**16,422,451.78**
K- PROVISIONS FOR TAXES PAYABLE AND OTHER STATUARY OBLIGATIONS (-)		0.00		
NET PROFIT OR LOSS FOR THE YEAR		**43,094,975.37**		**16,422,451.78**

AYEN ENERJİ A.Ş. BALANCE SHEET 2010

	Current Period (01.01.2010-31.12.2010)			Previous Period (01.01.2009-31.12.2009)		
I. CURRENT ASSETS			**30,070,408.52**			**13,954,299.21**
A- LIQUID ASSETS		**7,581,444.36**			**789,833.94**	
1- Cash	3,092.86			1,669.82		
3- Banks	7,578,351.50			788,164.12		
C- TRADE RECEIVABLES		**4,153,725.28**			**5,299,026.21**	
1- Customers	3,288,899.39			4,356,987.83		
4- Other Trade Receivables	857,359.79			778,022.60		
7- Deposits and Guarantees Given	7,466.10			164,015.78		
D- OTHER RECEIVABLES		**14,151,027.84**			**5,830,278.21**	
1- Receivables from Shareholders	13,315,797.31			5,822,607.95		
3- Receivables from Subsidiaries	824,183.25					
5- Other Receivables	11,047.28			7,670.26		
E- INVENTORIES		**25,146.60**			**24,485.10**	
4- Merchandise Inventories	22,324.42			22,324.42		
5- Other Inventories	2,822.18			2,160.68		
G- INCOME AND EXPENSE ACCRUALS FOR FUTURE MONTHS		**1,591,149.76**			**1,761,587.38**	
1- Expenses for Future Months	1,583,812.02			731,990.66		
2- Income Accruals	7,337.74			1,029,596.72		
H- OTHER CURRENT ASSETS		**2,567,914.68**			**249,088.37**	
3- Prepaid Taxes and Funds	12,409.47			35,632.14		
4- Business Advances				213,415.89		
8- Deferred VAT	2,358,960.84					
9- Employee Advances	196,544.37			40.34		
II. FIXED ASSETS			**365,935,743.68**			**347,167,627.44**
A- TRADE RECEIVABLES		**19,074.16**			**10,574.16**	
4- Deposits and Guarantees Given	19,074.16			10,574.16		
B- OTHER RECEIVABLES		**0.00**			**28,418,082.25**	
1- Receivables from Shareholders				28,418,082.25		
C- FINANCIAL FIXED ASSETS		**151,661,836.98**			**151,605,341.50**	
3- Affiliates	100,000.00					
6- Subsidiaries	129,288,713.20			129,288,713.20		
7- Capital Subscriptions for Subsidiaries (-)	-43,504.52					
9- Other Financial Fixed Assets	22,316,628.30			22,316,628.30		
D- TANGIBLE FIXED ASSETS		**203,634,695.10**			**158,649,821.92**	
1- Land	6,702,976.36			6,574,976.36		
3- Buildings	2,835,197.62			2,835,197.62		
4- Plant, Machinery and Equipment	93,028,933.21			93,028,933.21		
5- Motor Vehicles	678,989.45			649,381.01		
6- Furniture and Fixtures	586,187.43			560,714.27		
7- Other Tangible Fixes Assets	195,524,629.08			195,524,629.08		
8- Accumulated Amortization (-)	-176,139,961.86			-154,274,995.93		
9- Investments in Progress	64,743,452.22			10,271,607.19		
10- Advances Given	15,674,291.59			3,479,379.11		
E- INTANGIBLE FIXED ASSETS		**248,955.84**			**100,532.74**	
4- Research and Development Expenses	206,654.60			40,000.00		
6- Other Intangible Fixed Assets	159,525.65			159,525.65		
7- Accumulated Amortization (-)	-117,224.41			-98,992.91		
G- PREPAID EXPENSES AND ACCRUED INCOME		**10,371,181.60**			**8,383,274.87**	
1- Prepaid Expenses for Future Years	10,371,181.60			8,383,274.87		
TOTAL ASSETS			**396,006,152.20**			**361,121,926.65**

AYEN ENERJİ A.Ş. BALANCE SHEET 2010

	Current Period (01.01.2010-31.12.2010)			Previous Period (01.01.2009-31.12.2009)		
I- SHORT TERM LIABILITIES			**30,403,250.58**			**33,530,854.97**
A- FINANCIAL LIABILITIES		**15,576,408.95**			**17,621,367.92**	
1- Bank Loans				5,000,000.00		
2- Current Maturities of Long Term Credits and Accrued Interest	6,159,240.09			6,090,375.62		
7- Other Financial Liabilities	9,417,168.86			6,530,992.30		
B- TRADE PAYABLES		**3,844,950.03**			**930,044.55**	
1- Suppliers	972,524.05			411,642.27		
4- Other Trade Payables	2,872,425.98			360,929.68		
5- Deposits and Guarantees Received				157,472.60		
C- OTHER LIABILITIES		**9,339,565.23**			**13,500,012.06**	
3- Liabilities to Subsidiaries	9,339,565.23			13,500,012.06		
F- TAXES PAYABLE AND OTHER FISCAL LIABILITIES		**471,792.88**			**644,745.40**	
1- Taxes and Funds Payable	381,033.53			560,253.09		
2- Social Security Withholdings Payable	88,833.35			69,929.34		
4- Other Liabilities	1,926.00			14,562.97		
G- PROVISIONS FOR LIABILITIES AND EXPENSES		**0.00**			**0.00**	
3- Provisions for Severance Pay						
H- INCOME RELATING TO FUTURE MONTHS AND EXPENSE ACCRUALS		**1,170,533.49**			**834,685.04**	
1- Revenues Relating to Future Months	14,072.00			11,088.00		
2- Expense Accruals	1,156,461.49			823,597.04		
I- OTHER SHORT TERM LIABILITIES		**0.00**				
II- LONG TERM LIABILITIES			**135,797,532.71**			**107,207,757.71**
A- FINANCIAL LIABILITIES		**134,737,505.71**			**106,294,414.71**	
1- Bank Loans	115,100,319.14			75,796,254.26		
5- Other Financial Liabilities	19,637,186.57			30,498,160.45		
E- PROVISIONS FOR DEBT AND EXPENSES		**1,060,027.00**			**913,343.00**	
1- Provisions for Severance Pay	1,060,027.00			913,343.00		
III. EQUITY			**229,805,368.91**			**220,383,313.97**
A- PAID-IN CAPITAL		**119,610,000.00**			**119,610,000.00**	
1- Capital	119,610,000.00			119,610,000.00		
C- PROFIT RESERVES		**53,107,261.81**			**62,462,263.02**	
1- Legal Reserves	21,329,254.90			17,787,458.45		
3- Extraordinary Reserves	31,778,006.91			44,674,804.57		
E- PROFITS FROM PREVIOUS YEARS		**13,993,131.73**			**21,888,599.17**	
1- Dividends to be paid in 2000	147.96			147.96		
2- Dividends to be paid in 2001	294.40			294.40		
3- Profit in 2004	388,668.16			388,668.16		
4- Profit in 2005	218,968.40			218,968.40		
5- Profit in 2007	13,383,396.91			13,383,396.91		
6- Profit in 2008	853.11			7,896,270.23		
7- Dividends to be paid in 2009	802.79			853.11		
G- NET PROFIT (LOSS) FOR THE YEAR		**43,094,975.37**			**16,422,451.78**	
1- Net Profit for the Year	43,094,975.37			16,422,451.78		
TOTAL LIABILITIES			**396,006,152.20**			**361,121,926.65**

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

Convenience Translation Of The Independent Auditor's Report And Consolidated Financial Statements For The Year Ended 31 December 2010 Originally Issued in Turkish

Deloitte.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

8 April 2011
This report consists of 2 pages of audit report and 69 pages of consolidated financial statements and footnotes.

CONVENIENCE TRANSLATION OF THE REPORT AND THE CONSOLIDATED

FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Ayen Enerji A.Ş.
We have audited the accompanying consolidated financial statements of Ayen Enerji A.Ş. ("the Company"), and its subsidiaries (together the "Group") which comprise the consolidated balance sheet as at 31 December 2010, and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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 entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ayen Enerji A.Ş. and its subsidiaries as of 31 December 2010 and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards published by Capital Markets Board.

Other Matter
The consolidated financial statements of the Group for the year ended 31 December 2009, were audited by another auditor who expressed an unmodified opinion on those statements on 6 April 2010.

Ankara, 8 April 2011

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

H. Erdem Selçuk
Partner

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2010

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AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Note	Current Period 31 December 2010	Prior Period 31 December 2009
ASSETS			
Current Assets		**84.410.348**	**86.392.716**
Cash and Cash Equivalents	3	14.256.658	11.305.298
Trade Receivables	5	14.468.469	17.182.315
Other Trade Receivables	5	*14.225.337*	*17.182.315*
Due From Related Parties	22	*243.132*	-
Due From Service Concession Arrangements	7	36.999.105	39.480.797
Other Current Assets	13	18.686.116	18.424.306
Other Current Assets	13	*5.370.319*	*12.499.504*
Due From Related Parties	22	*13.315.797*	*5.924.802*
Non-Current Assets		**408.915.079**	**408.946.174**
Due From Service Concession Arrangements	7	164.103.834	189.383.947
Financial Assets		56.346	-
Property, Plant and Equipment	8	182.657.937	138.195.616
Intangible Assets	9	9.670.393	10.428.907
Goodwill	10	17.461.935	17.461.935
Deferred Tax Assets	20	5.515.616	9.021.212
Other Non-Current Assets	13	29.449.018	44.454.557
Other Receivables	13	*29.449.018*	*15.889.609*
Due From Related Parties	22	-	*28.564.948*
TOTAL ASSETS		**493.325.427**	**495.338.890**

The accompanying notes presented between pages 46 and 114 form an integral part of these consolidated financial statements

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Note	Current Period 31 December 2010	Prior Period 31 December 2009
LIABILITIES			
Current Liabilities		**58.386.755**	**79.751.500**
Financial Liabilities	4	26.562.521	56.849.291
Other Financial Liabilities	6	10.982.059	9.171.688
Trade Payables	5	13.139.460	7.079.120
Other Trade Payables	5	*11.204.656*	*1.005.436*
Due to Related Parties	22	*1.934.804*	*6.073.684*
Corporate Tax Liability	20	2.816.782	1.966.644
Provisions	11	2.594.127	2.165.050
Other Current Liabilities	13	2.291.806	2.519.707
Other Current Liabilities	13	*2.288.527*	*2.519.707*
Due to Related Parties	22	*3.279*	-
Non-Current Liabilities		**174.374.570**	**161.890.911**
Financial Liabilities	4	150.007.323	129.025.729
Other Financial Liabilities	6	18.072.297	27.857.463
Due to Related Parties	5	5.454.097	4.230.017
Due to Related Parties	22	*5.454.097*	*4.230.017*
Provision for Employee Termination Benefits	12	840.853	777.702
TOTAL LIABILITIES		**232.761.325**	**241.642.411**
EQUITY		**260.564.102**	**253.696.479**
Equity Attributable to Owners of the Parent		**249.067.431**	**241.888.340**
Paid-in Capital	14	119.610.000	119.610.000
Restricted Profit Reserves		34.780.955	26.351.791
Retained Earnings		53.823.664	49.167.139
Net Profit for the Period		40.852.812	46.759.410
Minority Interest		**11.496.671**	**11.808.139**
TOTAL LIABILITIES AND EQUITY		**493.325.427**	**495.338.890**

The accompanying notes presented between pages 46 and 114 form an integral part of these consolidated financial statements

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Note	Current Period 1 January- 31 December 2010	Prior Period 1 January- 31 December 2009
CONTINUED OPERATIONS			
Sales Revenue	15	123.277.622	113.132.345
Cost of Sales (-)	16	(67.227.792)	(50.934.846)
GROSS PROFIT		**56.049.830**	**62.197.499**
General Administration Expenses (-)	16	(5.276.371)	(5.080.968)
Other Operating Income	17	291.826	4.941.125
Other Operating Expenses (-)	17	(668.093)	(4.864.136)
OPERATING PROFIT		**50.397.192**	**57.193.520**
Finance Income	18	9.229.307	12.114.190
Finance Expense (-)	19	(7.342.590)	(9.204.300)
PROFIT BEFORE TAX		**52.283.909**	**60.103.410**
TAX INCOME/EXPENSE		(10.679.905)	(10.917.231)
Current Tax Expense	20	(7.174.309)	(7.789.390)
Deferred Tax Income/Expense	20	(3.505.596)	(3.127.841)
PROFIT FOR THE PERIOD		**41.604.004**	**49.186.179**
Distribution of Profit for the Period			
Owners of the Parent		40.852.812	46.759.410
Minority Interest		751.192	2.426.769
		41.604.004	**49.186.179**
Earnings per 1.000 shares	21	3,42	3,91

The accompanying notes presented between pages 46 and 114 form an integral part of these consolidated financial statements

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Current Period 1 January- 31 December 2010	Prior Period 1 January- 31 December 2009
PROFIT FOR THE PERIOD	41.604.004	49.186.179
Other Comprehensive Income:	-	-
OTHER COMPREHENSIVE INCOME (AFTER TAX)	-	-
TOTAL COMPREHENSIVE INCOME	**41.604.004**	**49.186.179**
Distribution of Total Comprehensive Income for the Period:		
Owners of the Parent	40.852.812	46.759.410
Minority Interest	751.192	2.426.769
	41.604.004	49.186.179

The accompanying notes presented between pages 46 and 114 form an integral part of these consolidated financial statements

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Paid-in Capital	Restricted Profit Reserves	Retained Earnings	Period Profit	**Equity Attributable to Owners of the Parent**	Minority Interest	**Total**
Balance as of 1 January 2009	119.610.000	20.007.128	50.006.362	41.721.884	**231.345.374**	9.680.080	**241.025.454**
Transfers	-	6.344.663	35.377.221	(41.721.884)	-	-	-
Total comprehensive income	-	-	-	46.759.410	**46.759.410**	2.426.769	**49.186.179**
Dividends paid	-	-	(36.216.444)	-	**(36.216.444)**	(298.710)	**(36.515.154)**
Balance as of 31 December 2009	119.610.000	26.351.791	49.167.139	46.759.410	**241.888.340**	11.808.139	**253.696.479**
Balance as of 1 January 2010	119.610.000	26.351.791	49.167.139	46.759.410	**241.888.340**	11.808.139	**253.696.479**
Transfers	-	8.429.164	38.330.246	(46.759.410)	-	-	-
Total comprehensive income	-	-	-	40.852.812	**40.852.812**	751.192	**41.604.004**
Dividends paid	-	-	(33.673.721)	-	**(33.673.721)**	(1.062.660)	**(34.736.381)**
Balance as of 31 December 2010	119.610.000	34.780.955	53.823.664	40.852.812	**249.067.431**	11.496.671	**260.564.102**

The accompanying notes presented between pages 46 and 114 form an integral part of these consolidated financial statements

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Note	1 January- 31 December 2010	1 January- 31 December 2009
Cash flows from operating activities			
Profit before taxation		52.283.909	60.103.410
- Interest expense		5.151.897	8.762.911
- Discount expense		2.004.741	-
- Interest income	18	(2.640.409)	(9.338.998)
- Deferred finance expense		1.610.521	1.606.239
- Accrued income		(2.146.864)	(3.083.025)
- Accrued expenses		538.221	215.290
- Provision for employee termination benefits	12	207.525	297.035
- Provision for litigations	11	219.396	402.058
- Provision for unused vacations	11	209.681	-
- Provisions released	11	-	(896.346)
- Depreciation and amortisation expenses	8-9	8.805.728	7.218.374
- Unrealised foreign exchange (gain)/loss		(1.002.590)	2.210.727
		65.241.756	67.497.675
Changes in working capital			
(Increase)/decrease in financial assets		(56.346)	179.345
(Increase)/decrease in trade receivables		4.919.351	(4.093.360)
(Increase)/decrease in due from related parties		20.930.821	(30.185.255)
(Increase)/decrease in due from service concession arrangements		27.761.805	43.924.953
(Increase)/decrease in other receivables and current assets		7.171.056	8.345.977
(Increase)/decrease in other non-current assets		27.262	10.346.476
(Increase)/decrease in trade payables		6.633.822	(85.570)
(Increase)/decrease in due to related parties		(1.721.715)	8.465.417
(Increase)/decrease in other liabilities		(255.930)	(2.238.445)
Employee termination benefits paid	12	(144.374)	(222.250)
Taxes paid	20	(6.324.171)	(7.285.241)
Lawsuit provisions paid	11	-	(4.017.986)
Net cash generated from operating activities		124.183.337	90.631.736

The accompanying notes presented between pages 46 and 114 form an integral part of these consolidated financial statements

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Note	1 January-31 December 2010	1 January-31 December 2009
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		21.293	66.378
Investment expenditures	8	(52.530.828)	(30.427.952)
Advances given for acquisition of property, plant and equipment	13	(12.126.412)	(4.235.732)
Interest received		2.640.409	9.376.395
Net cash (used in) investing activities		(61.995.538)	(25.220.911)
Cash flows from financing activities			
Proceeds from borrowings		76.879.539	67.147.019
Repayment of borrowings		(85.163.239)	(112.653.538)
Other financial liabilities	6	(7.974.795)	(134.544)
Interest paid		(5.170.783)	(10.403.960)
Dividends paid	14	(34.736.381)	(36.515.154)
Deferred finance charges paid		(3.070.780)	-
Net cash (used) in financing activities		(59.236.439)	(92.560.177)
Increase / (Decrease) in cash and cash equivalents		2.951.360	(27.149.352)
Cash and cash equivalents at the beginning of the period	3	11.305.298	38.454.650
Cash and cash equivalents at the end of the period	3	14.256.658	11.305.298

The accompanying notes presented between pages 46 and 114 form an integral part of these consolidated financial statements

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Ayen Enerji A.Ş. (the “Company” or “Ayen Enerji”) engages in the electricity production and trading activities. The Company was established in 1990. The Company is a member of Aydıner Group. Main shareholder of the Company is Aydıner İnşaat A.Ş. (“Aydıner İnşaat”).

The Company is registered in Turkey and the registered address is as follows:

Hülya Sok. No: 37, Gaziosmanpaşa/Ankara

The Company is registered to Capital Markets Board (“CMB”) and its shares are publicly traded in Istanbul Stock Exchange (“ISE”). 15,01% of the shares of the Company is publicly held as of 31 December 2010 (31 December 2009: 15,01%) (Note 14).

These consolidated financial statements for the period between 1 January 2010 and 31 December 2010 have been approved for issue by the Board of Directors on 8 April 2011. No authority other than Board of Directors and General Assembly has the right to amend the consolidated financial statements.

The subsidiaries and the investment in associate of the Company, the nature of their business and their address of registered head offices are as follows:

Subsidiaries	Place of incorporation and the nature of the business	Registered adress
Ayen Ostim Enerji Üretim A.Ş (“Ayen Ostim”)	Electricity production and trading	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Kayseri Elektrik Üretim Sanayi ve Ticaret A.Ş. (“Kayseri Elektrik”)	Electricity production, distribution and trading	Gevher Nesibe Mah. Tekin Sok. Kocasinan Bel.Hiz. Binası Kayseri
Ayen Elektrik Ticaret A.Ş. (“Ayen Elektrik”)	Electricity trading	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Investment in Associates		
Ayel Elektrik Üretim Sanayi ve Ticaret A.Ş. (“Ayel Elektrik”)	Electricity production, distribution and trading	Hülya Sokak No: 37 Gaziosmanpaşa Ankara

All of the subsidiaries and the investment in associate are registered in Turkey.

Çamlıca I Hydro Electric Power Plant (“HEPP”) is one of the power plants of Ayen Enerji, located on Zamantı, one of the main branches of Seyhan River, in Çamlıca Village, Yahyalı district, Kayseri, and was constructed under Build-Operate-Transfer (“BOT”) model. The construction of the power plant started in 1995 and began to operate in December 1998. The operational period for Çamlıca I HEPP is 15 years and will end in 2013. The installed capacity of the power plant is 84 MW, and the annual production capacity is 429 million kWh.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY (cont'd)

The production license for the Wind Power Plant ("WPP") located in Akbük with an annual production capacity of 31,5 MW obtained by Ayen Enerji on 18 January 2007 for 49 years. The first part of the plant with a capacity of 16,8 MW and the second part of the plant with a capacity of 14,7 MW started to operate respectively on 19 March 2009 and 3 April 2009.

In addition to these, the Company has energy production license for Korkmaz WPP with an installed capacity of 24 MW, Mordoğan WPP with an installed capacity of 30,75 MW, Paşalar HEPP with an installed capacity of 40 MW and Büyükdüz HEPP with an installed capacity of 45 MW for 49 years. The legal requirements for Büyükdüz HEPP has been completed, and the expropriation procedures for the areas within the boundaries of the facility and the construction of the plant were started in July 2009. As of the balance sheet date, 65% of the construction has completed.

Within the context of the agreements, advances are given to the suppliers for the procurement and installment of the wind turbines regarding Mordoğan WPP and Korkmaz WPP (Note 13). These plants are also planned to be taken into operation subsequent to the completion of the constructions in these areas related to the transmission lines and transformer stations of TEİAŞ.

Yamula Dam, of Kayseri Elektrik, was constructed under BOT model. The dam is on Kızılırmak River. The installed capacity is 100 MW and the annual production capacity of the dam is 422 million kWh. The construction of the Dam started in 1998 and began to operate in August 2005. The operational period for Yamula Dam is 20 years and will end in 2025.

The main operation of Ayen Ostim which began to operate in July 2004 is to supply electricity to end users in the market according to "Act of Electricity Market" (within "Electricity Market Balancing and Settlement Regulation") and to Ostim Organize Sanayi Bölgesi, where the natural gas power plant is located. The installed capacity of the plant is 41 MW.

The main operation of Ayen Elektrik is the sale, import and export of the electricity and/or the electricity capacity on wholesale and directly to end users in accordance with the "Regulation for the Electricity Market License", "Wholesale License" and the other regulations.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of the presentation

Principles Governing the Preparation of the Financial Statements

The Company and its Turkish subsidiaries maintain their books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation.

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". This Communique became effective for the periods beginning after 1 January 2008 and with its issuance Communique No XI-25 "Capital Markets Accounting Standards" was superseded.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of the presentation (cont'd)

Principles Governing the Preparation of the Financial Statements (cont'd)

Based on this Communique, the companies are required to prepare their financial statements based on International Financial Reporting Standards ("IFRS") as accepted by the European Union. However during the period in which the differences between the standards accepted by European Union and the standards issued by International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS will be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB, which do not contradict with the aforementioned standards shall be applied.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB has not been announced by TASB as of date of preparation of these consolidated financial statements, the 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 CMB Financial Reporting Standards which is based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB with the promulgations dated 17 April 2008 and 9 January 2009, including the compulsory disclosures.

The consolidated financial statements have been prepared in terms of Turkish Lira on the historical cost basis, except for the fair value measurement of certain non-current assets.

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency that has a significant impact on the operations of the entity, which reflects the economic substance of the underlying events and circumstances relevant to the entity ("the functional currency"). The consolidated financial statements are presented in TL which is the functional and presentation currency of the Group.

Preparation of Financial Statements in Hyperinflationary Periods

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

Comparative Information

Consolidated financial statements of the Group have been prepared comparatively with prior period in order to give information about financial position and performance. If the presentation or classification of the consolidated financial statements is changed, in order to maintain consistency, consolidated financial statements of the prior periods are also reclassified in line with the related changes, and the changes are explained.

The nature, amount and reasons for each of the reclassifications are described below:

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of the presentation (cont'd)

Comparative Information (cont'd)

- Income accruals: Income accrual amounting to TL 3.083.025 that was presented within "Other current assets" in previously published consolidated balance sheet for the year ended as of 31 December 2009, is presented within "Trade receivables" in consolidated financial statements presented comparatively with the consolidated balance sheet for the period ended as of 31 December 2010.
- Expense accruals: Expense accrual amounting to TL 106.468 that was presented within "Other current liabilities" in previously published consolidated balance sheet for the year ended as of 31 December 2009, is presented within "Trade payables" in consolidated financial statements presented comparatively with the consolidated balance sheet for the period ended as of 31 December 2010.
- Advances given for acquisition of property, plant and equipment: Advances given for acquisition of property, plant and equipment amounting to TL 3.311.506 that was presented within "Property, plant and equipment" in previously published consolidated balance sheet for the year ended as of 31 December 2009, is presented within "Other non-current assets" in consolidated financial statements presented comparatively with the consolidated balance sheet for the period ended as of 31 December 2010.

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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Basis of Consolidation

As of 31 December 2010, details of the Company's subsidiaries are as follows:

	Group's proportion of ownership and voting power held (%)		
Subsidiaries	**2010**	**2009**	**Principal Activity**
Ayen Ostim	76,00	76,00	Electricity production and trade
Kayseri Elektrik	96,12	96,12	Electricity production, distribution and trade
Ayen Elektrik	99,99	99,99	Electricity trade

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of the presentation (cont'd)

Investment in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. As of 31 December 2010, details of Group's investment in associatiate is as follows:

	Share of capital (%)		
Investment in associates	**31 December 2010**	**31 December 2009**	**Principal Activity**
Ayel Elektrik	10,00	-	Electricity production, distribution and trade

As of 31 December 2010, Ayel Elektrik does not perform any activity.

2.2 Changes in Accounting Policies

Significant changes in accounting policies and accounting errors are applied retrospectively and prior periods financial statements are adjusted accordingly. There is no significant change in Group's accounting policies in current year.

2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates relate only for one period, changes are applied in the current period but if changes in estimates relate more than one period, changes are applied both in the current and following periods prospectively. Significant acconting estimates and errors used in the preparation of the consolidated financial statements are explained in note 2.6.

2.4 New and Revised International Financial Reporting Standarts

(a) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group:

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009)

The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require:

i. specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or

ii. disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised International Financial Reporting Standards (cont'd)

(a) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group (cont'd)

Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset. This change has been applied retrospectively.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

IFRIC 17, "Distributions of non-cash assets to owners", effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

IFRIC 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

"Additional exemptions for first-time adopters" (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

IFRS 2, "Share-based Payments – Group Cash-settled Share Payment Arrangements" is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as the Group does not have share-based payment plans.

Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* standard clarify disclosure requirements when an entity plans to sell the controlling interest in a subsidiary. When a subsidiary is held for sale, all of its assets and liabilities should be classified as held for sale under IFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale. Group does not have a subsidiary held for sale.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised International Financial Reporting Standarts (cont'd)

(a) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group (cont'd)

IFRS 3 (revised), "Business Combinations" and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates", and IAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. These are not currently applicable to the Group, as the Group has no business combinations within the period started on the date mentioned above.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover 12 main standards/intepretations as follows: IFRS 2 Share-based Payments, IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 8 Operating Segments, IAS 1 Presentation of Financial Statements, IAS 7 Statement of Cash Flows, IAS 17 Leases, IAS 18 Revenue, IAS 36 Impairment of Assets, IAS 38 Intangible Assets, IAS 39 Financial Instruments: Recognition and Measurement, IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 16 Hedges of Net Investment in a Foreign Operation. The effective dates vary standard by standard but most are effective 1 January 2010.

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective and have not been early adopted by the Group

IFRS 1 (amendments) *First-time Adoption of IFRS – Additional Exemptions*

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

On 20 December, IFRS 1 is amended to provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs; and to provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The amendment above will be effective for annual periods beginning on or after 1 July 2011.

These amendments are not relevant to the Group, as it is an existing IFRS preparer.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised International Financial Reporting Standarts (cont'd)

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective and have not been early adopted by the Group (cont'd)

IFRS 7 *Financial Instruments: Disclosures*

In October 2010, IFRS 7 *Financial Instruments: Disclosures* is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IFRS 9 *Financial Instruments: Classification and Measurement*

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

IAS 12 *Income Taxes*

In December 2010, IAS 12 is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be , be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 24 (Revised 2009) *Related Party Disclosures*

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised International Financial Reporting Standarts (cont'd)

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective and have not been early adopted by the Group (cont'd)

IAS 32 (Amendments) *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements*

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

IFRIC 14 (Amendments) *Pre-payment of a Minimum Funding Requirement*

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made. The Group does not expect any impact of the adoption of this amendment on the financial statements as it does not have any funding requirement.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability. The Group has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/intepretations as follow: IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 3 Business Combinations; IFRS 7 Financial Instruments: Disclosures; IAS 1 Presentation of Financial Statements; IAS 27 Consolidated and Separate Financial Statements; IAS 34 Interim Financial Reporting and IFRIC 13 Customer Loyalty Programmes. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011. Early adoption of these amendments are allowed. The Group has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies

Revenue

Electricity sales revenue is recognised on an accrual basis at the time the electricity is distributed.

Interest income related to service concession arrangements is recognised in accordance with IFRIC 12.

Dividend and interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend revenue from investments is recognized when the shareholders' rights to receive payment have been established.

Related Parties

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

Application of IFRIC 12 - Service Concession Arrangements

IFRIC 12 interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements. The service concession arrangements of Yamula (Kayseri Elektrik) and Çamlıca (Ayen Enerji) dams of the Group, which operate in BOT model, are accounted in accordance with IFRIC 12.

Under the terms of contractual arrangements within the scope of IFRIC 12, the Group acts as a service provider. The operator constructs or upgrades infrastructure used to provide a public service and operates and maintains that infrastructure for a specified period of time.

Revenue and costs relating to the construction of the Group's dams in the content of BOT model are recognized in the consolidated financial statements in accordance with the percentage of completion method.

The Group recognises a financial asset to the extent that it has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction services related to hydroelectric power plants in the context of BOT model. The amount due from or at the direction of the grantor is accounted for as a receivable in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income and the interest calculated using the effective interest method is recognised in the income statement.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Application of IFRIC 12 - Service Concession Arrangements (cont'd)

The receivables that are due but not collected as of the balance sheet date are classified as due receivables from the grantor and carried at their net realisable value (Note 8).

There are no liabilities for maintenance and repair of the facility or any restoration costs at the time of transfer of Yamula and Çamlıca HEPP to Electricity Generation Incorporated Company ("EGIC") when the licence periods end.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation periods for aforementioned assets are as follows:

	Years
Buildings	25
Machinery and equipment	5-20
Motor vehicles	5
Furniture and fixtures	5

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount, as there are no expected future economic benefits. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell. Net sales price of an asset is its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset plus the residual value of the related assets.

Repair and maintenance expenses are charged to the consolidated statement of income during the financial period in which they are incurred. The cost of major subsequent expenditures is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible Assets

Intangible assets comprise wholesale license, energy production licenses, other rights and other intangible assets that are likely to generate future economic benefits to the Group. Licences and other identified assets are booked in consolidated financial statements with their net value after deducting accumulated depreciations and permanent impairments, if any, from their acquisition costs. Other intangible assets that are likely to generate economic benefits are recognized with their fair values on agreement date. These contractual intangible assets have certain useful lives and recognized with deducting accumulated depreciations from acquisition costs. Intangible assets are amortized on a straight line basis over their estimated useful lives for a period not exceeding 5 - 15 years (Note 9).

Impairment of Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. In 2010, TL 1.104.057 of borrowing cost is capitalized over Büyükdüz HEPP project (2009: TL 4.286.226 over Akbük WEPP) (Note 8).

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Deferred Financing Charges

Deferred financing charges primarily comprising legal and other costs incurred in relation to obtaining long-term borrowings from financing institutions are amortized over the remaining life of the long-term borrowings (Note 13).

Financial Instruments

Financial Assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'financial assets at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. Classification is determined during initial recording, according to purpose acquisition and specification of the asset.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

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

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

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Foreign Currency Transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Company and its Turkish subsidiaries, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

Earnings Per Share

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

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Subsequent Events

Subsequent events; even if they occur after any anouncement related with profit or public anouncement of other chosen financial informations, covers any event between the balance sheet date and the publication date of the balance sheet. 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 consolidated financial statements.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

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AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Provisions, Contingent Assets and Liabilities (cont'd)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Segment Reporting

As the primary operation of the Group is to produce and sell electricity and as these operations have similar economical features, production processes, customer classes and distribution methods, the Group operations are considered to be as single operating segment. Accordingly, the Group management considers single operating segment, rather than multiple operating segments, when making decisions on the resources management and in the assessment of performance measurement of the operations.

Taxation and Deferred Income Taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Taxation and Deferred Income Taxes (cont'd)

Deferred tax (cont'd)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Period current and deferred tax

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Employement Benefits

Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Employement Benefits (cont'd)

Retirement pay provision (cont'd)

The retirement benefit obligation recognized in the consolidated balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Statement of Cash Flows

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities reflect cash flows generated from electricity sales of the Group.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group.

Cash and cash equivalents include cash in hand, bank deposits and other short-term highly liquid investments, not carrying significant amount of value change risk with maturities of three months or less.

Share Capital and Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.6 Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Group's accounting policies as outlined in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements:

Deferred taxes

Deferred tax assets are only recognized when sufficient taxable profit is likely to arise in the future. In case of a probable tax advantage, deferred tax asset is calculated over previous year losses.

As of 31 December 2010, the Group recognized deferred income tax asset to the extent that it is probable that future taxable profit will be available. However, the Group reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all that deferred tax asset to be utilized.

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.6 Critical accounting judgments and key sources of estimation uncertainty (cont'd)

Deferred taxes (cont'd)

Accordingly, the Group did not recognise deferred tax assets amounting to TL 1.242.244 (31 December 2009: TL 1.416.691) for the carry forward tax losses of Ayen Ostim amounting to TL 5.944.764 (31 December 2009: TL 6.760.648) and the carry forward tax losses of Ayen Elektrik amounting to TL 66.455 (31 December 2009: TL 412.809) respectively.

Group recognized TL 1.404.914 (31 December 2009: TL 4.817.926) of deferred tax asset over Ayen Enerji's carry forward tax losses amounting to TL 7.024.568 (31 December 2009: TL 24.089.629) (Note 20).

Provisions

As described in the accounting policy in Note 2.5, the Group measures provisions at the Group management's best estimate of the expenditure required to settle the obligations at the balance sheet date. These estimates are made, taking into account information available and different possible outcomes.

> As of 31 December 2010, the Group is subject to various legal proceedings. The Group evaluates the possible outcomes of the lawsuits based on the Group's legal advisers view and accounts the required provisions against the possible gains and losses (Note 11).

Impairment of goodwill

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policies stated in Note 2.5. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. This value-in-use calculation includes the discounted cash flow projections. This calculation includes discounted values of the fund flow of Yamula Dam of Kayseri Elektrik determined in USD, approved by the Ministry of Energy and Natural Resources ("MENR") and will be expired in 2025. In the determination of the recoverable amount, the USD calculated amount was converted to TL. Therefore, the value-in-use is affected from the changes in foreign exchange rates. The discount rate used in the value-in-use calculations is 13,44% (2009: 13,44%). The discount rate used reflects specific risks relating to Kayseri Elektrik. As of 31 December 2010, the Group compared the recoverable amount calculated based on the aforementioned assumptions to the total of due from service concession arrangements balance of Kayseri Elektrik amounting to TL 154.544.760 and the goodwill amounting to TL 17.461.935 and no impairment was identified.

The sensitivity analysis below shows the value-in-use which would have been calculated if the discount rate used was changed while keeping all other variables constant:

	Value in use (TL)
Base discount rate by +1	178.231.783
Base discount rate 0	185.498.925
Base discount rate by -1	193.262.086

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.6 Critical accounting judgments and key sources of estimation uncertainty (cont'd)

Impairment of property, plant and equipment and intangible assets

The carrying amount of the Group's property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there are any indicators of impairment as described in Note 2.5. If any such indications exist, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

In determining impairment, the Group considers a number of factors, among others, future revenues and expenses, technological obsolescence and discontinuation of services. The Group considers that the accounting estimate related to asset impairment is a critical accounting policy due to the need to make assumptions regarding the above factors and the material impact of the recognition of impairment on the financial position and results of the Group.

In that manner, as of 31 December 2010, the Group made an impairment analysis for property, plant and equipment of Ayen Ostim. As of 31 December 2010, the recoverable amount of cash-generating unit has been determined based on the discounted cash flow projections. The calculation of that value includes the discounted cash flows of Ayen Ostim to be generated during the useful life of the natural gas power plant. The discount rate used in the value-in-use calculations is 13,07% (31 December 2009: 16,87%). The discount rate used reflects specific risks relating to Ayen Ostim. As of 31 December 2010, the Group compared the recoverable amount calculated based on the aforementioned assumptions with the property, plant and equipment balance of Ayen Ostim amounting to TL 35.030.167 and no impairment was identified for the property, plant and equipment. The sensitivity analysis below shows the value-in-use which would have been calculated if the discount rate used was changed while keeping all other variables constant:

	Value in use (TL)
Base discount rate by +1	38.286.127
Base discount rate 0	40.031.732
Base discount rate by -1	41.923.125

Contructual liabilities

As explained in Note 9, in the Board of Directors Meeting of Ayen Ostim dated 19 July 2009, Ayen Ostim committed to pay a commission of 5% calculated over the electricity price of Başkent Elektrik Dağıtım A.Ş. ("BEDAŞ") taking 7.500.000 kWh as the reference point every month to Ostim Endüstriyel Yatırımlar ve İşletme A.Ş. ("Ostim Yatırım") and since this commitment terminated the application of discount liability of Ayen Ostim to Ostim Yatırım, it was anticipated that future economic benefits associated with the commitment will flow to the Group. As of 31 December 2010, the Group calculated the discounted projections of commission expenses of 14, which is the expected useful life of the natural gas power plant, years as TL 6.157.669 (31 December 2009: 4.886.360) and accounted as due to related parties. The discount rate used is 11,61% (31 December 2010: 16,87%) and reflects specific risks relating to Ayen Ostim.

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.6 Critical accounting judgments and key sources of estimation uncertainty (cont'd)

Contructual liabilities (cont'd)

The sensitivity analysis below shows the change in due to related parties balance in case the discount rate used was changed:

	Projected value (TL)
Base discount rate by +1	5.802.755
Base discount rate 0	6.157.669
Base discount rate by -1	6.545.838

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3. CASH AND CASH EQUIVALENTS

	31 December 2010	31 December 2009
Cash	3.807	1.943
Cash in Banks	14.252.851	11.303.355
Demand Deposit	4.915.696	5.467.023
Time Deposit	9.337.155	5.836.332
	14.256.658	11.305.298

Explanations on nature and level of risks of cash and cash equivalents are disclosed in note 23.

As of 31 December 2010, the weighted average effective interest rate of TL deposits is 4,30% (2009: 6,25%). As of 31 December 2010, time deposits consist of short-term time deposits with original maturities less than three months.

As of 31 December 2010, the Group does not have any restricted cash (2009: None).

4. FINANCIAL LIABILITIES

The detail of bank borrowings of the Group as of 31 December 2010 and 31 December 2009 is as follows:

Financial Liabilities	31 December 2010	31 December 2009
Short-term financial liabilities	26.562.521	56.849.291
Long-term financial liabilities	150.007.323	129.025.729
	176.569.844	185.875.020

The accrued interest expense on short-term bank borrowings is TL 1.106.224 (31 December 2009: TL 1.125.110).

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AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

4. FINANCIAL LIABILITIES (cont'd)

The detail of bank borrowings is as follows:

		31 December 2010	
Original Currency	**Weighted average effective interest rate (%)**	**Short-term**	**Long-term**
TL	17,52	53.946	22.402
USD	1,93	17.998.242	30.799.302
EURO	2,65	8.510.333	119.185.619
		26.562.521	150.007.323

		31 December 2009	
Original Currency	Weighted average effective interest rate (%)	Short-term	Long-term
TL	9,00	5.146.176	72.060
USD	3,30	43.836.069	47.439.572
EURO	1,67	7.867.046	81.514.097
		56.849.291	129.025.729

The redemption schedule of the bank borrowings as of 31 December 2010 and 31 December 2009 is as follows:

	31 December 2010	**31 December 2009**
To be paid within 1 year	26.562.521	56.849.291
To be paid between 1-2 years	27.788.839	25.867.048
To be paid between 2-3 years	17.391.748	25.716.141
To be paid between 3-4 years	17.391.748	13.211.135
To be paid between 4-5 years	13.927.250	16.052.773
5 and more than 5 years	73.507.738	48.178.632
	176.569.844	185.875.020

As of 31 December 2010, principal amount of the borrowings obtained by Kayseri Elektrik for the expropriation of the lands around Yamula Dam is totally paid (31 December 2009: USD 7.476.804).

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4. FINANCIAL LIABILITIES (cont'd)

For the long term borrowings of the Group, there exists TL 69.570.000 (USD 45.000.000) of mortgages over natural gas power plant of Ayen Ostim and land of Ayen Enerji, TL 19.007.715 (USD 8.758.803 and EUR 2.667.808) of letters of guarantee and TL 325.502.953 (USD 210.545.248) of conveyance on receivables (Note 11). Additionally, for long-term bank borrowings amounting to TL 67.206.510 obtained from Commerzbank A.G. in relation to the Akbük WEPP, Eksport Kredit Fonden ("EKF") is the guarantor. The Group made an associated payment of export credit insurance fee to EKF amounting TL 10.001.976 (EUR 5.204.754) and this amount was accounted for as deferred finance charges under other current and non-current assets. Besides, TL 4.306.621 as commission of loans used for the investment of natural gas power plant of Ayen Ostim and TL 3.070.780 as insurance fee of loans used for the financings of Büyükdüz HEPP was paid. The aforementioned amounts have been recognized as deferred finance expense in other current/non-current assets (Note 13). Group has also given commercial enterprise pledge over Akbük WEPP to Commerzbank A.G. at 25 June 2009 amounting to TL 140.000.000 as a guarantee for the borrowings regarding Akbük WEPP (Note 11).

According to the investment loan agreement signed with Commerzbank A.G., at the end of each year, the Group is obliged to meet the financial ratios listed below, which are need to be calculated over the consolidated financial statements of the Group prepared in accordance with financial reporting standards accepted by the Capital Markets Board ("CMB") of Turkey. Aforementioned ratios calculated over the consolidated financial statements as of 31 December 2010 and 2009 are within the determined ranges.

LiabilityRange

• Net Debt (*) / Earnings before tax, interest, depreciation, amortization ("EBITDA")	0-5
• Net Debt / Equity holders of the parent	0-3
• Net Debt / Cash generated from operating activities	0-5

(*) Net Debt is calculated by subtracting cash and cash equivalents and financial assets from the financial liabilities.

5. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:
As at the balance sheet date, trade receivables of the Group are summarized below:

Short term trade receivables	31 December 2010	31 December 2009
Trade receivables (*)	14.295.314	17.190.521
Due from related parties (Note 22)	243.132	-
Discount on trade receivables	(69.977)	(8.206)
	14.468.469	17.182.315

(*) As of 31 December 2010 trade receivables consist of receivables from TETAŞ amounting to TL 2.105.568 (2009: TL 2,960,384) and Türkiye Elektrik İletim A.Ş. ("TEİAŞ") amounting to TL 1.334.260 (2009: TL 9.968.909). TL 8.586.816 of the receivables from TEİAŞ is overdue as of 31 December 2009 (Note 23). Remaining amount consists of receivables of Ayen Elektrik from its customers.

The maturities of trade receivables are less than one month as of 31 December 2010 and 2009.

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

5. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables:

As of balance sheet date, the details of the Group's trade payables are as follows:

Short term trade payables	**31 December 2010**	**31 December 2009**
Trade payables	11.204.656	1.005.436
Due to related parties (Note 22)	1.934.804	6.073.684
	13.139.460	7.079.120

The maturities of trade payables are less than one month as of 31 December 2010 and 2009.

Long term trade payables	**31 December 2010**	**31 December 2009**
Due to related parties (Note 22)	5.454.097	4.230.017
	5.454.097	4.230.017

6. OTHER FINANCIAL LIABILITIES

Other Short-Term Financial Liabilities	**31 December 2010**	**31 December 2009**
Çamlıca HEPP Electric Energy Fund	10.982.059	9.171.688
	10.982.059	9.171.688

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6. OTHER FINANCIAL LIABILITIES (cont'd)

Other Long-Term Financial Liabilities	31 December 2010	31 December 2009
Çamlıca HEPP Electric Energy Fund	18.049.575	27.834.741
Forestation Fund	22.722	22.722
	18.072.297	27.857.463

The electricity production of the Group for the years 2000, 2001 and 2003 was below the guaranteed annual production, and loans were provided from the Electric Energy Fund ("EEF") amounting to USD 27.467.912. These loans were classified by the Group as other non-current liabilities, and the same amount was also booked as due from service concession arrangements.With respect to the agreement signed with MENR, the amount of shortage in production are reflected as "additional tariff" in monthly energy sales invoices charged to Türkiye Elektrik Ticaret ve Taahhüt A.Ş. ("TETAŞ") and the principle amounts in same and equal amounts stated in payment schedule are repaid by TETAŞ to ETKB on behalf of EEF loan. Subsequent to the payments the loans and receivables are reversed.

In addition to above mentioned fund, there exists loans amounting to USD 2.029.148 and USD 4.839.902 obtained by the Group from EEF because of the shortage in production for the years 2006 and 2007. The redemption schedule of the above mentioned loans were approved by MENR on 8 March 2010. The Group will reflect the principle amount originated from repayment of the funds to the monthly energy sales invoices charged to TETAŞ, as additional tariff in equal instalments (USD 146.150) for 47 months. TETAŞ will pay the mentioned amount to MENR.

The redemption schedule of EEF that would be paid by reflecting to TETAŞ as of 31 December 2010 and 31 December 2009 is as follows:

	31 December 2010	31 December 2009
To be paid within 1 year	10.982.059	9.171.688
To be paid between 1-2 years	9.417.169	9.171.688
To be paid between 2-3 years	8.632.406	9.171.688
To be paid between 3-4 years	-	8.951.630
To be paid between 4-5 years	-	539.735
	29.031.634	37.006.429

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7. DUE FROM SERVICE CONCESSION ARRANGEMENTS

Due from Service Concession Arrangements	**31 December 2010**	**31 December 2009**
Short-term due from service concession arrangements	20.580.733	23.474.613
Invoiced and undue due from service concession arrangements (*)	6.326.002	7.581.079
Unbilled short-term due from service concession arrangements related to the shortage in production (**)	10.092.370	8.425.105
Total short-term due from service concession arrangements	36.999.105	39.480.797
Long-term due from service concession arrangements	147.528.150	163.726.742
Unbilled long-term due from service concession arrangements related to the shortage in production (**)	16.575.684	25.657.205
Total long-term due from service concession arrangements	164.103.834	189.383.947
Total due from service concession arrangements	201.102.939	228.864.744
Gross due from service concession arrangements	321.456.051	397.164.573
Unearned financial income (-)	(153.347.168)	(209.963.218)
Due from service concession arrangements (*) (**)	32.994.056	41.663.389
Due from service concession arrangements-net	201.102.939	228.864.744

(*) Consists of the receivables invoiced to TETAŞ but not collected yet.

(**) Consists of the equity and the return on equity portions of unbilled income of Çamlıca HEPP for the years 2000, 2001, 2003, 2006 and 2007.

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

7. DUE FROM SERVICE CONCESSION ARRANGEMENTS (cont'd)

As of 31 December 2010 and 31 December 2009, the payment schedules for gross and net due from service concession arrangements are as follows:

	Gross due from service concession arrangements (USD)		Gross due from service concession arrangements (TL)	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Up to 1 year	32.169.430	41.697.719	49.733.939	62.784.256
1 to 2 years	31.128.068	38.260.743	48.123.992	57.609.201
2 to 3 years	30.098.438	37.219.380	46.532.185	56.041.221
3 to 4 years	23.441.174	32.064.547	36.240.055	48.279.589
More than 4 years	91.090.478	114.531.651	140.825.880	172.450.306
	207.927.588	263.774.040	321.456.051	397.164.573

	Net due from service concession arrangements (USD)		Net due from service concession arrangements (TL)	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Up to 1 year	13.312.246	15.590.498	20.580.733	23.474.613
1 to 2 years	15.031.070	13.778.541	23.238.035	20.746.349
2 to 3 years	17.260.284	15.031.077	26.684.399	22.632.292
3 to 4 years	14.362.307	17.513.919	22.204.126	26.370.708
More than 4 years	48.772.050	62.414.421	75.401.590	93.977.393
	108.737.957	124.328.456	168.108.883	187.201.355

Due from service concession arrangements consist of receivables over the terms of the agreements. In accordance with the Energy Sales Agreement, the ownership of Çamlıca and Yamula HEEPs and the electricity equipments will be transferred to the MENR at the end of the operation terms.

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress (*)	Total
Cost							
Opening balance as at 1 January 2010	8.916.912	2.828.565	137.858.231	870.189	946.735	9.510.594	160.931.226
Additions	128.000	-	34.354	29.608	36.904	52.301.962	52.530.828
Disposals	-	-	-	(62.496)	-	-	(62.496)
Closing balance as at 31 December 2010	9.044.912	2.828.565	137.892.585	837.301	983.639	61.812.556	213.399.558
Accumulated Depreciation							
Opening balance as at 1 January 2010	-	(540.520)	(20.899.997)	(418.688)	(876.405)	-	(22.735.610)
Charge for the period	-	(122.141)	(7.765.178)	(125.872)	(34.023)	-	(8.047.214)
Disposals	-	-	-	41.203	-	-	41.203
Closing balance as at 31 December 2010	-	(662.661)	(28.665.175)	(503.357)	(910.428)	-	(30.741.621)
Net book value as at 31 December 2010	9.044.912	2.165.904	109.227.410	333.944	73.211	61.812.556	182.657.937

(*) Construction in progress is composed of the project expenses, expropriation payments, and the construction costs of land smoothing, transportation, tunnels and other related parts regarding Büyükdüz HEEP. In current period, TL 43.200.297 of the aforementioned expenditures consists of the progress invoices charged by Aydıner İnşaat for the construction works regarding Büyükdüz HEEP. Additionally, in 2010, TL 1.104.057 of total borrowing costs amounting to TL 2.883.804 regarding the loans used for Büyükdüz HEPP was capitalized over property, plant and equipment.

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8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress (*)	Total
Cost							
Opening balance as at 1 January 2009	8.916.912	2.828.565	53.386.247	833.820	895.253	72.750.809	139.611.606
Additions	-	-	4.234.739	278.148	51.482	15.320.239	19.884.608
Transfers	-	-	-	(241.779)	-	-	(241.779)
Disposals	-	-	80.237.245	-	-	(78.560.454)	1.676.791
Closing balance as at 31 December 2009	8.916.912	2.828.565	137.858.231	870.189	946.735	9.510.594	160.931.226
Accumulated Depreciation							
Opening balance as at 1 January 2009	-	(427.378)	(14.285.129)	(496.785)	(826.710)	-	(16.036.002)
Charge for the period	-	(113.142)	(6.614.868)	(97.304)	(49.695)	-	(6.875.009)
Disposals	-	-	-	175.401	-	-	175.401
Closing balance as at 31 December 2009	-	(540.520)	(20.899.997)	(418.688)	(876.405)	-	(22.735.610)
Net book value as at 31 December 2009	8.916.912	2.288.045	116.958.234	451.501	70.330	9.510.594	138.195.616

(*) The construction of Akbük WEPP which has an annual production capacity of 31,5 MW was completed and started to operate in 2009. As of 31 December 2009. TL 84.411.983 of the cost of the mentioned WEPP was accounted as machinery and equipment. In 2009, borrowing costs amounting to TL 4.286.226 was capitalised over the power plant. Therefore, 100% of all of the borrowing costs incurred for Akbük WEPP were capitalised over property, plant and equipment in 2009.

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8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Depreciation expense of TL 7.391.398 (31 December 2009: TL 6.709.832) has been charged in cost of sales and TL 115.816 (31 December 2009: TL 165.177) has been charged in general administrative expenses.

As of 31 December 2010, there are mortgages for the borrowings obtained by the Group amounting to USD 40.000.000 over Ayen Ostim's power plant and USD 5.000.000 over Ayen Enerji's land, in a total of USD 45.000.000 (TL 69.570.000) (31 December 2009: USD 45.000.000 (TL 67.756.500)) (Note 11). Also, there is commercial enterprise pledge amounting to TL 140.000.000 over Akbük WPP. This pledge was given at 25 June 2009 as a guarantee for the investment loan obtained from Commerzbank A.G. (Note 11).

9. INTANGIBLE ASSETS

Cost	Wholesale Licence	Electricity Production Licence	Rights	Other intangible assets (*)	Total
Opening balance as at 1 January 2010	320.874	34.023	174.896	10.485.964	11.015.757
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Closing balance as at 31 December 2010	320.874	34.023	174.896	10.485.964	11.015.757
Accumulated Amortization					
Opening balance as at 1 January 2010	(185.424)	(15.261)	(95.048)	(291.117)	(586.850)
Charge fo the period	(32.319)	(2.318)	(22.324)	(701.553)	(758.514)
Disposals	-	-	-	-	-
Closing balance as at 31 December 2010	(217.743)	(17.579)	(117.372)	(992.670)	(1.345.364)
Net book value as at 31 December 2010	103.131	16.444	57.524	9.493.294	9.670.393

(*) In the Board of Directors meeting held on 19 July 2009, the Group decided to terminate the application of 20% discount over the sales made to Ostim Organize Sanayi Bölgesi ("Ostim OSB"), a related party of the Group, and Ostim Endüstriyel Yatırımlar ve İşletme A.Ş. ("Ostim Yatırım"), a shareholder of Ayen Ostim, and decided to trade the electricity under free market conditions instead of selling to those parties. Ayen Ostim constructed a transformer centre amounting to TL 5.599.604 in order to enable Ostim OSB to buy electricity directly from the network other than Ayen Ostim. Additionally, Ayen Ostim committed to pay a commission of 5% calculated over the electricity price of BEDAŞ taking 7.500.000 kWh as the reference point every month to Ostim Yatırım. The cost incurred for the construction of transformer amounting to TL 5.599.604 and the discounted amount of commissions through 15 years, which is the expected useful life of the power plant, to be paid to Ostim Yatırım amounting to TL 4.866.360 were considered as a contractual right and since it is probable that future economic benefits associated with the right will flow to Ayen Ostim, the total amount was accounted for under other intangible assets.

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9. INTANGIBLE ASSETS (cont'd)

Cost	Wholesale Licence	Electricity Production Licence	Rights	Other intangible assets	Total
Opening balance as at 1 January 2009	320.874	34.023	117.516	-	472.413
Additions	-	-	57.380	10.485.964	10.543.344
Closing balance as at 31 December 2009	320.874	34.023	174.896	10.485.964	11.015.757
Accumulated Amortization					
Opening balance as at 1 January 2009	(153.336)	(12.993)	(77.156)	-	(243.485)
Charge for the period	(32.088)	(2.268)	(17.892)	(291.117)	(343.365)
Closing balance as at 31 December 2009	(185.424)	(15.261)	(95.048)	(291.117)	(586.850)
Net book value as at 31 December 2009	135.450	18.762	79.848	10.194.847	10.428.907

Amortization expense of TL 725.019 (31 December 2009: TL 293.994) has been charged in cost of sales and TL 33.495 (31 December 2009: TL 49.371) has been charged in general administrative expenses.

10. GOODWILL

Goodwill represents the difference between Ayen Enerji's interest in the net fair value of the acquired identifiable assets due to the acquisition of Demir Enerji in 2002, who was the shareholder of Kayseri Elektrik and the acquisition price. Ayen Enerji has merged with Demir Enerji on the basis of its balance sheet as of 30 June 2008. As described in Note 2.6 to the consolidated financial statements, as a result of the impairment test carried out at 31 December 2010 and 2009 no impairment was identified in the carrying amount of goodwill amounting to TL 17.461.935.

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

As of 31 December 2010, there are 9 cases where the Group is litigant and 5 cases where the Group is defendant. At the end of each period, the Group evaluates the potential results of those cases and their financial effects and books a provision accordingly. As of 31 December 2010, the provision accounted for the law suits is amounting to TL 2.384.446 (31 December 2009: TL 2.165.050).

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11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Short term provisions	31 December 2010	31 December 2009
Provisions for lawsuits (*)	2.384.446	2.165.050
Provisions for unusued vacation	209.681	-
	2.594.127	2.165.050

(*) The balance comprises the provisions for the lawsuits against Ayen Ostim related to the Türkiye Radyo Televizyon Corporation ("TRT") contribution fee not paid in July-December 2004, 2005, 2006 and 2007 and the accrued interests until December 2010.

The movement of the provisions is as follows:

	Provisions for unusued vacation	Provisions for lawsuits	Total
As of 1 January 2010	-	2.165.050	2.165.050
Additional provision (*)	209.681	219.396	429.077
As of 31 December 2010	209.681	2.384.446	2.594.127

(*) Additional provision consits of the interest calculated via overdue interest rate 1,95% stated in Law on Public Recievables numbered 6183.

	Provision for litgation	Toplam
As of 1 January 2009	6.677.324	6.677.324
Additional provision	402.058	402.058
Payments (*)	(4.017.986)	(4.017.986)
Cancellations	(896.346)	(896.346)
As of 31 December 2009	2.165.050	2.165.050

(*) There was a lawsuit of Kayseri Elektrik with Elektrik İşleri Etüt İdaresi Genel Müdürlüğü regarding the feasibility cost of Yamula HEPP. At the last court case held at 29 April 2009, according to expert report, it was decided that the principal amount of TL 1.545.516 would be reduced to TL 1.268.243 and this amount would be paid with the interest to the litigant. Thus, the provision amount is reduced by TL 896.346 and total amount of TL 3.588.087 was paid to Elektrik İşleri Etüt İdaresi Genel Müdürlüğü at 2 July 2009. The lawsuit of Ayen Elektrik regarding TRT contribution fees calculated over the electricity sold was also resulted and TL 429.899 was paid to TRT at 8 September 2009.

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11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

b) Contingent Assets and Liabilities

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

Contingent Liabilities	**31 December 2010**	**31 December 2009**
Letters of conveyance given (*)	325.502.953	367.407.723
Commercial enterprise pledge (**)	140.000.000	140.000.000
Mortgages given (***)	69.570.000	67.756.500
Letters of guarantee given (****)	119.514.168	58.555.290
Guarantee given (*****)	-	6.587.825
	654.587.121	640.307.338

(*) Regarding the "Royalty agreement of the establishment and operation of Yamula Dam and HEPP and sale of the produced electricity to TETAŞ" and the "Energy sales agreement for Yamula Dam and HEPP" signed with MENR on 7 July 2003 Kayseri Elektrik gave its receivable of USD 210.545.248 (31 December 2009: USD 244.011.239) as a conveyance for the loan obtained from Türkiye İş Bankası A.Ş. ("İş Bankası"). Pursuant to the "Agreement regarding the establishment and operation of Çamlıca I HEPP and sale of the produced electricity to TEİAŞ" and the "ESA for Çamlıca I HEPP" signed with the Ministry of Energy and Natural Resources on 7 July 2003 is completed and there is no conveyance on the receivables as of 31 December 2010.

(**) For construction of Akbük WPP, on 25 June 2009 the Group has given commercial enterprise pledge amounting to TL 140.000.000 as a guarantee for the loan obtained from Commerzbank A.G. (Note 4).

(***) Consists of the mortages given for the long term borrowings of the Group, there exists TL 69.570.000 (USD 45.000.000) of mortgages over natural gas plant of Ayen Ostim and land of Ayen Enerji.

(****) Letters of guarantee given consist of TL 80.416.079 in terms of USD, TL 10.181.584 in terms of EURO and TL 28.916.505 in terms of Turkish Lira. USD-denominated letters of guarantee given comprises; TL 13.541.109 (USD 8.758.803) as guarantee for natural gas assurance pay taken from BOTAŞ via OSB and loans used by Ayen Ostim for machinery equipment provided from abroad during Ostim power plant investment; TL 22.813.892 (USD 14.756.772) from external guarantee letter for the loan from Exporfinans ASA for the machinery equipment provided from abroad used by Kayseri Elektrik A.Ş.; and TL 44.061.000 (USD 28.500.000) as guarantee given for the electricity distribution privatizations. EURO-denominated letter of guarantee given comprises TL 5.466.695 (EURO 2.667.808) as guarantee for the loans used by Ayen Ostim for machinery equipment provided from abroad during Ostim power plant investment; TL 614.730 (EURO 300.000) as temporary guarantee given for the HEPP bid in Syria; and TL 4.100.249 (EURO 2.001.000) as temporary guarantee given to Ministry of Economy, Trade and Energy of Albania related with the project of Fan River Basin HEPP. TL 9.527.000 of TL-denominated letters of guarantee is given to EPDK as guarantees for licensed wind power plant and HEPP projects. Rest of the letters of guarantee are given to TETAŞ and electricity distribution companies as assurance pay for the payable rising from electricity purchases.

(*****) Based on the decison taken at CMB meeting numbered 28/780 and dated 09/09/2009, Group released the guarantee given as of 31 December 2009 in favor of Aydıner İnşaat, in 2010. With the meeting numbered 28/780, it was decided not to give GPM in favor of third parties by listed companies (i) on behalf of their legal entities (ii) without the purpose of execution of business activities with real and legal entities that do not fall into the categories of joint ventures included in full consolidation during the preparation of financial statements; and as of current situation, to completely release the GPM given to aforementioned parties as of 31 December 2014.

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11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

b) Contingent Assets and Liabilities (cont'd)

Contingent assets	**31 December 2010**	**31 December 2009**
Letters of guarantee received (*)	17.556.689	523.144
Guarantee received (**)	635.212.775	620.762.594
	652.769.464	621.285.738

(*) Amounting to TL 9.203.135 (EURO 3.870.250 and USD 823.160) are the letters of guarantee received against advances given for the machinary-equipment, transformer, procurement and installation of turbines regarding Büyükdüz HEPP investment. Amounting to TL 8.148.644 received by Ayen Elektrik as guarantee against risks that might occur in collecting related with electricity sales.

(**) It consists Aydıner İnşaat A.Ş.'s guarantee obtained concerning cash and non-cash General Loan Agreements signed by the Group with banks.

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11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

c) Guarantees, Pledge and Mortage

Guarantees, pledge and mortgage ("GPM") position of the Group as of 31 December 2010 and 31 December 2009 are as follows:

	31.12.2010				31.12.2009			
	TL Equivalent	**TL**	**USD**	**EURO**	**TL Equivalent**	**TL**	**USD**	**EURO**
GPM given on behalf of its own legal entity	207.028.866	158.252.810	28.500.050	2.301.000	159.455.764	149.462.361	6.637.048	-
Guarantee	67.028.866	18.252.810	28.500.050	2.301.000	19.455.764	9.462.361	6.637.048	-
Pledge	140.000.000	140.000.000	-	-	140.000.000	140.000.000	-	-
GPM given on behalf of subsidiaries that are included in full consolidation	447.558.255	10.663.695	279.060.773	2.667.808	474.263.749	674.035	309.746.717	3.334.760
Conveyance	325.502.953	-	210.545.248	-	367.407.723	-	244.011.239	-
Guarantee	52.485.302	10.663.695	23.515.525	2.667.808	39.099.526	674.035	20.735.478	3.334.760
Mortgage	69.570.000	-	45.000.000	-	67.756.500	-	45.000.000	-
GPM given for execution of ordinary commercial activities to collect third parties debt	-	-	-	-	-	-	-	-
Other guarantees given								
i. GPM given on behalf of main shareholder	-	-	-	-	6.587.825	3.200.000	2.250.000	-
Guarantee	-	-	-	-	6.587.825	3.200.000	2.250.000	-
ii. GPM given on behalf of group companies not covered by B and C.	-	-	-	-	-	-	-	-
iii. GPM given on behalf of group companies not covered by C.	-	-	-	-	-	-	-	-
Total Guarantees, Pledge and Mortage	654.587.121	168.916.505	307.560.823	4.968.808	640.307.338	153.336.396	318.633.765	3.334.760

(*) As of 31 December 2010, rate of Group's other GPM to equity is 0% (2009: 0,03%).

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12. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31 December 2010	31 December 2009
Retirement pay provision	840.853	777.702
	840.853	777.702

Retirement pay provision

Under Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay who retired by gaining right to receive according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered with 60th article that has been changed. The amount payable consists of one month's salary limited to a maximum of TL 2.517,01 for each period of service as at 31 December 2010 (31 December 2009: TL 2.365,16).

The liability is not funded, as there is no funding requirement. 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 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2010, 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. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5,10% and a discount rate of 11%, resulting in a real discount rate of approximately 4,66% (31 December 2009: 5,92% real discount rate). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of TL 2.623,23 effective from January 1, 2010 has been taken into consideration in calculation of provision from employment termination benefits. Movement of retirement pay provision for the year ended 31 December 2010 and 31 December 2009 is as follows:

	1 January-31 December 2010	1 January-31 December 2009
Provision at January 1	777.702	702.917
Service cost	81.939	134.896
Interest cost	46.009	107.552
Actuarial loss / gain	79.577	54.587
Termination benefits paid	(144.374)	(222.250)
Provision at December 31	840.853	777.702

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13. OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2010	31 December 2009
Non-trade receivables from related parties (Note 22)	13.315.797	5.924.802
Receivables due to expropriation (*)	-	10.263.502
Deferred finance charges (***)	1.630.721	1.624.066
Personnel advances	222.392	232.059
Prepaid expense	975.340	150.263
VAT carried forward	2.433.417	-
Other	108.449	229.614
	18.686.116	18.424.306

Other Non-Current Assets	31 December 2010	31 December 2009
Non-trade receivables from related parties (Note 22)	-	28.564.948
Advances given for acquisition of property, plant and equipment (**)	15.437.918	3.311.506
Deferred finance charges (***)	14.001.215	12.547.611
Prepaid expenses	9.885	19.918
Other	-	10.574
	29.449.018	44.454.557

(*) The amount represents the expenditures incurred for the expropriation of flooded land due to the construction of Yamula Dam by Kayseri Elektrik and the interest accruals for the related period, for which Kayseri Elektrik charges and collects monthly in accordance with the written approval of MENR and the redemption schedule dated 21 August 2006.

(**) In 2010, TL 4.294.704 of the advances given during the period is given to Suzlon Energy for Mordoğan and Korkmaz WPPs. Remaining TL 7.457.995 is the payment made by Ayen Enerji for the procurement and installation of turbine and related equipment ordered for Büyükdüz HEPP.

(***) The movement of deferred finance charges is as follows:

Movement of deferred finance charges	1 January- 31 December 2010	1 January- 31 December 2009
Opening balance	14.171.677	15.777.916
Current period addition	3.070.780	-
Current period amortization	(1.610.521)	(1.606.239)
	15.631.936	14.171.677

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13. OTHER ASSETS AND LIABILITIES (cont'd)

Other Short-Term Liabilities	**31 December 2010**	**31 December 2009**
Tax, duty and other deduction payables	1.609.524	2.385.233
Expense accruals	552.293	108.822
Non-trade receivables from related parties (Note 22)	3.279	-
Other	126.710	25.652
	2.291.806	2.519.707

14. SHAREHOLDERS' EQUITY

The Company is not subject to registered capital system. The approved and issued capital of the Company consists of 11.961.000.000 shares (31 December 2009: 11.961.000.000) with TL 0,01 nominal price each. The mentioned capital is fully paid.

The composition of the Company's paid-in share capital as of 31 December 2010 and 31 December 2009 is as follows:

Shareholdes	**%**	**31 December 2010**	**%**	**31 December 2009**
Aydıner İnşaat A.Ş.	84,98	101.641.755	84,98	101.641.755
Public quotation	15,01	17.955.000	15,01	17.955.000
Other	<1	13.245	<1	13.245
Subscribed capital		119.610.000		119.610.000

The operations of the Company are managed by the Board of Directors with at least 3 at most 5 members determined in the General Assembly among A type shareholders in accordance with the Turkish Commercial Code. In the Ordinary and Extraordinary General Assembly Meetings, A type shareholders have 1.000 units of voting rights for each number of share and other shareholders excluding A type have 1 unit of voting right for each number of share.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The Turkish Commercial Code 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 the 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. These amounts are classified as "Restricted profit reserves" according to the CMB Financial Reporting Standards. As of 31 December 2010, the amount of restricted profit reserves is TL 34.780.955 (31 December 2009: TL 26.351.791).

In the General Assembly hold on 29 April 2010, it was decided to distribute TL 9.187.657 in cash as first dividend over TL 45.938.287 that remaining after TL 821.123 of first reserve fund deducted from TL 46.759.410 which is the basis for profit distribution, according to the consolidated financial statements; TL 24.486.064 was decided to be distributed to shareholders in cash, remaining after second reserve fund is appropriated as one tenth from TL 27.206.738 which is subject to distribution from net profit for the period and retained earnings.

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14. SHAREHOLDERS' EQUITY (cont'd)

As a result, after first and second reserve funds are appropriated, it was decided to distribute TL 33.673.721 of dividend. Aforementioned dividend distribution was made on 27 May 2010.

With the decision dated 9 January 2009, the total amount of net income after the deduction of accumulated losses at statutory records and reserves that can be subject to dividend distribution shall be disclosed in the notes to the consolidated financial statements which will be prepared and publicly announced in accordance with Communiqué XI No: 29. The concerning amount for Ayen Enerji is TL 88.864.830 (2009: TL 82.985.856).

Restricted profit reserves and retained earnings

Besides, in the General Assembly of Kayseri Elektrik which was hold on 4 May 2010, it was decided to appropriate TL 4.841.642 of reserves out of Company's profit for the year 2009.

Public companies distribute dividends according to CMB regulations as follows:

In accordance with the Capital Markets Board's (the "Board") Decree issued as of 27 January 2010, in relation to the profit distribution of earnings derived from the operations in and after 2009, minimum profit distribution is not required for listed companies (31 December 2009: None), and accordingly, profit distribution should be made based on the requirements set out in the Board's Communique Serial:IV, No: 27 "Principles of Dividend Advance Distribution of Companies That Are Subject To The Capital Markets Board Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies

Furthermore, based on the afore-mentioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial: XI, No: 29.

15. SALES AND COST OF SALES

	1 January-31 December 2010	1 January-31 December 2009
Electricity sales	89.590.195	74.947.300
Interest income from service concession arrangements	33.687.427	38.185.045
Sales Income	**123.277.622**	**113.132.345**
Cost of sales	(67.105.392)	(50.934.846)
Gross Profit	**56.172.230**	**62.197.499**

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16. EXPENSES BY NATURE

	1 January- 31 December 2010	1 January-31December 2009
Personnel expenses (*)	5.844.560	5.614.162
Depreciation and amortization expenses	8.805.728	7.218.374
Transportation expenses	1.058.558	824.365
Cost of natural gas	18.980.094	23.708.686
Cost of electricity (**)	12.870.503	10.454.775
Consultancy fees	853.576	935.570
Plant technical assistance and maintenance	2.553.495	2.541.713
System usage fee (***)	648.072	469.389
Office expenses	1.119.132	825.235
Insurance expenses	506.342	724.214
Taxes and duties	338.259	399.222
Cost of purchased electricity (**)	18.151.388	-
Other	774.456	2.300.109
	72.504.163	56.015.814

(*) Personnel expenses of TL 3.243.024 (31.12.2009: TL 3.396.082) has been charged in cost of sales; TL 2.601.536 (31.12.2009: TL 2.218.080) has been charged in general administrative expenses.

(**) Consists of the cost of electricity that Ayen Ostim, Ayen Enerji ve Ayen Elektrik purchased from TEİAŞ and sold to customers.

(***) TEİAŞ charges system usage fees to the Group and the Group reflects the same amount to TETAŞ and to other customers. The amounts that could be reflected to the customers and TETAŞ are netted off in the accompanying consolidated financial statements, however, the amounts that could not be reflected and paid by the Group are accounted for as cost of sales.

(****) Consists of the cost of electricity sold by Ayen Elektrik to its customers which purchased from the suppliers other than TEİAŞ and Group companies.

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17. OTHER OPERATING INCOME/EXPENSES

Other operating income and expense for the periods ended 31 December 2010 and 2009 are as follows:

	1 January-31 December 2010	1 January-31 December 2009
Cancellation of transformer station expense (*)	-	1.899.663
Natural gas plant maintenance income (**)	-	1.566.756
Cancelled provisions (Note 11)		896.346
Rent income from related parties (Note 22)	21.600	43.200
Gain on sale of property, plant and equipment	-	39.822
Other	270.226	495.338
	291.826	4.941.125

	1 January- 31 December 2010	1 January-31 December 2009
Deferred discount expenses (***)	-	3.944.208
Provision for ongoing legal cases (Note 11)	219.396	402.058
Kızılcahamam forest expense (****)	160.493	106.171
Provision for unused vacation (Note 11)	209.681	-
Other	78.523	411.699
	668.093	4.864.136

(*) In the Board of Directors meeting of Ayen Ostim dated 19 July 2009, it was decided to terminate the application of 20% discounts over the sales made to Ostim OSB and Ostim Yatırım and decided to trade the electricity under free market conditions. Ayen Ostim constructed a transformer centre amounting to TL 5.599.604 in order to enable Ostim OSB to buy electricity from parties other than Ayen Ostim. The costs incurred for the construction of the transformer amounting to TL1.899.663, which were expensed in 2008, were cancelled in 2009 and accounted for under other intangible assets. (Note 9).

(**) Consists of the amount paid by Boru Hatları ile Petrol Taşıma A.Ş. ("BOTAŞ"). Although BOTAŞ undertook the responsibility of maintenance and repairing of the pipelines constructed between the city's main distribution line and Ayen Ostim's natural gas plant through the agreement, BOTAŞ did not fulfil that responsibility and made the regarding payment to Ayen Ostim.

(***) In the Board of Directors meeting of Ayen Ostim dated 19 July 2009, it was decided to terminate the connection of Ostim OSB to the plant of Ayen Ostim. Therefore, as a result of continuous increase in the cost of sales and the stabilization of energy sales prices between 2005-2009 deferred discounts calculated over the sales invoices issued to Ostim OSB and Ostim Yatırım was paid to those entities.

(****) This comprises the forestation and improvement expenses of the 1.505 decares of Kızılcahamam forest. This forest has been allocated to the Group for forestation works by the Kızılcahamam Forest Business Directorate until 2046.

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18. FINANCE INCOME

	1 January- 31 December 2010	1 January- 31 December 2009
Interest income	2.640.409	9.338.998
Foreign exchange gain - net	6.459.740	2.759.824
Other	129.158	15.368
	9.229.307	12.114.190

19. FINANCE EXPENSES

	1 January - 31 December 2010	1 January - 31 December 2009
Interest expense	(4.592.486)	(8.762.911)
Discount expenses (*)	(2.004.741)	-
Other finance expenses	(745.363)	(441.389)
	(7.342.590)	(9.204.300)

(*) TL 1.942.968 of discount expenses is due to the increase in the fair value (Note: 22) of the contractual liability, due to the change in discount rate (Note: 2.5).

20. TAX ASSETS AND LIABILITIES

Current tax liability:	31 December 2010	31 December 2009
Current tax liability provision	7.174.309	7.789.390
Less: Prepaid taxes and dues	(4.357.527)	(5.822.746)
	2.816.782	1.966.644

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20. TAX ASSETS AND LIABILITIES (cont'd)

Tax charges are as follows:	1 January-31 December 2010	1 January-31 December 2009
Current tax	(7.174.309)	(7.789.390)
Deferred tax charge	(3.505.596)	(3.127.841)
Total tax charges	(10.679.905)	(10.917.231)

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and deducting exempt income, non-taxable income and other incentives (previous years losses, if any, and investment incentives utilized, if preferred).

The effective tax rate in 2010 is 20% (2009: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2010 is 20%. (2009: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Mininsters' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

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20. TAX ASSETS AND LIABILITIES (cont'd)

Income withholding tax (cont'd)

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. After this date, witholding tax is not applied to investments without investment incentive certificates.

Investment Allowance

The phrase "only 2006, 2007 and 2008" in the temporary 69. Clause of the Income Tax Law No. 193 in Constitutional Court's decision, 2009/144, published in the Official Gazette on 8 January 2010, is abolished. The usage of investment incentive exception and 5th clause of Law No. 6009 which was published in the Official Gazette No. 27659 on 1 August 2010, were redesigned. According to the new arrangement, to be applied onto the 2010 calendar year income, while determining the tax assessment,investment incentive exception that will be subject to deducted amount should not exceed 25% of the income for the year of interest. Corporation tax will be calculated with respect to the current tax ratebased on the remaining income. Accordingly, with this arrangement, it is adopted that corporate tax rate for tax incentive beneficiaries is the effective rate (20%) rather than 30%.

Deferred tax:

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Financial Reporting Standards and their statutory tax financial statements. These differences usually result from the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes, carry forward tax losses and investment incentive exceptions. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20% (2009: 20%). The breakdown of temporary differences and the resulting deferred income tax assets/(liabilities) provided, at 31 December 2010 and 2009 are as follows:

	Temporary differences		Deferred tax (assets)/liabilities	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Property, plant and equipment and intangible assets	218.790.530	244.071.230	43.758.106	48.814.246
Investment incentives (*)	-	2.421.180	-	484.236
Carry forward tax losses	7.024.570	24.089.630	1.404.914	4.817.926
Provision for employment termination benefits	840.850	777.700	168.170	155.540
Due from service concession arrangements	(194.797.370)	(221.283.665)	(38.959.474)	(44.256.733)
Deferred finance charges	(4.578.955)	(5.123.300)	(915.791)	(1.024.660)
Other	298.455	153.285	59.691	30.657
	27.578.080	45.106.060	5.515.616	9.021.212

(*) Group, did not calculate deferred tax asset over investment incentive related to Kayseri Elektrik, due to aforementioned change in execution.

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20. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd):

The Group reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all that deferred income tax asset to be utilized. Accordingly, Group did not recognise deferred tax assets amounting to TL 1.242.244 (31 December 2009: 1.416.691) for the carry forward tax losses of Ayen Ostim amounting to TL 5.994.764 (31 December 2009: 6.760.648) and that of Ayen Elektrik amounting to TL 66.455 (31 December 2009: TL 1.416.691).

Group recognized TL 1.404.914 (31 December 2009: TL 4.817.926) of deferred tax asset over Ayen Enerji's carry forward tax losses amounting to TL 7.024.568 (31 December 2009: TL 24.089.629) (Note 20).

As of 31 December 2010 and 31 December 2009, the expiration dates of previous years' losses, which deferred tax asset have been accounted for, are as follows:

	31 December 2010	31 December 2009
2011	-	7.585.416
2012	1.181.385	10.661.030
2013	5.843.183	5.843.183
Closing balance at 31 December	7.024.568	24.089.629

Movements in deferred income taxes can be analysed as follows:

	1 January-31 December 2010	1 January-31 December 2009
Opening balance at 1 January	9.021.212	12.149.053
Current year deferred taxation expense	(3.505.596)	(3.127.841)
Closing balance at 31 December	5.515.616	9.021.212

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

20. TAX ASSETS AND LIABILITIES (cont'd)

Deferred Tax (cont'd):

The reconciliation of current year tax charge calculated over current period tax charge and profit before tax disclosed in the consolidated income statements for the period ended 31 December 2010 and 2009 is stated below:

	1 January-31 December 2010	1 January-31 December 2009
Profit before tax on income statement	52.283.909	60.103.410
Effective tax rate (20%) (2009: 20%)	(10.456.782)	(12.020.682)
Effect of tax:		
- tax assets calculated over previous year losses	382.224	959.785
- non-taxable finance losses	(93.946)	-
- effect of tax assets calculated over previous year losses that are not considered in previous years	-	(280.741)
- non-deductible expenses	(42.151)	(44.936)
- effect of investment allowance	(469.250)	484.236
- effect of subsidiaries in loss	-	(14.893)
Tax expense on income statement	(10.679.905)	(10.917.231)

21. EARNINGS PER SHARE

	1 January-31 December 2010	1 January-31 December 2009
Net profit for the year attributable to equity holders of the Parent	40.852.812	46.759.410
Average number of outstanding shares	11.961.000.000	11.961.000.000
Earnings per basic, 1.000 shares (TL)	3,42	3,91

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22. RELATED PARTY TRANSACTIONS

	31 December 2010							
	Receivables				Payables			
	Short term		Long term		Short term		Long term	
Related party transactions	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
Aydıner İnşaat A.Ş. (*)	137.902	13.315.797	-	-	-	-	-	-
Kayseri ve Civarı Elektrik A.Ş.	-				1.982	-	-	-
Layne Bowler Pompa Sanayi A.Ş. (**)	16.345	-	-	-	-	2.950	-	-
Ostim Organize Sanayi Bölge Müdürlüğü ("Ostim Organize Sanayi") (***)	-	-	-	-	1.220.914	-	-	-
Ostim Endüstriyel Yatırımlar ve İşletme A.Ş. ("Ostim Yatırım") (****)	-	-	-	-	703.571	-	5.454.097	-
Aysu Aydıner Su Sanayi ve Ticaret A.Ş. (**)	12.356	-	-	-	77	329	-	-
Other	76.529	-	-	-	8.260	-	-	-
	243.132	13.315.797	-	-	1.934.804	3.279	5.454.097	-

(*) Short term trade receivables consist of electricity sales of Ayen Elektrik to Aydıner Xanadu Resort Hotel and to Bafra worksite of Aydıner İnşaat, while short term non-trade receivables consist of financial loan given by Group to Aydıner İnşaat. As of 31 December 2010, interest rate for aforementioned loan is 8,57%.

(**) Consist of electricity sales of Ayen Elektrik.

(***) Short term trade payables to Ostim OSB is due to the natural gas purchases of Ayen Ostim.

(****) All (2009: TL 656.343 part) of the payable to Ostim Yatırım consists of short term portion of 5% commission to be paid in future by Ayen Ostim to Ostim Yatırım. Long term portion of aforementioned commissions is TL 5.454.097. Regarding the decrease in interest rates, discount rate used in the calculation of the fair value of the aformentioned contractual liability was revised as 11,61% (2009: 16,47%). TL 1.942.968 increase in the fair value of the contractual liability is reflected to current period consolidated financial statements as discount expense (Note: 22).

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22. RELATED PARTY TRANSACTIONS (cont'd)

	31 December 2009							
	Receivables				Payables			
	Short term		Long term		Short term		Long term	
Related party transactions	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
Aydıner İnşaat A.Ş. (*)	-	5.918.919	-	28.564.948	-	-	-	-
Kayseri ve Civarı Elektrik A.Ş.	-	1.635	-	-	1.599	-	-	-
Ostim Organize Sanayi Bölge Müdürlüğü (**) ("Ostim Organize Sanayi")	-	-	-	-	3.537.522	-	-	-
Aybet Beton A.Ş.	-	4.248	-	-	-	-	-	-
Ostim Endüstriyel Yatırımlar ve İşletme A.Ş. ("Ostim Yatırım") (***)	-	-	-	-	2.534.493	-	4.230.017	-
Other	-	-	-	-	70	-	-	-
	-	5.924.802	-	28.564.948	6.073.684	-	4.230.017	-

(*) TL 5.822.608 of the short term portion of receivables from Aydıner İnşaat, comprises from short term financial liability of Aydıner İnşaat to Group and interest rate applied to mentioned liability is 9,45%, and mentioned receivable was collected in 4 January 2010. TL 96.311 of short term receivables from related parties consists of electricity sales of Ayen Elektrik to Aydıner Xanadu Resort Hotel. With the protocol that Group signed with Aydıner İnşaat as of 1 December 2009, financial liability of Aydıner İnşaat to Group was tied to a payment schedule. For the mentioned financial liability, interest amount to be calculated by using monthly interest rate to be determined in accordance with market conditions is invoiced and added to principal, will be paid on 11 April 2011; and as of 31 December 2009, TL 263.687 accrued, which is calculated with 9,45% interest rate. Mentioned liability was closed with the payment in May 2010.

(**) TL 2.084.026 of due to Ostim OSB consists of natural gas purchases of Ayen Ostim. The remaining amount of TL 1.453.496 and TL 1.878.150 of due to Ostim Yatırım consist of the deferred discounts calculated over the energy sales invoices issued to Ostim OSB and Ostim Yatırım; since the electricity sales price was fixed in spite of continiously increasing costs between 2005-2009 after it was decided to end the connection of Ostim OSB to power plantin Board of Directors meeting dated 19 July 2009.

(***) TL 656.343 of the payable to Ostim Yatırım consists of short term portion of 5% commission to be paid in future by Ayen Ostim to Ostim Yatırım. Long term portion of mentioned commissions is TL 4.230.117.

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22. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2010					
Related party transactions	Sales of services	Energy sales	Interest income	Purchases of fixed assets	Purchases of services	Purchases of raw materials
Aydıner İnşaat A.Ş. (*)	-	1.955.951	1.394.823	43.200.297	160.447	-
Kayseri ve Civarı Elektrik A.Ş. (****)	-	-	-	-	76.276	-
Ostim Organize Sanayi Bölge Müdürlüğü ("Ostim Organize Sanayi") (**)	-	-	-	-	147.334	18.980.093
Ostim Endüstriyel Yatırımlar ve İşletme A.Ş. (Note:9)	-	-	-	-	760.403	-
Samsun Makina Sanayii A.Ş.	-	-	-	-	5.880	-
Aybet Beton A.Ş. (***)	21.600	-	-	-	-	-
Aysu Aydıner Su Sanayi ve Ticaret A.Ş.	-	53.534	-	-	8.309	-
Ayel Elektrik Üretim Sanayi ve Ticaret A.Ş.	7.500	-	-	-	-	-
Metay İnşaat Sanayii ve Ticaret A.Ş.	-	-	-	-	13.935	-
Layne Bowler Pompa Sanayi A.Ş.	-	88.552	-	-	193.178	-
	29.100	2.098.037	1.394.823	43.200.297	1.365.762	18.980.093

(*) Energy sales consist of electricity sales of Ayen Elektrik to Aydıner Xanadu Resort Hotel and to Bafra worksite of Aydıner İnşaat. Interest income occurs as a result of financial receivable - payable relations. Purchases of fixed assets consist of progress invoices issued by Aydıner İnşaat to Group regarding the construction of Büyükdüz HEPP. Sales of services consist of food services that Aydıner İnşaat provided to Group affiliates and rents of construction equipment that used in Çamlıca HEPP facility.

(**) Purchases of raw materials consist of, purchases of natural gas of Ayen Ostim. Purchases of services comprises of water and electricity consumptions

(***) Consists of income from construction equipment leased by Ayen Enerji to Aybet Beton A.Ş.

(****) Due to internal electricity consumption of Yamula and Çamlıca HEPP.

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22. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2009					
Related party transactions	Sales of services	Energy sales	Interest income	Purchases of fixed assets	Purchases of services	Purchases of raw materials
Aydıner İnşaat A.Ş. (*)	-	1.210.567	5.032.699	6.324.076	187.032	-
Ostim Organize Sanayi Bölge Müdürlüğü ("Ostim Organize Sanayi") (**)	-	9.049.894	-	-	-	23.708.686
Aybet Beton A.Ş. (****)	43.200	-	-	-	-	-
Kayseri ve Civarı Elektrik A.Ş. (***)	-	-	-	-	-	10.443
	43.200	10.260.461	5.032.699	6.324.076	187.032	23.719.129

(*) Energy sales consist of electricity sales of Ayen Elektrik to Aydıner Xanadu Resort Hotel and to Bafra worksite of Aydıner İnşaat. Interest income occurs as a result of financial receivable - payable relations. Sales of services consist of food services that Aydıner İnşaat provided to Group affiliates and rents of construction equipment that used in Çamlıca HEPP facility.

(**) Energy sales consist of electricity sales of Ayen Ostim. Purchases of raw materials consist of natural gas purchases of Ayen Ostim.

(***) Due to internal electricity consumption of Yamula and Çamlıca HEPP.

(****) Consists of income from construction equipment leased to Aybet Beton A.Ş.

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22. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel during the period as follows

	1 January-31 December 2010	1 January- 31 December 2009
Salary and other short term benefits	1.085.883	1.150.142
Other long term benefits	41.102	82.786
	1.126.985	1.232.928

23. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Group manages its capital to ensure that entities in 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 capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The management of the Group considers the cost of capital and the risks associated with each class of capital. The management of the Group aims to balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing debt.

The Group controls its capital using the net debt/total capital ratio. This ratio is the calculated as net debt divided by the total capital amount. Net debt is calculated as total liability amount less cash and cash equivalents. Total capital is calculated as shareholders' equity plus the net debt amount as presented in the balance sheet.

As the Group strategy has has not changed since 2009, as of 31 December 2010 and 31 December 2009 net debt / total capital ratio is as follows:

	2010 TL	2009 TL
Total Debt	200.577.589	201.315.851
Less: Cash and cash equivalents	(14.256.658)	(11.305.298)
Net Debt	186.320.931	190.010.553
Total Equity	260.564.102	253.696.479
Total Capital	446.885.033	443.707.032
Net Debt / Total Capital ratio	%42	%43

b) Financial risk factors

The risks of the Group, resulted from operations, include market risk, credit risk and liquidity risk. The Group's risk management program generally seeks to minimize the effects of uncertainty in financial market on financial performance of the Group.

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23. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b.1) Credit risk management

Credit risk of financial instruments	Receivables						
	Trade Receivables		Trade Receivables				
31 December 2010	Related Party	Third Party	Related Party	Third Party	Due From Service Concession Arrangements	Bank Deposits	Other (*)
Maximum net credit risk as of balance sheet date (A +B+C+D+E)	243.132	14.267.208	13.315.797	-	201.102.939	14.252.851	652.769.464
- The part of maximum risk under guarantee with collateral etc.	-	5.412.243	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	243.132	14.244.443	13.315.797	-	201.102.939	14.252.851	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	22.765	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	652.769.464

(*) Consists of guarantee letters and bails received by the Group (Note 11.b).

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

23. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b.1) Credit risk management (cont'd)

Credit risk of financial ınstruments	**Receivables**						
	Trade Receivables		**Other Receivables**				
31 December 2009	**Related Party**	**Third Party**	**Related Party**	**Other Party (*)**	**Due From Service Concession Arrangements**	**Bank Deposits**	**Other (**)**
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	-	17.182.315	34.489.750	10.263.502	228.864.744	11.303.355	621.285.738
- The part of maximum risk under guarantee with collateral etc.	-	44.453	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	-	5.512.474	34.489.750	10.263.502	227.687.102	11.303.355	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	11.669.841	-	-	1.177.642	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	621.285.738

(*) Consists of the expropriation receivables of the Group from TETAŞ (Note 13).

(**) Consists of guarantee letters and bails received by the Group (Note 11.b).

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

23. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b.1) Credit risk management (cont'd)

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group assesses the credit quality of the customers by assessing the financial position of the customers, past experiences and other factors as a part of its credit risk management programme. All of the expropriation receivables and due from service concession arrangement balances of the Group and 2.105.568 (2009: 2.960.384) of trade receivables are composed of the receivables from TETAŞ and TL 1.334.260 (2009: 9.968.909) of the trade receivables is composed of receivables from TEİAŞ. TETAŞ and TEİAŞ are both state-owned entities which are responsible for the trading, wholesale and distribution activities of the national power system operations in Turkey. Additionally, TETAŞ provides purchase guarantee for the electricity production of the Group. Therefore, credit risk over the assets of the Group is limited. Rest of the trade receivables are related to increasing gross sale activities especially in 2010, and mentioned receivables generally arises from industrial and commercial customers. Group obtains guarantees from these wholesale customers when necessary.

The aging of the past due receivables as of 31 December 2010 and 2009 are as follows:

	Receivables				
31 December 2010	**Trade Receivables**	**Other Receivables**	**Bank Deposits**	**Derivative Instruments**	**Other**
Past due 1-30 days(*)	22.765	-	-	-	-
Past due 1-3 months	-	-	-	-	-
Past due 3-12 months	-	-	-	-	-
Past due 1-5 years	-	-	-	-	-
Past due more than 5 years	-	-	-	-	-
Total past due receivables	22.765	-	-	-	-

(*) The balance consists of Ayen Elektrik's electricity sales, which were collected as of 6 January 2011.

	Receivables				
31 December 2009	**Trade Receivables**	**Other Receivables**	**Bank Deposits**	**Derivative Instruments**	**Other**
Past due 1-30 days(*)	3.342.633	-	-	-	-
Past due 1-3 months	5.244.183	-	-	-	-
Past due 3-12 months	-	-	-	-	-
Past due 1-5 years(**)	-	1.177.642	-	-	-
Past due more than 5 years	-	-	-	-	-
Total past due receivables	8.586.816	1.177.642	-	-	-

(*) The balance consists of Ayen Ostim's electricity sales to TEİAŞ, which were collected on 23 February 2010.
(**) The balance comprises the receivables due to production below the guaranteed annual electricity production of Çamlıca. The outstanding balances were set to zero after the price difference payments on 10 May 2010.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

23. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b.2) Liquidity risk management

Having a conservative liquidity risk management requires obtaining adequate level of cash in addition to having the ability to utilize adequate level of borrowings and fund resources as well as closing market positions.

The following table presents the maturity of Group's derivative and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative 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.

31 December 2010

Contructual maturity analysis	Carrying Value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial liabilities						
Bank borrowings	176.569.844	203.478.492	9.974.402	23.273.790	93.712.954	76.517.346
Trade payables	13.139.460	13.139.460	13.139.460	-	-	-
Trade payables to related parties	7.388.901	16.077.367	2.111.079	622.150	3.574.571	9.769.567
Non-trade payables to related parties	3.279	3.279	3.279	-	-	-
Total liabilities	194.001.624	229.598.738	22.128.360	23.895.940	97.287.525	86.286.913

(*) Since interest rates of the loans are variable, total cash ouflows of financial liabilities are calculated over interest rate announced after the Group's last loan repayment.

31 December 2009

Contructual maturity analysis	Carrying Value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial liabilities						
Bank borrowings	185.875.020	206.124.219	25.222.390	40.863.336	85.291.216	54.747.277
Trade payables	1.005.436	1.005.436	1.005.436	-	-	-
Trade payables to related parties	10.303.701	19.239.014	177.390	5.949.611	3.179.880	9.932.133
Total liabilities	197.184.257	226.368.669	26.405.216	46.812.947	88.471.096	64.679.410

(*) Since interest rates of the loans are variable, total cash ouflows of financial liabilities are calculated over interest rate announced after the Group's last loan repayment.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

23. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b.3) Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures of the Group are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

b.3.1) Foreign currency risk management

Transactions in foreign currencies expose the Group to foreign currency risk.

As of 31 December 2010 and 2009 the foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	31 December 2010		
	TL Equivalent	**USD**	**EURO**
Trade receivables	2.224.456	1.438.846	-
Monetary financial assets	6.553.398	67.678	3.147.122
Due from short term service concession arrangements	36.999.105	23.932.151	-
Other	70.699	4.340	31.228
CURRENT ASSETS	**45.847.658**	**25.443.015**	**3.178.350**
Due from long term service concession arrangements	164.103.834	106.147.370	-
Other	15.418.878	88.369	7.458.035
NON-CURRENT ASSETS	**179.522.712**	**106.235.739**	**7.458.035**
TOTAL ASSETS	**225.370.370**	**131.678.754**	**10.636.385**
Trade payables	2.483.709	1.238.834	277.425
Financial liabilities	26.508.574	11.641.812	4.153.205
Other current financial liabilities	10.982.059	7.103.531	-
CURRENT LIABILITIES	**39.974.342**	**19.984.177**	**4.430.630**
Financial liabilities	149.984.921	19.921.929	58.164.862
Other non-current financial liabilities	18.049.575	11.675.016	-
Other non-monetary liabilities	-	-	-
NON-CURRENT LIABILITIES	**168.034.496**	**31.596.945**	**58.164.862**
TOTAL LIABILITIES	**208.008.838**	**51.581.122**	**62.595.492**
Net Foreign Currency Position	**17.361.532**	**80.097.632**	**(51.959.107)**

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

23. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b.3.1) Foreign currency risk management (cont'd)

	31 December 2009		
	TL Equivalent	**USD**	**EURO**
Trade receivables	3.261.346	2.166.000	-
Monetary financial assets	1.333.423	881.068	3.147
Due from short term service concession arrangements	39.480.797	26.220.892	-
Other	10.263.502	6.816.432	-
CURRENT ASSETS	**54.339.068**	**36.084.392**	**3.147**
Due from long term service concession arrangements	189.383.947	125.778.008	-
NON-CURRENT ASSETS	**189.383.947**	**125.778.008**	**-**
TOTAL ASSETS	**243.723.015**	**161.862.400**	**3.147**
Trade payables	134.363	53.227	25.098
Financial liabilities	51.703.115	29.113.415	3.641.645
Other current liabilities	9.171.689	6.091.312	-
CURRENT LIABILITIES	**61.009.167**	**35.257.954**	**3.666.743**
Financial liabilities	128.953.669	31.506.656	37.732.767
Other non-current liabilities	27.834.741	18.486.246	-
NON-CURRENT LIABILITIES	**156.788.410**	**49.992.902**	**37.732.767**
TOTAL LIABILITIES	**217.797.577**	**85.250.856**	**41.399.510**
Net Foreign Currency Position	**25.925.438**	**76.611.544**	**(41.396.363)**

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

23. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b.3.1) Foreign currency risk management (cont'd)

The Group is mainly exposed to USD and EURO denominated foreign exchange risk.

The following table details the Group's sensitivity to a 10% increase and decrease in USD, and EURO. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates anincrease in profit or loss.

	31 December 2010	
	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation in USD against TL		
US Dollar net asset / liability	12.383.094	(12.383.094)
Part of hedged from US Dollar risk (-)	-	-
US Dollar net effect	12.383.094	(12.383.094)
In case 10% appreciation in EURO against TL		
Euro net asset / liability	(10.646.941)	10.646.941
Part of hedged from Euro risk (-)	-	-
Euro net effect	(10.646.941)	10.646.941
TOTAL	**1.736.153**	**(1. 736.153)**

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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

23. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b.3.1) Foreign currency risk management (cont'd)

	31 December 2009	
	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation in USD against TL		
US Dollar net asset / liability	11.535.400	(11.535.400)
Part of hedged from US Dollar risk (-)	-	-
US Dollar net effect	11.535.400	(11.535.400)
In case 10% appreciation in EURO against TL		
Euro net asset / liability	(8.942.442)	8.942.442
Part of hedged from Euro risk (-)	-	-
Euro net effect	(8.942.442)	8.942.442
TOTAL	**2.592.958**	**(2.592.958)**

b.3.2) Interest rate risk management

The Group is exposed to interest risks through the impact of borrowings, due to variable interest rate used. As of 31 December 2010, for USD denominated borrowings, had the interest rates increased/decreased by 100 base points (1%) with all other variables held constant, net profit of the Group due to loan interest loss/profit loans would have been decreased/increased by TL 126.209 (2009: TL 1.009.085) mainly as a result of interest expenses on short-term and long-term borrowings. As of 31 December 2010, for EUR denominated borrowings, had the interest rates increased/decreased by 100 base points (1%) with all other variables held constant, net profit before taxation of the Group due to loan interest loss/profit would have been decreased/increased by TL 595.116 (2009: TL 1.140.131) mainly as a result of interest expenses on short-term and long-term borrowings.

Group's sensitivity to interest rate has decreased in current period. The main reason for that is the decrease in the variable interest rates.

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

24. FINANCIAL INSTRUMENTS

Fair values and categories of financial instruments

31 December 2010	**Loans and receivables (including cash and cash equivalents)**	**Financial liabilities at amortized cost**	**Carrying value**	**Note**
Financial assets				
Cash and cash equivalents	14.256.658	-	14.256.658	3
Trade receivables	14.468.469	-	14.468.469	5
Due from related parties	13.558.929	-	13.558.929	22
Due from service concession arrangements	201.102.939	-	201.102.939	7
Financial liabilities				
Trade payables	-	13.139.460	13.139.460	5
Due to related parties	-	7.392.180	7.392.180	22
Other financial liabilities	-	29.054.356	29.054.356	6

31 December 2009	**Loans and receivables (including cash and cash equivalents)**	**Financial liabilities at amortized cost**	**Carrying value**	**Note**
Financial assets				
Cash and cash equivalents	11.305.298	-	11.305.298	3
Trade receivables	17.182.315	-	17.182.315	5
Due from related parties	34.489.750	-	34.489.750	22
Due from service concession arrangements	228.864.744	-	228.864.744	7
Financial liabilities				
Trade payables	-	1.005.436	1.005.436	5
Due to related parties	-	10.303.701	10.303.701	22
Other financial liabilities	-	37.029.151	37.029.151	6

Group, considers book value of financial instruments reflects their fair values.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2010

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

25. SUBSEQUENT EVENTS

a) Ayen Enerji A.Ş., giving the best offer for the bid regarding Fan River Basin Hydroelectric Power Plants project held by Ministry of Economy, Trade and Energy of the Republic of Albania, was called for agreement negotiations. As of the balance sheet date, negotiations are continuing. Project includes construction of 5 Hydroelectric Power Plants, operating with concession for 35 years, and transfer to administration at the end of concession agreement. Installed capacity is 87,7 MW and yearly production capacity is 377.350.000 kWh.

b) Ayen Enerji A.Ş. has started the take over procedures after the acceptance of the application by EMRA for purchasing TL 10.640.000, part of the shares out of TL 15.200.000 in total (70% stake) of Aksu Temiz Enerji Elektrik Üretim San. ve Tic A.Ş., of which of its headoffice is in Ankara, has a licence of 72 MW installed capacity, 295.800.000 kWh/year production capacity for 49 years, and located in Kayseri province, Yahyalı district.

c) For the loans used from Commerzbank A.G., for Akbük WEPP project, Ayen Eneji A.Ş. has paid principals and accumulated interests amounting to EURO 319.031 in 7 February 2011 and EURO 1.168.094 on 16 March 2011

d) Kayseri Elektrik has paid principal amount of USD 2.085.000 for the loan used from Bahreyn Branch of İş Bank. The outstanding principal amount of this loan is USD 16.400.000 as of 31 December 2010.

e) Ayen Ostim, has paid USD 678.475 and EURO 333.476 in 22 March 2011 for principal amounts and accumulated interests of loans used during the construction of power plant.

f) EURO 50 Million of Exim Loan was obtained, regarding the construction of wind based electricity production facility to be operated in İzmir province, Seferihisar district; with 27 months grace period, 15 years maturity, and with repayment once in every six months, according to agreement signed with Commerzbank on 30 March 2011.

SUMMARY OF AUDITOR'S REPORT

To the General Assembly of Ayen Enerji Anonim Şirketi

Company	
Name	Ayen Enerji Anonim Şirketi
Head Office	Ankara
Capital	TRL 119,610,000
Business	Energy Generation

Auditors	
Full Name	Canan Ceyran
Term of Office	1 year
Whether Company Employee or Shareholder	NOT Company Employee or Shareholder.

- Board meetings attended and the Auditors Committee meetings held:

Because I was the only auditor, no committee of auditors was formed. However, I attended the meetings of the Board of Directors as an observer in my capacity as the auditor.

- Scope, dates and results of the audit on books and documents of the Company:

The Company's books and documents were subjected to quarterly reviews and checks, it was observed that all records were kept timely and in accordance with laws and regulations; Board resolutions were recorded in the Board resolution ledger in accordance with the Turkish Commercial Code and the articles of association, and the records, documents and accounts were kept in accordance with the general accounting scheme.

- Times and results of counts at the Company cashier pursuant to TCC Article 353.1(4):

By occasional unannounced inspections at the Company cashier, it was observed that the records matched the cash at hand. Nothing contrary to laws and regulations was observed. It was noted that all valuable papers deposited to the Company were kept completely and in accordance with the records.

- Any complaints and corruption reporting, and action taken thereon:

No complaint or reporting on corruption was communicated to the Auditor.

Conclusion:

I reviewed the accounts and transactions of Ayen Enerji Anonim Şirketi for the period from 01.01.2010 to 31.12.2010 in accordance with the Turkish Commercial Code, relevant legislation, the articles of association and accounting principles and standards.

In my opinion, the balance sheet at 31.12.2010, the contents of which I concur with, presents true and fair view of the financial situation of the Company at that date; and the income statement for the period from 01.01.2010 to 31.12.2010 also presents true and fair view of the operational results for the said period.

I hereby request that the honorable general assembly approve the balance sheet and the income statement and release the Board of Directors.

Respectfully
Canan CEYRAN

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. CORPORATE GOVERNANCE COMPLIANCE STATEMENT

Ayen Enerji Anonim Sirketi has made necessary arrangements to comply with the requirements specified in the Corporate Governance Guidelines published by the Capital Market Board during the fiscal period ended on December 31, 2010 and has conducted the compliance review required by the Corporate Governance Guidelines in respect with the Articles of Association, and other legal procedures and practices of the Company.

Our Company is in compliance with the Corporate Governance Principles, except some matters identified in Corporate Governance Principles; and it acts with a consistent management philosophy based on trust in the light of integrity, trust, accountability, transparency and social responsibility as embraced by all managers and employees conscious of the responsibility towards all shareholders, stakeholders, interested parties and the public at large. As a result of Board of Directors' works, matters in the charter and practice of the Company that are not in compliance with the Corporate Governance Principles have been identified. Those which may be realized in short term have been put into effect; the matters requiring charter amendments have been defined separately. The matters requiring charter amendments such as the transfer of registered shares, the method of accumulative voting, representation of minority shares in the board of directors and independent members do not exist in the articles of association. Studies are being conducted for the matters, which require charter amendments and are identified in Corporate Governance Principles.

SECTION I – SHAREHOLDERS

2. SHAREHOLDER RELATIONS UNIT

In Accordance with the Corporate Governance Principles issued by the Capital Markets Board, "Partnership and Shareholder Relations Unit" was placed directly under the Board of Directors in 2010.

The following persons were elected as responsible officials in the Unit:
Ahmet Alan - 0 312 445 04 64
Ahmet Gökhan Saygılı - 0 312 445 04 64
Osman Faruk Mutlu - 0 312 445 04 64

Activities carried out by the Unit include following:

- Ensuring that the records concerning shareholders are kept in a sound, secure, and up to date manner.
- Meeting written information requests of the shareholders concerning the Company
- Ensuring that the General Assembly meetings are held in compliance with the effective legislation and the Articles of Associations, preparing the documents that could be utilized by shareholders, keeping the records of voting results and ensuring that the reports related to such results are sent to the shareholders if requested.
- Observing and monitoring of all matters related to public disclosure, including Legislation and the Company Disclosure Policy.
- Notifying Material Disclosures to Istanbul Stock Exchange and the Capital Markets Board in line with communiqués of the Capital Markets Board.

3. THE USE OF SHAREHOLDERS' RIGHTS TO OBTAIN INFORMATION

Shareholders generally request information concerning the Company by telephone or e-mail. Information requests, that are not in the nature of trade secrets and are not within the context of those needed to be kept for the interest of the company, are answered by authorized officials orally and / or in writing. The situations, which will affect the usage of the rights for shareholding, have been announced to public with Material Disclosures on the Public Disclosure Platform (KAP). Written and / or verbal answers are given with Material Disclosures within the frame of the disclosures made to the public.

The questions asked by the Shareholders in 2010 were generally about the operations of generation plants, annual production quantities, investments and progress in investments. Such information is published in website of the company under the title of Generation Units, Investments and Subsidiaries. Financial statements, annual reports, auditors' reports, independent audit reports and Material Disclosures of the company from past to present are published on the Internet and submitted for the shareholders' view. Further, the minutes of the General Assembly are released on the Internet. Inquiries made by shareholders and investors for speculative purposes would be left unanswered while any inquiry which does not inherently involve any business secret would be replied.

There is no provision in the Articles of Association regarding the appointment of a private auditor. We haven't received a request from the shareholders to this end in 2010.

4. INFORMATION ON GENERAL ASSEMBLY

The Ordinary General Assembly of 2009 was held on 29 April 2010. Article 13 of the Articles of Association lays down the quorum for convention and resolution in general assemblies. Accordingly, general assemblies and the quorum for decision in such meetings are subject to the provisions of the Turkish Commercial Code (TCC). The participation of 50 % of A Shareholders is sought in general assemblies and the quorum for decision in such meetings. In 2009, the quorum for convention and resolution in the General Assembly was 85.01%. Our shareholders also participate in the meeting. Representatives from the Ministry of Energy and Natural Resources and the Capital Markets Board are requested and the appointed representatives participate in the meetings as observers.

The meeting is announced to our shareholders by means of publishing on the Trade Registry Gazette, two national newspapers and the website of ISE with Material Disclosures 3 weeks prior to the date of the meeting. Required procedures and a format of power of attorney for participating in the meeting are indicated in the announcement text. The notice of meeting and the documents and information in relation to the matters to be deliberated in the meeting are published on the website of our company, and annual report of the financial year is made available at the head office of the company for the view of the shareholders 15 days prior to the meeting.

Our shareholders that are willing to participate in the General Assembly Meeting are required to dematerialize their Shares pursuant to General Letter of the Central Registry Agency (CRA); numbered 294, dated 30.01.2008 on "Implementation Principles"; of the Provisional Article 6 of the Capital Markets Law no. 2499. Otherwise, it is not possible to participate in the General Assembly Meeting.

Accordingly, the shareholders, who are willing to participate in the General Assembly Meeting, from among those who keep their shares at sub-accounts opened at the Central Registry Organization or in investor accounts at intermediary institutions at the date on which the decision regarding the meeting is taken may participate in the meeting by registering in the General Assembly Blockage List and receiving an entrance card by means of submitting General Assembly Blockage Certificate by communicating with the department of Investor Relations at the latest one (1) week prior to the date of the meeting. All stakeholders and anybody interested in our company may participate in the general assembly meetings without having the right to vote.

Starting with the moment the announcement concerning the General Assembly is made, all our shareholders as well as banks, intermediary institutions or third persons may receive our Annual Report including financial statements, audit reports and information concerning our Company, by coming to our central office in person or sent to their address by courier if they request through telephone or mail. Our shareholders will also be able to access this information from the Company website.

Our shareholders are allowed to ask questions during the General meetings of our company both within and outside the meeting agenda. Authorities and the auditor are present at the meetings to answer the questions concerning technical matters as wells as financial statements. All members of the Board of Directors participate in the meetings in order to answer the questions to be directed towards the Company management. Motions by shareholders are included in the General meeting agenda and deliberated.

In order for our shareholders to be able to participate in the General meetings and vote in electronic environment and to facilitate the participation in the meetings, the amendment to be made to the Turkish Commercial Code is awaited.

The fact that decisions concerning the buying, selling, and leasing of properties with significant values are taken by the General Assembly is not practical for the commercial activities of our Company, which continuously makes investments. Therefore the authority to take such decisions has been vested in the Board of Directors.

5. VOTING RIGHTS AND MINORITY RIGHTS

There is voting privilege on the A class shares which belong to the founders of the company.

There is no provision in the Articles of Association regarding accumulative voting rights, thus such method of voting is not applied.

Due to the need for some decisions to be made rapidly and difficulties in practice, minority shares are not represented in the management. Minority rights and exercise thereof are considered under the Capital Markets Law article 11.

6. DIVIDEND PAYOUT POLICY AND TIMING

The profit payout policy of our Company is determined within the framework of the Turkish Commercial Code, the Capital Markets legislation, and the provisions of the Articles of Association, considering the liquidity state of our Company, the financing requirements of the investments being realized, and the capital subscriptions in affiliates. Whether or not the portion remaining after taxes and legal obligations as well as legal reserves are deducted from the Company profit will be distributed or the amount of such distribution is decided according to the aforementioned criteria and if a decision in the direction of distributing profits is taken, such distribution is realized by no later than the end of May.

The Profit Distribution Policy of our Company for 2010 and subsequent periods was presented to our shareholders during the Ordinary General Assembly convened on April 29, 2010

With its resolution dated April 13, 2011, no. 211, the Board of Directors of Ayen Enerji proposes to the Ordinary General Assembly that, in regards with 2010 operating results, net profit available for distribution after deducting the Statutory Provisions from 2010 operating results to be retained.

7. TRANSFER OF SHARES

Even though there are no provisions restricting the transfer of shares in the Articles of Association of our Company, a resolution of the Board of Directors is sought for the transfer of registered shares.

SECTION II – DISCLOSURES AND TRANSPARENCY

8. DISCLOSURE POLICY

The disclosure policy of our company is based on the principle of materiality, excluding those statements determined with legislation. Statements made to public are primarily announced in Disclosures Platform on the website of the stock exchange and through the press, when necessary. Meetings are held with press organizations if requested and when required, without being based on certain period intervals. Information policies are determined by the Board of Directors until the time the Corporate Governance Committee is established. The "Partners and Shareholder Relations Unit" is responsible for the execution of the disclosure policy.

Within the framework of the rules concerning Disclosure of Internal Information whose procedures were determined within the context of the Communiqué No.54, Series: VIII issued by the Capital Markets Board, our Company made an agreement with media tracking companies in order to provide for our shareholders and investors to gather more reliable information in a faster way pursuant to Article 18 of the Communiqué, where there are information and rumors whose content are different from the information which is material to affect the decisions of account owners and the value of Capital Markets instruments, which was disclosed and published by media organs and which was already disclosed by our Company in any way; and media organs and important websites as well as news agencies are continuously tracked.

9. MATERIAL DISCLOSURE

Material disclosure is made within the legally specified periods and within the periods stipulated in the communiqués of the Capital Markets Board and Istanbul Stock Exchange, following the occurrence of the events that require explanation. The number of material disclosures made in 2010 was 13 in total. The material disclosures made within the year was made within the period proposed by the Law; the Capital Markets Board or ISE (Istanbul Stock Exchange) did not ask for additional disclosure; there were no delayed disclosures; no sanction was applied.

10. COMPANY WEBSITE AND CONTENTS

The website address of our Company is www.ayen.com.tr. All information concerning our Company can be accessed from this address. Our website includes the commercial registration information of our company, its Articles of Association, its shareholding and governance structure, annual reports, periodic financial statements and reports, financial statements additional to Provisional Tax Return, independent audit and auditor's reports, production and investment activities of the company, Material Disclosures, and the information concerning the affiliates.

Our Information Processing Directorate is working on compiling and publishing the answers to such questions and requests on the information concerning privileged shares, the final form of the Articles of Association of the Company along with the dates and numbers of commercial registration gazettes in which amendments were published, explanations and public offer circulars, agendas of General Assembly meetings, lists of participants and minutes of meetings, the sample form for voting by proxy, important resolutions of the Board of Directors that might affect the values of capital markets instruments and information requests, questions and denunciations that reach the company under frequently asked questions along with the answers provided for them to be published.

11. DISCLOSURE OF ULTIMATE CONTROLLING SHAREHOLDER(S)

The capital structure of the Company is as follows as of 31.12.2010:

SHAREHOLDERS	SHARE PERCENTAGE (%)	SHARES TOTAL VALUE
Aydıner İnşaat A. Ş. Class A	56.87	68,026,755
Aydıner İnşaat A. Ş. Class B	28.10	33,615,000
Open to the Public Class B	15.01	17,955,000
Other Class A	0.02	13,245
		119.,610,000

12. DISCLOSURE OF INDIVIDUALS WHO HAVE ACCESS TO INSIDER INFORMATION

The confidentiality of the information with current or potential commercial value is protected by our Company and the Company authorities, who have such information, in a way that it is not made known to third persons and impossible to access under normal conditions until they are announced to public.

According to the provisions of Article 16 of the Communiqué No:54, Series: VIII issued by the Capital Markets Board, the "List of the Persons Having Access to Internal Information" is being prepared and updated as the persons having access to such information are changed. The latest version of the list was sent to the Capital Market Board on November 13, 2010.

SECTION III – STAKEHOLDERS

13. ANNOUNCEMENTS TO STAKEHOLDERS

Regarding the stakeholders, our company makes necessary informing and Material Disclosures both in company activities and during disclosure process within the framework of the Capital Markets Board, Turkish Commercial Code, Tax Laws and other related laws. Our company has adopted the principles of integrity, reliability and transparency in informing the stakeholders. Every opportunity has been provided in order to enable the stakeholders of our Company to obtain all kinds of information concerning our activities. It is possible to obtain all kinds of information regarding the activities of our Company both from the website and by telephone or e-mail or by coming to our Company in person and talking to the relevant person.

Except information on matters of which special conditions have not been disclosed, or matters not yet disclosed, information on company's activities, financial position, its targets, and any other matters related to the Company may be obtained from the person in charge, or from the "Shareholding and Investor Relations department", or directors of the Company when necessary. Also, annual report of our company shall be sent to anybody requesting it and is available on our website.

General Assembly meetings of our Company are open to any person, who is interested in our Company, regardless of whether or not s/he is a shareholder of the Company. Press organizations, non-government organizations and anybody interested in our Company may freely participate in our meetings. The results of meetings are made known to public within the shortest time following their conclusion.

All recommendations and requests of the interest holders of our Company are evaluated by our Company management and the relevant persons are informed about the results of such evaluations. Although specific statistics are not compiled on the matter, a large number of written and verbal information requests, which are received especially through the website of our company in 2010, have been met and answered except the ones having the nature of trade secret by being evaluated in accordance with Capital Markets legislation and within the framework of Material Disclosures and the explanations declared previously.

14. STAKEHOLDER PARTICIPATION IN MANAGEMENT

Participation of stakeholders in management is not possible, since it might delay some decisions that should be taken rapidly and prevent Company activities. The transparency policy of our Company, the transparency of its activities, and the simplicity of the Company affairs do not require the participation of stakeholders in management. Stakeholders are sufficiently informed about the activities of our company with the statements made to the public, the website of our Company and through actual participation in general assembly meetings and their recommendations are taken into account by the management. Recommendations made to the Company management both during and outside general assembly meetings are examined with great care and due diligence and the relevant person is informed about the result.

15. HUMAN RESOURCES POLICY

Human resources policies of our company are determined based on education, development, performance, skills, loyalty, and equality. These criteria constitute the basis for recruitment policies and career planning. Decisions that are taken related to the employees or the developments that concern them are notified to the employees or their representatives.

Job descriptions and distribution as well as performance and reward criteria are determined by managers and announced to employees.

Productivity and the above mentioned criteria that constitute the human resources policies are taken into account in the determination of salaries and other benefits granted to employees.

Safe working environment and conditions are provided for employees and such environment and conditions are continuously improved. Employees are not discriminated based on their race, religion, language and gender, human rights are observed, and the necessary measures are taken in order to protect the employees against physical, mental and emotional abuse within the Company.

Providing a safety work environment in Production Units of our Company is one of the most important issues. In addition to the measures defined in occupational health and safety regulations; our employees are sent to training in authorized organizations.

16. CUSTOMER AND SUPPLIER RELATIONS

Since the generation plants that are being operated by our Company were constructed based on the build-operate-transfer model, all of the energy generated in our plants is purchased by TETAŞ. Our relationships with TETAŞ are governed by the Electricity Sales Agreement concluded with the relevant institution.

Except those power plants under Build-Operate-Transfer scheme, prices for Wind Power Plant (WPP) and Natural Gas Cycle Plant are determined on basis of prices set in accordance with the Electricity Market Balancing and Settlement Regulation (EMBSR).

Regarding retail sales, electricity is sold to Free Customers, with annual consumption exceeding certain quantity, under Bi-lateral Agreements where discount is granted in terms of tariffs set by Energy Market Regulation Authority.

In relations with suppliers, contracts concluded with such suppliers are taken as basis. Quality standards are observed in the purchase of goods and services and care is taken for maintaining the standard. With this aim, certain guarantees concerning the quality are received and certain securities that would ensure the compensation of the goods and services, which remain below the standard, are sought for.

17. SOCIAL RESPONSIBILITY

Our Company is keen on its social responsibilities. Regulations concerning the environment, consumers, and public health as well as ethical rules are observed.

Within the framework of these rules, our Company has directed its investments towards renewable energy sources. Each of the investments belonging to our Company is environment friendly. Therefore, our Company generates energy from natural and renewable energy sources that do not pollute the environment or damage the natural and historical texture of the geography. By generating energy from natural and renewable sources, our Company is both environment friendly and undertakes the mission of providing the economy with the natural resources of our country.

No lawsuits have been filed against our Company for damaging the environment since its establishment. Our Company has obtained Environmental Impact Assessment reports for all its investments.

As a result of the importance and value it places on the environment, our Company has taken a forested land with an area of 1,505 decares in Ankara – Kızılcahamam under protection and provided our country, the forests of which are being continuously destroyed, with a valuable forest by planting hundred thousands of trees on this land.

SECTION IV – BOARD OF DIRECTORS

18. STRUCTURE AND FORMATION OF BOARD OF DIRECTORS AND INDEPENDENT MEMBERS

Only one of the members constituting the Board of Directors of our Company is in an executive position. Our General Manager Fahrettin Amir Arman presides over our Board of Directors.

The Board members of our Company sit also in the Board of Directors of the Group to which the Company is affiliated. There are no provisions in the Articles of Association that prevent the Board members from performing other duties outside the Company. However, none of the Board members is in managerial or executive position in other institutions or organizations outside the Group. Our Board members are only assigned in the boards of directors of the Group companies to which our Company is affiliated and in those of our affiliates.

As required by the Articles of Association of the Company, the Board of Directors must be elected from among the Class A shareholders. Therefore, it is not possible to appoint independent members to the management of the Company. In addition, the simplicity of the Company activities and the transparency of management do not require the appointment of independent members in the Board of Directors.

19. QUALIFICATIONS OF THE BOARD MEMBERS

The Board of Directors of our Company comprise of the members that are nominated by the shareholders with class A shares and elected by the General Assembly.

In principle, people with a high level of knowledge and skills, who are qualified, have a certain level of experience and background, and in addition, who are familiar with the energy sector and has knowledge of the energy market are nominated as candidates and elected as Board members. However, general principles with this regard are not included in the Articles of Association of the Company.

Even if it is not stated in the Articles of Association, the people nominated as Board of Directors' candidates are selected among those who were not convicted of violating the Capital Markets law, the insurance law, the banking law, the law on the prevention of money laundering and the law on lending money and/ or who were not sentenced to heavy imprisonment or imprisonment for more than five years, except for negligent offenses, even if they were pardoned, or who were not convicted for disgraceful offenses such as embezzlement, extortion, peculation, bribery, theft, forgery, swindling, breach of trust, fraudulent bankruptcy, and smuggling other than smuggling for utilization and consumption; or for acting in conspiracy in official tenders and buying and selling transactions or disclosing state secrets, for tax evasion or attempting to or taking part in tax evasion.

Those who are nominated as Board members are the people with the ability to read and analyze financial statements and reports, the basic knowledge on the legal regulations, to which the Company is subject both in its daily activities and long term transactions and dispositions, and the possibility and decisiveness to participate in all the meetings projected for the period they are elected in.

20. THE MISSION, VISION AND STRATEGIC GOALS

The mission of our Company is “to undertake duties in the new energy investments that are required to be made in our country and to finalize such undertaken duty with success”, and its vision is “to convert natural and renewable sources into energy and present them for the country’s economy.”

The strategic objectives, which are set forth as a result of attentive and careful works performed by our project team, working within the framework of this mission of our company and submitted to the management in the form of a report, are separately examined by the Board of Directors, in terms of all their aspects and approval is given for those that are found appropriate to be put in practice. The projects implemented are subjected to monthly performance evaluations and analyses on the targeted and actual production, cost, profitability, and liquidity are realized.

21. RISK MANAGEMENT AND INTERNAL CONTROL

Since our Company engages in energy generation, it is subject to the legislation and regulations of the Ministry of Energy and Natural Resources and the Energy Market Regulatory Authority in terms of its activities. In addition, enterprises with license are subject to independent auditing by the Energy Market Board.

Even though the Company does not have a separate risk management and internal control unit; both company activities and the documents from these activities are examined separately by executive managers, the inspection committee, and the company auditor and both the legal records and financial statements are subject to control. In addition, company records and financial statements are also subject to independent and certified financial advisor auditing. The payment and expenditure documents of the Company are evaluated and accounted together with the relevant request form of the head of the unit requesting for such spending and payment, the contract made for the subject expenditure and payment, the progress payment document and the account statement, if any, and submitted to audits. The accessory records belonging to the accounts of the Company with daily movements and the deduction receipts that constitute daily transaction records are approved by the general manager and the chairman of the inspection committee and transferred to the accounting records.

22. POWERS AND RESPONSIBILITIES OF BOARD MEMBERS AND MANAGERS

The Board members are vested with the authority to represent and bind the Company. The authority to represent the Company in front of third persons and to bind it in cases, which would place the Company under obligation, as well as the relevant responsibilities belong to the Board of Directors and the head of the executive body is the General Manager. The General Manager is appointed by the Board of Directors. Even though the manner in which the General Manager will manage the company activities and the authorities and responsibilities of the executive team are not stipulated in the Articles of Association, the Company is administered within the framework of the company policies determined by the Board of Directors, the Articles of Association, the legislation, internal regulations and the mission and vision of the Company and the Board of Directors are periodically informed with this regard.

The General Manager, who is the head of the executive body, is responsible before the Board of Directors for the equitable, transparent, accountable and responsible performance of his duties and those of the executive team, the performance of the company activities within the framework of the mission, vision, objectives, strategies, and policies, and for acting in compliance with the financial and operational plans approved by the Board of Directors every year. The authorities, required for the executives to perform their duties, are vested by the Board of Directors.

23. ACTION PRINCIPLES OF BOARD OF DIRECTORS

Board of Directors' meetings are held whenever necessary, rather than on a periodical basis. Since the members of the Board of Directors are often together, the procedure regarding the call for meeting is not applied and active participation in the meetings is achieved whenever necessary. The Board of Directors is informed in detail about the company activities during monthly performance meetings. The Board of Directors convened 21 times in 2010, full participation in the meetings was achieved and decisions were taken unanimously. Secretarial duties of the Board of Directors are carried out by the Accounting Directorate.

24. PROHIBITION ON DEALING WITH OR COMPETING AGAINST COMPANY

The Board members of the Company did not transact or compete with the Company within the year.

25. CODE OF ETHICS

The code of ethics established by the Board of Directors has been adopted by all company employees and the measures for compliance of such code of ethics have been taken by the Company.

Company executives and employees may not use the confidential information that is not open to public in favor of themselves or others, may not provide information, disseminate news or make comments about the Company that are false, incorrect, misleading, or unsupported. The executives may not accept direct or indirect gifts related to the Company activities and obtain unfair benefits. Information belonging to the Company that is in the nature of trade secrets is confidential and may not be disclosed.

26. NUMBER, STRUCTURE, AND INDEPENDENCE OF BOARD COMMITTEES

The simplicity in the activities of our Company limits the number of committees. The Board of Directors set up an "Inspection Committee" consisting of two members from among themselves and announced it to the public in order to be able to perform their duties and responsibilities in a healthy manner. The Inspection Committee performs its activities regularly, as stipulated in the Capital Markets Legislation and the Corporate Governance Principles of the Capital Markets Board. A "Corporate Governance Committee", on the other hand, is planned to be established. Actions in this regard will be taken in line with the relevant legislation and the regulations to be published by the Capital Markets Board.

27. REMUNERATION TO BOARD MEMBERS

The Board members do not receive any fees or benefits from the Company. No payments are made to the Board of Directors and executives of the Company under the name of loan or credit and no guarantees or securities are provided in their favor.

AYEN

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