AYEN

AYEN ENERJİ A.Ş.

ANNUAL REPORT 2011

CONTENTS

FOREWORD

The energy consumption in Turkey has increased by 9% in 2011. Some uncertainties that the energy sector has experienced in 2011, revealed particularly during the privatization of distribution regions and unfortunately the privatization bids for some major regions ended unsuccessfully. The primary reason for this was the extremely high expectations of some parties who were unfamiliar with the energy sector, these expectations were proved to be wrong in time. The same situation was experienced in means of power trade, and as a result some power trade companies had to pull out of the market.

The second reason was the global crises that the whole world is in. It is very important to take this into consideration during the distribution and Generation privatizations planned to be made, as a potential failure of the privatizations in terms of international financing would have an adverse effect on both the national economy and the energy sector .

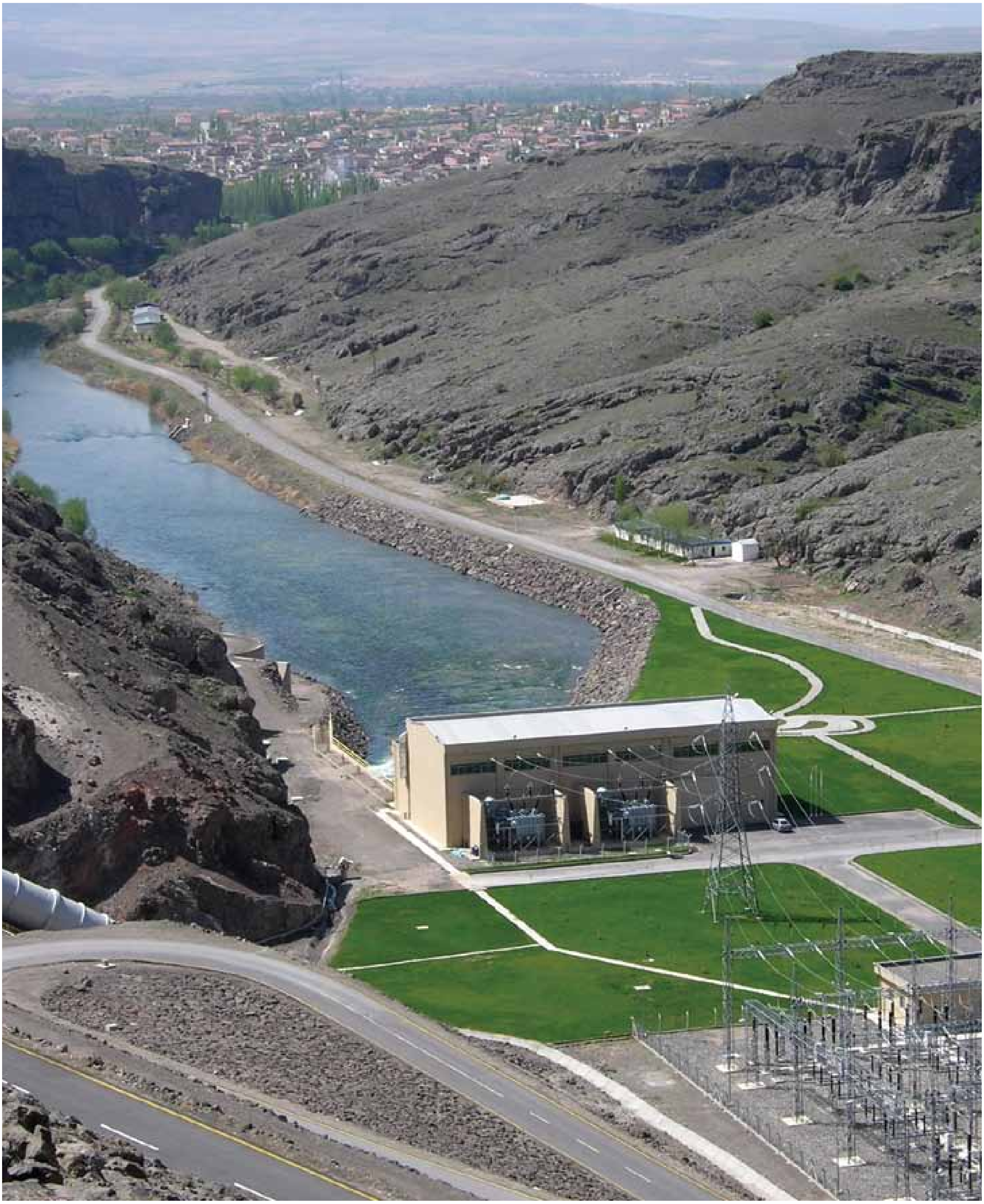
The installed power of our country which was 55,000 MW in 2011 is expected to increase with a ratio of 10% in 2012.

Our company has proceeded with the ongoing investments in the year of 2011 and became a part of new affiliates by purchasing additional stakes. One of those affiliates is the Aksu WPP Project. Our company has realized this project in record time. We have also completed the Buyukduz HEPP Project and planning to start the operation in May 2012. On the other hand, the turbine equipment has arrived at the project sites of Mordoğan WPP and Korkmaz WPP and the construction works started as of March 2012.

Our company has increased its activities regarding power trade in respect to the previous year and carried on trading the Generations of other Generation companies as well as our own Generation portfolio.

We as Ayen Enerji are determined to continue our operations both in terms of generation and trade with an increasing capacity.

Respectfully,
Fahrettin Amir ARMAN
General Manager



AYEN ENERJİ ANONİM ŞİRKETİ

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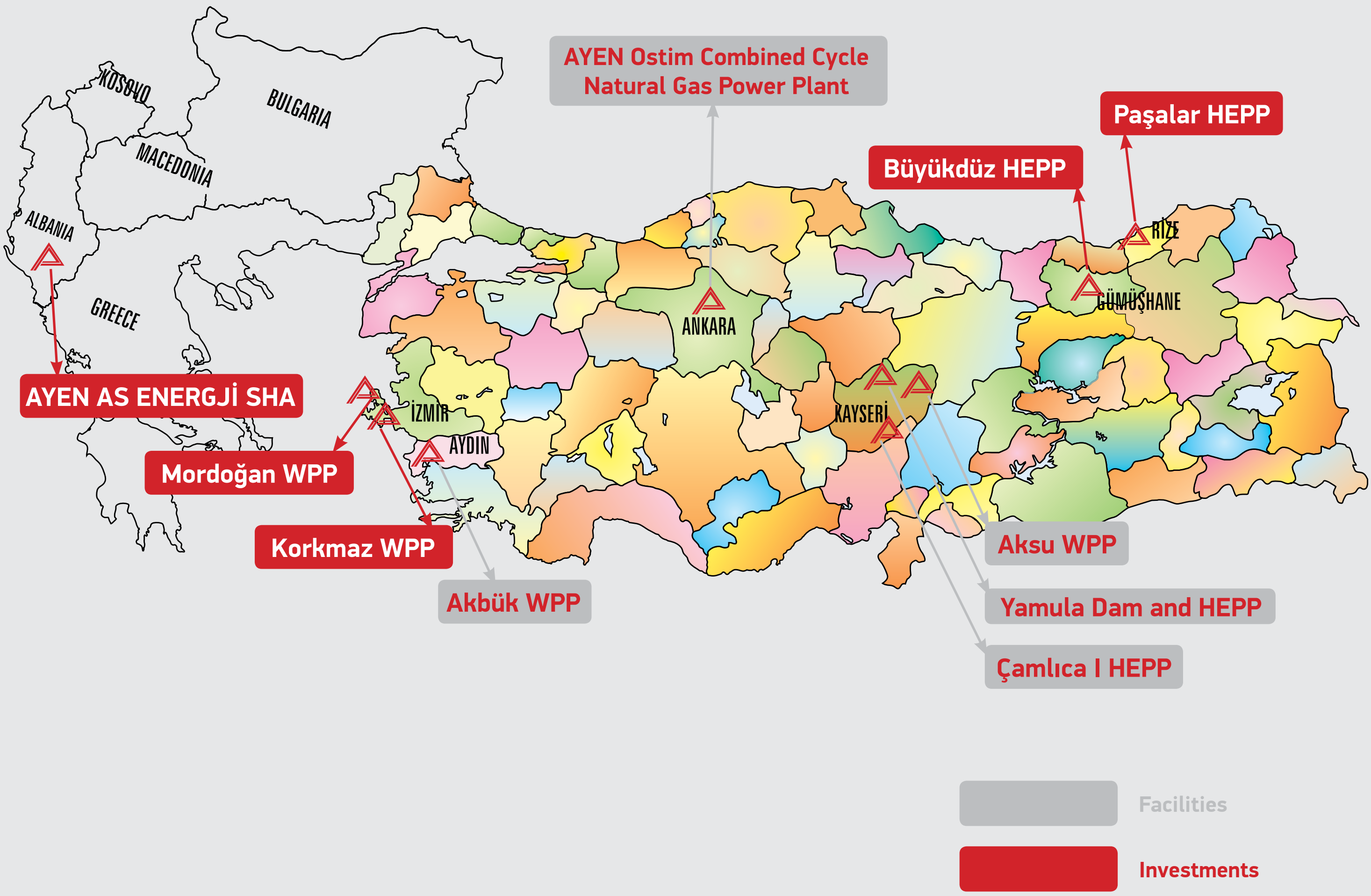


2011 SHAREHOLDERS' ORDINARY GENERAL ASSEMBLY AGENDA

1- Opening and the election 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 2011 operations and accounts,

4- Presentation of the Independent Auditor's Report for 2011 operations,

5- Presentation, deliberation and approval of the Company's 2011 Balance Sheet, Income Statement and Consolidated Financial Statements,

6- Releasing the Board of Directors and the Auditor,

7- Deliberation and approval or rejection of the proposal of the Board of Directors concerning the profits from 2011 operation results,

8- Approval or rejection of the below, offered with the number 231 declaration dated 13.03.2012 of the Board of Directors, due to course of the Serial IV, number 56-57 communiqué in regard to the determination and operation of corporate administration principles of the Capital Markets Board: the text of amendment approved with the no: 5027 notice of the Capital Markets Board dated 04.05.2012 and the no: 3388 notice of the Ministry of Customs and Trade dated 07.05.2012 with regard to the amendment of Item 3 with the title "Aim and Subject", Item 6 with the title "Capital and Shares", Item 10 with the title "Board of Directors and Term", Item 11 with the title "Company's Represent and Bind", Item 13 with the title "General Assembly", Item 15 with the title "Announcement", Item 18 with the title "Contingency Reserve", Item 20 with the title "Amendment of the Master Contract" and addition of the Item 22 with the title "Adaptation to Corporate Administration Principles".

9- Determination of the number of members and duty terms of the new Board of Directors, election of nominated Board of Directors Members and Independent Board of Directors Members,

10-Electing the Auditor,

11-Approval after negotiation of the "Pricing Policy" for the Board of Directors members and senior staff due to course of the Serial IV, number 56 communiqué in regard to the determination and operation of corporate administration principles, of the Capital Market Board

12- Determination of the monthly gross salaries of the Board of Directors member, Independent Board of Directors members and the Auditor,

13-Notification on the indemnification, liens or hypothec the company has given in the favor or 3rd parties or the incomes or benefit obtained,

14-Informing the Shareholders regarding profit distribution policy for 2012 and subsequent years,

15-Wishes,

16-Closing.

A GROUP LICENSED SHAREHOLDERS MEETING AGENDA

1- Opening and the election of the meeting committee,

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

3- Approval of the Master Contract items only if approved by the General Meeting.

Amendment of a- Item 3 with the title "Aim and Subject", b- Item 6 with the title "Capital and Shares", c- Item 10 with the title "Board of Directors and Term", d- Item 11 with the title "Company's Represent and Bind", e- Item 13 with the title "General Assembly", f- Item 15 with the title "Announcement", g- Item 18 with the title "Contingency Reserve", h- Item 20 with the title "Amendment of the Articles of Association" and addition of k- Item 22 with the title "Corporate Governance Principles Compliance".

4- Closing.

ANNUAL REPORT OF THE YEAR 2011

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 General Manager	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

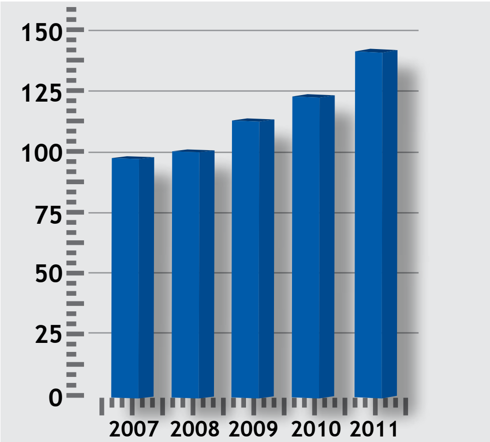
Name of Shareholder	Number of Shares	Share Ratio %	Value of Shares (TRL)
Aydıner İnşaat A.Ş.	14,534,770,965	84.98	145,347,709.65
Open to Public	2,567,565,000	15.01	25,675,650.00
Other (6 shareholders)	1,894,035	0.01	18,940.35
Total	17,104,230,000	100.00	171,042,300.00

AYEN ENERJİ ANONİM ŞİRKETİ

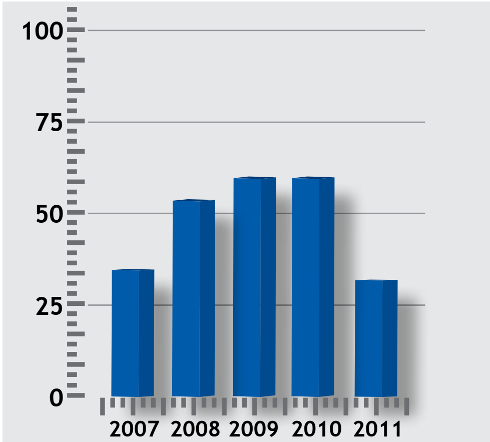
Established	: 15.08.1990
Head Office	: Hülya Sokak No: 37 G.O.P. / ANKARA
Tel	: +90 (312) 445 04 64
Fax	: +90 (312) 445 05 02
e-mail	: ayen@ayen.com.tr
Capital	: 171,042,300 TL
Trade Register	: 79297-Merkez
Industry Register No	: 520264.34
Tax Office / Reg. No.	: Cumhuriyet-119 004 5930
Nature of Business	: Generating and trading electricity

FINANCIAL HIGHLIGHTS

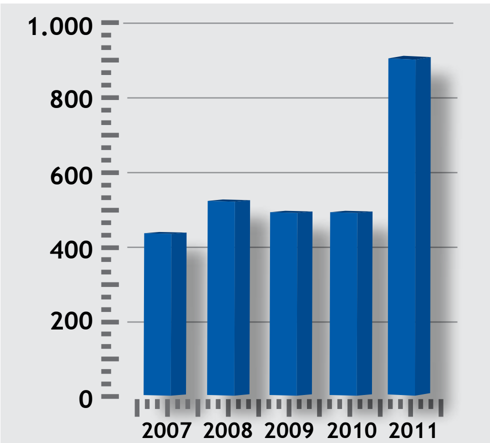
NET SALES (million TRL)



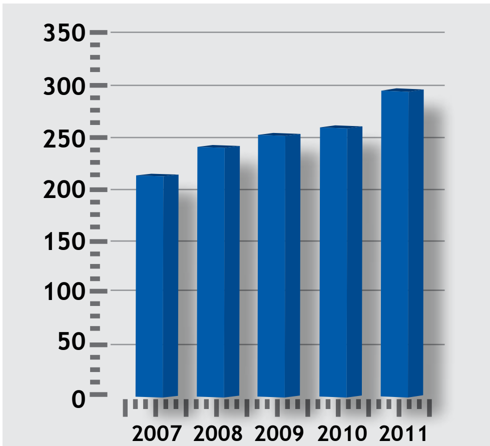
PROFIT BEFORE TAX (million TRL)



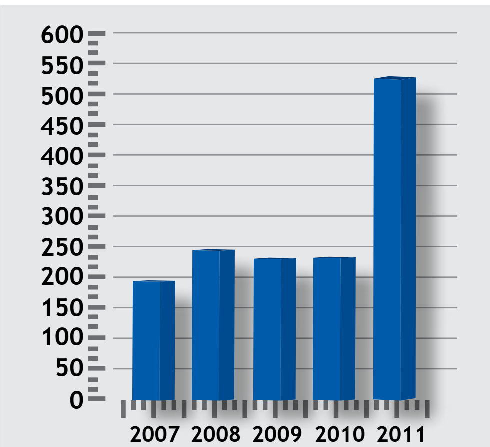
TOTAL ASSETS (million TRL)



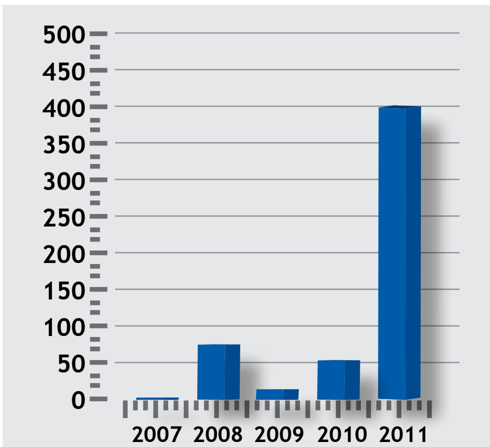
SHAREHOLDERS' EQUITY (million TRL)



NET DEBT (million TRL)



INVESTMENTS (million TRL)



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 rated 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) 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. Electricity Market bonded system has been transferred into practice as of 01.12.2011. According to this system, the participants will be able to compensate their energy requirement of the next day, in the previous day and will be able to sell the excess energy again in the previous day. In the system, the payments are made or received as advance payment basis. The residuals are collected in accordance with the principles of Electricity Market Balancing and Settlement Regulation at the end of the month at the final reconciliation.

Furthermore, 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 Letter of Guaranties 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 foreign currency based loans, this risk is limited to a large extent since Build-Construct-Transfer incomes of the sales revenues are received in foreign currency and the maturity composition of the foreign currency loans are arranged in a manner to provide the liquidity balance.

Certain key ratios of our Company according to the Financial Statements that reflect our financial results for 2011 are given below:

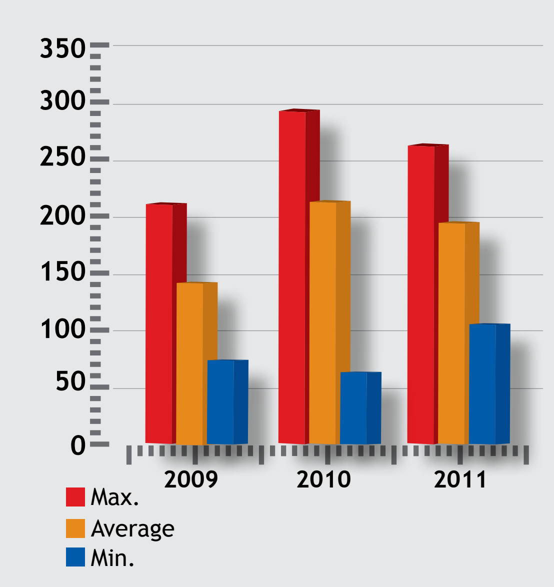
A) LIQUIDITY RATIOS:	December 31, 2011	December 31, 2010
Current Ratio	0.41	1.48
B) FINANCIAL STRUCTURE RATIOS		
Net Debt / Shareholders' Equity	2.06	0.89
C) PROFITABILITY RATIOS		
Gross Profit Margin (%)	27.60	45.46
Operating Profit Margin (%)	24.26	40.88
EBITDA Margin (%)	27.43	48.84

AYEN ENERJI IN ISTANBUL STOCK EXCHANGE - 2011

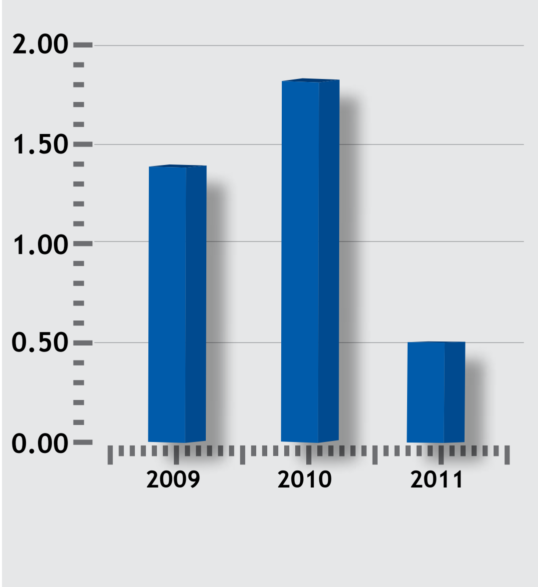
Ayen Enerji shares traded at an average daily volume of TL 0.81 million (USD 0.49 million) in 2011. The average daily volume reached to its maximum value at TL 10.48 million (USD 5.89 million) and its minimum value at TL 22,532 (USD 13,856).

In 2011, the average Mcap was USD 194 million. The Stock's minimum price was realized as TL 1.18 (USD 0.62) and maximum price as TL 2.32 (USD 1.53), representing a maximum Mcap of USD 261.8 million and a minimum Mcap of USD 106.3 million, respectively.

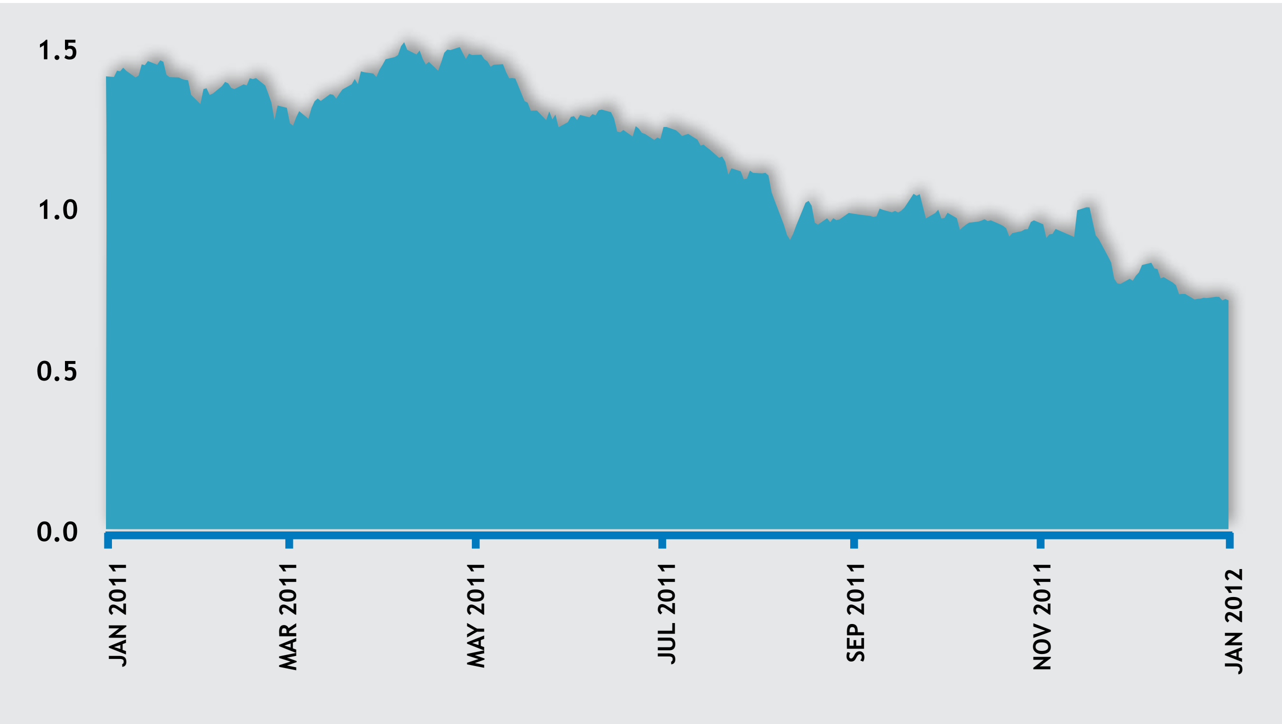
MARKET CAP (mn $)



AVERAGE DAILY VOLUME (mn $)



AYEN 12 MONTH PERFORMANCE ($)



ENERGY SECTOR AT A GLANCE

Developments in the World

Important uncertainties took place in the energy industry in the world due to the economic crisis in 2008-2009 and partially in 2010. The indication parameters of the Energy Industry like energy Generation, consumption, prices and investments have shown unconventional changes. It is expected that this unpredictable situation will affect the coming years.

Within the scope of these uncertainties the Fukushima nuclear accident which took place in Japan in 2011 and the political tension in the Arabic countries have deepened this unpredictable environment.

The countries in net importer position for power supply, give major importance to diversify the power resource origins along with transportation routes and power supply substructures to provide the security of power supply.

Electrical Power in the World

It is predicted that the electrical energy consumption worldwide of 18.8 trillion kWh in 2007, will reach 25 trillion kWh in 2020 and 35.2 trillion kWh in 2035.

ENERGY QUOTA PER CAPITA (kWh)	
United States of America	12,322
Developed Countries	8,900
World	2,500
Turkey	2,800

While the world average of annual consumption increase is 2.4%, it is 2% for developed countries and 4.1% in developing countries. The biggest increase for electricity generation is in renewable energy resources and the utilization of liquid fuels in electricity generation has decreased.

In 2011 a total of 4.8 trillion kWh renewable energy was generated in the world, of which 56% from hydraulic sources and 26% from wind power.

Renewable resources and energy productivity came into prominence as an alternative to fossil fuel as global warming gained an importance. The governments have begun to announce financial assistance programs for renewable resources as a solution to increasing energy prices.

Developments in Turkey

The main objective of the energy policy of Turkey is to introduce timely, stable, and sufficient energy for consumption in economic conditions while supporting economic growth and social progress, and with necessary actions to protect the nature.

The main elements of the energy policy of Turkey are:

- To increase resource variety and energy supply security, ,
- To continue necessary reform studies for the energy sector,,
- To provide an increase in the investments in all fields of energy sector while taking environmental affects into consideration.

Our country is in an effort to realize development objectives, increase social welfare and bring the industry sector to an internationally competitive level.

Turkey is experiencing a higher increase in demand for all components of energy sector compared to the developed countries, consistent with its economical development objectives. Turkey is dependent on import resources with a ratio of three out of four and the fluctuations in the prices of fossil fuels beyond the control of Turkey causes negative affects in means of energy prices and competitiveness. It is important in this scope to diversify the energy supply portfolio by making use of domestic resources within economical conditions and benefiting from the relatively stable cost feature of nuclear energy.

The economical crisis called the global financing crisis which covered the years 2008 and 2009 and whose negative affects continued in 2010 and the coming years, caused a contraction in the primary energy consumption of Turkey in 2008 and 2009.

While the total electricity consumption of Turkey was predicted to be 207 billion kWh in the 2009 Generation program prior to the crises, due to the economic crises it was realized as 194.1 billion kWh with a 2% decrease from the previous year. However in 2010, the predicted amount of 202.7 billion kWh with the economic crises taken into consideration, was realized as 210.4 billion kWh with a 8.4% increase compared to the previous year as the affects of the economical crisis have decreased. The total electricity consumption in Turkey reached 229 billion 344.4 million kWh in 2011 with a 9% increase.

The total installed power in Turkey has reached 53,235 MW with 644 facilities.

SOURCE	INSTALLED POWER MW	CONTRIBUTION %
NATURAL GAS	19,853.4	37.3
HYDROELECTRIC	17,137.1	32.2
COAL	12,355.7	23.2
OIL	1,930.9	3.6
WIND	1,728.7	3.2
GEOTHERMAL+ RENEWABLE + WASTE	229.6	0.4
TOTAL	**53,235.4**	**100.0**

Economically, we have the opportunity to install new facilities of 12,315 MW coal and 31,300 MW hydraulic power plants from our domestic resources. The generation opportunity of the additional capacity using domestic resources of 43,615 MW will be 173,000 GWh. This value is 83% of our current generation.

The demand projections that were prepared on the basis of demand forecasts by the Ministry of Energy and Natural Resources, in the study of Turkey Electric Energy 10-Year Generation Capacity Projection for 2011-2020 were prepared using the High Demand and Low Demand series which was revised by the Ministry of Energy and Natural Resources considering the effects of the economic crisis.

According to the high demand, considering the effects of the economic crisis, the energy demand at 228 billion kWh in 2011 is expected to increase to 433.9 billion kWh in 2020. According to the low series, the demand is calculated to be 398.2 billion kWh in 2020.

Turkish economy has strong relations with energy consumption and energy import. 54.1 billion dollars have been spent to energy import in 2011 with an increase of 40.56% compared to the previous year. According to the data of the Turkish Statistical Institute (TÜİK), 22.46 of each 100 dollars was spent on energy import in 2011, while the total export reached 134 billion 954 million dollars with an increase of 18.5% and total import reached 240 billion 833 million 236 thousand dollars with an increase of 29.4%.

Thus, the total amount Turkey spent solely on energy import in the last 10 years reached 300 billion dollars. Although Turkey has various problems regarding energy, the most important one is the foreign-source dependency. Despite the increase in primary energy needs, not being able to put the domestic energy resources into service raises the issues of foreign-source dependency in energy supply and the economic and political problems this dependency leads to.

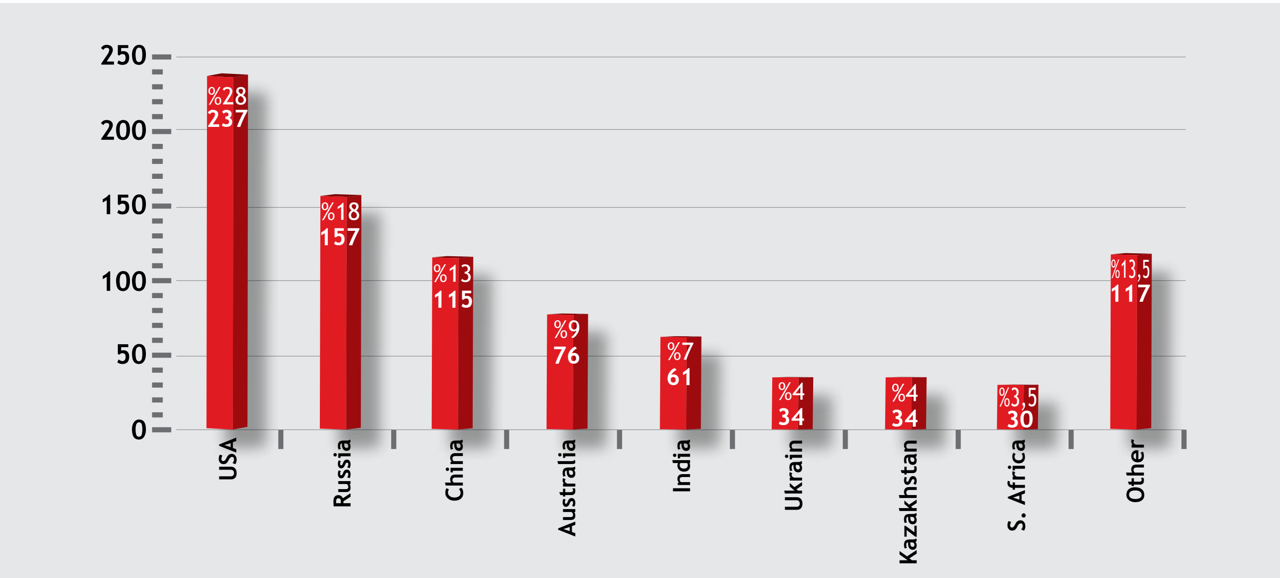
The lack of domestic generation and the failure in oil and natural gas explorations, have caused a foreign-supply dependency of 73% in energy supply. This ratio is expected to increase with the acceleration of primary energy needs.

COAL

World Coal Reserves

The total economically producible coal reserves of the world are 861 billion tons. While USA has 28% of the world reserve with 237 billion tons, Russia has 18%, China has 13%, Australia has 9%, India has 7%, Ukraine and Kazakhstan has 4%, South Africa has 3.5% and the rest of the countries in the world have 13.5% of the world coal reserve. As you see, 8 countries share the 86.5% of world coal reserves. Although 90% of world coal reserve ranges in five continents, the continent of Asia has the biggest share.

COUNTRY SHARES AND AMOUNTS IN WORLD COAL RESERVES (Billion Tons)



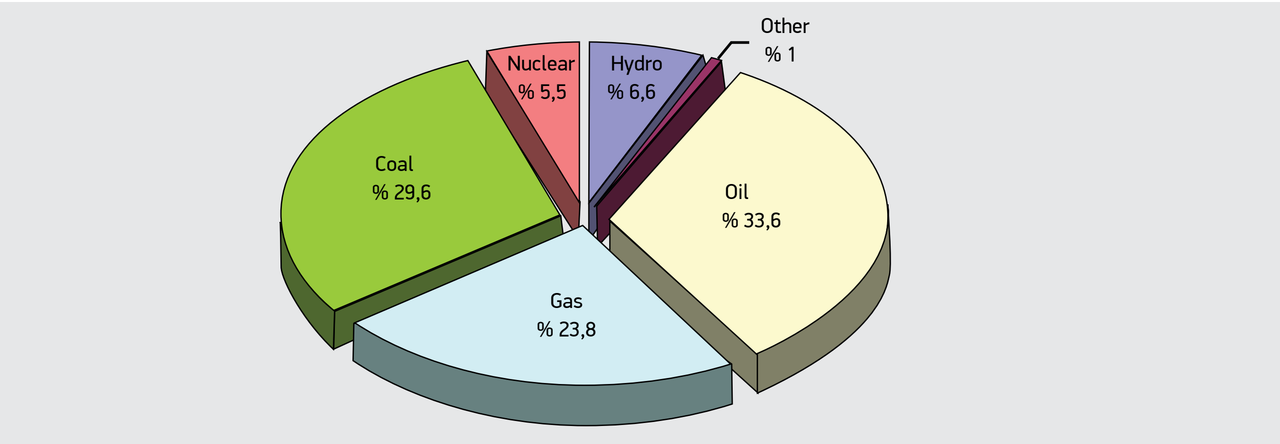
Coal Reserves of Turkey

In our country, despite the very limited natural gas and oil reserves, there is a 1.3 billion tons of anchorite coal with 515 million tons visible and 12.5 billion tons of Brown coal with 11.2 billion tons visible coal reserve. The electrical energy generation potential of domestic resource Brown coal is a total of 118 billion kWh/year of which 33% have been utilized. There is an opportunity to install 12,315 MW power facilities with our domestic coal resources economically.

NATURAL GAS

Natural gas is the third commonly used resource with a share of 23,8% in the world energy consumption, following oil and coal.

PRIMARY POWER CONSUMPTION IN THE WORLD BASED ON RESOURCES %

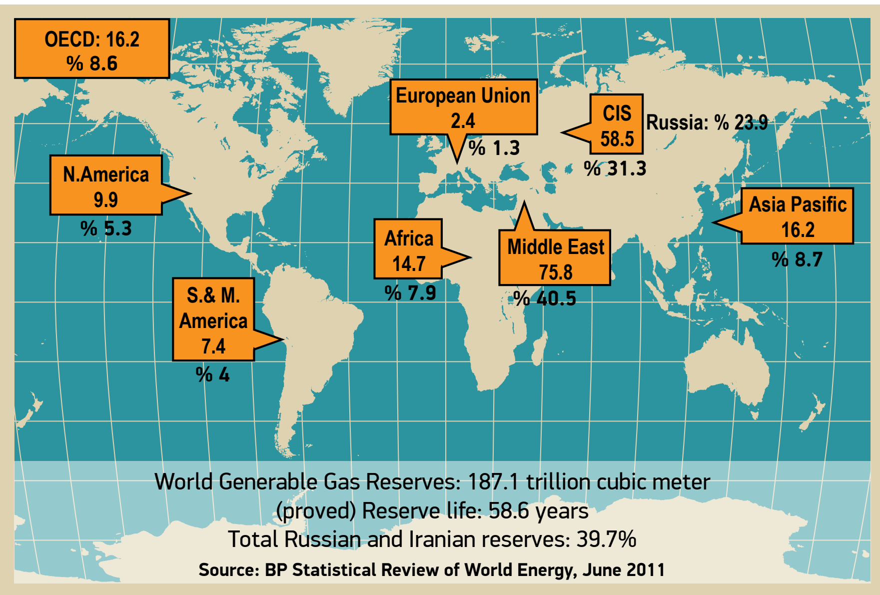


World Conventional Natural Gas Reserves

The total number of conventional natural gas reserves of the world by the end of 2010 is 187.1 trillion cubic meters.

The natural gas reserves are intensively located at the Middle East (40.5%) region with 75.8 trillion cubic meters. The Soviet Union follows the Middle East with a reserve of 58.5 trillion cubic meters (31.3%). On country basis, the Russian Federation takes the first place with its reserve of (23.9%) of 44.8 trillion cubic meters, followed by Iran (29.6 trillion cubic meters) and Qatar (25.5 trillion cubic meters). The rich gas reserves of Russia provide the country with great contribution to the economic power along with a remarkable geopolitical superiority with its foreign relations.

WORLD GENERABLE GAS RESERVES, BY THE END OF 2010
(Trillion cubic meter) (Conventional Reserves)



Natural Gas Consumption in Turkey

The natural gas consumption in Turkey has the tendency to increase since 1987. Natural gas consumption has reached to 43.8 billion cubic meters in 2011. The natural gas consumption amount is expected to be 51.4 billion cubic meters in 2015 and 59.3 billion cubic meters in 2020 according to the projection of the Ministry of Energy and Natural Resources.

Natural gas takes the first place in the electrical energy consumption in Turkey with a ratio of 44.7% in 2011. Thus, natural gas consumption has increased 2.5 times in the past 10 years. Natural gas consumption for electrical power generation takes the biggest part in the increasing demand. In 2011 the distribution of national natural gas consumption to sectors is as follows: electricity 53%, industry 28% and residences 18.9%.

HYDROELECTRIC

While the population factor increased by factor 8 in the past three hundred years, the clean water amount drawn from clean water resources grew by factor 35. The water consumption is increasing rapidly in the world. Therefore, it has become an obligation to review water structures on river basin basis and construct integrated projects, to provide consensus with other beneficiaries and the society, developing projects based on economical criteria and more productive utilization of water.

World Water Reserves

The total water amount in the world is 1,400 million cubic kilometers. The salt water of the seas and oceans make up 97.5% of this water. The 2.5 % left, in means of 35 million cubic kilometers, is the fresh water and can be used for various purposes. However, 68.7% of fresh water is as glacial mass at the poles (Antarctica and Greenland), 0.8% is as fossil underground, 30.1% is as underground water and finally 0.4% is either surface waters or atmospheric steam. On the other hand it is not easy to reach all these resources. The underground waters which have much more potential than the amount of water in the rivers and lakes, are at unreachable depths while most of the surface waters are far from where needed or they flow to the sea unutilized, because of uncontrollable floods.

World Hydroelectric Potential and Development

• Gross, theoretical hydroelectricity potential, approximately	40,150,000 GWh/year
• Technically installable hydroelectricity potential, approximately	14,060,000 GWh/year
• Economically installable hydroelectricity potential, approximately	8,905,000 GWh/year

926 GW (or 3,551,000 GWh/year) of this potential is under operation as of 2009, while 161 GW is under construction. The total capacity which is planned to be constructed in the future is between 362 and 602 GW.

Hydroelectricity provides approximately 20% of the total electricity power generated in the world. Hydroelectricity provides 50% of national electricity of approximately 53 countries, 80% of 21 countries and the whole electricity consumption of 17 countries. Many countries, consider hydroelectricity as the key to the economic developments in the future and determine national strategies accordingly.

Trukey

Turkey's altitude above sea level is approximately 1300 meters. While the average amount of rain per year is 501 billion cubic meters in our country, 186 million cubic meters of this amount is converted into rivers.


AYEN

According to the studies at the 25 river basins in Turkey and stochastic calculations conducted by State Hydraulic Works (DSI) and General Directorate of Electric Power Resources Survey and Development Administration (EIE), the gross theoretical electric energy generation potential is 433 billion kWh/year, while the technical potential is 216 billion kWh/year. Today the economical hydroelectricity generation potential of Turkey including the changes in the criteria of whether or not a facility is economically constructible and the small water power plants the investors found, is 192 billion kWh.

Turkey has a 1% share in the world and 15% share in Europe for the hydroelectricity potential with its 216 billion kWh/year technically constructible potential. From a different viewpoint, Turkey is eighth in the world in hydroelectricity potential, and third in Europe following Russia and Norway.

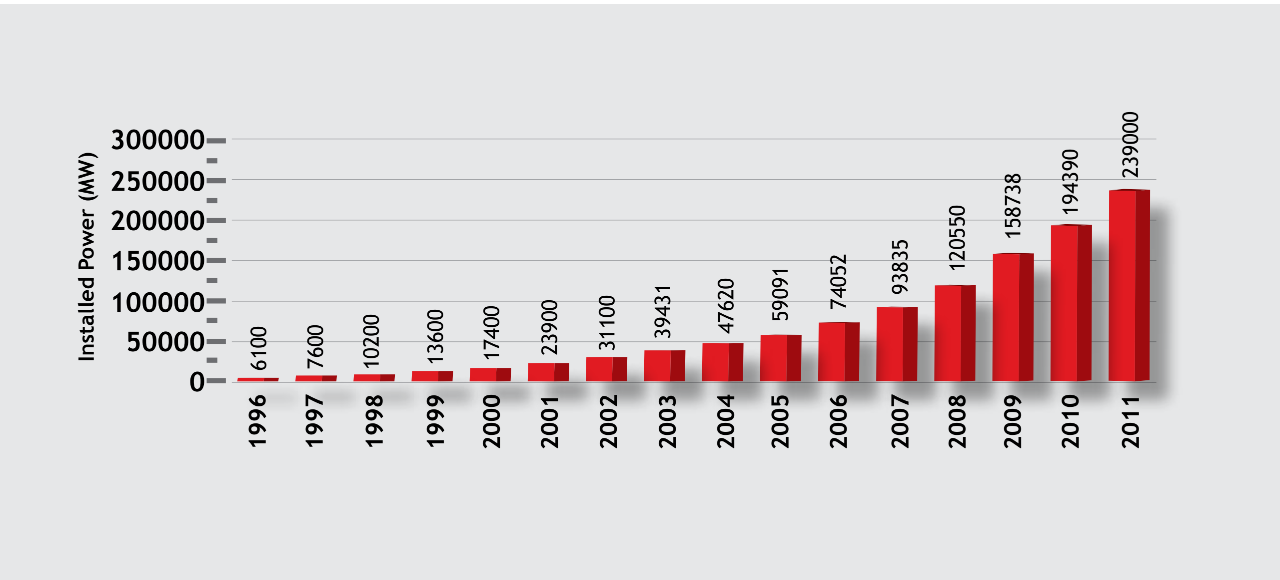
The utilization of hydroelectricity potential has reached 90% at Japan, Portugal and Italy. This ratio is 75% throughout Europe. When compared to the other electrical power generation methods, hydroelectricity generation stands out with its low costs, longevity and high productivity. While great developments take place in the world in hydroelectricity Generation, 35% of the hydroelectricity potential in Turkey is under operation and 15% is under construction. The primary aim is to realize all economically constructible potential by 2023.

WIND POWER

As the environmental problems today's world is dealing 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 having the lowest cost among renewable sources has cast it to the forefront, and drawn more attention to wind power technology.

Developments in the World Wind Power Market

GLOBAL CUMULATIVE WIND INSTALLED POWER



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, 17,400 MW in 2000 and 59,091 MW in 2005, it has tripled in the last 5 years to 194,390 MW at the end of 2010. In 2011, with 44.6 thousand MW wind power plants (WPP) put into use, the global installed wind power increased to 239 thousand MW.

The wind turbines all around the world have produced 500 billion kWh energy in one year by the end of 2011. This number covers more than the annual energy requirement of Italy which has the seventh biggest economy in the world and 2% of the energy requirement 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 world's electricity demand from wind power in 2020.

ELECTRICITY DEMAND COVERED BY WIND POWER ON COUNTRY BASIS

COUNTRY	Coverage Ratio (%)
DENMARK	25.9
SPAIN	15.9
PORTUGAL	15.6
IRELAND	12
GERMANY	10.6
CHINA	1.2
USA	2

DEVELOPMENT OF INSTALLED WIND POWER IN TURKEY BY YEARS (1991 – 2011)

YEAR	Installed Power (MW)	New Capacity added Annually (MW)	Annual Installed Power Increase (%)
1999	8.7	0.0	0.0
2000	18.9	10.2	117.2
2001	18.9	0.0	0.0
2002	18.9	0.0	0.0
2003	20.1	1.2	6.3
2004	20.1	0.0	0.0
2005	20.1	0.0	0.0
2006	65.0	44.9	223.4
2007	207.0	142.0	218.5
2008	333.0	126.0	60.9
2009	801.0	468.0	140.5
2010	1,329.0	528.0	65.9
2011	1,728.7	399.7	30.1

Developments in the Turkish Wind Power Market

Turkey's theoretical wind power potential is 48,000 MW according to the Wind Power Potential Atlas. When the current electric network substructure is taken into consideration, the wind power potential which can be connected to electric network is calculated as 10,000 MW. On the other hand it is possible to increase the wind power potential which can be connected to electric network to 20,000 MW at medium term following the revision studies that will be conducted in the electric network. Thus it is foreseen that the installed wind power in Turkey will reach 20,000 MW by the year of 2020.

The installed wind power has reached 1,729 MW in 2011 by putting into use 400 MW wind power plants (WPP). Compared to the previous year, a 30% growth was monitored in the wind power market by the end of 2011. Turkey takes seventh place in Europe in means of cumulative installed wind power evaluation. When the past 10 year period is taken into consideration, the fastest growth was experienced in 2007. At the end of 2011, the share of wind power in the installed power in the energy composition of Turkey is 3.2%. It is foreseen that the total value of wind power market in Turkey is between 8.5 and 17 billion euro.

NUCLEER ENERGY

Nuclear Energy in the World

13.8 percent of electricity generation in the world are provided by nuclear energy today. On the other hand 434 nuclear power plants with 370 thousand MW power of which half is in France, USA and Japan are under operation, while 59 nuclear power plants with 59 thousand MW power are under construction.

Additionally, 156 nuclear reactors with 173 thousand MW power are planned to start operating by 2020 and 342 nuclear reactors with 390 thousand MW power by 2030.

New Attitudes of Countries towards Nuclear Power

Many countries which operate nuclear power plants reevaluated nuclear energy following the nuclear accident that took place in Fukushima Daiichi Nuclear Reactors in Japan, on March 2011.

An evaluation regarding the reliance of domestic nuclear industry was conducted in England right after the nuclear accident. As a result of this evaluation it was said that it was no such problem of collapse in the English nuclear power plants which are being cooled by air, of the cooling water problems in Japan which lead to the collapsing of the power plant.

Major changes were made in the nuclear energy policy of Germany, following the Fukushima nuclear accident. The German Prime Minister ordered the old reactors to be stopped immediately and pointed out that they may never operate again. Yet the same German Prime Minister had announced that the nuclear reactors will operate longer than their determined lives, before the nuclear accident in Japan.

The argument on the energy sector in Germany has grown following the decision of closing all 17 nuclear power plants within the borders of the country until 2022. It is observed that the “Greens” within the German Parliament have played an important role in the decision to stop nuclear power plant operations.

Although the decision to shut down nuclear power plants which was taken by the coalition parties of Germany was welcomed by the French “Greens”, the ruling party stated that they are not planning to make any changes in the nuclear energy policy.

Italy went to a referendum in June 2011 about the “not removing of the law about the banning of nuclear power plant operations”. 94.5% of the voters said “yes” and stated their will for the continuation of the law which was introduced to ban the operation of nuclear power plants in Italy.

There are 5 nuclear power plants in Switzerland. These power plants provide 40% of the total electrical power requirement of the country. The Swiss Government, following the Fukushima nuclear disaster, just like the German Government decided rapidly to shut down the nuclear power plants after the year of 2019. Switzerland is planning to provide the future electricity generation by sun, wind, biomass and hydraulic resources.


AYEN

It is predicted that the energy requirement of our country in the centenary of the foundation of our Republic will be more than twice of the current level with approximately 500 billion kWh. Accordingly, the nuclear power plant investments are on the agenda in our country, since our resources cannot meet our rapidly increasing electrical power requirements despite the efforts to make maximum use of our renewable energy resources and energy productivity.

It is aimed that the share of nuclear energy within our electrical energy generation to be 20% by the year of 2023.

With this object in mind a Project company was founded by the name of Akkuyu Nükleer Güç Santrali Elektrik Üretim A.Ş. on December 13, 2010 within the scope of the "Agreement Signed Between the Government of the Republic of Turkey and the Government of the Russian Federation" to construct a nuclear power plant at the Akkuyu Region of Mersin with 4 reactors and which will generate 40 billion kWh electricity.

The studies to facilitate nuclear power plants at Sinop, which will be followed by the Tekirdağ Region in the Thrace, are being conducted at the moment.

AYEN ENERJİ A.Ş. 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).

Projects which have been installed and being operated by our company:

Camlıca 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.

Akbuk 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. which is one of our subsidiaries, on Kızılırmak River, Kayseri. The installed power capacity of the power plant is 100 MW, while its annual generation quantity is 423 m kWh.

Aksu WPP; Our subsidiary AKSU TEMİZ ENERJİ ELEKTRİK ÜRETİM SANAYİ ve TİCARET A.Ş have started electricity generation by starting the operation of 33 wind turbine-generation unites total of which 18 wind turbines were put into use on 13.03.2012 and 15 wind turbines on 05.04.2012, within the borders of Yahyalı, Kayseri holding a generation license of 49 years in the scope of the law 4628 for a 72-MW power Wind Power Plant whose construction started in 2011 with an annual generation capacity of 295,800,000 kWh.

Büyükdüz HEPP; the construction of Büyükdüz HEPP within the borders of Torul and Kürtün, Gümüşhane at the district of Taşoba-Elmalı Villages, holding a generation license of 49 years in the scope of the law 4628, for a 70.8 MW power and 192 million kWh electrical energy generation capacity has been completed. It is planned to start electrical energy generation by the end of May 2012.

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 and for **Mordogan WPP** with an installed power capacity of 30.75 MW and a generation capacity of 96 m kWh and the imports of all wind turbine-generator groups have been completed and construction works have started. Both facilities are planned to start operating in the first half of 2013.

As the legal procedure is continuing regarding the **Paşalar HEPP** Project with an installed power of 40 MW and 151 million kWh generation capacity, no works are being conducted about the Project at the moment. The project is suspended until the evaluation following any new situations in the future.

Fan River Basin HEPP Project: During the free and competitive tender process of the "Fan River Basin HEPP Project" with 87.7 MW power, with a total of 5 hydroelectricity power plants (4 river type, 1 dam), which has a 35 year Concession Agreement and 377,350,000 electrical energy generation capacity per year which was tendered for a contract by the Ministry of Economy, Trade and Energy of the Albanian Republic, the Ayen Enerji A.Ş. and A.S. Energy S.H.P.K. Joint Venture made the best offer and came first. Following the completion of necessary procedures in line with the Albanian laws, the 35 year Concession Agreement has been signed with the related ministry and became valid after being published in the Albanian gazette on 24.05.2011. AYEN ENERGJİ SHA company with a capital of 140,000,000 ALL was founded for 35 years, subjected to the Albanian Law. Ayen Enerji A.Ş. holds 82% of the shares of the company.

The construction period of the job is 54 months following the approval of the contract and construction works have started.

Akbük II WPP: Our 49 year license application for the Wind Power Plant for electrical generation with 20 MW installed power and 68,153,000 kWh electricity power generation capacity which is planned to be constructed in Didim, Aydın Akbük district was approved on 20.10.2011 by EMRA within the scope of the law no. 4628. This facility is planned to start operating in the first half of 2013.

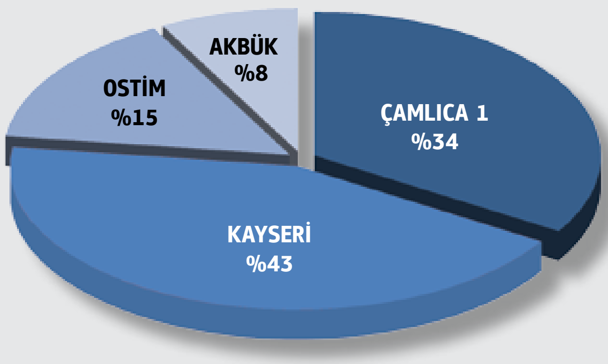
Ayen Erciyes Doğalgaz KÇDS: Our license application for the Combined Cycle Natural Gas Power Plant with 518 MW installed power and 3,560,000.000 kWh electricity power generation capacity which is planned to be constructed in Kocasinan, Kayseri at the district of Ebiç-Mahzemin, was approved on 04.05.2011 by EMRA within the scope of the law no. 4628. Our studies regarding the job are proceeding.

AYEN ENERJİ A.Ş. currently holds 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 1,254.5 billion kWh, comprised of 852 m kWh hydroelectric, 122,5 m kWh wind, and 280 m kWh natural gas. It is aimed to increase installed capacity to 399.30 MW and generation capacity to 1,742,321,000 kWh with planned power plants, which are to be commissioned at the end of 2012.

OPERATIONS

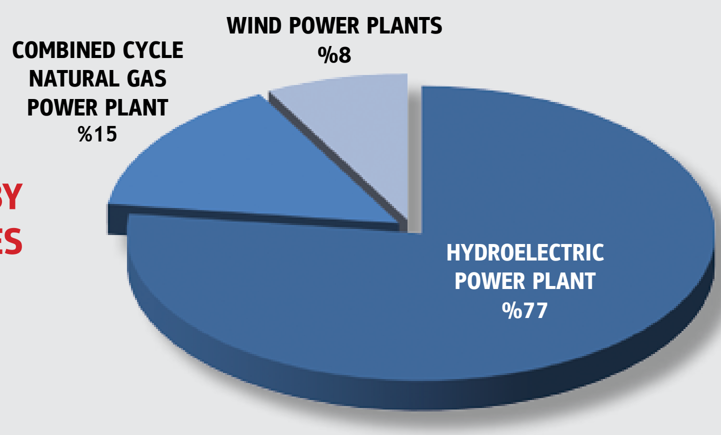
GENERAL	ÇAMLICA	AKBÜK	YAMULA (*)	AYEN OSTİM
Location of Plant	Zamantı River - Kayseri	Didim - Aydın	Kızılırmak River - Kayseri	Ostim - Ankara
Plant Type	Gated weir with overfall spillway and silting tank	Wind Power Plant	With Reserve	Combined Cycle Natural Gas Power Plant
Installed Power	84 MW	31.5 MW	100 MW	41 MW
Annual Generation	429 million kWh	122.4 million kWh	422.3 million kWh	280 million kWh
2011 Proved Generation	347.8 million kWh	122.4 million kWh	532.4 million kWh	280 million kWh
2011 Actual Generation (net)	431.5 million kWh	100.3 million kWh	532.4 million kWh	150.7 million kWh
Availability	100%		100%	
Capacity Utilization	100%	82%	110%	54%
Water Utilization	100%		100%	

(*) Operation year of Yamula HEPP is considered as 01 August – 31 July



GENERATION BY PLANTS

GENERATION BY RESOURCES



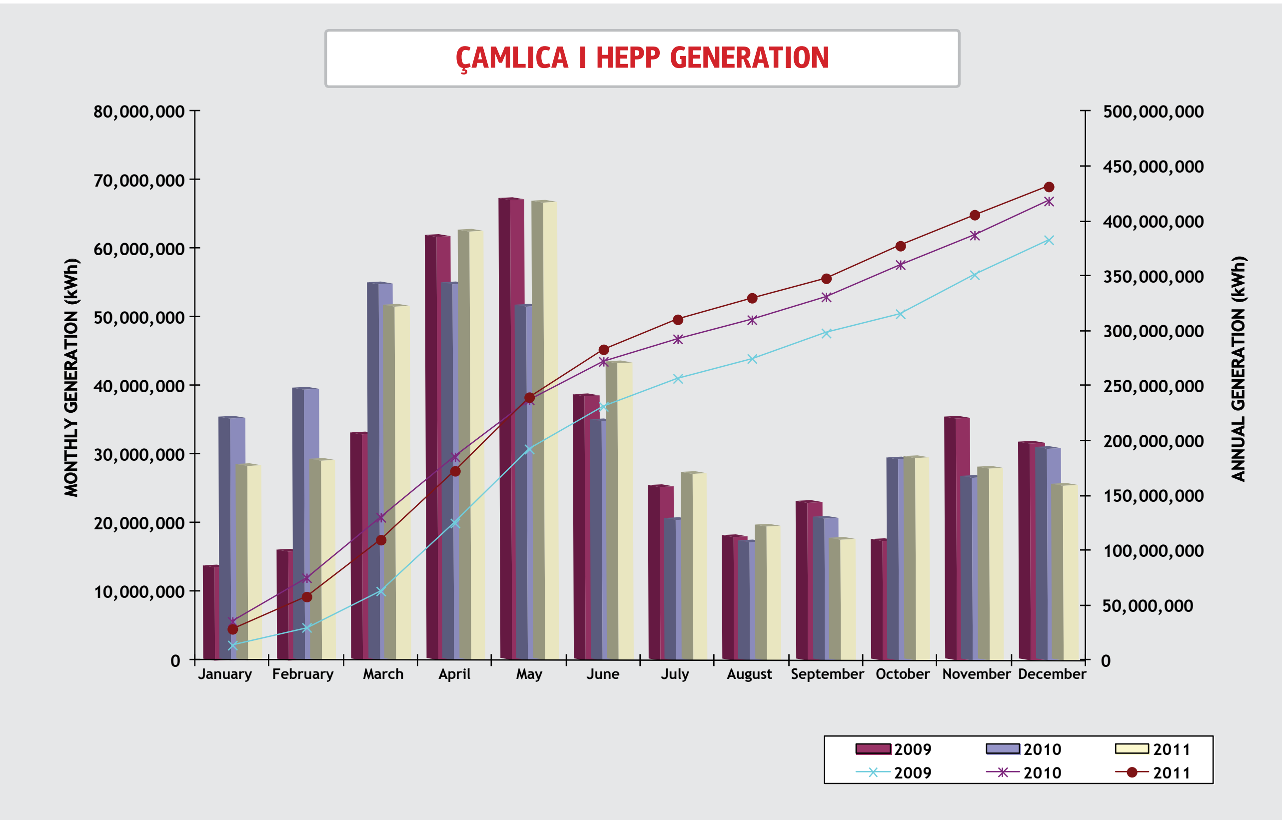
ÇAMLICA I HIDROELECTRICITY POWER PLANT

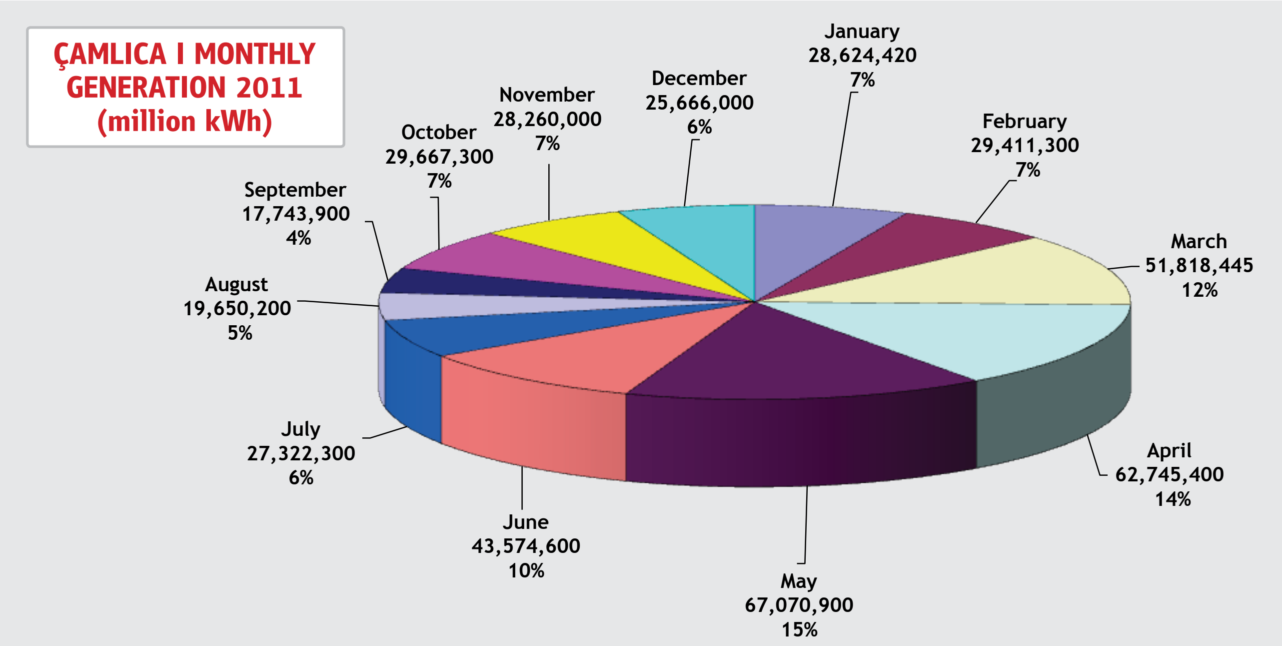
Camlıca 1 HEPP is located on Zamantı, one of the main branches of Seyhan River, in Çamlıca Village of Yahyalı district in Kayseri Province. The Facility is 42 km from Yahyalı and 150 km from Kayseri. The construction of Çamlıca I was started in 1995, and the plant was put into operation in December 1998. 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 2011 was 9% more than in 2010 because no drought was experienced in 2011. There was no technical problem that would affect the generation

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 MONTHLY GENERATION 2011 (million kWh)
January 28,624,420 7%
February 29,411,300 7%
March 51,818,445 12%
April 62,745,400 14%
May 67,070,900 15%
June 43,574,600 10%
July 27,322,300 6%
August 19,650,200 5%
September 17,743,900 4%
October 29,667,300 7%
November 28,260,000 7%
December 25,666,000 6%

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
Turbine Discharge	: 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 ENERGY GENERATION : 429,000,000 kWh

AKBÜK WIND POWER PLANT

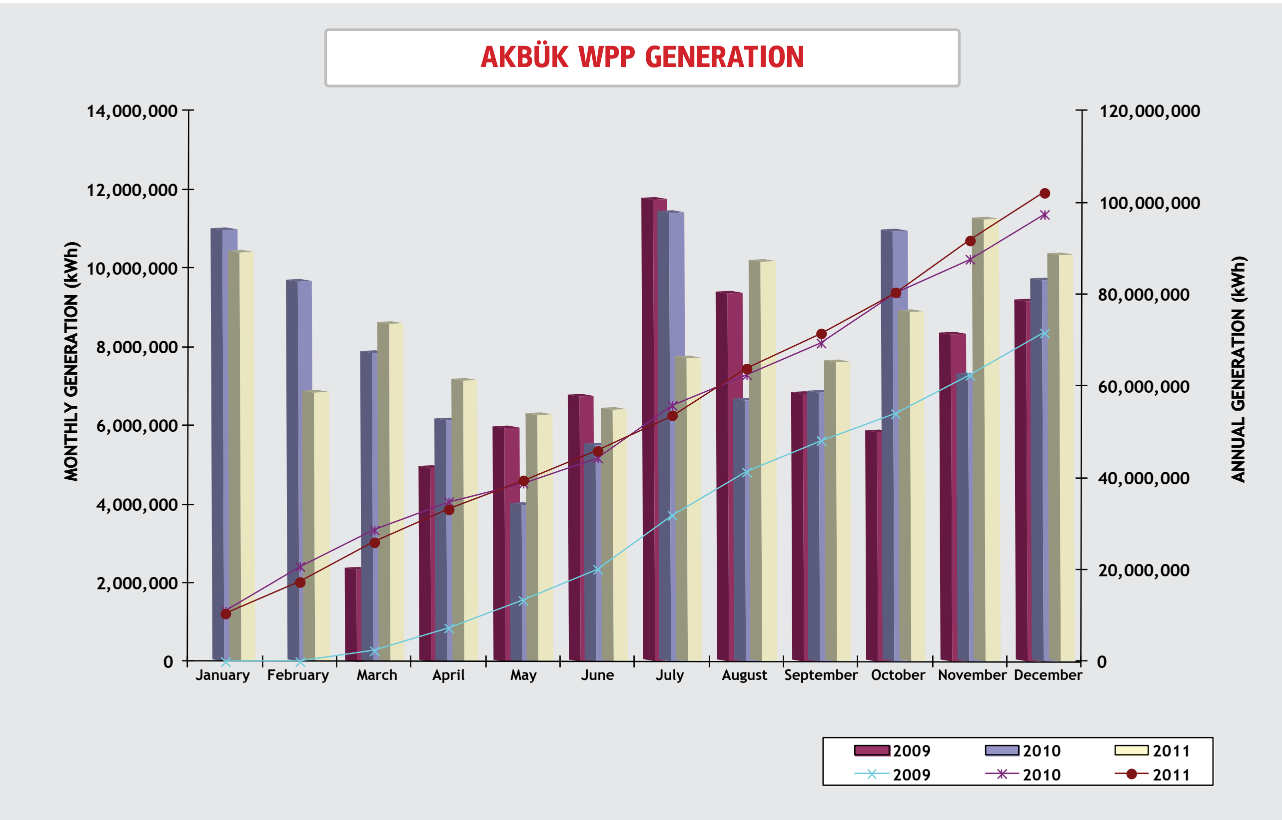
Akbük WPP is located at the locality of Saplatan Mountain in Didim, Aydin. The facility, which was started to be constructed in 2008 with the Generation License for 49 years obtained from EMRA within the scope of the Law no. 4628, was completed in March 2009. The installed power capacity of the power 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.

Installed Capacity	: 31.5 MW
Type of Power Plant	: Wind Energy
Annual Energy Generation	: 122,461,800 kWh/Annual
Capacity Factor	: 42.6%
Average Wind Speed (at 30m)	: 7.90 m/s
Number of Units	: 15
Power Capacity of Each Turbine	: 2.1 MW
Turbine Supplier	: Suzlon Denmark
Turbine Hub Height	: 79 m
Generator Output Voltage	: 690 V AC
Power Factor	: 0.92

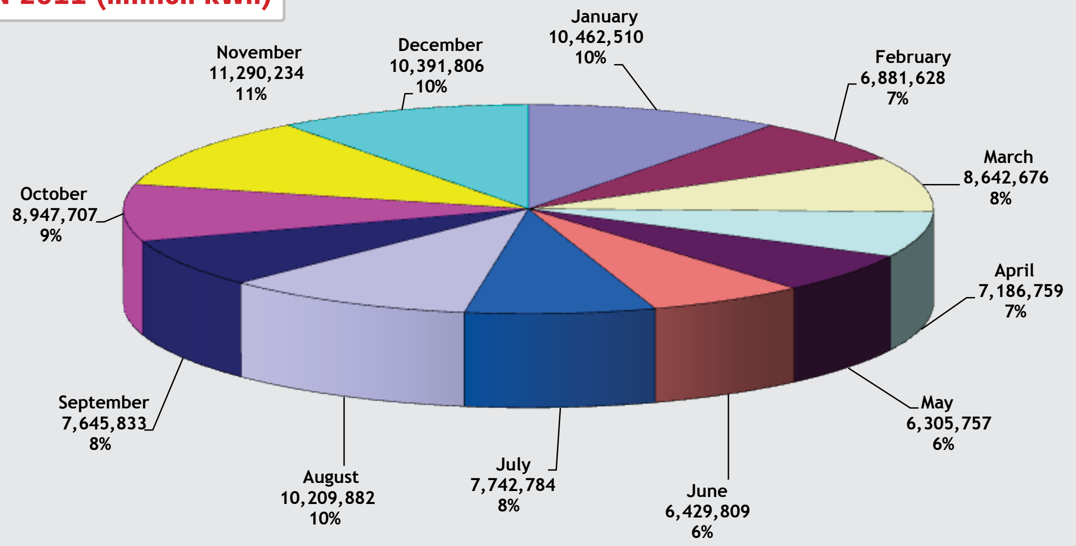
Akbük WPP Electricity Sales Price

The prices in Akbuk Wind 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. Risks are alleviated by obtaining Security Letters or similar instruments.



AKBÜK WPP MONTHLY GENERATION 2011 (million kWh)



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.

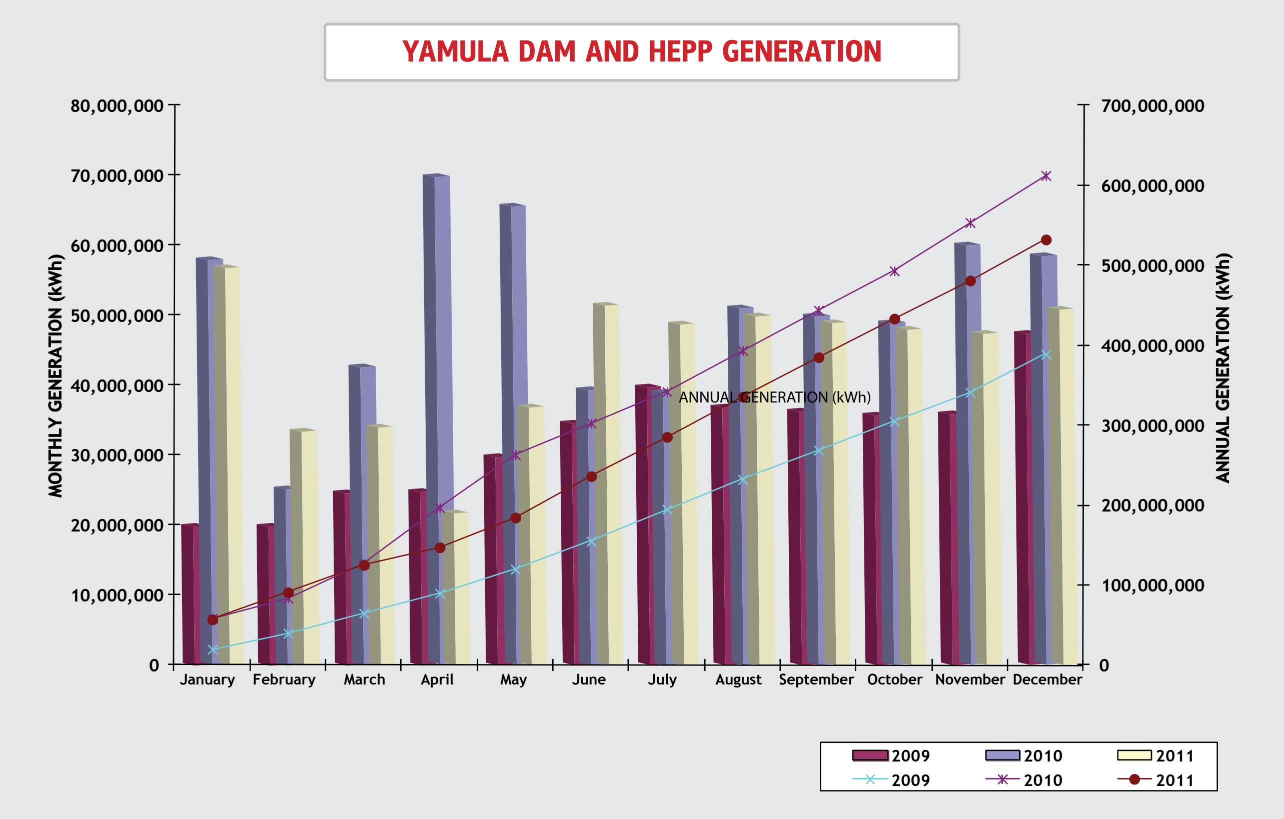
The electro-mechanical equipment was provided by GE and ABB and the latest technology was used. There are 36 personnel employed, including 12 security personnel.

The generation at Yamula in 2011 was realized according to the program that DSI (General Directorate of State Hydraulic Works) has prepared for Kızılırmak basin.

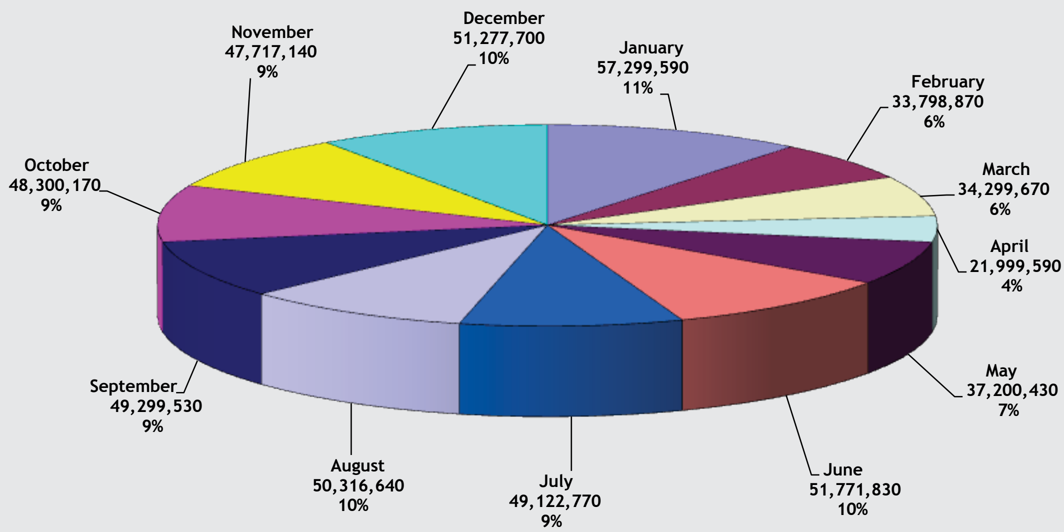
The over capacity water flow is stored in facility's dam during the overflow season. There was no technical problem that would affect the generation and the periodical maintenances were performed regularly.

Yamula 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 DAM AND HEPP MONTHLY GENERATION 2011 (million 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, rock fill
Crest Height	: 1104.00 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

RESERVE

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	: 2,025.00 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/s
Gate Type	: Radial
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	: Vertical axis, Francis
Number	: 2
Rpm	: 250
Max. Net Fall	: 105.53 m
Net Design Fall	: 74.12 m
Net Design Fall	: 96.47 m
Output Power of Each Turbine	: 51 MW

GENERATOR

Type	: Vertical axis, Extending Pole, Synchronous
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	: External, two main bus bars
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

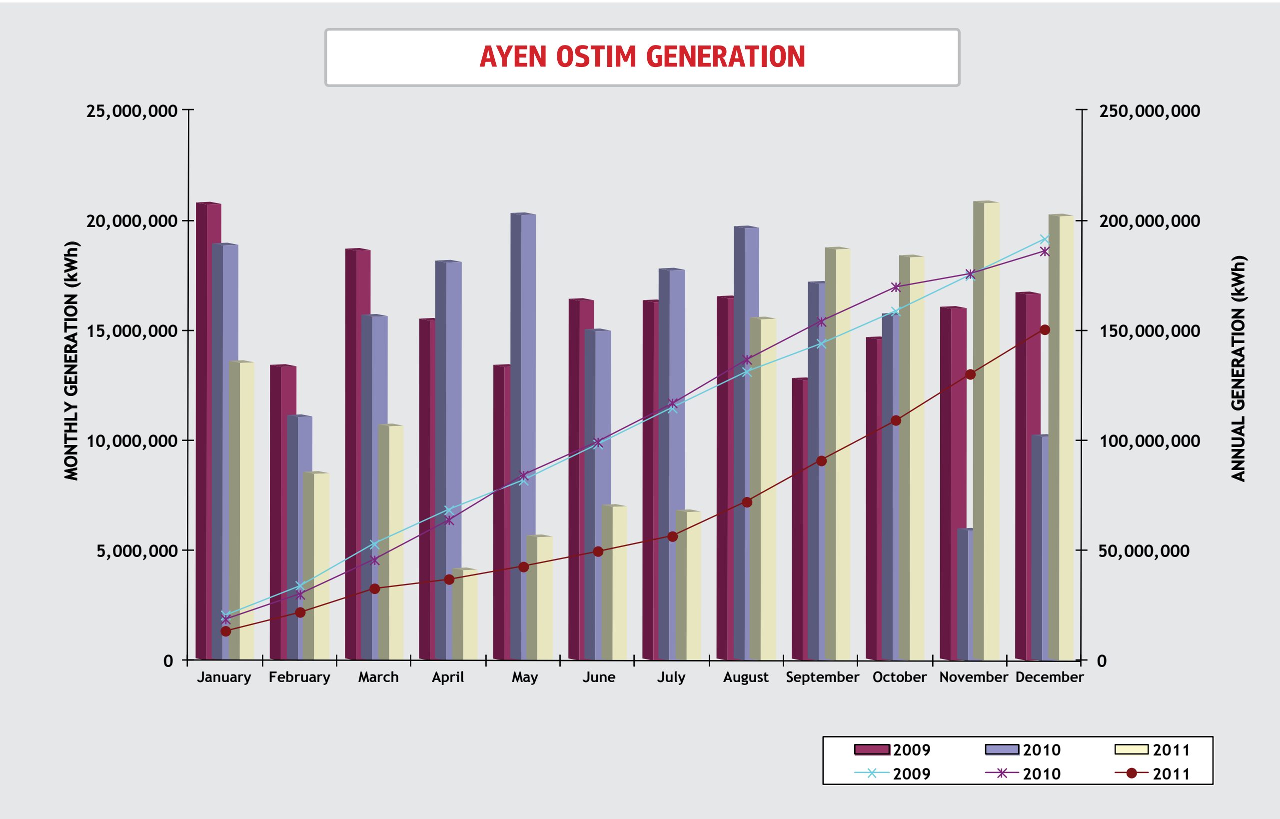
TOTAL ANNUAL GENERATION : 422,300,000 kWh

AYEN OSTİM COMBINED CYCLE NATURAL GAS PLANT

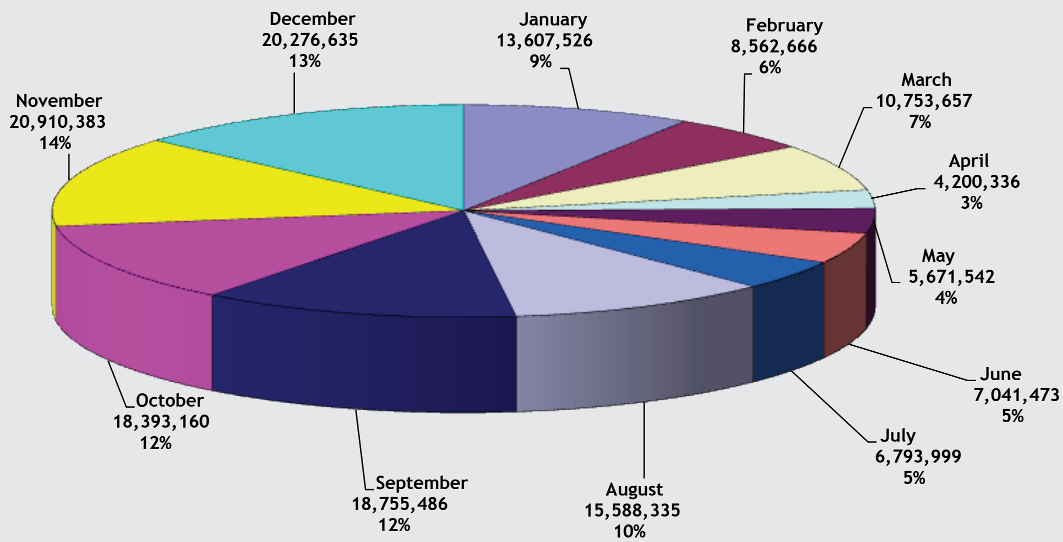
AYEN Ostim Natural Gas Plant is a 41 MW Natural Gas Plant Project which is our subsidiary, Ayen Ostim Energy Generation Co. Inc., realized in order to meet the power demand in the Ostim Organized Industry District.

150,675,470 kWh energy generated in 2011 was sold under bi-lateral agreements and in accordance with BSR (balancing and Settlement Regulation) in the free market. The low utilization ratio is due to the fact that the natural gas price and the energy prices in the free market are less than the Generation capacity of power plants generating electricity with natural gas.

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 affect generation.



AYEN OSTIM MONTHLY GENERATION 2011 (million kWh)



AYEN OSTİM COMBINED CYCLE NATURAL GAS PLANT

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 KWa
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 KWa
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 reserve and is working at maximum productivity power from the tribunes.

SUBSUDIARIES

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 build 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 TRL 5 billion, 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 TRL 2,000,000 capital, whose 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 2011, a total of 545,744,752 kWh was sold.

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

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 2011, the total generation at the plant was 532,403,930 kWh, and the scheduled generation was realized completely (The operating period for Yamula HEPP is between 1st August and 31st July.)

4 - AYEL ELEKTRİK ÜRETİM SANAYİ VE TİCARET A.Ş.

The company, founded on 28.01.2010 with a capital of TRL 5,000,000, as a subsidiary of AYEN ENERJİ and AYEN ENERJİ holds 55% 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.

5- AYEN AS ENERGJI SHA (ALBANIA)

During the free and competitive tender process of the “Fan River Basin HEPP Project” with 87.7 MW power, with a total of 5 hydroelectricity power plants (4 river type, 1 dam), which has a 35 year Concession Agreement and 377,350,000 electrical energy generation capacity per year which was tendered for a contract by the Ministry of Economy, Trade and Energy of the Albanian Republic, the Ayen Enerji A.Ş. and A.S. Energy S.H.P.K. Joint Venture made the best offer and came first. Following the completion of necessary procedures in line with the Albanian laws, the 35 year Concession Agreement has been signed with the related ministry and became valid after being published in the Albanian gazette on 24.05.2011. AYEN ENERGJİ SHA company with a capital of 140,000,000 ALL was founded for 35 years, subject to the Albanian Law. Ayen Enerji A.Ş. holds 82% of the shares of the company. The construction period of the job is 54 months following the approval of the contract and construction works have started.

6 - AKSU TEMİZ ENERJİ ELEKTRİK ÜRETİM SANAYİ VE TİCARET A.Ş.

Our subsidiary Aksu Temiz Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. was established within the scope of the law no. 4628 on 08.09.2003. The electricity generation facility within the borders of Yahyalı, Kayseri holding a generation license of 49 years is a 72-MW Wind Power Plant with annual generation capacity of 295,800,000 kWh. It became a subsidiary on April 2011. Company’s capital is TRL 41,800,000. Our share in the subsidiary is with a ratio of 70%. It has started electricity generation by starting the operation of total 33 wind turbines-generator unites of which 18 wind turbines-generator units were put into service on 13.03.2012 and 15 wind turbines-generator units on 05.04.2012.

SOCIAL RESPONSIBILITY

Social and Environmental Responsibility: Case Study

For the purpose of giving an opinion upon the environmental and social consciousness of Ayen Enerji, we are publishing the below article in this Annual Report.

Within the scope of the Financing structure of Mordoğan and Korkmaz Wind Farms, Danish Export Credit Agency ,EKF, reviewed the projects in detail and then a long term Financing has been provided under the EKF guarantee scheme. Throughout the process, EKF had requested a detailed EIA Report from Ayen Enerji and detailed studies, particularly with respect to the birds in the area and awareness of the local community, had been conducted by Ayen at the project field.

EKF published these studies as an illustrative Case study in its own Annual Report. We are sharing what was written on EKF's Report as is;

1.1 An illustrative case

A large share of EKF's portfolio consists of wind projects. To some of our stakeholders and colleagues this is synonymous with no environmental or social impact.

However, while wind power is both a promising source of energy and lowers CO^2 emissions, there are social and environmental risks and impacts associated with the construction and operation of wind farms.

The Mordogan & Korkmaz Wind Farms, Turkey

The project included the development of two wind farms on the Karaburun Peninsula in western Turkey. The Karaburun Peninsula is a good wind site with an increasing number of wind farms already in place on its slopes. Across the Gulf of Izmir from Mordogan lies the Gediz Delta, an important nature reserve for wintering and migratory birds.

The project included the construction and operating of the two wind farms as well as the construction of the overhead transmission lines and the connection of the wind farms to the national electricity grid. Suzlon Wind Energy A/S is supplying the total of 25 wind turbines with an installed capacity of 54.75 MW to the buyer Ayen Enerji Co. (Ayen).

The project was not required to prepare an EIA according to Turkish regulation. EKF's initial screening of the project was made against international standards and guidelines for wind energy projects and focused on potential risks and impacts associated with the nearby important bird site and the migratory bird routes going along the coast. The IFC's Performance Standards for Social and Environmental Sustainability and the General EHS Guidelines as well as the EHS Guidelines on Wind Energy and on Electric Power Transmission and Distribution came to use.

The combined effects of the increasing number of wind farms and the overhead transmission lines on the Karaburun Peninsula pose a potential risk to the birds in the area. The combination of a large number of wind farms in the area and overhead transmission lines close to a sensitive location, led to the conclusion that further assessment and study was required.

Therefore, EKF requested the preparation of EIAs and biodiversity impact studies for the project.

Environmental risk - the birds

The wintering and migratory birds that utilize the Gediz Delta include threatened and endangered species such as the Dalmatian Pelican, the Lesser Kestrel, the Greater Flamingo, and the Red-breasted Goose. The Red List of the International Union for Conservation of Nature (IUCN) lists wind farms and overhead power lines as major threats for the Red-breasted Goose and the Dalmatian Pelican.

The developer willingly prepared EIAs for the two wind farms and conducted studies on the impact on migratory and resident bird species in the area.

The bird studies were conducted by an ornithologist and professor in biology at the Hacettepe University in Ankara. Based on monitoring of bird activity in the area, the main conclusions were that the wind farms were not located on the migratory fly routes going along the western Turkish coast, nor were they located on significant fly routes of birds using the Gediz Delta.

Further, to meet the requirements of the IFC's Performance Standards with respect to biodiversity and project scope, it was made as a requirement to the client that the produced reports were updated to include an assessment of the cumulative impacts of the project on birds, which they were.

Social risk – potential expropriation

The EIA and the further clarifications made it clear, that Ayen could resort to expropriation of land required for the overhead transmission lines connecting the wind farms to the grid, if negotiations with land owners would fail. Ayen informed that in that case the expropriation process would be managed in accordance with applicable Turkish law and that valuation of land would be performed by independent experts.

IFC's Performance Standards have specific requirements to planning, consultation, and information disclosure when the project may involve involuntary economic displacement such as expropriation. Therefore, EKF requested more detailed information on people, lands, and other assets affected by the expropriation. Further, to obtain an overview of how Ayen managed the process, Ayen was requested to provide information on the negotiations with landowners and on how the prospect of expropriation and the decision to expropriate would be made available and explained to the affected people. The information should also include how suggestions from the potentially affected people would be received and answered during the process. Ayen readily delivered the requested information.

Based on the obtained information, EKF chose to issue a guarantee in 2011 covering the project.

PRIVATE FORESTATION WORKS

Many companies have been bringing up environmentalism for many years. So you would think that they all "care about the green and they are environmentalists"... The main course of vision-mission principles is always "environmental sensibility". As if it is going to resent not seeing its name on the list. However, the number of companies who have been sensitive to environment in real means and seek for solutions are very few since the day the mentality of environmentalism has been on the rise. Of course no bill is sent to those who "pretend" to be environmentalists. While the companies look around with their green green eyes, the world is open to disasters. Global warming and its consequences are not far away any more. Please recall the Katrina Hurricane... A serious attention and of course serious concern have aroused in the world against climate changes, instead of the traditional mentality of "pretending to be an environmentalist". And it seems that the problem cannot be solved by just writing "protecting the environment" on the vision-mission lists. Using the energy more productively, producing less waste, decreasing the carbon emission are the indications of the importance given to our planet and the creatures living on it.

Ayen Enerji and Environmental Responsibility...

If you ask what we are doing? The most important environmental initiative of Ayen Enerji family among many other environmental responsibility projects is the "Kızılcahamam Forest". Our primary job as an energy company is to give the necessary care to the renewable resources. The most important renewable resource in the world is "Forests". Forests which have a much greater meaning then just a bunch of trees, is the prime gear of the natural system which provide all the living things with life and it is the most important area that shelters the oxygen, nutrition and the gene sources that provide the continuation of the species. (*See: footnote)

From this point, our group companies have cooperated with the Ministry of Environment and Forestry and took the initiative to bring a damaged forest area in the need of recovery which was dedicated to them by the ministry, to the nature as a "forest".

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 decare. 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.

Today this forest which was saved by all our help contains close to 200,000 young trees consisting of the Taurus Cedar, Black Pine, False Locust, Mahaleb Cherry, Wild Pear, Walnut, Wild Plumand Wild Cranberry. Additionally, with 1,500 kg of oak seeds, the Oak that is the rugged friend of Anatolia also has its place in our forest. These seeds and our first plantations have reached heights of 3 m. in most places and the oak forests protected and subjected to rehabilitation are almost 10 meters height. Also the existing Wild Pear, Wild Apple, Wild Plum, Thorn Apple, etc. shrubs in the area have been inoculated and now we have many Pear, Apple, Plum, Medlar trees in our forest. Follow-on all these, diversity in the fauna have occurred. The new owners of our forest, the Partridges, Rabbits, Foxes, and Wild Boars gained an atmosphere where they can live happily.

We want a Promise…

Beside being a company that produces the optimum solutions to our customers in our sector, we are proud to move with a sense of social responsibility. We made a promise before. About being a company that is prominent with its environmental consciousness, does clean generation, and environment friendly investments… But today “We Want a Promise” from all our employees, our valuable customers and suppliers… Please do whatever you can even if individually, use the resources in the optimum manner and in a right way, and most importantly raise your children who are our future “as individuals respecting the environment and loving the World.”

* Forest trees have a share of 66% of the oxygen produced by all plants on the land with the 93 billion tons of oxygen they produce per year. For example: A 10 decare (10,000 sqm) forests absorbs 6 tons of carbon dioxide (CO2) per year. A tree with an average height absorbs approximately 12 cbm of CO2, which is equal to the oxygen one family needs in one year.

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

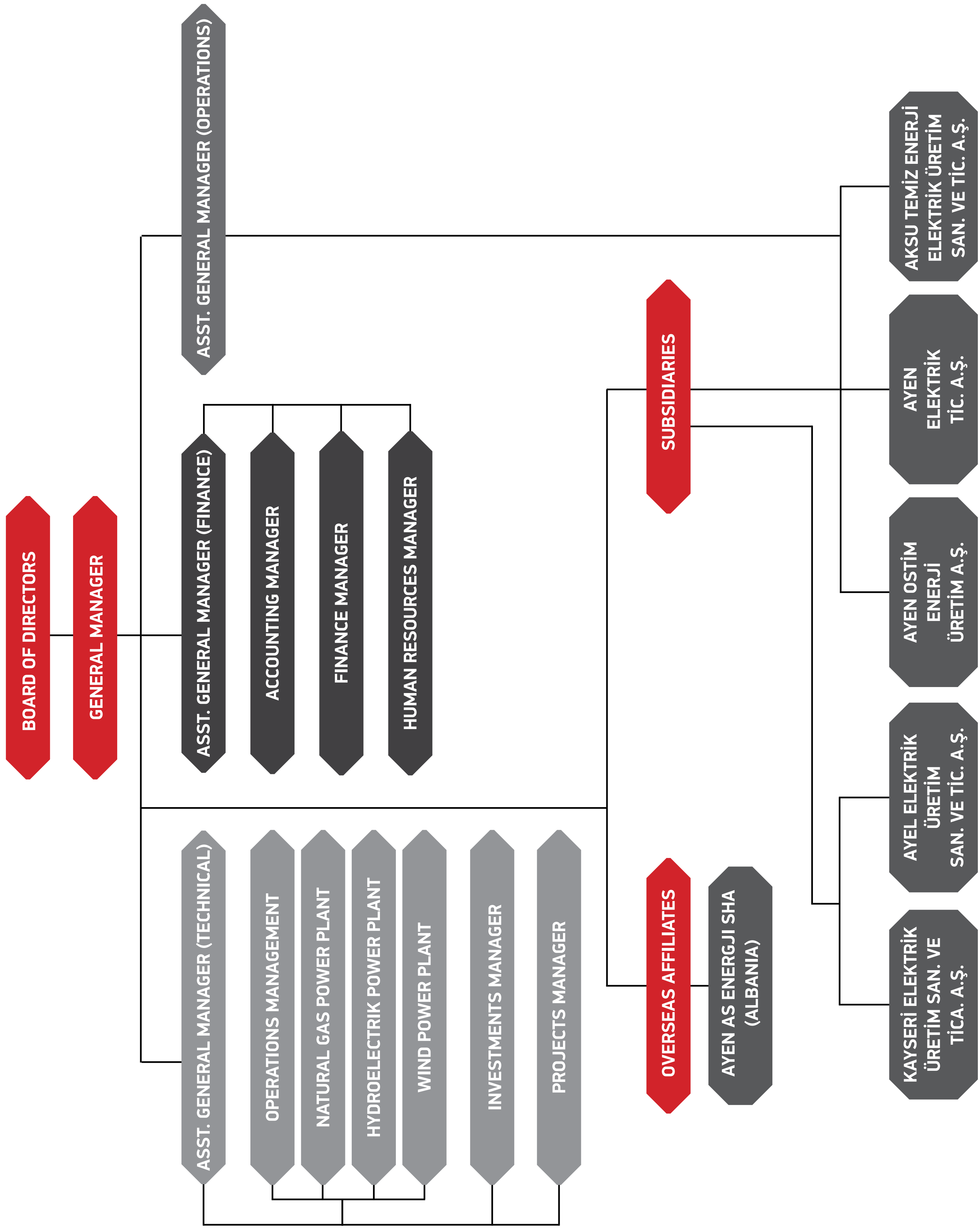
Our company does not discriminate against religion, language, race org ender, treats all employees equally in training and promoting; plans training and formulates training policies to enhance knowledge, skill and experience.

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 192 employees, with 46 at the Head Office, 32 at Çamlıca HEPP, 34 at Ostim Natural Gas Plant operation, 34 at Yamula HEPP electricity Generation operation, 17 at Akbük WPP construction site, 15 at Büyükdüz HEPP construction site, 11 at Aksu WPP construction site and 3 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 to the heirs).

ORGANIZATION CHART

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AYEN ENERJİ A.Ş. INCOME STATEMENT 2011

	Current Period (01.01.2011-31.12.2011)		Prior Period (01.01.2010-31.12.2010)	
A- GROSS SALES		**41,500,130.35**		**46,272,611.21**
1-Domestic Sales	41,500,130.35		46,272,611.21	
3-Other Incomes				
B- DISCOUNTS OF THE SALES (-)		**-1,272,674.36**		**-1,791,371.97**
1- Returns from Sales (-)	-142.30			
3- Other Discounts (-)	-1,272,532.06		-1,791,371.97	
C- NET SALES		**40,227,455.99**		**44,481,239.24**
D- SALES COST (-)		**-26,992,930.74**		**-26,727,065.77**
1-Cost of Sold Products (-)	-26,516,370.06		-24,493,157.96	
2- Cost of Sold Goods (-)	-476,560.68		-2,233,907.81	
3- Cost of Sold Service (-)				
GROSS SALES PROFIT AND LOSS		**13,234,525.25**		**17,754,173.47**
E- OPERATION EXPENSES (-)		**-4,485,430.46**		**-4,022,202.30**
2- Marketing, Sales, Distribution Expenses (-)	-511,143.02		-648,072.26	
3- General Management Expenses (-)	-3,974,287.44		-3,374,130.04	
OPERATION PROFIT (LOSS)		**8,749,094.79**		**13,731,971.17**
F- OTHER OP. ORDINARY INCOME OR PROFITS		**31,115,553.10**		**43,214,153.11**
1- Dividend Incomes from Affiliates				
2- Dividend Incomes from Subsidiaries	23,465,793.18		26,373,311.64	
3- Interest Incomes	2,198,621.29		1,520,170.08	
4- Commission				
5- Provisions no longer Requires	6,625.00		24,129.00	
6- Income on Sale of Marketables			1,864.93	
7- Exchange Profits	3,540,599.30		12,552,399.99	
8- Other Profits and Losses of Operations	1,903,914.33		2,742,277.47	
G- OTHER OPERATIONS EXPENSE AND LOSS		**-23,025,121.64**		**-10,871,144.69**
4- Exchange Profits	-21,285,323.60		-8,479,952.72	
5- Other Ordinary Expense and Loss	-1,739,798.04		-2,391,191.97	
H- FINANCING EXPENSES (-)		**-3,860,505.63**		**-2,971,376.89**
1- Short Term Financial Expenses (-)	-2,322,532.18		-1,736,725.64	
2- Long Term Financial Expenses (-)	-1,537,973.45		-1,234,651.25	
ORDINARY PROFIT AND LOSS		**12,979,020.62**		**43,103,602.70**
I- EXTRAORDINARY INCOME AND PROFITS		**1,069,709.90**		**22,069.33**
1- Prior Period Income and Profits				
2- Other Extraordinary Income and Profits	1,069,709.90		22,069.33	
J- EXTRAORDINARY EXPENSES AND LOSSES		**-23,626.28**		**-30,696.66**
1- Idle Capacity Expenses and Losses (-)				
2- Prior Period Expenses and Losses (-)	-21,928.57		-30,641.18	
3- Other Extraordinary Expenses and Losses (-)	-1,697.71		-55.48	
PROFIT OR LOSS FOR THE YEAR		**14,025,104.24**		**43,094,975.37**
K- PROVISIONS FOR TAXES PAYABLE AND OTHER STATUARY OBLIGATIONS (-)				
NET PROFIT OR LOSS FOR THE YEAR		**14,025,104.24**		**43,094,975.37**

AYEN ENERJİ AŞ. BALANCE SHEET 2011

	Current Period (01.01.2011-31.12.2011)			Prior Period (01.01.2010-31.12.2010)		
I.CURRENT ASSETS			**27,240,237.01**			**30,070,408.52**
A- LIQUID ASSETS		**528,957.21**			**7,581,444.36**	
1- Cash	7,363.44			3,092.86		
3- Banks	521,593.77			7,578,351.50		
C- TRADE RECEIVABLES		**4,351,858.45**			**4,153,725.28**	
1- Customers	4,295,305.99			3,288,899.39		
4- Other Trade Receivables	0.00			857,359.79		
7- Deposits and Guarantees Given	56,552.46			7,466.10		
D- OTHER RECEIVABLES		**12,607,595.64**			**14,151,027.84**	
1- Due from Shareholders	0.00			13,315,797.31		
3- Due from Subsidiaries	290,732.80			824,183.25		
5- Other Receivables	12,316,862.84			11,047.28		
E- INVENTORIES		**1,123,377.80**			**25,146.60**	
4- Merchandies Inventories	22,324.42			22,324.42		
5- Other Inventories	1,101,053.38			2,822.18		
G- INCOME AND EXPENSE ACCRUALS FOR FUTURE MONTHS		**2,856,993.52**			**1,591,149.76**	
1- Expenses for Future Months	2,856,993.52			1,583,812.02		
2- Income Accruals	0.00			7,337.74		
H- OTHER CURRENT ASSETS		**5,771,454.39**			**2,567,914.68**	
1- VAT deductible						
3- Prepaid Taxes and Funds	6,487.16			12,409.47		
4- Work Advances	222,792.10					
5- Inventory Shortages						
8- Deferred VAT	5,542,175.13			2,358,960.84		
9- Employee Advances	0.00			196,544.37		
II. FIXED ASSETS			**616,821,681.58**			**365,935,743.68**
A- TRADE RECEIVABLES		**54,094.00**			**19,074.16**	
4- Deposits and Guarantees Given	54,094.00			19,074.16		
B- OTHER RECEIVABLES		**2,449,215.51**			**0.00**	
3- Due from Subsidiaries	2,049,312.55					
5- Other Receivables	399,902.96					
C- FINANCIAL FIXED ASSETS		**192,340,522.92**			**151,661,836.98**	
3- Affiliates	0.00			100,000.00		
6- Subsidiaries	178,917,147.95			129,288,713.20		
7- Capital Commitments for Subsidiary (-)	-8,893,253.33			-43,504.52		
9- Other Financial Fixed Assets	22,316,628.30			22,316,628.30		
D- TANGIBLE FIXED ASSETS		**398,305,893.54**			**203,634,695.10**	
1- Lands and Plots	6,702,976.36			6,702,976.36		
3- Buildings	2,982,641.79			2,835,197.62		
4- Machinery, Plant, and Equipment	93,105,963.73			93,028,933.21		
5- Vehicles	678,989.45			678,989.45		
6- Furniture and Fixtures	666,377.22			586,187.43		
7- Other Tangible Fixed Assets	195,524,629.08			195,524,629.08		
8- Accumulated Depreciation (-)	-198,031,125.44			-176,139,961.86		
9- Construction in Progress	295,122,395.00			64,743,452.22		
10- Advances Given for Purchases	1,553,046.35			15,674,291.59		
E- INTANGIBLE FIXED ASSETS		**323,056.25**			**248,955.84**	
4- Research and Development Expenses	286,781.22			206,654.60		
6- Other Intangible Fixed Assets	172,916.90			159,525.65		
7- Accumulated Amortization (-)	-136,641.87			-117,224.41		
G- PREPAID EXP.ACC. INCOME		**23,348,899.36**			**10,371,181.60**	
1- Long Term Prepaid Expenses	23,348,899.36			10,371,181.60		
TOTAL ASSETS			**644,061,918.59**			**396,006,152.20**

AYEN ENERJİ AŞ. BALANCE SHEET 2011

	Current Period (01.01.2011-31.12.2011)			**Prior Period** (01.01.2010-31.12.2010)		
I- SHORT TERM LIABILITIES			**81,241,549.71**			**30,403,250.58**
A- FINANCIAL LIABILITIES		**27,789,119.94**			**15,576,408.95**	
1- Bank Loans	9,000,000.00					
2- Current Mat. Long Term Cred. Acc. Int.	7,283,240.27			6,159,240.09		
7- Other Financial Liabilities	11,505,879.67			9,417,168.86		
B- TRADE LIABILITIES		**36,358,853.10**			**3,844,950.03**	
1- Suppliers	35,192,422.53			972,524.05		
4- Other Trade Liabilities	1,166,430.57			2,872,425.98		
5- Deposits and Guarantees Taken						
C- OTHER LIABILITIES		**13,483,108.79**			**9,339,565.23**	
1- Due to Shareholders	2,221,971.99					
3- Due to Subsidiaries	6,924,851.82					
4- Other Various Short Term Liabilities	4,336,284.98			9,339,565.23		
F- TAXES PAYABLE AND OTHER LIABILITIES		**647,119.78**			**471,792.88**	
1- Taxes and Funds Payable	434,917.53			381,033.53		
2- Social Security Withholdings Payable	211,956.21			88,833.35		
4-Other Liabilities Payable	246.04			1,926.00		
G- PROVISIONS FOR LIABILITIES AND EXP.		**0.00**			**0.00**	
3- ETB Provision						
H- INCOME RELATING TO FUTURE MONTHS AND EXPENSE ECCRUALS		**2,963,348.10**			**1,170,533.49**	
1- Short Term Deferred Income	15,133.94			14,072.00		
2- Accrued Expenses	2,948,214.16			1,156,461.49		
I- OTHER SHORT TERM LIABILITIES		**0.00**			**0.00**	
1- VAT Payable						
2- Inventory Overages						
II- LONG TERM LIABILITIES			**318,989,895.73**			**135,797,532.71**
A- FINANCIAL LIABILITIES		**317,683,713.73**			**134,737,505.71**	
1- Bank Loans	305,201,954.31			115,100,319.14		
5- Other Financial Liabilities	12,481,759.42			19,637,186.57		
E- PROVISION FOR LIABILITIES AND EXP		**1,306,182.00**			**1,060,027.00**	
1- ETB Provisions	1,306,182.00			1,060,027.00		
III. SHAREHOLDERS' EQUITY			**243,830,473.15**			**229,805,368.91**
A- CONTRIBUTED CAPITAL		**171,042,300.00**			**119,610,000.00**	
1- Capital	171,042,300.00			119,610,000.00		
C- PROFIT RESERVES		**58,760,970.65**			**53,107,261.81**	
1- Legal Reserves	23,484,003.67			21,329,254.90		
3- Extraordinary Reserves	35,276,966.98			31,778,006.91		
E- ACCUMULATED PROFIT		**2,098.26**			**13,993,131.73**	
1- Accumulated Profit	2,098.26			13,993,131.73		
G- PERIOD NET PROFIT (LOSS)		**14,025,104.24**			**43,094,975.37**	
1- Net Profit for the Period	14,025,104.24			43,094,975.37		
LIABILITIES TOTAL			**644,061,918.59**			**396,006,152.20**

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 2011 Originally Issued in Turkish

Deloitte.

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

13 April 2012
This report consists of 2 pages of audit report and 73 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 2011, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated 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 financial reporting standards published by Capital Markets Board, 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 the auditing standards published by Capital Markets Board. 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 2011 and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards published by Capital Markets Board.

Ankara, 13 April 2012

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 2011

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AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2011

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

	Note	Current Period 31 December 2011	Prior Period 31 December 2010
ASSETS			
Current Assets		**88.521.817**	**84.410.348**
Cash and Cash Equivalents	3	2.600.654	14.256.658
Financial Investments		22.052	-
Trade Receivables	5	17.096.733	14.468.469
Other Trade Receivables	5	*16.890.867*	*14.225.337*
Due From Related Parties	23	*205.866*	*243.132*
Due From Service Concession Arrangements	7	52.753.439	36.999.105
Other Current Assets	13	16.048.939	18.686.116
Other Current Assets	13	*15.861.939*	*5.370.319*
Due From Related Parties	23	*187.000*	*13.315.797*
Non-Current Assets		**821.464.551**	**408.915.079**
Due From Service Concession Arrangements	7	161.545.954	164.103.834
Financial Assets		-	56.346
Property, Plant and Equipment	8	576.623.745	182.657.937
Intangible Assets	9	15.073.738	9.670.393
Goodwill	10	22.143.133	17.461.935
Deferred Tax Assets	20	4.514.128	5.515.616
Other Non-Current Assets	13	41.563.853	29.449.018
Other Receivables	13	*29.076.340*	*29.449.018*
Due From Related Parties	23	*12.487.513*	-
TOTAL ASSETS		**909.986.368**	**493.325.427**

The accompanying notes presented between pages 54 and 126 form an integral part of these consolidated financial statements

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2011

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

	Note	Current Period 31 December 2011	Prior Period 31 December 2010
LIABILITIES			
Current Liabilities		**246.718.198**	**58.386.755**
Financial Liabilities	4	44.490.006	26.562.521
Other Financial Liabilities	6	13.417.859	10.982.059
Trade Payables	5	176.845.964	13.139.460
Other Trade Payables	5	*160.887.162*	*11.204.656*
Due to Related Parties	23	*15.958.802*	*1.934.804*
Corporate Tax Liability	20	2.624.507	2.816.782
Provisions	11	320.433	2.594.127
Other Current Liabilities	13	9.019.429	2.291.806
Other Current Liabilities	13	*3.710.126*	*2.288.527*
Due to Related Parties	23	*5.309.303*	*3.279*
Non-Current Liabilities		**366.825.290**	**174.374.570**
Financial Liabilities	4	349.028.375	150.007.323
Other Financial Liabilities	6	10.569.780	18.072.297
Due to Related Parties	5	4.691.028	5.454.097
Due to Related Parties	23	*4.691.028*	*5.454.097*
Provision for Employee Termination Benefits	12	992.441	840.853
Other Non-current Liabilities		1.543.666	-
Due to Related Parties	13-23	*1.543.666*	-
TOTAL LIABILITIES		**613.543.488**	**232.761.325**
EQUITY		**296.442.880**	**260.564.102**
Equity Attributable to Owners of the Parent		**272.536.947**	**249.067.431**
Paid-in Capital	14	171.042.300	119.610.000
Translation Reserves		37.359	-
Restricted Profit Reserves		41.124.515	34.780.955
Retained Earnings		36.745.652	53.823.664
Net Profit for the Period		23.587.121	40.852.812
Non-controlling Interests		**23.905.933**	**11.496.671**
TOTAL LIABILITIES AND EQUITY		**909.986.368**	**493.325.427**

The accompanying notes presented between pages 54 and 126 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 2011

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

	Note	Current Period 1 January-31 December 2011	Prior Period 1 January-31 December 2010
CONTINUED OPERATIONS			
Sales Revenue	15	142.015.331	123.277.622
Cost of Sales (-)	15,16	(102.812.976)	(67.227.792)
GROSS PROFIT		**39.202.355**	**56.049.830**
General Administration Expenses (-)	16	(6.620.042)	(5.276.371)
Other Operating Income	17	2.363.219	291.826
Other Operating Expenses (-)	17	(481.609)	(668.093)
OPERATING PROFIT		**34.463.923**	**50.397.192**
Finance Income	18	1.860.884	9.229.307
Finance Expense (-)	19	(4.924.865)	(7.342.590)
PROFIT BEFORE TAX		**31.399.942**	**52.283.909**
TAX INCOME/EXPENSE		(6.262.671)	(10.679.905)
Current Tax Expense	20	(5.261.183)	(7.174.309)
Deferred Tax Income/Expense	20	(1.001.488)	(3.505.596)
PROFIT FOR THE PERIOD		**25.137.271**	**41.604.004**
Distribution of Profit for the Period			
Owners of the Parent		23.587.121	40.852.812
Non-controlling Interests		1.550.150	751.192
		25.137.271	**41.604.004**
Earnings per 1.000 shares	21	1,38	2,39

The accompanying notes presented between pages 54 and 126 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 2011

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

	Current Period 1 January- 31 December 2011	Prior Period 1 January- 31 December 2010
PROFIT FOR THE PERIOD	**25.137.271**	**41.604.004**
Other Comprehensive Income	37.359	-
OTHER COMPREHENSIVE INCOME (AFTER TAX)	**37.359**	-
TOTAL COMPREHENSIVE INCOME	**25.174.630**	**41.604.004**
Distribution of Total Comprehensive Income for the Period:		
Owners of the Parent	23.624.480	40.852.812
Non-controlling Interests	1.550.150	751.192
	25.174.630	**41.604.004**

The accompanying notes presented between pages 54 and 126 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 2011

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

	Paid-in Capital	Restricted Profit Reserves	Retained Earnings	Profit for the Period	Translation Reserves	**Equity Attributable to Owners of the Parent**	Non-controlling Interests	**Total**
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**
Balance as of 1 January 2011	119.610.000	34.780.955	53.823.664	40.852.812	-	**249.067.431**	11.496.671	**260.564.102**
Transfers	-	6.343.560	34.509.252	(40.852.812)	-	-	-	-
Total comprehensive income	-	-	-	23.587.121	37.359	**23.624.480**	1.550.150	**25.174.630**
Increase in share capital	51.432.300	-	(51.432.300)	-	-	-	4.924.843	**4.924.843**
The effect of the subsidies included in consolidation	-	-	(154.964)	-	-	**(154.964)**	6.879.778	**6.724.814**
Dividends paid	-	-	-	-	-	-	(945.509)	**(945.509)**
Balance as of 31 January 2011	171.042.300	41.124.515	36.745.652	23.587.121	37.359	**272.536.947**	23.905.933	**296.442.880**

The accompanying notes presented between pages 54 and 126 form an integral part of these consolidated financial

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2011

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

	Note	1 January- 31 December 2011	1 January- 31 December 2010
Cash flows from operating activities			
Profit before tax		31.399.942	52.283.909
- Interest expense	19	4.103.201	4.592.486
- Discount (income) / expense	18-19	(161.098)	2.004.741
- Interest income	18	(1.689.708)	(2.640.409)
- Deferred finance expenses	13	2.369.765	1.610.521
- Accrued income due from electiricity sales		(1.448.743)	(2.146.864)
- Accrued expenses due to electiricity purchases		822.796	538.221
- Provision for employee termination benefits	12	364.025	207.525
- Provision for litigations	11	-	219.396
- Provision for unused vacations	11	110.752	209.681
- Provisions released	11	(1.037.126)	-
- Depreciation and amortisation expenses	8-9	8.498.689	8.805.728
- Unrealised foreign exchange (gain)/loss		6.920.735	(1.002.590)
		50.253.230	64.682.345
Changes in working capital			
(Increase)/decrease in financial assets		34.294	(56.346)
(Increase)/decrease in trade receivables		(1.216.787)	4.919.351
(Increase)/decrease in due from related parties		3.329.800	20.930.821
(Increase)/decrease in due from service concession arrangements		25.419.800	27.761.805
(Increase)/decrease in other receivables and current assets		(10.476.076)	7.171.056
(Increase)/decrease in other non-current assets		(249.917)	27.262
(Increase)/decrease in trade payables		149.016.123	6.633.822
(Increase)/decrease in due to related parties		20.044.295	(1.721.715)
(Increase)/decrease in other liabilities		971.693	(255.930)
Employee termination benefits paid	12	(212.437)	(144.374)
Taxes paid	20	(5.453.458)	(6.324.171)
Lawsuit provisions paid	11	(898.212)	-
Net cash generated from operating activities		**230.562.348**	**123.623.926**

The accompanying notes presented between pages 54 and 126 form an integral part of these consolidated financial

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2011

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

	Note	1 January- 31 December 2011	1 January- 31 December 2010
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	21.293
Investment expenditures		(378.521.137)	(52.530.828)
Advances given for acquisition of property, plant and equipment		(11.182.276)	(12.126.412)
Acquisition of subsidiaries	22	(13.429.909)	-
Net cash (used in) investing activities		**(403.133.322)**	**(64.635.947)**
Cash flows from financing activities			
Proceeds from borrowings		233.929.109	76.879.539
Repayment of borrowings		(63.657.603)	(85.163.239)
Other financial liabilities		(5.066.717)	(7.974.795)
Capital increase in non-controlling interests		4.924.840	-
Interest paid		(2.963.155)	(4.611.372)
Dividends paid	14	(945.509)	(34.736.381)
- *owners of the Parent*		-	*(33.673.721)*
- *non-controlling interests*		*(945.509)*	*(1.062.660)*
Deferred finance charges paid	13	(13.757.876)	(3.070.780)
Changes in non-controlling interests as a result of business combinations		6.762.173	-
Interest received		1.689.708	2.640.409
Net cash generated from / (used) in financing activities		**160.914.970**	**(56.036.619)**
Increase / (Decrease) in cash and cash equivalents		(11.656.004)	2.951.360
Cash and cash equivalents at the beginning of the period	3	14.256.658	11.305.298
Cash and cash equivalents at the end of the period	3	**2.600.654**	**14.256.658**

The accompanying notes presented between pages 54 and 126 form an integral part of these consolidated financial

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(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 2011 (31 December 2010: 15,01%) (Note 14).

These consolidated financial statements for the period between 1 January 2011 and 31 December 2011 have been approved for issueance by the Board of Directors on 13 April 2012. 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	Direct Share	Registered adress
Ayen Ostim Enerji Üretim A.Ş ("Ayen Ostim")	Electricity production and trading	%76	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Kayseri Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Kayseri Elektrik")	Electricity production, distribution and trading	%96,17	Gevher Nesibe Mah. Tekin Sok. A Blok Kat:2 Kayseri
Ayen Elektrik Ticaret A.Ş. ("Ayen Elektrik")	Electricity trading	%99,99	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Aksu Temiz Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Aksu") (Not:22) (*) (**)	Electricity productionand tradidng	%69,87	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Ayen-AS Energji SHA ("Ayen-AS") (*)	Electricity production and trading	%82	Rr Nacionale Tirane-Durres Prane Albafleks Xhafzotaj Durres/ Albania (Arnavutluk)
Ayel Elektrik Üretim Sanayii ve Ticaret A.Ş. ("Ayel Elektrik") (*)	Electricity production, distribution and trading	%55	Hülya Sokak No: 37 Gaziosmanpaşa Ankara

(*) Included into consolidation as of 31 December 2011.

(**) Shares has been acquired in 2011.

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 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

(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 on 19 March 2009 and 3 April 2009 respectively.

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 41,5 MW and Büyükdüz HEPP with an installed capacity of 48,8 MW for 49 years. The construction of Büyükdüz HEPP was started in July, 2009 and as of the report date, 95 % of the construction had been completed. HEPP is planned to start its operations in May 2012.

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, a part of these turbines is supplied in 2011. 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. As of the report date, construction regarding the transmission lines and the transformer stations is in progress.

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 is located at Ostim Organize Sanayi Bölgesi and 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"). The installed capacity of the natural gas power 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 related regulations.

Ayen Enerji has acquired 70% shares of Aksu Temiz Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. for a consideration of EUR 3.850.000 on 13 April 2011 (Note: 22). 1.925.000 EUR has been paid in cash and the remaining EUR 1.925.000 will be paid in three equal instalments within one year from the date of acquisition of the shares. Aksu has the production license of the WPP in Kayseri, Yahyalı with an installed capacity of 72 MW for 49 years. As of the reporting date, provisional acceptance of the WPP has been made and the operations started in April 2012.

The contract which is regarding the contruction and 35 years of operation of Fan River HEPPs with an installed capacity of 87,7 MW was signed with Albanian Ministry of Economy Trade and Energy. The agreement was declared in the Official Gazette of the Republic of Albania on 24 May 2011. Accordingly, Ayen-AS Energy whose capital is ALL 140.000.000 (Albanian Lek) (approximately EUR 990.000) with the shareholding rates of Ayen Enerji and A.S Energy S.H.P.K, an Albainan company which are 82% and 18% respectively was established. As of the report date, the construction of the infrastructure has started.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011

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

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

The nature of operations of Ayel Elektrik is the sale, import and export of the electricity and/or the electricity capacity on wholesale and directly to the end users in accordance with the "Regulation for the Electricity Market License", "Wholesale License" and the other related regulations. Ayel Elektrik has acquired 8% shares of Ayen-AS Energy's shares whose book value is TL 178.000 (LEK 11.200.000) from AS Energy S.H.P.K in 2011. Exceeding amount of the book value of the acquired shares which is TL 4.681.198 has been recognised as goodwill on the consolidated financial statements provisionally (Not: 10). Aforementioned acquisition has increased Ayen Enerji's effective shareholding rate to 87%. Consolidated financial statements has been prepared considering this ratio.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of the presentation

Principles Governing the Preparation of the Consolidated 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.

Ayen-AS Energy maintains its books of account in ALL in accordance with accounting principles in Albania.

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.

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 the 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.

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)

According to the declaration in Law no:660 Statutory Decrees published in 2 November 2011 in the Official Gazette, Appendix-1 of the Article 2499 was cancelled and Public Oversight, Accounting and Auditing Standards Authority "Institution" was established. Current arrangements related with this Statutory Decrees, in accordance with the Temporary Law no.1, is continued to be applied until the standards and amendments go in effect. Therefore, the stated situation does not cause any amendment in the "Basis of Presentation of Financial Statements" stated in the notes of consolidated financial statements as of balance sheet date.

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

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 Turkish Lira, which is the functional, and presentation currency of the Company and the reporting currency for the consolidated financial statements.

Subsidiaries of the Group, which will be mentioned further in the report, are measured using the currency that has significant impact on the entity or on the operations of entity, which reflects the economic substance of the underlying events and circumstances relevant to the entity ("the functional currency"). In this context, Ayen-AS Energy is measured using Albanian Lek (ALL). According to IAS 21, balance sheet items (except capital accounts) in terms of ALL have been included into consolidation by being translated to TL with buying rate applicable as of balance sheet date (ALL 1= TL 0,0177). Income statement items have been included into consolidation by being translated to TL with monthly average buying rates.

Capital and capital reserves are carried forward with their historical nominal costs and any related exchange component of that gain or loss and the translation gain/ (loss) realized during the translation of balance sheet and income statement is also recognized in capital translation gain-loss accounts under equity.

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.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011

(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)

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 2011, details of the Company's subsidiaries are as follows:

Subsidiaries	2011	2010	Principal Operation
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
Aksu (*)	69,87	-	Electricity production and trade
Ayen-AS (*)	86,95	-	Electricity production and trade
Ayel Elektrik (*)	55,00	10,00	Electricity production, distribution and trade

(*) Included in the consolidation as of 31 December 2011.

The accompanying consolidated financial statements include the financial statements of the Company and entities controlled or jointly 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 are included in the consolidated comprehensive 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.

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

2.4 New and Revised International Financial Reporting Standarts

(a) Standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

The following new and revised IFRSs have been adopted on the current period consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the consolidated financial statements reported in the current and previous years, but may affect the accounting for future transactions or arrangements..

Amendments to IAS 32 Classification of Rights Issues	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application. The application of the amendments has had no effect on the consolidated financial statements reported in the current and prior years because the Group has not issued instruments of this nature.
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 disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements.
Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement	IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had an effect on the Group's consolidated financial statements.

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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 2011 but not relevant to the Group (cont'd)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss. The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.
Amendments to IFRS 3 Business Combinations	As part of Improvements to IFRSs issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 Share-based Payment at the acquisition date ('market-based measure').
IAS 24 Related Party Disclosures (as revised in 2009)	IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.
Improvements to IFRSs issued in 2010	The application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

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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

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 7	Presentation – Transfer of Financial Assets; offsetting of financial assets and financial liabilities
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interest in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IAS 12	Deferred Tax- Recovery of Underlying Assets
IAS 19 (2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IAS 32	Financial Instruments: Presentation – Offsetting of a Financial Assets and Financial Liabilities

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The group management does not anticipate that these amendments to IFRS 7 will have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related agreements for financial instruments under an enforceable master netting agreement or similar arrangement. The new disclosures are required for annual or interim periods beginning on or after 1 January 2013.

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

2.4 New and Revised International Financial Reporting Standards (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 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 was amended to defer the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 to annual periods beginning on or after 1 January 2015. Prior to the amendments, application of IFRS 9 was mandatory for annual periods beginning on or after 1 January 2013. The amendments continue to permit early application. The amendments modify the existing comparative transition disclosures in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. Instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 depending on the entity's date of adoption and whether the entity chooses to restate prior periods.

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)

The group management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation that is control.

In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

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 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2015. Earlier application is permitted provided that all of these five standards are applied early at the same time.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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)

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The amendments to IAS 32 are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendments are effective for annual periods beginning on or after 1 January 2014.

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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 preparation 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 23).

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.

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.

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 7).

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
Plant, 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.

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.

Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income *Taxes* and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Business combinations (cont'd)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. When the changes in the fair value of the contingent or transferred consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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.

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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 2011, TL 15.394.698 of borrowing cost is capitalized over Büyükdüz HEPP, Mordoğan WPP, Korkmaz WPP and Aksu WPP projects (2010: TL 1.104.057 over Büyükdüz HEPP) (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.

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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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.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss by transferred from shareholder's equity when gain/loss due to disposal has been recognised.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Foreign Currency Transactions (cont'd)

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

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.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

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. Operation results of Ayen AS Energy which is a subsidiary recorded in Albania, has not been presented as a separate segment due to the fact that Ayen AS Energy has not yet started its 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.

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.

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.

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 assets and liabilities are measured at the tax rates that applicable in the period in which the liability is settled or the asset realized. 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").

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

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 2011, 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.

Accordingly, the Group did not recognise deferred tax assets amounting to TL 1.982.269 (31 December 2010: TL 1.242.244) for the carry forward tax losses of Ayen Ostim amounting to TL 6.263.504 (31 December 2010: TL 5.944.764) and the carry forward tax losses of Ayen Elektrik amounting to TL 3.647.840 (31 December 2010: TL 66.455) respectively.

Group recognized TL 3.478.940 (31 December 2010: TL 1.404.914) of deferred tax asset over Ayen Enerji's carry forward tax losses amounting to TL 17.394.698 (31 December 2010: TL 7.024.568) (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 2011, 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).

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

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

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% (2010: 13,44%).

The discount rate used reflects specific risks relating to Kayseri Elektrik. As of 31 December 2011, 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 173.631.511 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	196.791.280
Base discount rate 0	204.444.762
Base discount rate by -1	212.607.323

Impairment of property, plant and equipment

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 2011, the Group made an impairment analysis for property, plant and equipment of Ayen Ostim. As of 31 December 2011, 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 14,47 % (31 December 2010: 13,07%). The discount rate used reflects specific risks relating to Ayen Ostim. As of 31 December 2011, 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 32.070.607 and no impairment was identified for the property, plant and equipment.

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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 (cont'd)

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	32.905.892
Base discount rate 0	34.345.108
Base discount rate by -1	35.896.190

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 2011, the Group calculated the discounted projections of commission expenses of 14 years, which is the expected useful life of the natural gas power plant, as TL 5.335.534 (31 December 2010: 6.157.669) and accounted as due to related parties. The discount rate used is 11,94% (31 December 2010: 11,61%) and reflects specific risks relating to Ayen Ostim.

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:

	Current value (TL)
Base discount rate by +1	5.000.188
Base discount rate 0	5.335.534
Base discount rate by -1	5.702.726

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3. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Cash	13.830	3.807
Cash in Banks	2.586.824	14.252.851
Demand Deposit	2.586.824	4.915.696
Time Deposit	-	9.337.155
	2.600.654	14.256.658

Explanations on nature and level of risks of cash and cash equivalents are disclosed in Note 24.

As of 31 December 2011, there is no time deposits of the Group (2010 effective interest rate: 4,30%).
As of 31 December 2011, the Group does not have any restricted cash (2010: None).

4. FINANCIAL LIABILITIES

The detail of bank borrowings of the Group as of 31 December 2011 and 31 December 2010 is as follows:

Financial Liabilities	31 December 2011	31 December 2010
Short-term financial liabilities	44.490.006	26.562.521
Long-term financial liabilities	349.028.375	150.007.323
	393.518.381	176.569.844

The accrued interest expense on short-term bank borrowings is TL 2.953.132 (31 December 2010: TL 1.106.224).

The detail of bank borrowings is as follows:

		31 December 2011	
Original Currency	**Weighted average effective interest rate (%)**	**Short-term**	**Long-term**
TL	14,01	9.020.615	-
USD	1,80	21.856.883	15.823.709
EURO	3,38	13.612.508	333.204.666
		44.490.006	349.028.375

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4. FINANCIAL LIABILITIES (cont'd)

	Weighted average effective interest	31 December 2010	
Original Currency	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

The redemption schedule of the bank borrowings as of 31 December 2011 and 31 December 2010 is as follows:

	31 December 2011	31 December 2010
To be paid within 1 year	44.490.006	26.562.521
To be paid between 1-2 years	30.346.494	27.788.839
To be paid between 2-3 years	43.310.731	17.391.748
To be paid between 3-4 years	39.117.690	17.391.748
To be paid between 4-5 years	35.551.883	13.927.250
5 and more than 5 years	200.701.577	73.507.738
	393.518.381	176.569.844

For the long term borrowings of the Group, there exists TL 85.000.500 (USD 45.000.000) of mortgages over natural gas power plant of Ayen Ostim and land of Ayen Enerji, TL 195.273.273 (USD 14.108.201 and EUR 69.000.856) of letters of guarantee and TL 586.666.973 (USD 180.562.800 and EUR 100.500.000) of conveyance on receivables (Note 11). In 2008 the Group paid export credit insurance fee amounting TL 10.001.976 (EUR 5.204.754) for long-term bank borrowings obtained from Commerzbank A.G. in relation with the Akbük WPP, Mordoğan WPP and Korkmaz WPP. Moreover, TL 13.757.876 of insurance fee regarding the loans used for the long term Commerzank loans in relation with the Mordoğan WPP and Korkmaz WPP was paid in 2011. Besides, TL 4.306.621 as commission of loans used for the investment of natural gas power plant of Ayen Ostim; TL 3.070.780 as commission 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. Group has also given commercial enterprise pledge over Akbük WPP to Commerzbank A.G. at 25 June 2009 amounting to TL 140.000.000 as a guarantee for the borrowings regarding Akbük WPP (Note 11). According to the investment loan agreements related with the investment loans used , at the end of each financial year, the Group is obliged to meet some financial ratios, 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

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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 2011	31 December 2010
Trade receivables (*)	16.621.062	14.295.314
Due from related parties (Note 22)	205.866	243.132
Discount on trade receivables	(82.027)	(69.977)
Deposits and guarantees	351.832	-
	17.096.733	14.468.469

(*) As of 31 December 2011 trade receivables consist of receivables from TETAŞ amounting to TL 4.882.988 (2010: TL 2.105.568 TETAŞ; TL 1.334.260 Türkiye Elektrik İletim A.Ş. ("TEİAŞ")). 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 2011 and 2010.

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 2011	31 December 2010
Trade payables (*)	158.553.584	11.204.656
Due to related parties (Note 23)	15.958.802	1.934.804
Other trade payables	2.333.578	-
	176.845.964	13.139.460

(*) As of 31 December 2011, TL 144.431.880 of payables is due to the turbine investments (31 December 2010 : None). Aforementioned payables will be paid via long term loans.

The maturities of trade payables are less than one month as of 31 December 2011 and 2010.

Long term trade payables	31 December 2011	31 December 2010
Due to related parties (Note 23)	4.691.028	5.454.097
	4.691.028	5.454.097

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6. OTHER FINANCIAL LIABILITIES

Other Short-Term Financial Liabilities	31 December 2011	31 December 2010
Çamlıca HEPP Electric Energy Fund	13.417.859	10.982.059
	13.417.859	10.982.059

Other Long-Term Financial Liabilities	31 December 2011	31 December 2010
Çamlıca HEPP Electric Energy Fund	10.547.058	18.049.575
Forestation Fund	22.722	22.722
	10.569.780	18.072.297

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 2011 and 31 December 2010 is as follows:

	31 December 2011	31 December 2010
To be paid within 1 year	13.417.859	10.982.059
To be paid between 1-2 years	10.547.058	9.417.169
To be paid between 2-3 years	-	8.632.406
	23.964.917	29.031.634

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7. DUE FROM SERVICE CONCESSION ARRANGEMENTS

Due from Service Concession Arrangements	**31 December 2011**	**31 December 2010**
Short-term due from service concession arrangements	28.392.189	20.580.733
Invoiced and undue due from service concession arrangements (*)	12.030.411	6.326.002
Unbilled short-term due from service concession arrangements related to the shortage in production (**)	12.330.839	10.092.370
Total short-term due from service concession arrangements	52.753.439	36.999.105
Long-term due from service concession arrangements	151.857.437	147.528.150
Unbilled long-term due from service concession arrangements related to the shortage in production (**)	9.688.517	16.575.684
Total long-term due from service concession arrangements	161.545.954	164.103.834
Total due from service concession arrangements	214.299.393	201.102.939
Gross due from service concession arrangements	331.989.583	321.456.051
Unearned financial income (-)	(151.739.957)	(153.347.168)
Due from service concession arrangements	34.049.767	32.994.056
Due from service concession arrangements-net	214.299.393	201.102.939

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

As of 31 December 2011 and 31 December 2010, 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 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**
Up to 1 year	31.128.068	32.169.430	58.797.807	49.733.939
1 to 2 years	30.098.438	31.128.068	56.852.939	48.123.992
2 to 3 years	23.441.174	30.098.438	44.278.033	46.532.185
3 to 4 years	16.815.620	23.441.174	31.763.025	36.240.055
More than 4 years	74.274.858	91.090.478	140.297.779	140.825.880
	175.758.158	207.927.588	331.989.583	321.456.051

	Net due from service concession arrangements (USD)		Net due from service concession arrangements (TL)	
	31 December 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**
Up to 1 year	15.031.070	13.312.246	28.392.188	20.580.733
1 to 2 years	17.260.284	15.031.070	32.602.951	23.238.035
2 to 3 years	14.362.307	17.260.284	27.128.961	26.684.399
3 to 4 years	9.802.086	14.362.307	18.515.160	22.204.126
More than 4 years	38.969.964	48.772.050	73.610.366	75.401.590
	95.425.711	108.737.957	180.249.626	168.108.883

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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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 2011	9.044.912	2.828.565	137.892.585	837.301	983.639	61.812.556	213.399.558
Additions	-	147.444	36.250	-	125.978	401.403.134	401.712.806
Closing balance as at 31 December 2011	9.044.912	2.976.009	137.928.835	837.301	1.109.617	463.215.690	615.112.364
Accumulated Depreciation							
Opening balance as at 1 January 2011	-	(662.661)	(28.665.175)	(503.357)	(910.428)	-	(30.741.621)
Charge for the period	-	(124.201)	(7.467.902)	(121.899)	(32.996)	-	(7.746.998)
Closing balance as at 31 December 2011	-	(786.862)	(36.133.077)	(625.256)	(943.424)	-	(38.488.619)
Net book value as at 31 December 2011	9.044.912	2.189.147	101.795.758	212.045	166.193	463.215.690	576.623.745

(*) TL 85.809.069 of construction in progress is composed of the project expenses and the construction costs regarding Büyükdüz HEEP; TL 107.543.304 of construction in progress is composed of expenses for turbines purchased and construction costs regarding Mordoğan and Korkmaz WPP and TL 172.601.766 of construction in progress is composed of expenses for turbines purchased and construction costs regarding WPP of Aksu Temiz Enerji A.Ş. which is constructed in Kayseri. Additionally, in 2011, TL 15.394.698 of borrowing costs out of TL 26.757.150 regarding the loans used for Büyükdüz HEPP, Mordoğan WPP, Korkmaz WPP and Aksu WPP 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 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 borrowing costs out of 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)

Depreciation expense of TL 7.557.377 (31 December 2010: TL 7.391.398) has been charged in cost of sales and TL 189.621 (31 December 2010: TL 115.816) has been charged in general administrative expenses.

As of 31 December 2011, 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 85.000.500) (31 December 2010: USD 45.000.000 (TL 69.570.000)) (Note 11). Also, there is commercial enterprise pledge amounting to TL 140.000.000 over Akbük WPP. This pledge was given on 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 2011	320.874	34.023	174.896	10.485.964	11.015.757
Additions	-	6.146.992	8.044	-	6.155.036
Closing balance as at 31 December 2011	320.874	6.181.015	182.940	10.485.964	17.170.793
Accumulated Amortization					
Opening balance as at 1 January 2011	(217.743)	(17.579)	(117.372)	(992.670)	(1.345.364)
Charge fo the period	(32.087)	(34.355)	(21.274)	(663.975)	(751.691)
Closing balance as at 31 December 2011	(249.830)	(51.934)	(138.646)	(1.656.645)	(2.097.055)
Net book value as at 31 December 2011	71.044	6.129.081	44.294	8.829.319	15.073.738

(*) 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. The transformer centre, constructed by Ayen Ostim in order to enable Ostim OSB to buy electricity directly from the network, amounting to TL 5.599.604 (2010: TL 5.599.604) is used by Ostim OSB. 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 transformer used by Ostim OSB amounting to TL 5.599.604 (2010: TL 5.599.604) and the discounted amount of commissions through 14 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.

(**) As a result of acquisition of Aksu Temiz Elektrik Üretim A.Ş.'s shares by Ayen Enerji in 2011, TL 6.146.992 was recognised under intangible assets as the fair value of electicity production licence (Note: 23).

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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 2010	320.874	34.023	174.896	10.485.964	11.015.757
Additions	-	-	-	-	-
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 for the period	(32.319)	(2.318)	(22.324)	(701.553)	(758.514)
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

Amortization expense of TL 722.633 (31 December 2010: TL 725.019) has been charged in cost of sales and TL 29.058 (31 December 2009: TL 33.495) has been charged in general administrative expenses.

10. GOODWILL

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 has been considered as goodwill. 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 2011 and 2010 no impairment was identified in the carrying amount of goodwill amounting to TL 17.461.935.

Ayel Elektrik has acquired 8% shares of Ayen-AS Energy's shares whose book value is TL 178.000 (LEK 11.200.000) from AS Energy S.H.P.K in 2011. Exceeding amount of the book value of the acquired shares which is TL 4.681.198 has been recognised as goodwill on the consolidated financial statements provisionally.

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

As of 31 December 2011, there are 6 cases where the Group is litigant and 4 cases where the Group is defendant. Most of the cases are related with the bad debt and labor cases. 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 2011, there is no provision accounted for the law suits (31 December 2010: TL 2.384.446).

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

a) Provisions (cont'd)

Short term provisions	31 December 2011	31 December 2010
Provisions for lawsuits (*)	-	2.384.446
Provisions for unused vacation	320.433	209.681
	320.433	2.594.127

(*) The provisions as of 31 December 2010 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. As of September 2011, the case is closed within the scope of Law No 6111 and the amount due has been determined as TL 1.347.320 to be paid in 6 equal installments. The first 4 installment have been paid and the rest of the payable amounting TL 449.108 has been presented under other liabilities.

The movement of the provisions is as follows:

	Provisions for unused vacation	Provisions for lawsuits	Total
As of 1 January 2011	209.681	2.384.446	2.594.127
Additional provision (*)	110.752	-	110.752
Cancelled provision	-	(1.037.126)	(1.037.126)
Transfers to other short term liabilities	-	(449.108)	(449.108)
Payments	-	(898.212)	(898.212)
As of 31 December 2011	320.433	-	320.433

	Provisions for unused 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

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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 2011	31 December 2010
Letters of conveyance given (*)	586.666.973	325.502.953
Commercial enterprise pledge (**)	140.000.000	140.000.000
Mortgages given (***)	85.000.500	69.570.000
Letters of guarantee given (****)	273.291.205	119.514.168
	1.084.958.678	654.587.121

(*) 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 180.562.800 (31 December 2010: USD 210.545.248) as a conveyance for the loan obtained from Türkiye İş Bankası A.Ş. ("İş Bankası") and Aksu Temiz Energy gave its receivable of EURO 100.500.000 (TL 245.601.900; 31 December 2010: None.) as a conveyance as of 31 December 2011. However, these conveyances will be effective if initial payment plans of the loans are not followed.

(**) 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, there exists TL 85.000.500 (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 46.245.393 in terms of USD, TL 173.511.892 in terms of EURO and TL 53.533.920 in terms of Turkish Lira. USD-denominated letters of guarantee given comprises; TL 6.611.150 (USD 3.500.000) has been given to the Republic of Turkey Prime Ministry Privatization Administration for Trakya Elektrik Dağıtım A.Ş. ("TREDAŞ") privatization. Bidding related to the privatization has been completed and the guarantee letter has been returned on 6 January 2012. Moreover, TL 12.985.263 (USD 6.878. 510) as guarantee for Ayen AS has been given to the Ministry of Economy of Albania by Ayen Enerji. The rest of USD-denominated letters of guarantees consists of TL 7.689.432 (USD 4.070.852) as guarantee for loans used by Ayen Ostim for machinery equipment provided from abroad during Ostim power plant investment and TL 18.959.549 (USD 10.037.349) from external guarantee letter for the loan from Exporfinans ASA for the machinery equipment provided from abroad used by Kayseri Elektrik A.Ş. EURO-denominated letter of guarantee given comprises TL 4.887.600 (EURO 2.000.000) as a qurantee for 35 years licence of 5 HEPP in Albania and 4.889.692 (EURO 2.000.856) as external guarantee letter for the loans used by Ayen Ostim for machinery equipment provided from abroad during Ostim power plant investment. The remaining TL 163.734.600 (EURO 67.000.000) is due to joint guarantee given in favor of Aksu Temiz Enerji's loan obtained from TSKB by Ayen Enerji. TL 7.844.500 is given to EPDK as quarantees for licenced wind power plant and HEPP projects. Rest of the letters of quarantee are given to TETAŞ and electricity distribution companies as assurance pay for the payable arising due to the electiricity purchases.

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

b) Contingent Assets and Liabilities (cont'd)

Contingent assets	31 December 2011	31 December 2010
Letters of guarantee received (*)	17.189.346	17.556.689
Guarantee received (**)	907.549.478	635.212.775
	924.738.824	652.769.464

(*) TL 10.735.494 (EURO 3.815.150 and USD 275.160) is due to the letters of guarantee received for the advances given to suppliers for the machinery-equipment, transformer and turbines purchases and installation regarding Büyükdüz HEPP investment. TL 6.209.472 of the letters are received by Ayen Elektrik as guarantee for the 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 2011 and 31 December 2010 are as follows:

	31.12.2011				31.12.2010			
	TL Equivalent	TL	USD	EURO	TL Equivalent	TL	USD	EURO
GPM given on behalf of its own legal entity	366.889.994	169.226.882	15.374.510	69.000.000	207.028.866	158.252.810	28.500.050	2.301.000
Guarantee	226.889.994	29.226.882	15.374.510	69.000.000	67.028.866	18.252.810	28.500.050	2.301.000
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	718.068.684	24.307.038	234.671.001	102.500.856	447.558.255	10.663.695	302.293.412	2.667.808
Conveyance	586.666.973	-	180.562.800	100.500.000	325.502.953	-	233.777.887	-
Guarantee	46.401.211	24.307.038	9.108.201	2.000.856	52.485.302	10.663.695	23.515.525	2.667.808
Mortgage	85.000.500	-	45.000.000	-	69.570.000	-	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								
Guarantee	-	-	-	-	-	-	-	-
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	1.084.958.678	193.533.920	250.045.511	171.500.856	654.587.121	168.916.505	330.793.462	4.968.808

(*) As of 31 December 2011, rate of Group's GPM to equity is 0% (2010: 0%).

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12. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31 December 2011	31 December 2010
Retirement pay provision	992.441	840.853
	992.441	840.853

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 2.731,85 for each period of service as at 31 December 2011 (31 December 2010: TL 2517,01).

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 consolidated financial statements as at 31 December 2011, 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 2010: 4,66% real discount rate). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of TL 2.805,04 effective from January 1, 2012 has been taken into consideration in calculation of provision from employment termination benefits. Movement of retirement pay provision for the year ended 31 December 2011 and 31 December 2010 is as follows:

	1 January- 31 December 2011	1 January- 31 December 2010
Provision at January 1	840.853	777.702
Service cost	324.830	81.939
Interest cost	39.195	46.009
Actuarial loss / gain	-	79.577
Termination benefits paid	(212.437)	(144.374)
Provision at December 31	992.441	840.853

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13. OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2011	31 December 2010
Non-trade receivables from related parties (Note 23)	187.000	13.315.797
Deferred finance charges (*)	1.374.861	1.630.721
Personnel advances	401.446	222.392
Prepaid expense	1.677.546	975.340
VAT carried forward	11.224.597	2.433.417
Other	1.183.489	108.449
	16.048.939	18.686.116

Other Non-Current Assets	31 December 2011	31 December 2010
Non-trade receivables from related parties (Note 23)	12.487.513	-
Advances given for acquisition of property, plant and equipment	3.426.212	15.437.918
Deferred finance charges (*)	25.645.186	14.001.215
Prepaid expenses	4.942	9.885
	41.563.853	29.449.018

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

Movement of deferred finance charges	1 January- 31 December 2011	1 January- 31 December 2010
Opening balance	15.631.936	14.171.677
Current period addition (Note 4)	13.757.876	3.070.780
Current period amortization	(2.369.765)	(1.610.521)
	27.020.047	15.631.936

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13. OTHER ASSETS AND LIABILITIES (cont'd)

Other Short-Term Liabilities	31 December 2011	31 December 2010
Tax and duties and other deductions	2.000.496	1.609.524
Expense accruals	713.243	552.293
Non-trade receivables from related parties (Note 23)	5.309.303	3.279
Payables due to unfavorables lawsuits (Note 11)	449.108	-
Other	547.279	126.710
	9.019.429	2.291.806

Other Long-Term Liabilities	31 December 2011	31 December 2010
Non-trade receivables from related parties (Note 23)	1.543.666	-
	1.543.666	-

14. SHAREHOLDERS' EQUITY

The Company is not subject to registered capital system. The approved and issued capital of the Company consists of 17.104.230.000 shares (31 December 2010: 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 2011 and 31 December 2010 is as follows:

Shareholdes	%	31 December 2011	%	31 December 2010
Aydıner İnşaat A.Ş.	84,98	145.351.747	84,98	101.641.755
Public quotation	15,01	25.673.449	15,01	17.955.000
Other	<1	17.104	<1	13.245
Subscribed capital		171.042.300		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.

Restricted profit reserves and retained earnings

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 50% 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 2011, the amount of restricted profit reserves is TL 41.124.515 (31 December 2010: TL 34.780.095).

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14. SHAREHOLDERS' EQUITY (cont'd)

In the General Assembly held on 28 April 2011, it was decided not to distribute TL 40.940.006 remaining after appropriating TL 2.154.749 of first reserve from the profit for the year 2010 which is TL 43.094.975.

Besides, in the General Assembly of Kayseri Elektrik held on 3 May 2011, it was decided to appropriate TL 4.307.877 of reserves out of Company's profit for the year 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 mentioned amount for Ayen Enerji is TL 49.301.845 (2010: TL 88.864.830).

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 2010: 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 aforementioned 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 2011	**1 January- 31 December 2010**
Electricity sales	109.348.751	89.590.195
Interest income from service concession arrangements	32.666.580	33.687.427
Sales Income	**142.015.331**	**123.277.622**
Cost of sales	(102.812.976)	(67.227.792)
Gross Profit	**39.202.355**	**56.049.830**

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16. EXPENSES BY NATURE

	1 January-31December 2011	1 January-31December 2010
Personnel expenses (*)	8.050.490	5.844.560
Depreciation and amortization expenses	8.498.689	8.805.728
Transportation expenses	1.056.816	1.058.558
Cost of natural gas	17.587.909	18.980.094
Cost of electricity (**)	65.281.702	31.021.891
Plant technical assistance and maintenance	4.145.590	2.553.495
Consultancy fees	1.067.248	853.576
System usage fee (***)	464.220	648.072
Office expenses	1.204.825	1.119.132
Insurance expenses	501.406	506.342
Taxes and duties	439.129	338.259
Other	1.134.994	774.456
	109.433.018	72.504.163

(*) Personnel expenses of TL 4.392.774 (31.12.2010: TL 3.243.024) has been charged in cost of sales; TL 3.657.716 (31.12.2010: TL 2.601.536) has been charged in general administrative expenses.

(**) Consists of the cost of electricity that Ayen Ostim, Ayen Enerji ve Ayen Elektrik purchased from suppliers other than TEİAŞ and Group Companies.

(***) 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.

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17. OTHER OPERATING INCOME/EXPENSES

Other operating income and expense for the periods ended 31 December 2011 and 2010 are as follows:

	1 January-31 December 2011	1 January-31 December 2010
Reversal of provisions (Note 11)	1.037.126	-
Carbon certificate sales	1.038.946	-
Rent income	-	21.600
Other	287.147	270.226
	2.363.219	291.826

	1 January-31 December 2011	1 January-31 December 2010
Provision for ongoing legal cases (Note 11)	-	219.396
Kızılcahamam forest expense (*)	144.808	160.493
Provision for unused vacation (Note 11)	110.752	209.681
Other	226.049	78.523
	481.609	668.093

(*) 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 2011	1 January- 31 December 2010
Interest income	1.689.708	2.640.409
Foreign exchange gain - net	10.012	6.459.740
Discount income- net	161.098	-
Other	66	129.158
	1.860.884	9.229.307

19. FINANCE EXPENSES

	1 January - 31 December 2011	1 January - 31 December 2010
Interest expense	(4.103.201)	(4.592.486)
Discount expenses (*)	-	(2.004.741)
Other finance expenses	(821.664)	(745.363)
	(4.924.865)	(7.342.590)

(*) TL 1.942.968 of discount expenses in 2010 is due to the increase in the fair value (Note: 23) of the contractual liability, due to the change in discount rate (Note: 2.6).

20. TAX ASSETS AND LIABILITIES

Current tax liability:	**31 December 2011**	**31 December 2010**
Current tax liability provision	5.261.183	7.174.309
Less: Prepaid taxes and dues	(2.636.676)	(4.357.527)
	2.624.507	2.816.782

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20. TAX ASSETS AND LIABILITIES (cont'd)

Tax charges are as follows:	**1 January-31 December 2011**	**1 January-31 December 2010**
Current tax	(5.261.183)	(7.174.309)
Deferred tax charge	(1.001.488)	(3.505.596)
Total tax charges	(6.262.671)	(10.679.905)

Corporate Tax

The Company and its subsidiaries in Turkey is subject to Turkish corporate taxes. Ayen AS, recorded in Albania, is subject to tax legislation in Albania. 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 2011 is 20% (2010: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2011 is 20%. (2010: 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 provision restricting the investment incentive allowance to 25% of earnings, added to Income Tax Law's temporary 69th article with Law No: 6009, has been revoked by Constitutional Court's decision dated 9 February 2012. Constitutional Court's decision on suspension of execution has been published in the Official Gazette No. 28208 dated 18 February 2012. As a result of this revision, 100% of investment allowances are allowed to be deducted in the tax declarations up to total amount of the relevant period profit subject to deduction.

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% (2010: 20%). The breakdown of temporary differences and the resulting deferred income tax assets/(liabilities) provided, at 31 December 2011 and 2010 are as follows:

	Temporary Differences		Deferred tax (assets)/liabilities:	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Property, plant and equipment and intangible assets	206.788.790	244.071.230	41.357.758	43.758.106
Investment incentives (*)	2.517.705	2.421.180	503.541	-
Carry forward tax losses	17.394.700	24.089.630	3.478.940	1.404.914
Provision for employment termination benefits	992.440	777.700	198.488	168.170
Due from service concession arrangements	(202.263.320)	(221.283.665)	(40.452.664)	(38.959.474)
Deferred finance charges	(3.245.215)	(5.123.300)	(649.043)	(915.791)
Other	385.540	153.285	77.108	59.691
	22.570.640	45.106.060	4.514.128	5.515.616

(*) Group did not calculate deferred tax asset over investment incentives of Kayseri Elektrik in 2010, due to aforementioned change in execution. However, with the cancellation of this change in 2012, Group has started to calculate deferred tax asset over the investment incentives as of 31 December 2011.

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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 1.982.269 (31 December 2010: 1.242.244) for the carry forward tax losses of Ayen Ostim amounting to TL 6.263.504 (31 December 2010: 5.994.764) and that of Ayen Elektrik amounting to TL 3.647.840 (31 December 2010: TL 66.455).

Group recognized TL 3.478.940 (31 December 2010: TL 1.404.914) of deferred tax asset over Ayen Enerji's carry forward tax losses amounting to TL 17.394.698 (31 December 2010: TL 7.024.568).

As of 31 December 2011 and 31 December 2010, the expiration dates of previous years' losses, which deferred tax asset have been accounted for, are as follows:

	31 December 2011	31 December 2010
2012	2.571.825	1.181.385
2013	5.815.723	5.843.183
2016	9.007.150	-
Closing balance at 31 December	17.394.698	7.024.568

Movements in deferred income taxes can be analysed as follows:

	1 January-31 December 2011	1 January-31 December 2010
Opening balance at 1 January	5.515.616	9.021.212
Current year deferred taxation expense	(1.001.488)	(3.505.596)
Closing balance at 31 December	4.514.128	5.515.616

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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 2011 and 2010 is stated below:

	1 January- 31 December 2011	1 January- 31 December 2010
Profit before tax on income statement	31.399.942	52.283.909
Effective tax rate (20%) (2010: 20%)	(6.279.988)	(10.456.782)
Effect of tax:		
- non-taxable finance losses	(401.938)	(93.946)
- effect of tax assets calculated over previous year losses that are not considered in previous years	17.763	-
- tax assets calculated over previous year losses	-	382.224
- non-deductible expenses	(84.157)	(42.151)
- effect of investment allowance	503.541	(469.250)
- effect of subsidiaries in loss	(17.892)	-
Tax expense on income statement	(6.262.671)	(10.679.905)

21. EARNINGS PER SHARE

	1 January- 31 December 2011	1 January- 31 December 2010
Profit for the year attributable to equity holders of the Parent	23.587.121	40.852.812
Average number of outstanding shares	17.104.230.000	17.104.230.000
Earnings per basic, 1.000 shares (TL)	1,38	2,39

(*) As of 31 December 2010, the current number of shares after the capital increase which was funded by the internal sources is used while calculating the earnings per share in order to be comparative with the current period.

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22. BUSINESS COMBINATIONS

Ayen has acquired 70% stake of Aksu Temiz Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Aksu") for a consideration of EUR 3.850.000 on 13 April 2011. This transaction is recognized by purchasing method. The net asset and recognition are as follows:

	fair value	Ayen ownership rate 70%
Total current assets	3.809.706	2.666.794
Total non-current assets	6.156.907	6.153.724
Total liabilities	(102.582)	(71.807)
Book value of net assets		8.748.711
Paid cash and cash equivalents		4.117.714
Cash and cash equivalents to be paid		4.630.997
Goodwill effect on		-

Purchase price of the carrying value of net assets acquired in excess of TL 6.146.992 is associated with the fair value of electiricity production license of Aksu and it is recognized as intangible asset.

Ayel Elektrik has acquired 8% shares of Ayen-AS Energy's shares whose book value is TL 178.000 (LEK 11.200.000) from AS Energy S.H.P.K in 2011. Exceeding amount of the book value of the acquired shares which is TL 4.681.198 has been recognised as goodwill on the consolidated financial statements provisionally.

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23. RELATED PARTY TRANSACTIONS

	31 December 2011							
	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. (*)	130.840	-	-	-	12.366.369	2.221.972	-	-
Kayseri ve Civarı Elektrik A.Ş.	-	-	-	-	4.883	-	-	-
Layne Bowler Pompa Sanayi A.Ş. (**)	18.784	-	-	-	-	-	-	-
Ostim Organize Sanayi Bölge Müdürlüğü (“Ostim Organize Sanayi”) (***)	-	-	-	-	2.841.953	-	-	-
Ostim Endüstriyel Yatırımlar ve İşletme A.Ş. (“Ostim Yatırım”) (****)	-	-	-	-	644.506	-	4.691.028	-
Samsun Makina Sanayii A.Ş.	-	-	-	-	101.091	-	-	-
Aydıner Xanadu Resort Otel	35.355	-	-	-	-	-	-	-
Aksu Diğer Ortaklar (*****)	-	-	-	12.248.271	-	3.087.331	-	1.543.666
As Enerji A.Ş.	-	-	-	239.242	-	-	-	-
Ayel Diğer Ortaklar	-	187.000	-	-	-	-	-	-
Other	20.887	-	-	-	-	-	-	-
	205.866	187.000	-	12.487.513	15.958.802	5.309.303	4.691.028	1.543.666

(*) Short term trade receivables consist of electricity sales of Ayen Elektrik to Aydıner Xanadu Resort Hotel and to Bafra worksite of Aydıner İnşaat, while TL 6.959.151 of short term trade payables consist of progress bills for the facility construction of Büyükdüz HEPP, Mordoğan WPP and Korkmaz WPP. TL 5.407.218 of short term trade payables consist of progress bills issued to Aksu Temiz Enerji A.Ş. for the facility construction of wind power plant. The short term non-trade payables consist of loan given to Aydıner İnşaat A.Ş. by the Group. As of 31 December 2010, interest rate for aforementioned loan is 14,18%.

(**) 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 (2010: All) 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 4.691.028. Regarding the decrease in interest rates, discount rate used in the calculation of the fair value of the aformentioned contractual liability was revised as 11,94% (2010: 11,61%). TL 122.703 decrease in the fair value of the contractual liability is reflected to current period consolidated financial statements as discount expense (Note: 18).

(*****) Receivables consist of the capital commitment related receivables from the other associates of Aksu. Furthermore, payables consist of the amounts that are to be paid for the acquisition of shares from the other associates of Aksu.

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23. RELATED PARTY TRANSACTIONS (cont'd)

	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	-	-	-
Ostim Organize Sanayi Bölge Müdürlüğü (**)	16.345	-	-	-	-	2.950	-	-
("Ostim Organize Sanayi") Aybet Beton A.Ş.	-	-	-	-	1.220.914	-	-	-
Ostim Endüstriyel Yatırımlar ve İşletme A.Ş.	-	-	-	-	703.571	-	5.454.097	-
("Ostim Yatırım") (***) Other	12.356	-	-	-	77	329	-	-
	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 2011, 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 aforementioned 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 consolidated financial statements as discount expense (Note: 19).

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23. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2011					
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. (*)	-	3.548.749	1.243.023	68.705.748	234.658	-
Kayseri ve Civarı Elektrik A.Ş. (***)	13.513	-	-	-	109.861	-
Ostim Organize Sanayi Bölge Müdürlüğü ("Ostim Organize Sanayi") (**)	21.094	-	-	-	135.160	17.587.909
Ostim Endüstriyel Yatırımlar ve İşletme A.Ş.	-	-	-	-	842.145	-
Samsun Makina Sanayii A.Ş.	-	-	-	-	101.091	-
Aysu Aydıner Su Sanayi ve Ticaret A.Ş.	-	18.674	-	-	-	-
Ayel Elektrik Üretim Sanayi ve Ticaret A.Ş.	-	-	-	-	-	-
Metay İnşaat Sanayii ve Ticaret A.Ş.	-	-	-	-	5.550	-
Aksu Diğer Ortaklar	-	-	214.984	-	300	-
Layne Bowler Pompa Sanayi A.Ş.	-	155.068	-	-	6.960	-
	34.607	3.722.491	1.458.007	68.705.748	1.435.725	17.587.909

(*) 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, Korkmaz WPP and Mordoğan WPP. 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

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

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23. 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.	-	-	-	-	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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23. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel during the period as follows

	1 January- 31 December 2011	1 January- 31 December 2010
Salary and other short term benefits	1.670.456	1.085.883
Other long term benefits	133.616	41.102
	1.804.072	1.126.985

24. 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.

The Group strategy has not changed since 2010, as of 31 December 2011 and 31 December 2010 net debt / total capital ratio is as follows:

	2011 TL	2010 TL
Total Debt	577.974.713	200.577.589
Less: Cash and cash equivalents	(2.600.654)	(14.256.658)
Net Debt	575.374.059	186.320.931
Total Equity	296.442.880	260.564.102
Total Capital	871.816.939	446.885.033
Net Debt / Total Capital ratio	66%	%42

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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24. 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 2011	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)	205.866	16.865.268	12.674.513	-	214.299.393	2.586.824	924.738.824
- The part of maximum risk under guarantee with collateral etc.	-	6.209.472	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	205.866	16.767.302	12.674.513	-	214.299.393	2.586.824	924.738.824
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	-	97.966	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

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

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24. 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 2010	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)	243.132	14.468.469	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	14.445.704	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 securities received by the Group (Note 11.b).

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24. 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 4.882.988 (2010: 2.105.568) of trade receivables are composed of the receivables from TETAŞ (2010: TL 1.334.260 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 2011, 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 2011 and 2010 are as follows:

31 December 2011	Receivables				
	Trade Receivables	Other Receivables	Bank Deposits	Derivative Instruments	Other
Past due 1-30 days(*)	97.966	-	-	-	-
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	97.966	-	-	-	-

(*) The balance consists of receivables arising from Ayen Elektrik's electricity sales. There is no guarantees received for the overdue receivables.

31 December 2010	Receivables				
	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 receivables arising from Ayen Elektrik's electricity sales, which were collected on 6 January 2011.

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

24. 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 2011

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	393.518.381	407.896.843	19.871.491	27.341.325	166.594.359	194.089.668
Trade payables	160.861.562	160.887.162	160.887.162	-	-	-
Trade payables to related parties	20.649.829	20.649.829	6.200.645	9.758.156	2.102.878	2.588.150
Non-trade payables to related parties	6.852.969	6.852.969	555.493	1.666.479	4.630.997	-
Total liabilities	581.882.741	596.286.803	187.514.791	38.765.960	173.328.234	196.677.818

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

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	10.039.600	10.039.600	-	-	-
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	197.101.484	229.598.738	22.128.360	23.895.940	97.287.525	86.286.913

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

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

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

24. 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 2011 and 2010 the foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	31 December 2011		
	TL Equivalent	**USD**	**EURO**
Trade receivables	16.566.418	8.770.405	-
Monetary financial assets	174.739	29.933	47.546
Due from short term service concession arrangements	52.753.439	27.928.127	-
Other	207.698	108.750	933
CURRENT ASSETS	**69.702.294**	**36.837.215**	**48.479**
Due from long term service concession arrangements	161.545.954	85.523.826	-
Other	1.918.790	39.731	754.457
NON-CURRENT ASSETS	**163.464.744**	**85.563.557**	**754.457**
TOTAL ASSETS	**233.167.038**	**122.400.772**	**802.936**
Trade payables	151.828.449	311.265	61.887.430
Financial liabilities	35.469.391	11.571.223	5.570.222
Other current financial liabilities	25.344.994	13.417.859	-
CURRENT LIABILITIES	**212.642.834**	**25.300.347**	**67.457.652**
Financial liabilities	349.028.375	8.377.208	136.346.946
Other non-current financial liabilities	19.922.338	10.547.058	-
NON-CURRENT LIABILITIES	**368.950.713**	**18.924.266**	**136.346.946**
TOTAL LIABILITIES	**581.593.547**	**44.224.613**	**203.804.598**
Net Foreign Currency Position	**(348.426.509)**	**78.176.159**	**(203.001.662)**

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

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

b.3) Market risk management (cont'd)

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

	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 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 liabilities	18.049.575	11.675.016	-
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)**

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. A positive number indicates anincrease in profit or loss.

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

b.3) Market risk management (cont'd)

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

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

	31 December 2011 Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation in USD against TL		
US Dollar net asset / liability	14.766.695	(14.766.695)
Part of hedged from US Dollar risk (-)	-	-
US Dollar net effect	14.766.695	(14.766.695)
In case 10% appreciation in EURO against TL		
Euro net asset / liability	(49.609.546)	49.609.546
Part of hedged from Euro risk (-)	-	
Euro net effect	(49.609.546)	49.609.546
TOTAL	**(34.842.851)**	**34.842.851**

	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)**

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

b.3) Market risk management (cont'd)

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 2011, 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 57.056 (2010: TL 26.209) mainly as a result of interest expenses on short-term and long-term borrowings. As of 31 December 2011, 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 617.626 (2010: TL 595.116) 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 floating interest rates.

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

25. FINANCIAL INSTRUMENTS

Fair values and categories of financial instruments

31 December 2011	**Loans and receivables (including cash and cash equivalents)**	**Financial liabilities at amortized cost**	**Carrying value**	**Note**
Financial assets				
Cash and cash equivalents	2.600.654	-	2.600.654	3
Trade receivables	16.890.867	-	16.890.867	5
Due from related parties	12.880.379	-	12.880.379	23
Due from service concession arrangements	214.299.393	-	214.299.393	7
Financial liabilities				
Trade payables	-	160.887.162	160.887.162	5
Due to related parties	-	27.502.799	27.502.799	23
Other financial liabilities	-	23.987.639	23.987.639	6

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	14.225.337	-	14.225.337	5
Due from related parties	13.558.929	-	13.558.929	23
Due from service concession arrangements	201.102.939	-	201.102.939	7
Financial liabilities				
Trade payables	-	11.204.656	11.204.656	5
Due to related parties	-	7.392.180	7.392.180	23
Other financial liabilities	-	29.054.356	29.054.356	6

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

26. SUBSEQUENT EVENTS

a) Kayseri Elektrik has made a loan payment amounting USD 2.780.000 regarding the USD 50.000.000 loan obtained from Bahrain branch of İş Bank.

b) Provisional acceptance of 18 wind turbines out of 36 which will be operated by Aksu has been made on 16 March 2012. Provisional acceptance of 15 wind turbines out of remaining 18 has been made on 5 April 2012 by Ministry of Energy and Natural Resources ("MENR"). The WPP has started electiricity production accordingly.

c) Ayen Enerji has decided to amend related articles of the Company's principle agreement in order to comply with CMB's Communiqué Series IV, No:56 "Communiqué on Determination and Application of Institution Management" and applied to CMB for approval on 13 March 2012.

d) Ayen Enerji has paid EUR 319.031 and EUR 1.168.094 of principal installments along with accumulated interests for the loan related to Akbük WPP investment which is obtained from Commerzbank AG on 6 February 2012 and 16 March 2012 respectively.

e) Ayen Ostim has paid USD 678.475 and EUR 333.476 of principal installments along with accumulated interests for the loan used during the construction of the plant on 20 March 2012.

f) EUR 50.400.000 of trade payables as of 31 December 2011, which is related to turbine purchases, has been paid (EUR 46.200.000 on 10 January 2012, EUR 2.100.000 on 19 January 2012 and EUR 2.100.000 on 16 February 2012) via long term loans with respect to the agreement made with Türkiye Sınai Kalkınma Bankası ("TSKB").

g) Aksu, has drawn down EUR 4.00.000 on 1 March 2012, within the context of the general loan agreement amounting to EUR 67.000.000, signed with TSKB related to wind power plant investment, in order to be used for the construction.

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 171,042,300
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 attanded 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 ot reporting on corruption was communicated to the Auditor.

Conclusion:

I reviewed the accounts and transactions of Ayen Enerji Anonim Şirketi for the period from 01.01.2011 to 31.12.2011 in accordance with the Turkish Commercial Code, relevant legislation, the articles od association and acounting principles and standards.

In my opinion, the balance sheet at 31.12.2011, the contents of which I concur with, presents true and faiw view of the financial situation of the Company at that date; and the income statement for the period from 01.01.2011 to 31.12.2011 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

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. Following the evaluations on status changes stated in the Serial VIII and No: 56-57 "Communiqué on the Determination and Operation of Corporate Governance Principles", text of Master Contract have been amended. Necessary legal permission process has been completed for the amendment, which will be presented to the approval of our shareholders in the first General Assembly coming up.

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 64/203
Ahmet Gökhan Saygılı - 0 312 445 04 64/301
Osman Faruk Mutlu - 0 312 445 04 64/108

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 regarding 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 Public Disclosure Platform (KAP) 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 2011 were generally about the operations of generation plants, annual Generation 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.

Speculative questions asked by either shareholders or investors, are left unanswered, whereas any questions not bearing the qualification of trade secret, are answered directly.

There are no provisions 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 2011.

4. INFORMATION ON GENERAL ASSEMBLY

The Ordinary General Assembly of 2010 was held on April 28th 2011. 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 2010, the quorum for convention and resolution in the General Assembly was 85%. 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, on Public Disclosure Platform (PDP) by material disclosure and on the company website 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 proposal resolution number 211, dated 13.04.2011 of the Board of Directors regarding the TRL 40,940,226.60 left after the separation of the 5% capital reserve of TRL 2,154,748.77 according to law no. 466, from the Net Profit of the Period of TRL 43,094,975.37 which formed in line with the Consolidated Account of 2010, prepared within the scope of the Serial: XI and No. 29 Communiqué of the Capital Market Board and audited by independent persons, to be kept within the body of the company, was accepted unanimously by the participants with the open vote at the Ordinary General Assembly.

The Profit Distribution Policy for 2011 and the following years have been announced to our shareholders during the Ordinary General Assembly held on 28.04.2011. the capital of the company was increased by TRL 51,432,300 from TRL 119,610,000 to TRL 171,042,300 with the no.220 resolution of the Board of Directors dated 22.07.2011 and was added to the capital as Extraordinary Reserves which was accepted unanimously by the participants at the Extraordinary General Assembly held on 24.08.2011. the Capitalization Issue with a ratio of 43% which was recorded to the board by the Capital Market Board with the record document no.78/788 and dated 22.08.2011 was transferred to the accounts of the shareholders on 28.09.2011.

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. COMPANY 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

The material disclosures are 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 to be declared. The number of material disclosures made in 2011 was 29 in total (amendments included). The material disclosures made within the year were made within the period proposed by the Law; therefore no additional disclosure was requested by the Capital Markets Board or ISE (Istanbul Stock Exchange); there were no delayed disclosures; no sanction was applied.

10. COMPANY WEBSITE AND CONTENTS

Şirketimizin internet adresi www.ayen.com.tr' dir. Bu adresten şirketimize ait bütün bilgilere erişilebilmektedir. İnternet sitesinde, şirketimizin ticaret sicil bilgileri, şirket ana sözleşmesi, ortaklık ve yönetim yapısı, yıllık faaliyet raporları, periyodik mali tablo ve raporlar, Geçici Vergi Beyannamesi eki mali tablolar, bağımsız denetim ve denetçi raporları, şirketin üretim ve yatırım faaliyetleri, Özel Durum Açıklamaları, bağlı ortaklıklara ait bilgiler bulunmaktadır.

İmtiyazlı paylara ait bilgiler, değişikliklerin yayınlandığı ticaret sicil gazetelerinin tarih ve sayıları ile birlikte şirket ana sözleşmesinin son hali, izahnameler ve halka arz sirkülerleri, genel kurul toplantılarının gündemi, katılanlar cetveli ve toplantı tutanakları, vekaleten oy kullanma formu, sermaye piyasası araçlarının değerine etki edebilecek önemli yönetim kurulu kararları ve sıkça sorulan sorular başlığı altında şirkete ulaşan bilgi talepleri, soru ve ihbarlar ile bunlara verilen cevapların yayımlanması için Bilgi İşlem Müdürlüğümüz çalışmalarını sürdürmektedir.

11. DISCLOSURE OF ULTIMATE SHAREHOLDER(S)

The capital structure of the Company is as follows as of 31.12.2011:

SHAREHOLDERS	SHARE PERCENTAGE (%)	SHARE TOTAL VALUE
Aydıner İnşaat A.Ş. Class A	56.87	97,278,260
Aydıner İnşaat A.Ş. Class B	28.10	48,069,450
Halka Açık Kısım Class B	15.01	25,675,650
Diğer A Grubu	0.02	18,940
		171,042,300

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.

The "List of the Persons Having Access to Internal Information" is prepared and updated as the persons having access to such information change, according to the provisions of Article 16 of the Communiqué No:54, Series: VIII issued by the Capital Markets Board. The final updated version of the list was sent to the Capital Market Board on July 13th, 2011.

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.

Any information may be obtained directly from the person in charge or "The Shareholding and Investor Relations Department" regarding the activities, financial position, targets and all other issues concerning the Company, except for the ones whose special situation have not been declared and announced to public. Besides, the annual report of our Company which is issued every year, is sent to all the persons of demand and published on our Company website.

General Assembly meetings of our Company are open to any person, who is interested in our Company, regardless of whether or not she/he is a shareholder of the Company. Press institutions, non-governmental organizations and any person interested in our Company may freely participate in our meetings. The results of the meetings are made known to public as soon as possible after the meeting.

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 statistical data 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 2011, 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 swiftly and prevent Company activities. Neither the transparency policy of our Company, nor the transparency of its activities, and the simplicity of the Company affairs require the participation of stakeholders in management. Stakeholders are sufficiently informed about the activities of our company with the statements announced to the public, through the website of our Company and their personal participation in general assembly meetings; also 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 work 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 respected, and the necessary measures are taken in order to protect the employees against physical, mental and emotional abuse within the Company.

Providing a safe work environment in Generation 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. INFORMATION ON CUSTOMER AND SUPPLIER RELATIONS

The generation plants that are being operated by our Company which were constructed in accordance with 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 Plants (WPP) and Natural Gas Cycle Plants are determined on the 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 an annual consumption exceeding a certain quantity, under bilateral Agreements where discount is granted in terms of tariffs set by Energy Market Regulation Authority.

In relations with suppliers, contracts signed with such suppliers are taken as basis. Quality standards are concurred in the purchase of goods and services and standards are protected intensively. 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 respected.

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. Thus, 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 foundation. Environmental Impact Assessment reports are available for all investments of our Company.

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 also take charge 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 among the Class A shareholders. Therefore, it is not possible to appoint independent members to the management of the Company. On the subject of independent members, according to the provisions of the "communiqué for the defining and the implementation of Corporate Governance Principles" with No:56 Series: IV of the Capital Market Board, it was decided to make amendments to the articles of association; and at the first general meeting in 2012, an independent member will be assigned to 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 realized in our country and to finalize such undertaken duty with success”, and its vision is “to convert natural and renewable sources into energy and bring them for the country’s economy.”

The strategic objectives, which are set forth as a result of attentive and meticulous 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 Generation, 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.

Although 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. AUTHORITIES AND RESPONSIBILITIES OF BOARD MEMBERS AND EXECUTIVES

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 assigned 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 for a total of 56 meetings in 2011 of which 21 times for Ayen Enerji,4 times for Ayen Elektrik, 2 times for Kayseri Elektrik, 15 times for Aksu Temiz Enerji, 6 times for Ayel Elektrik and 2 times for Ayen Ostim; during the meetings full participation 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. On this matter, application to the CMB for the amendment of the articles of association according to the “corporate governance principles communiqué” published by CMB with no:56 series:IV, was accepted on 04.05.2012 and approval for the amendment to the articles of association was given. Approved text will be presented at the first general meeting for approval of the directors.

27. REMUNERATION TO BOARD MEMBERS

On the subject of financial rights of the board of directors, necessary explanations are made on the consolidated financial statements’foot notes, that are prepared according to the Capital Market Board’s communiqué no:29 series:XI, attached to the annual report. Apart from these, 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.