AYEN

AYEN ENERJİ A.Ş.

2012

ANNUAL REPORT

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FOREWORD

Total energy generation in Turkey has increased by 5% to 239 billion kWh in 2012 compared to 2011. The private sector accounts for 62% of this generation while the public sector accounts for the rest.

The amount of energy generation plant investment needed in the years will be determined on the basis of supply and demand equilibrium.

In order to ensure that the investments necessary for the energy sector are initiated by the private sector, electricity market’s opening to the competition must be accelerated, security of supply must be monitored through effective public surveillance and regulation activities, privatisation of publicly owned generation plants must be accelerated, and investment climate must be improved. Indeed, private investors in the energy sector make their market decisions on the basis of demand forecasts and therefore as private actors in the sector it is our duty to show effort to develop a sound free-market.

Our company has continued its ongoing investment projects in 2012. 70.8 MW Buyukduz HEPP has been put into commercial operation in May 2012, and 72 MW AKSU WPP, one of our subsidiaries, in March 2012. Works related to 30.75 MW Mordogan WPP and to 24 MW Korkmaz WPP have been in progress, and it is expected that both power plants would be put into commercial operation in 2013.

On the other hand, our company has acquired 76% of Arakli Enerji Dogalgaz San. Ve Tic. A.S., owner of 70 MW Cankaya HEPP, and the company is now one of our subsidiaries. The feasibility study for this project has been in progress.

All permits necessary for 87.7 MW ‘Far River Basin HEPP’ Project, a project owned by Ayen AS Energji SHA, an overseas subsidiary, in Albania have been obtained, and construction has begun.

On the other hand, our electricity trading business, which involves trading of both our generation portfolio and generation of other companies, has continued in the period.

As Ayen Enerji we have been diligently pursuing the creation of a sound free-energy market.

Respectfully,

Fahrettin Amir ARMAN

General Manager

AYEN
AYEN ENERJİ A.Ş.


ALBANIA • AYEN AS ENERGJI SHA
GUMUSHANE • Buyukduz HEPP
ANKARA • Ostim Combined Cycle Natural Gas Power Plant
IZMIR • Mordogan WPP
IZMIR • Korkmaz WPP
KAYSERI • Aksu WPP
KAYSERI • Yamula Dam and HEPP
KAYSERI • Camlica HEPP
AYDIN • Akbuk WPP
AYDIN • Akbuk II WPP
INVESTMENTS
POWER PLANTS

THE AGENDA FOR THE 2012 ORDINARY GENERAL ASSEMBLY OF SHAREHOLDERS

8th May, 2013

1. Opening and election of the General Assembly Committee;
2. Approval of the authorization granted to the General Assembly Committee for the signing of the minutes of the General Assembly of Shareholders;
3. Presentation of and discussions on the Annual Report of the Board of Directors and Auditor's Report, and Independent Auditor's Report for 2012;
4. Briefing the General Assembly on transactions entered into with related parties in 2012;
5. Briefing the General Assembly on collaterals, pledges, mortgages given to third persons and income or interests earned in 2012;
6. Briefing the General Assembly on donations and aid provided in 2012;
7. Presentation, discussion, and approval of the Balance Sheet and Income Statement for 2012;
8. Discussion and resolving on method of distribution of profit for 2012 proposed by the Board of Directors;
9. Determination of and resolving on benefits provided to the Directors, such as attendance fee, remuneration, or bonuses;
10. Approval of cap for donations and aid to be provided in 2013;
11. Presenting names of nominee directors, who are proposed to replace resigning directors for the remaining term of service of resigning directors until the next General Assembly of Shareholders, to the General Assembly for approval for 2012, in accordance with Article 25 of Law No. 6103;
12. Releasing Directors and auditors severally for their actions in 2012;
13. Discussion and resolving on proposal made by the Board of Directors for supervision of Independent External Audit for the period starting on 01.01.2013 and ending on 31.12.2013 in accordance with the Turkish Code of Commerce No. 6102 and The Capital Market Law No. 6362;
14. Approval of the By-Law on Code of Conduct of the General Assembly prepared by the Board of Directors;
15. Approval of Proposed Amendment to the Articles of Associations amending Articles 3, 8, 12, 13, 14, 16, 17, 18, and 22 of the Articles of Association of Company in order to comply with the Turkish Code of Commerce No. 6102, the Capital Market Law No. 6362, and associated secondary legislation pursuant to approval no. 923-3224 dated 29.03.2013 of the Capital Market Board and permissions to be obtained from the Minister of Customs and Trade;
16. Determination of the number and terms of office Directors, election of nominated Directors and of Independent Directors;
17. Authorising controlling shareholders, Directors, executives of Company and their blood or non-blood relatives within the third degree of relationship in accordance with Articles 395 and 396 of the Turkish Code of Commerce and briefing the General Assembly on actions carried out in accordance with Articles 1, 3, and 7 of the Capital Market Board's Communiqué Serial No: IV and No.56 in 2012;
18. Suggestions and wishes;
19. Closing

1. Basis of Preparation of Annual Report

The Annual Report has been prepared in accordance with the Communiqué Serial No: XI and No: 29 on the Guidelines for Financial Reporting in Capital Market issued by the Capital Market Board, and By-Law on Determining the Minimum Content of Annual Reports of Companies" issued by the Ministry of Customs and Trade.

2. Company trade name, company registration no., contact info for headquarters and branches of company, and URL)

AYEN ENERJI ANONIM SIRKETI

Date of Incorporation	: 15.08.1990
Address of Headquarters	: Hulya Sokak No: 37 G.O.P. / ANKARA
Tel	: (312) 445 0464
Fax	: (312) 445 0502
e-mail	: ayen@ayen.com.tr
URL	: www.ayen.com.tr
Capital	: TRL171,042,300
Company registration no.	: 79297 – Merkez
Chamber of Industry	
Registration no.	: 520264.34
Tax Office and Tax ID No	: Cumhuriyet – 119 004 5930
Purpose and Subject	: Generation and trading of electricity

Company has no branches.

3. Organizational Structure of Company

The company has been organised as a group of companies which include Ayen Ostim Enerji Uretim A.S., Kayseri Elektrik Uretim Sanayi ve Ticaret A.S., Ayen Elektrik Ticaret A.S., Aksu Temiz Enerji Elektrik Uretim Sanayi ve Ticaret A.S., Ayel Elektrik Uretim Sanayi ve Ticaret A.S., Arakli Dogalgaz Enerji Uretim Sanayi ve Ticaret A.S., Ayen Dogalgaz Enerji Uretim Sanayi ve Ticaret A.S., and Ayen AS Energji SHA, a company incorporated in accordance with laws of Albania, all operating in the same sectors and included in the consolidated financial statements.

SHAREHOLDING STRUCTURE

4. Capital and shareholding structure of company, and changes thereof occurring in the period

Shareholding structure of company between 31st December 2012 and 31st December of 2011 is as follows:

SHAREHOLDER	SHARE (%)	NUMBER OF SHARES	AMOUNT OF SHARE	CLASS OF SHARES
Aydiner Insaat A.S	56.8738023	9,727,825,965	97,278,259.65	A
Aydiner Insaat A.S	28.1038374	4,806,945,000	48,069,450.00	B (non-trading shares)
Mehmet AYDINER	0.0000451	772,200	7,722.00	A
Fatma Nirvana AYDINER	0.0000169	589,575	2,895.75	A
Omer Ali AYDINER	0.0000169	589,575	2,895.75	A
Turhan AYDINER	0.0000169	589,575	2,895.75	A
Turgut AYDINER	0.0000146	250,965	2,509.65	A
Fahrettin Amir ARMAN	0.000000.	2,145	21.45	A
Publicly traded shares	15,0112,866	2,567,565,000	25,675,650.00	B (publicly traded)
Total:	100%	17,104,230,000	171,042,300.00	

The registered capital of company is TRL171,042,300.00 (one hundred and seventy-one million forty-two thousand and three hundred Turkish Liras) divided into 17,104,230,000 shares with nominal value of 1 (one) Turkish kurus of which 9,729,720,000 shares are Class (A) registered shares. Of all Class (B) shares, 2,567,565,000 are bearer and publicly traded shares, and 4,806,945,000 are registered and non-traded shares.

4.1. Preferential shares

a) Pursuant to Article 10 of Articles of Association, the Board of Directors is composed of at least 7 (seven) members of whom 5 (five) are nominated among Class (A) shareholders, elected by the General Assembly.
b) Pursuant to Article 13 of Articles of Association, each Class (A) shareholder has 1000 (thousand) votes per share at the ordinary and extraordinary General Assembly. The proposed number of votes for each Class (A) shareholder specified in the Amendment to Articles of Associations to be submitted to the 2012 ordinary General Assembly of our company which will held in 2013
is 15 (fifteen).

There have not been any changes in the shareholding structure of our company.

5. Management Body, Executives of company and limits of powers, terms of service thereof

The business and management of company is executed by the Board of Directors which is composed of at least 7 (seven) members of whom 5 (five) are nominated among Class (A) shareholders, elected by the General Assembly in accordance with the Turkish Code of Commerce.

BOARD OF DIRECTORS

FULL NAME	TITLE	TERM OF OFFICE
Mehmet AYDINER	Chairman	3 years starting from 29.04.2010
Turgut AYDINER	Director	3 years starting from 29.04.2010
Ayse Tuvana AYDINER KIRAC	Director	3 years starting from 29.04.2010
Omer Ali AYDINER	Director	3 years starting from 29.04.2010
Fahrettin Amir ARMAN	Director, General Manager	3 years starting from 29.04.2010
Metin BOSTANCIOGLU	Independent Director	1 year starting from 31.05.2012
Kadir Nejat UNLU	Independent Director	1 year starting from 31.05.2012

AUDIT COMMITTEE

FULL NAME	TITLE	DATE OF GENERAL ASSEMBLY AT WHICH S/HE SELECTED	TERM OF OFFICE
Kadir Nejat Unlu	Chairman of Committee	May 2012	May 2013
Metin Bostancioglu	Member	May 2012	May 2013

CORPORATE GOVERNANCE COMMITTEE

FULL NAME	TITLE	DATE OF GENERAL ASSEMBLY AT WHICH S/HE SELECTED	TERM OF OFFICE
Metin Bostancioglu	Chairman of Committee	May 2012	May 2013
Mehmet Aydiner	Member	May 2012	May 2013
Turgut Aydiner	Member	May 2012	May 2013

The Board of Directors manages and represents the company. In order for any document to be issued or any contract that will be entered to be valid, it should bear signatures of at least two authorised signatories of company underneath common seal of company.

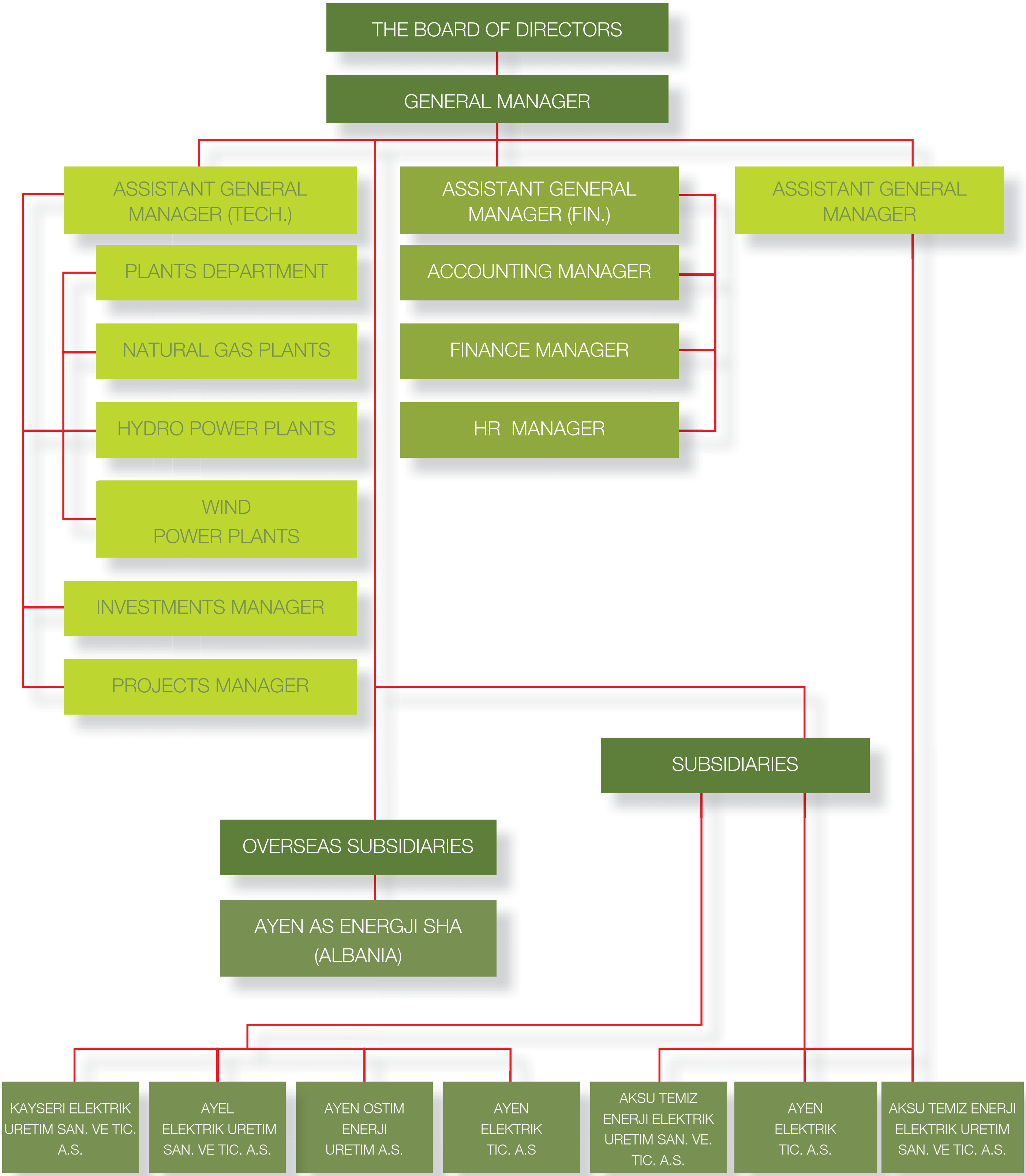
The Board of Directors shall identify, register, and promulgate those who shall have the signatory power to act in the name and on behalf of the company, and levels of authority and duties thereof in accordance with the Turkish Code of Commerce, the Capital Market Law, and relevant regulations thereunder.

The Board of Directors may, through a power of attorney, grant signatory authorities to act in the name of and on behalf of the company in whole or in part to any Director or any third person.

Mr. Mehmet Aydiner, Chairman of the Board of Directors, and Mrs. Ayse Tuvana Aydiner Kirac, Mr. Omer Ali Aydiner, Mr. Fahrettin Amir Arman, all Directors of the Board of Directors are the Managing Directors and act in the same capacity in our other subsidiaries.

There has been no authority granted to any controlling shareholders, directors, executives or their blood or non-blood relatives within the third degree of relationship to conduct any transaction or compete in a way that may cause conflict of interest with the company or any subsidiaries thereof in the 2012 fiscal year.

ORGANISATIONAL CHART



There has not been any transaction done by directors on their or someone else's behalf which may violate non-transaction with company requirement.

Article 25 of Law No. 6103 on the Enforcement and Manner of Implementation of Turkish Code of Commerce requires that any director who has been elected to represent a legal entity in the Board of Directors must resign. Therefore, Mr. Ayse Tuvana Aydiner Kirac who was elected to represent Aydiner Insaat A.S. in our Board of Directors has resigned as of 26.09.2012. The Board of Directors of our company resolved on 26.09.2012 to appoint Aydıner Insaat A.S. as a director in accordance with Article 363 of the Turkish Code of Commerce No. 6102 and appoint Mr. Tuvana Aydiner Kirac who is nominated by Aydiner Insaat A.S. as representative thereof, and to propose these nominations to the next General Assembly for approval.

6. Main factors affecting company performance, material changes to environment in which the company operates, policies that the company implements against such changes, investments made by the company to improve its performance, and dividend policy

Company operates in the energy sector. Vulnerabilities and volatilities of the global economy have affected national economy and hence the energy sector. The decline of electricity demand has had adverse effects on the electricity sector in terms of both price and sales.

There is State Guarantee of electricity generation and of purchase of electricity from those power plants operated by the Group under a BOT scheme. There is a guarantee of purchase of electricity for 7.3 $/cent per kWh generated for a period of 10 (ten) years starting from commercial operation of hydro and wind power plants utilising renewable energy resources to generate electricity in accordance with Law No. 5346.

The dividend policy of company is described in the attached Corporate Governance Compliance Report.

7. Financial Resources of Company

Financial resources of Group include income that the Group earns from the sales of electricity to public and large customer under relevant agreements.

Cash requirements of group are met by cash flows from operations. Cash for investment activities are expended within the scope of long-term project loans. Payment schedules for long-term project loans have been so determined that payment would begin once the power plant has started commercial operation and would be made from income to be earned from electricity sales of that power plant. This is how we minimise the liquidity risk.

The cash flows from the core activities of Group in 2012 are reported in detail in the 2012 consolidated financial statements.

8. Risk management policies of company

The Board of Directors has convened on 06.07.2012 and resolved to establish a Corporate Governance Committee within the Board of Directors pursuant to the Communiqué (Serial No. IV, No. 56) on Determination and Implementation of Corporate Governance Principles issued by the Capital Market Board. It has been also resolved that this Committee would also perform the duties incident to Committee for Early Detection of Risks.

Works that this Committee has carried out in the period are described in the attached Corporate Governance Principles compliance report.

Risks which are identified for the Group are managed as follows:

• Operational Risks

- Risk of clients

Camlica I HEPP and Yamula HEPP sell whole of the generated electricity to Turkiye Elektrik Ticaret ve Taahhut A.S. (TETAS). TETAS has provided a purchase guarantee for electricity generated by the Group.

Electricity purchase price, which shall be converted at the FX rate applicable on date of payment, is collected in 30 days following date of delivery thereby maintaining a steady cash flow.

The electricity purchases prices for the electricity sold by Ostim Natural Gas PP, Akbuk WPP, Aksu WPP, and Buyukduz HEPP are determined on the basis of prices set in accordance with the Electricity Market Balancing Settlement Regulation (DUY). Related invoice is paid in 7 business days of delivery by the Market Operator (PMUM) of the invoice. The amount of delay penalty is determined in accordance with the delay penalty clause set out by PMUM and is collected against an invoice.

In addition, electricity is sold to large customers under bi-lateral agreements. The purchase price is set by negotiation on the basis of TEDAS's tariffs combined with a specified discount rate. The average collection period is 15 days. Risks are minimised through letters of guarantee and similar other instruments. There is a guarantee of purchase of electricity for 7.3 $/cent per kWh generated for a period of 10 (ten) years starting from commercial operation of wind power plants utilising renewable energy resources to generate electricity in accordance with Law No. 5346. Group also takes this into account when entering into a supply agreement with its customers.

- Product related risks (e.g. supply, generation, distribution and logistics, sales, quality, etc.)

Concerned governmental agencies and distribution companies are responsible for ensuring security of supply of electric energy.

- Risk resulted from external factors (i.e. competition risk)

Our Group has a unit to maintain our competitive edge and to perform price analysis. Credibility of any potential client is analysed, and supply agreement is made on the basis of risk classification. This way we aim to create a long-term relationship with our clients where we can maintain our competitive edge.

• Financial Risks

Management of financial risks of Group is described in the attached Corporate Governance Compliance Report.

• Legal Risks

The top management considers all legal consequences of acts and actions related to core activities of Group prior to actual performance. Group carries out its operations on the basis of recommendations given by its legal advisors in order to prevent any and all legal risks that the Group may face due to its activities.

• Risks or hazards that the Group may have on its stakeholders and on the environment

We consider that the occupational health, safety and environmental controls are an indispensible and vivid part of our overall operations, and we place emphasis on occupational health, safety and environmental practices.

We comply with all applicable laws, legislations, and regulations of all countries where we operate.

We put emphasis on ensuring that all of our employees receive proper occupational health, safety and environmental training. We aim to improve our occupational health, safety and environmental performance on a continuous basis.

9. Other information which is not included in the financial statements but may be useful for users

Such information is provided in notes of Group's Consolidated Financial Statements as of 31.12.2012 (see note 25)

10. Materials events occurring after the end of reporting period (i.e. 1^{st} January 2012 and 31^{st} December 2012) until the General Assembly where related financial statements are to be discussed

The Board of Directors of Ayen Enerji A.S. convened on 11.03.2013 and resolved to amend Articles 3, 8, 12, 13, 14, 16, 17, 18, and 22 of Articles of Association of company in order to adapt the Articles of Association to the Turkish Code of Commerce no. 6102 and to submit such amendments to the General Assembly for approval pursuant to permissions granted by the Capital Market Board, and the Ministry of Customs and Commerce. The Capital Market Board, upon review of the Articles of Association, also informed our company that Articles 8 and 18 need to be amended also.

The Board of Directors convened on 25.03.2013 and resolved on text amending those Articles that the Capital Market Board required the Company to amend, and obtained necessary approval and permissions for proposed amendments from the Capital Market Board and the Ministry of Customs and Trade. Proposed amendments will be submitted to the 2012 Ordinary General Assembly to be held on 08.05.2013 for approval.

11. Corporate Governance Principles Compliance Report

It is attached hereto.

12. Research and development activities conducted

Group has no R&D activities conducted in the reporting period.

13. Amendments made to the Articles of Association in the reporting period and Reasons Thereof

The amendments which were approved by the 2011 Ordinary General Assembly which convened on 31.05.2012 were made in accordance with Communiqué (Serial No. IV, No. 56) on Determination and Implementation of Corporate Governance Principles issued by the Capital Market Board.

The amendment to the Articles of Association approved by the extraordinary General Assembly convened on 08.10.2012 was made, as the Special Provincial Administration of Izmir required our company to make such amendment in accordance with relevant provisions for an exploration license for a geothermal field.

14. Capital Market Instruments Issued

None.

15. Sector in which the Company Operates and its place in that sector

Ayen Enerji A.S. was incorporated to generate, transmit, distribute, and trade electricity energy in 1990, and went its initial public offering on the Istanbul Stock Exchange in 2000.

ENERGY SECTOR AT A GLANCE

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 works in the energy sector,
- To provide an increase in the investments in all fields of energy sector while taking environmental impacts 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.

Renewable resources and energy productivity came into prominence as an alternative to fossil fuel as global warming gained an importance.

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.

Total installed power of our country (in all resources) has reached to 57,058.4 MW. And demand power was 39,0452 MW in 2012.

The amount of electricity generated in 2012 has increased by 4.2% compared to 2011 to 239.08 billion kWh while electricity consumption was increased by 5.1% to 241.95 billion kWh.

ELECTRIC ENERGY IN TURKEY
INSTALLED CAPACITY BY PLANT AND FUEL TYPE

PLANTS	END OF 2012		
	INSTALLED POWER MW	CONTRIBUTION %	NUMBER OF PLANTS
EUAS	20,904.8	36.6	97
POWER PLANTS UNDER PUBLIC-PRIVATE-PARTNERSHIP AGREEMENT WITH EUAS	3,870.0	6.8	5
POWER PLANTS UNDER ToR AGREEMENTS	875.2	1.5	38
POWER PLANTS UNDER BO SCHEME	6,101.8	10.7	5
POWER PLANTS UNDER BOT SCHEME	2,419.8	4. 2	21
INDEPENDENT GENERATION COMPANIES	19,685.9	34.5	427
AUTO-PRODUCER POWER PLANTS	3,200.8	5.6	178
TOTAL	57,058.4	100.0	771

TYPES OF FUELS	2012 YILI SONU		
	INSTALLED POWER MW	CONTRIBUTION %	NUMBER OF PLANTS
FUEL-OIL + ASPHALTITE + NAPHTHA+ DIESEL OIL	1,362. 3	2. 4	23
IMPORTED COAL + ANTHRACITE + LIGNITE	12,390. 8	21. 7	26
NATURAL GAS + LNG	17,169. 6	30. 1	189
RENEWABLE + WASTE	158. 5	0. 3	29
MULTI FUELS SOLID + LIQUID	675. 8	1. 2	8
MULTI FUELS LIQUID + NATURAL GAS	3,269. 2	5. 7	45
GEOTHERMAL	162. 2	0. 3	9
HYDRO W/ DAM	14,744. 6	25. 8	64
HYDRO W/ STREAM	4,864. 8	8. 5	317
WIND	2,260. 5	4. 0	61
TOTAL	57,058. 4	100. 0	771

CUMULATIVE GENERATION AND CONSUMPTION IN 2012 BY PLANTS

PLANTS	THERMAL	GEOTHERMAL	HYDRO	WIND	TOTAL	
	GENERATION (MWh)	GENERATION (MWh)	GENERATION (MWh)	CONTRIBUTION (MWh)	GENERATION (MWh)	GENERATION %
EUAS	32. 443. 227	0	38. 274. 215	0	70. 717. 443	29,58
POWER PLANTS UNDER PUBLIC-PRIVATE-PARTNERSHIP AGREEMENT WITH EUAS	20. 104. 492	0	0	0	20. 104. 492	8,41
POWER PLANTS UNDER ToR AGREEMENTS	4. 343. 924	0	203. 486	0	4. 547. 410	1,90
AUTO-PRODUCER POWER PLANTS	11. 014. 958	0	1. 657. 945	2. 266	12. 675. 169	5,30
INDEPENDENT GENERATION COMPANIES	53. 166. 357	849. 368	14. 096. 485	5. 801. 484	73. 913. 695	30,92
POWER PLANTS UNDER BO SCHEME	43. 087. 113	0	0	0	43. 087. 113	18,02
POWER PLANTS UNDER BOT SCHEME	10. 380. 556	0	3. 604. 733	47. 800	14. 033. 089	5,87
TOTAL GENERATION OF TURKEY	174. 540. 627	849. 368	57. 836. 865	5. 851. 550	239. 078. 410	100,00

IMPORTS		5. 819. 960
EXPORTS		2. 953. 179
TOTAL GENERATION OF TURKEY		241. 945. 191

TURKISH ELECTRICAL ENERGY 10-YEAR GENERATION CAPACITY PROJECTION

The demand projections made in Turkish Electric Energy 10-year Generation Capacity Projection for 2012-2021 Report, which was prepared on the basis of demand forecasts developed by the Ministry of Energy in accordance with the Electricity Market Law (EPK) No: 4628 and the Grid Regulations as a guidance for market participants, have been developed by the Turkiye Elektrik Iletim A.S. (TEIAS) on the basis of High Demand and Low Demand serials which have been revised by the Ministry of Energy to consider impacts of the economic crisis.

On the basis of high demand projection, it is expected that the energy demand, which was 244 billion kWh in 2012, would be 467.3 kWh in 2021 while on the basis of low demand projection, the energy demand would be 424.8 kWh in 2021.

With respect to meeting such demand, two distinct scenarios have been developed in relation to power plants licensed by the EMRA, which are expected to be put into operation in the specified period, in addition to existing operating plants and those which are still in construction. According to Scenario 1 with addition of 29,718 MW additional capacity, including 7076 MW of on-going public power plants and 22,643 MW of on-going private power plants, the installed capacity would become 82,630 MW in 2012-2021 period. And, the total installed capacity would reach to 95,769 MW with addition of 13,139 MW of power plants with uncertain start-up date.

According to Scenario 2 with addition of 29,246 MW additional capacity, including 7076 MW of on-going public power plants and 22,171 MW of on-going private power plants, the installed capacity would become 82,158 MW in 2012-2021 period. And, the total installed capacity would reach to 95,769 MW with addition of 13,611 MW of power plants with uncertain start-up date.

It appears that in the event of high demand occuring, in the case of scenario 1, energy demand would be met with a small amount of excess capacity considering projected generation of power plants in 2020, that energy demand would not be met starting from 2021, that energy demand would be met with a small amount of excess capacity considering anticipated reliable generation of power plants in 2017, and that high electric energy demand would not be met starting from 2018.

In the case of Scenario 2, it appears based on projected generation of power plants that energy demand would not be met starting from 2020, that energy demand would be met with a small amount of excess capacity considering anticipated reliable generation of power plants in 2016, and that high electric energy demand would not be met starting from 2017.

In the event that the low demand occurs, in the case of Scenario 1, it appears that energy demand would not be met starting from 2020 considering projected generation of power plants, and energy demand would be met with a small amount of excess capacity considering anticipated reliable generation of power plants in 2016, and that high electric energy demand would not be met starting from 2017.

In the case of Scenario 2, it appears that energy demand would be met with a small amount of excess capacity in 2021 considering projected generation of power plants, and that high electric energy demand would not be met starting from 2018 considering anticipated reliable generation of power plants.

AYEN ENERJI A.S. POSITION IN ENERGY SECTOR

Ayen Enerji A.S. was incorporated to generate, transmit, distribute, and trade electricity energy in 1990, and went its initial public offering on the Istanbul Stock Exchange in 2000.

Ayen Enerji A.S.

POWER PLANTS CURRENTLY IN OPERATION	
HEPP	**254,8 MW**
WPP	**103,5 MW**
Natural Gas	**41 MW**
Total	**399,3 MW**

ANNUAL ELECTRICTY GENERATION CAPACITY	
HEPP	**1.043.000.000 kWh**
WPP	**359.600.000 kWh**
Natural Gas	**280.000.000 kWh**
Total	**1.682.600.000 kWh**

2013 yılı sonuna kadar devreye girmesi planlanan santraller ile birlikte
kurulu gücün **454,05 MW**'a
üretim kapasitesinin de **1.850.900.000 kWh**'a ulaştırılması hedeflenmektedir.

INVESTMENTS

16. Developments in investments, status of use of incentives

All of the wind turbines and generator sets have been imported within the scope of **Korkmaz WPP** project, a wind power plant project with installed capacity of 24 MW and generation capacity of 73 million kWh, and **Mordogan WPP**, a wind power plant project with installed capacity of 30.75 MW and generation capacity of 96 million kWh, in accordance with the Electricity Market Law No. 4628, and installation of turbines and construction works for Mordogan WPP have been completed. The installation of turbines and construction works for Korkmaz WPP will begin upon receipt of site permits, and it is planned that both power plants will be put into commercial operation in the second half of 2013.

Regarding **Pasalar HEPP**, a project with installed capacity of 40 MW and generation capacity of 151 million kWh, the Energy Generation License No. EU/1406-5/1029 dated 13.12.2007 granted for 41.5 MW Pasalar HEPP was returned to the Energy Market Regulation Agency upon denial by the 14th Chamber of the Council of State of application for “Stay of Execution” made by the Ministry of Environment and Urbanisation with respect to Pasalar HEPP Water Utilisation Agreement, which had been cancelled by the 14th Chamber of the Council of State.

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.S. 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 ENERGJI SHA company with a capital of ALL140.000.000 was founded for 35 years, subjected to the Albanian Law. Ayen Enerji A.S. holds 82% of the shares in the company, and its stake in the company is now 86.4% with shares of its subsidiaries in the company.

The construction period of the project 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 2014.

Ayen Erciyes Natural Combined Cycle Natural Gas Power Plant: 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.

Status of use of incentives

Group has been awarded Investment Incentive certificates by the Undersecretariat of Treasury of the Republic of Turkey for Buyukduz HEPP, Aksu WPP, Mordogan WPP, and Korkmaz WPP and enjoys exemptions in terms of Value Added Tax and Customs Tax. In addition, Buyukduz HEPP was also granted Insurance Contribution Benefit under Law No. 5084 during construction phase.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OPERATIONS

17. Characteristics of the production units of the enterprise, their capacity utilization ratios and any developments regarding these ratios, general capacity utilization ratio, developments in the production of goods and services that constitute the enterprise's field of activity, and the figures containing comparisons of quantities, qualities, sales, and prices with previous period figures

GENERAL	CAMLICA	AKBUK	YAMULA(*)
Location of Plant	Zamanti River Kayseri	Didim Aydin	Kizilirmak River Kayseri
Plant Type	Gated weir with overfall spillway and silting tank	Wind Power Plant	With Reserve
Installed Power	84 MW	31.5 MW	100 MW
Annual Generation	429 million kWh	122.4 million kWh	422.3 million kWh
2012 Actual Generation (net)	366.5 million kWh	100.4 million kWh	399.3 million kWh
Availability	100%		100%
Capacity Utilisation	%85	82%	95%
Water Utilisation	100%		100%

GENERAL	AYEN OSTIM	BUYUKDUZ (**)	AKSU (*)
Location of Plant	Ostim Ankara	Town of Kurtun Gumushane	Village of Dikme, Yahyali Kayseri
Plant Type	Combined Cycle Natural Gas Power plant	Gated weir with overfall spillway and silting tank	Wind Power Plant
Installed Power	41 MW	70.8 MW	72 MW
Annual Generation	280 Million kWh	192 Million kWh	237.2 Million kWh
2012 Actual Generation (net)	143.8 Million kWh	64 Million kWh	115 Million kWh
Availability			
Capacity Utilisation	51%		
Water Utilisation			

* It is assumed that the operational period for Yamula HEPP was between 1st August and 31st July.

** Generation started at Aksu WPP in March 2012 and in June 2012 at Buyukduz HEPP.

POWER PLANT	2012 Q4 Generation kWh	2011 Q4 Generation kWh	2010 Q4 Generation kWh
Camlica I HEPP	366,524,400	431,554,765	418,351,500
Ayen Ostim	143,886,330	150,555,198	186,135,000
Yamula HEPP	399,371,790	532,403,930	612,499,280
Akbuk WPP	100,406,552	102,137,385	97,418,107
Aksu WPP (*****)	114,921,390		
Buyukduz WPP (*****)	64,093,690		
PRICE	2012 Cent/kWh	2011 Cent/kWh	2010 Cent/kWh
Camlica I HEPP (*)	2,26	2,90	2,517
Ayen Ostim (***)			
Yamula HEPP (**)	6,08/7,92	5,670/5,290	5,190/8,575
Akbuk WPP (***)			

* The 2012 revised tariffs for Camlica HEPP were approved on 15th May 2012.

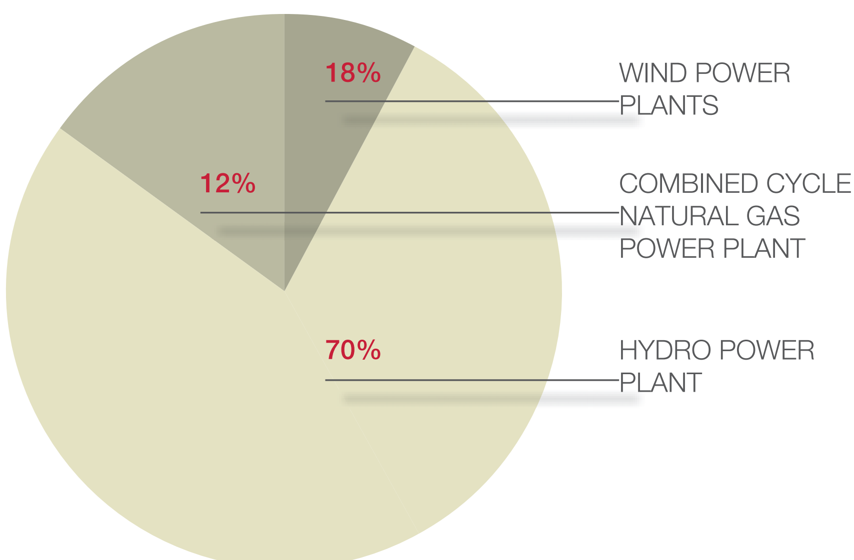
*** Prices vary, as Ayen Ostim Natural Gas PP sells the energy generated at the plant to the free market.

** The revised tariffs for Yamula HEPP for the period between 01.08.2012 and 31.07.2013 were approved on 21st January 2013.

**** Prices vary, as Akbuk WPP, Aksu WPP, and Buyukduz HEPP sell the energy generated at the plants to the free market. Pursuant to Renewable Energy Resources Law there is a purchase guarantee of 7.3 USD/cents applicable until 31st December 2019.

***** Commercial operation started at Aksu WPP on 16th March 2012 and on 1st June 2012 at Buyukduz HEPP.

GENERATION BY RESOURCES

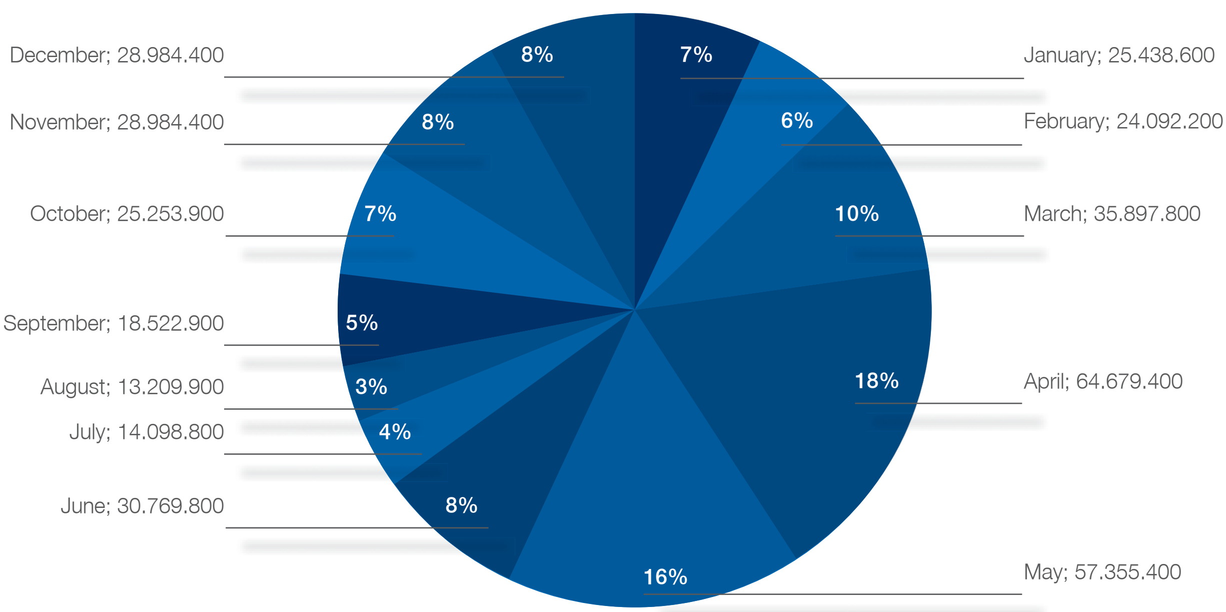


CAMLICA I HEPP

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 32 personnel employed, including 9 for security.

The generation dropped by 6.6% compared to 2011 in 2012 due to weak water flow. There has not been any technical problem which may adversely affect the generation at our plant.

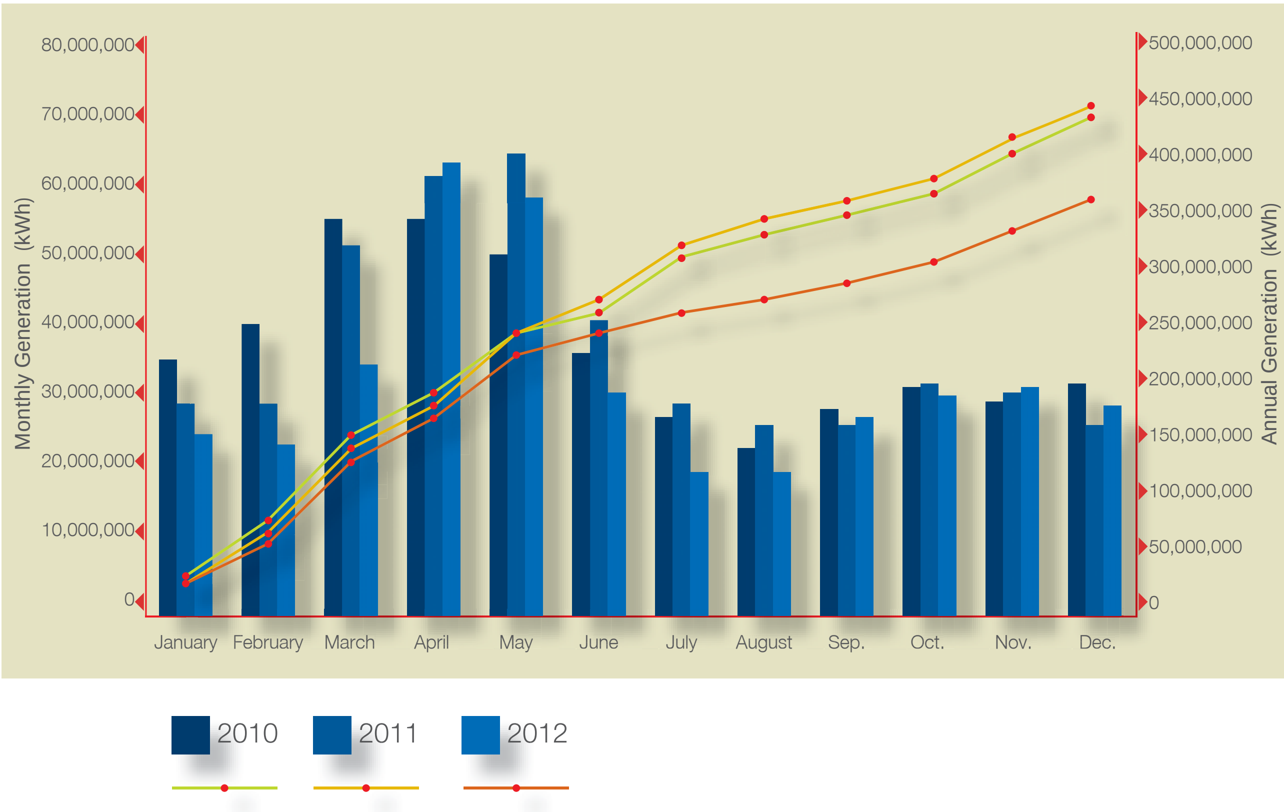
CAMLICA 1 HEPP
MONTHLY GENERATION IN 2012
(million kWh)

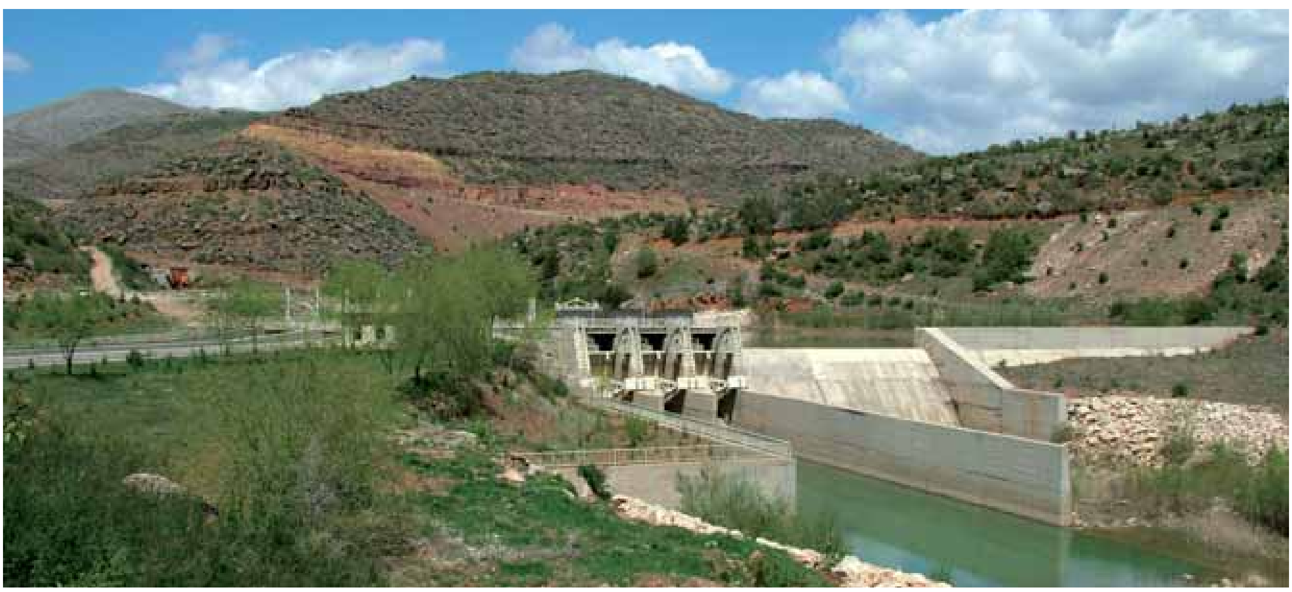


Çamlica I HEPP Electricity Sales Price

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.

Camlica I HEPP Generation





CAMLICA I HYDROELECTRIC POWER PLANT

Plant Location	: On Zamanti 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 m
Spillweir Discharge Capacity	: 400 m3/sec
Regulator Type	: Radial Gate Concrete
Number of Silting Tanks	: 3
Diversion Tunnel Length	: 10,483 m
Diversion Tunnel Type	: Concrete Covered Horseshoe Section
Diversion Tunnel Inner Diameter	: 3.60 m
Diversion Tunnel Nominal Flow	: 35 m^3/sec
Surge Tank Diameter	: 22.0 / 12.5 m
Surge Tank Volume	: 2000 m^3
Penstock Diameter	: 3.25 / 3.00 / 2.75 m
Penstock Length	: 914 m

TURBINES	
Number and Type of Units	: 3-Vertical Axis Francis
Gross Fall	: 331 m
Net Fall (Single Unit)	: 325 m
Net Fall (Three Units)	: 295 m
Turbine Nominal Power	: 28 MW
Installed Power	: 84 MW
Speed	: 750 rpm
Turbine Discharge	: 11.66 m^3/sec
Total Discharge	: 35 m^3/sec
Specific Water Factor	: 1.30 m^3/kWh

GENERATORS	
Number and Type of Units	: 3-Three-phased Extending Pole, Synchronous
Power	: 31. 5 MVA
Power Factor	: 0. 90
Output Voltage	: 10600 V
Rotation	: 750 rpm
Frequency	: 50 Hz

TRANSFORMERS	
Number and Type of Units	: 3-Oil-cooled, External Type
Cooling System	: ONAN/ONAF
Power	: 32-40 MVA
Voltage	: 10.6 / 154 ± 3 x 2.5 % kV
Power for Internal Transformer	: 2 x 630 kVA

ANNUAL ENERGY GENERATION: 429.000.000 kWh


AYEN

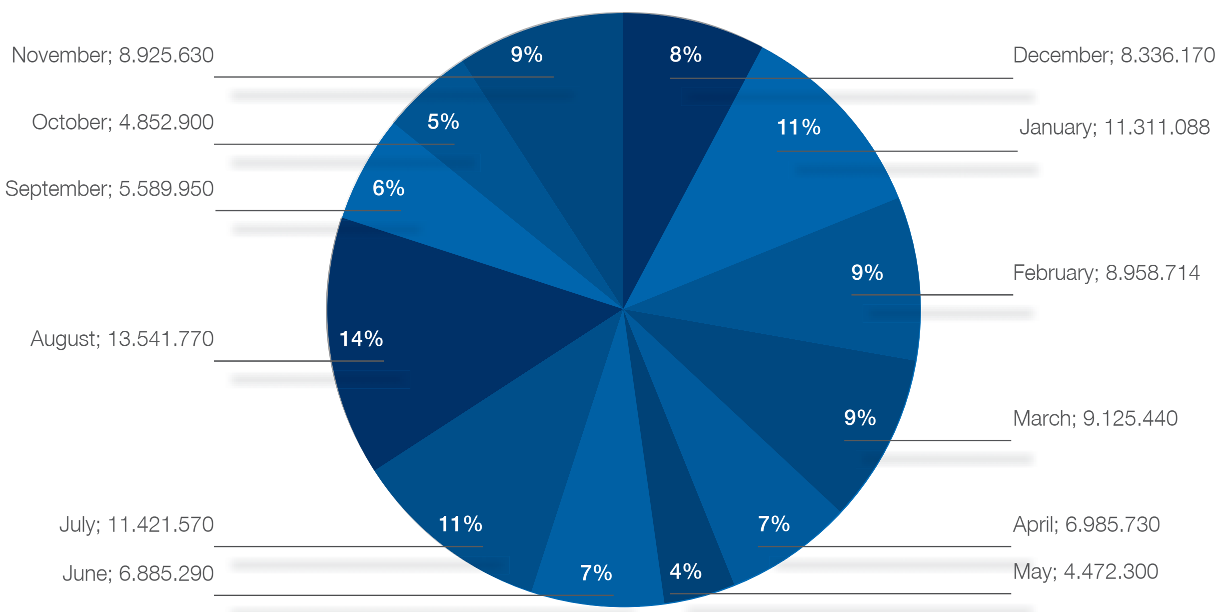
AKBUK WIND POWER PLANT

Akbuk 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.

AKBUK WPP

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

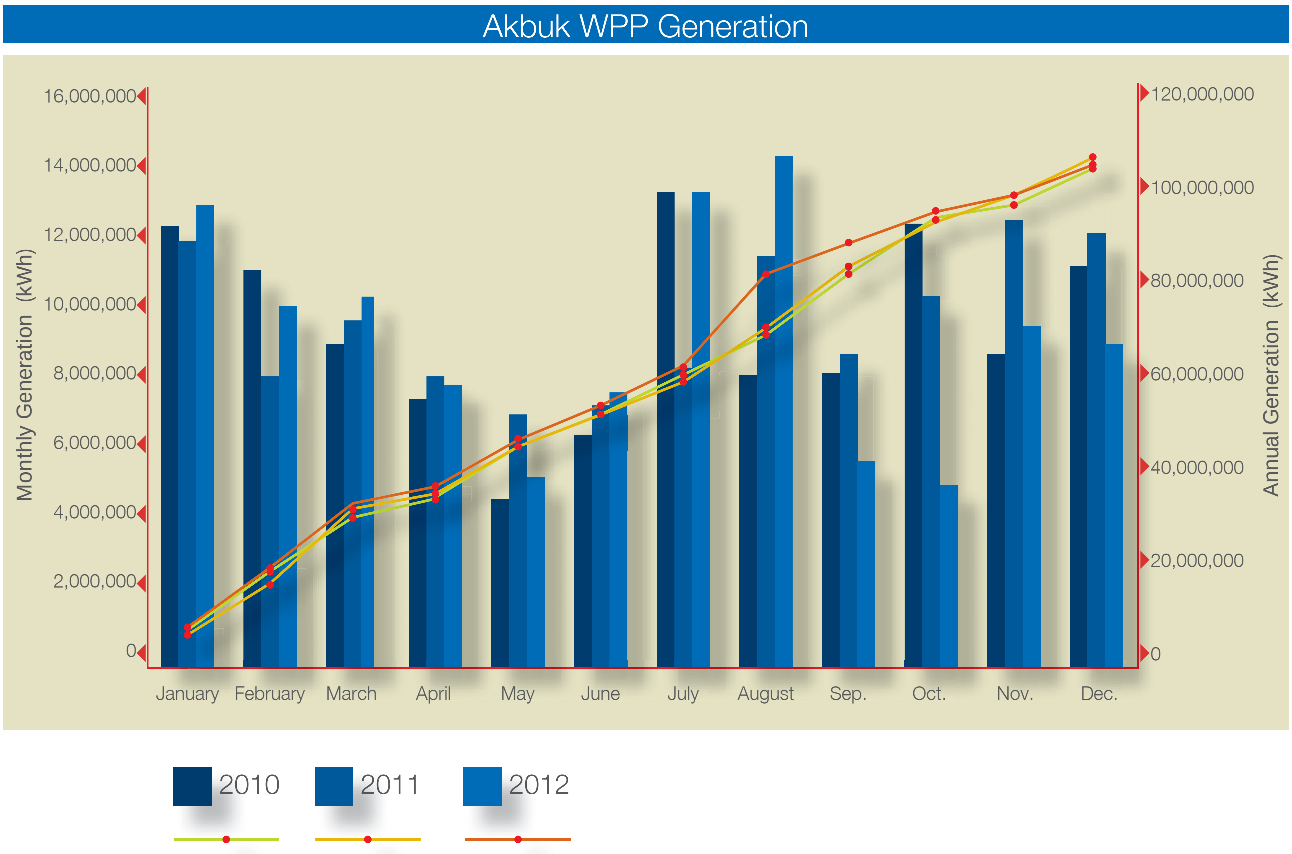
AKBUK WPP
MONTHLY GENERATION IN 2012
(million kWh)



Akbuk WPP Electricity Sales Prices

The electricity price for the electricity sold by Akbuk WPP are determined on the basis of prices set in accordance with the Electricity Market Balancing Settlement Regulation (DUY). Related invoice is paid in 7 business days of delivery by the Market Operator (PMUM) of the invoice. The amount of delay penalty is determined in accordance with the delay penalty clause set out by PMUM and is collected against an invoice.

In addition, electricity is sold to large customers under bi-lateral agreements. The purchase price is set by negotiation on the basis of TEDAS's tariffs combined with a specified discount rate. Risks are minimised through letters of guarantee and similar other instruments.



YAMULA DAM AND HYDROELECTRIC POWER PLANT

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

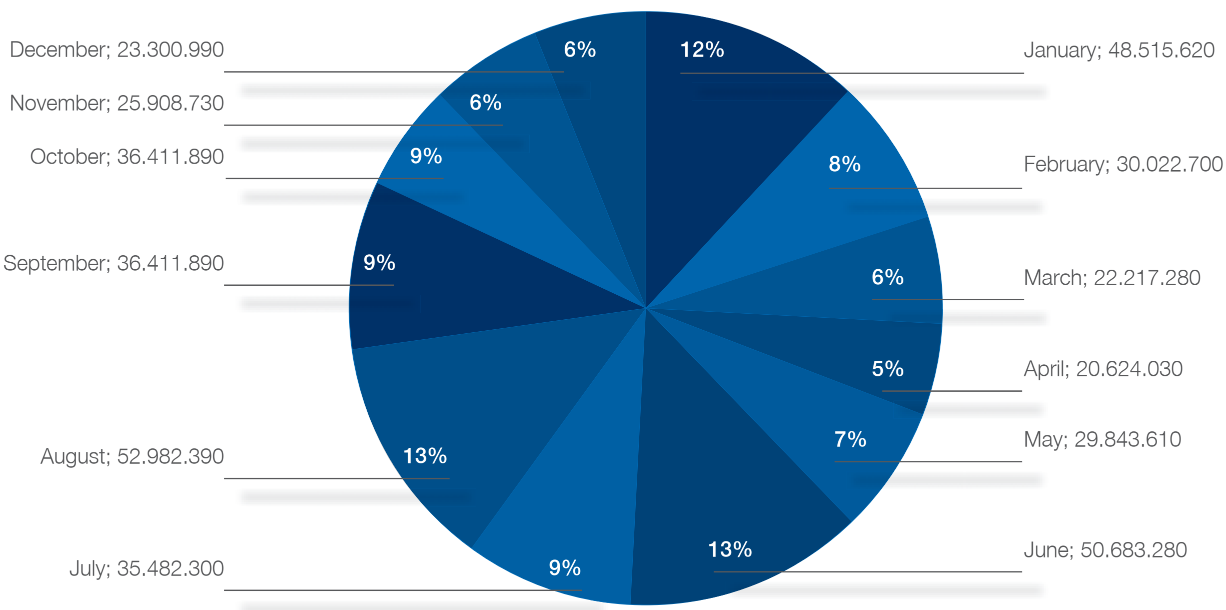
The Project was realized by Kayseri Elektrik Uretim San. ve Tic. A.S., one of the subsidiaries of Ayen Enerji A.S.

The electro-mechanical equipment was provided by GE and ABB and the latest technology was used. There are 34 personnel employed, including 12 security personnel.

The generation at Yamula in 2012 was realized according to the program that DSI (General Directorate of State Hydraulic Works) has prepared for Kizilirmak basin.

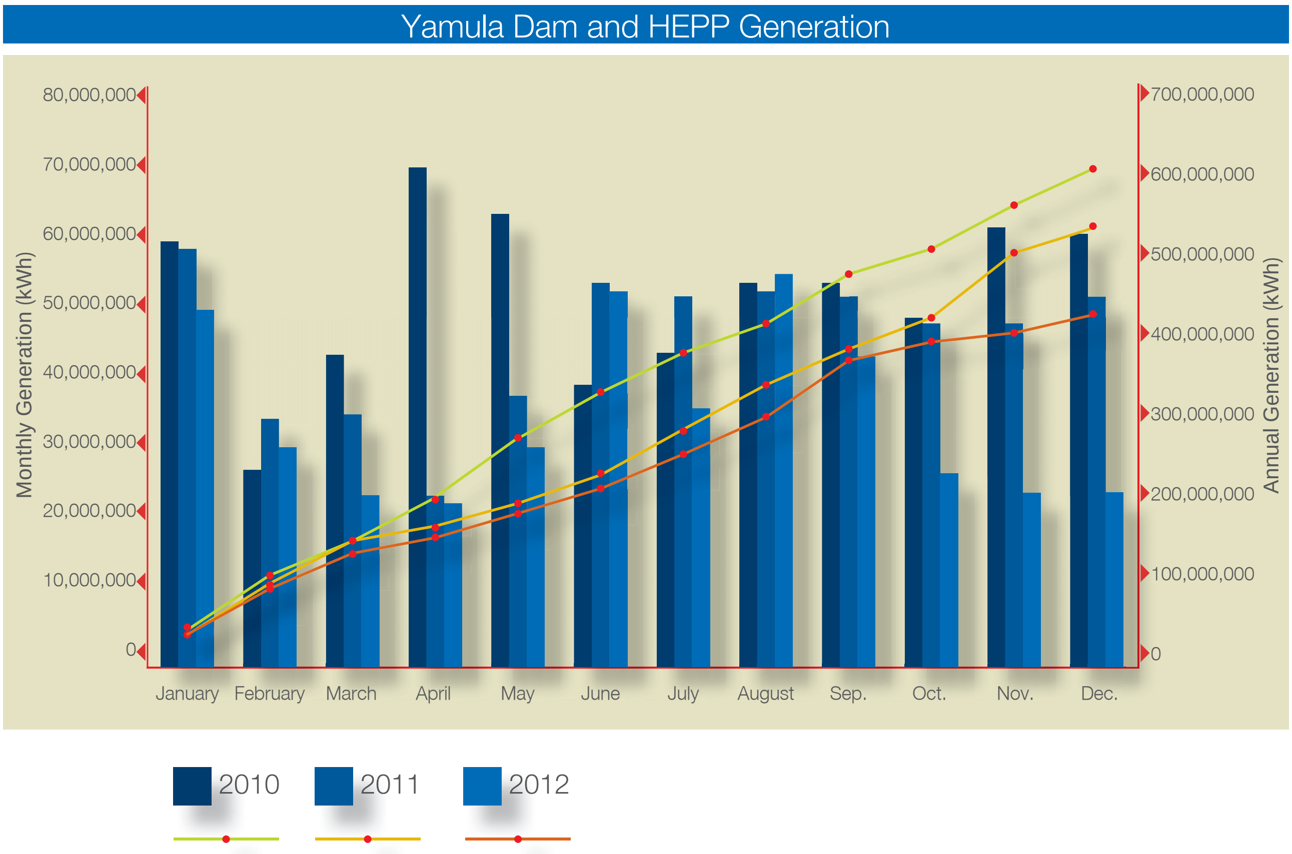
The over capacity water flow is stored in facility's dam during the overflow season. There was no technical problem that would affect the generation and the periodical maintenances were performed regularly.

YAMULA DAM AND HYDROELECTRIC POWER PLANT MONTHLY GENERATION IN 2012 (million kWh)



Yamula HEPP Electricity Sales Price

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



YAMULA 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 106 m^3
Annual Average Flow	: 1,956 x 106 m^3
Average Flow	: 67.7 m^3/s
Maximum Flood	: 5,500 m^3/s

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	: 1100.00 m
Min Water Level	: 1070.00 m
Max. Water Level (under flood):	1102.50 m
Total Volume	: 3 476.00 x 106 m^3
Active Volume	: 2 025 x 106 m^3
Dam Area (nor. water level)	: 85.3 x 106 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	: Çelik

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
Min Net 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

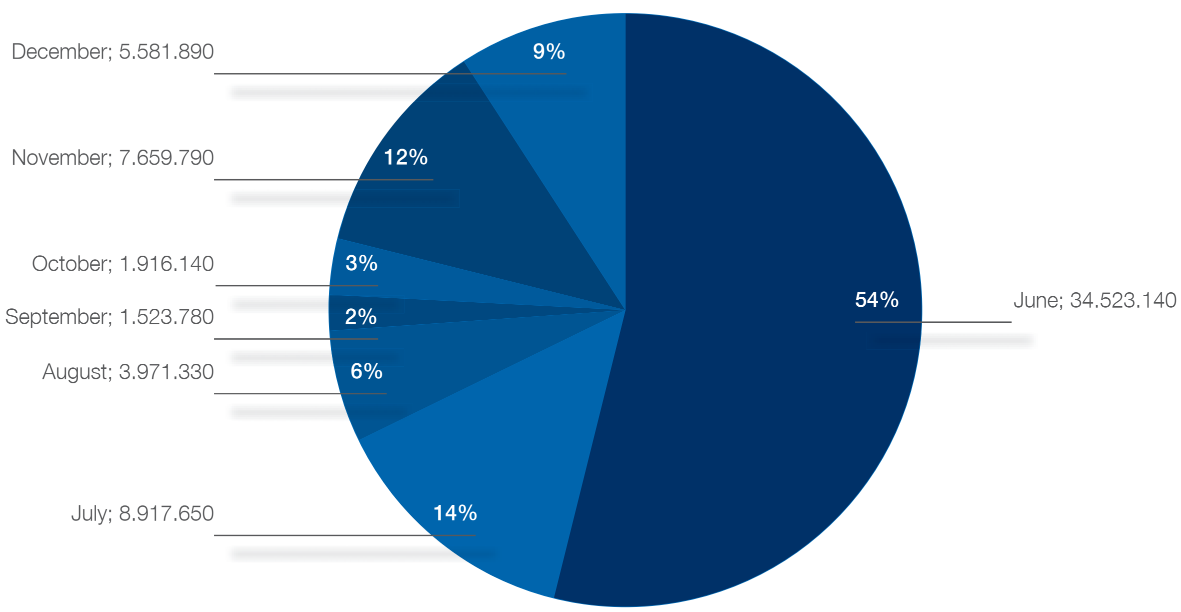
Reliable Power	: 35,300 kW
Reliable Generation	: 309.23 x 106 kWh
Secondary Generation	: 114.33 x 106 kWh

TOTAL ANNUAL GENERATION : 422.300.000 kWh

BUYUKDUZ HYDROELECTRIC POWER PLANT

Provisional Acceptance of 2 x 35.422 MWm Water Turbines & Generator group of Buyukduz HEPP; a 70.8 MW HEPP with electrical energy generation capacity of 192 million kWh, which was constructed within the boundaries of districts of Torul and Kurtun and in the villages of Tasoba-Elmali in the city of Gumushane under a generation license of 49 years granted pursuant to Law 4628 was completed, and the commercial operation commenced as of 01.06.2012.

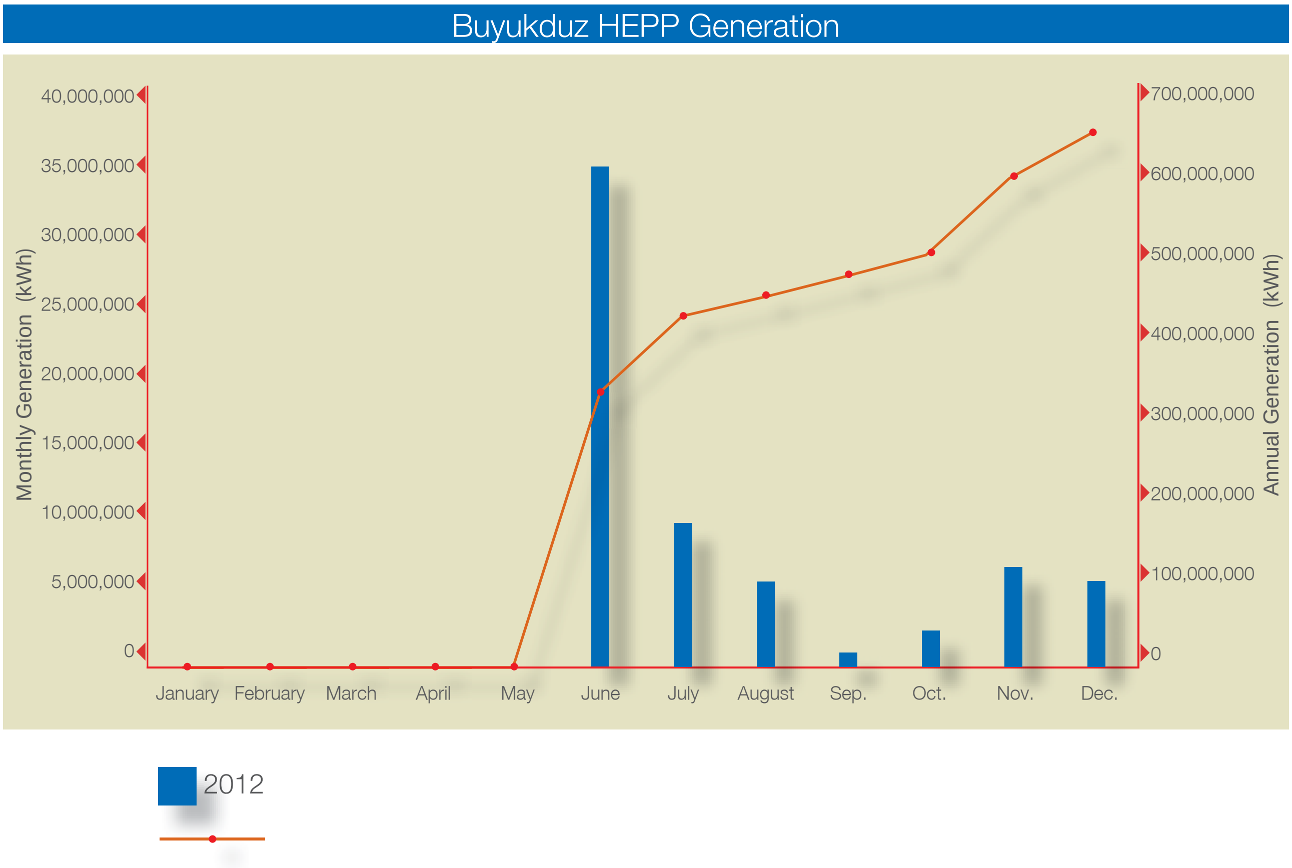
BUYUKDUZ HYDROELECTRIC POWER PLANT
MONTHLY GENERATION IN 2012
(million kWh)



Buyukduz HEPP Electricity Sales Prices

The electricity prices for the electricity sold by Buyukduz HEPP are determined on the basis of prices set in accordance with the Electricity Market Balancing Settlement Regulation (DUY). Related invoice is paid in 7 business days of delivery by the Market Operator (PMUM) of the invoice. The amount of delay penalty is determined in accordance with the delay penalty clause set out by PMUM and is collected against an invoice.

In addition, electricity is sold to large customers under bi-lateral agreements. The purchase price is set by negotiation on the basis of TEDAS's tariffs combined with a specified discount rate. Risks are minimised through letters of guarantee and similar other instruments.



Buyukduz HEPP Generation
Monthly Generation (kWh)
Annual Generation (kWh)
40,000,000
35,000,000
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0
700,000,000
600,000,000
500,000,000
400,000,000
300,000,000
200,000,000
100,000,000
0
January
February
March
April
May
June
July
August
Sep.
Oct.
Nov.
Dec.
2012

BUYUKDUZ HYDROELECTRIC POWER PLANT

Plant Location	: In the village of Demirciler, town of Kurtun, city of Gumushane
Plant Type	: Gated weir with overfall spillway and silting tank
Nominal Water Elevation	: 1,189.50 m
Max. Water Elevation	: 1,190.00 m
Regulator Type	: Radial Gate Concrete w/ bottom outlet, solid concrete body
Diversion Tunnel Length	: 6,932.65 m (Tasoba) + 5,284.55 m (Elmali)
Diversion Tunnel Type	: Horse Shoe Shaped Free Water Surface
Penstock Diameter	: 2.00 m
Penstock Length	: 1,677.00 m

TURBINES	
Number and Type of Units	: 2-Vertical Axis Pelton
Gross Fall	: 507.24 m
Net Fall (Double Units)	: 488.51 m
Turbine Nominal Power	: 35,422 MWm
Installed Power	: 70,844 MWm
Speed	: 600 rpm
Turbine Discharge	: 8.18 m^3/sec
Total Discharge	: 16.36 m^3/sec
Specific Water Factor	: 0.835 m^3/kWh

GENERATORS	
Number and Type of Units	: 3-Three-phased Extending Pole, Synchronous
Power	: 34,431 MWe MVA
Power Factor	: 0.90
Output Voltage	: 10600 V
Rotation	: 600 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
Power for Internal Transformer	: 2 x 400 kVA

ANNUAL ENERGY GENERATION: 192.021.000kWh


AYEN OSTİM

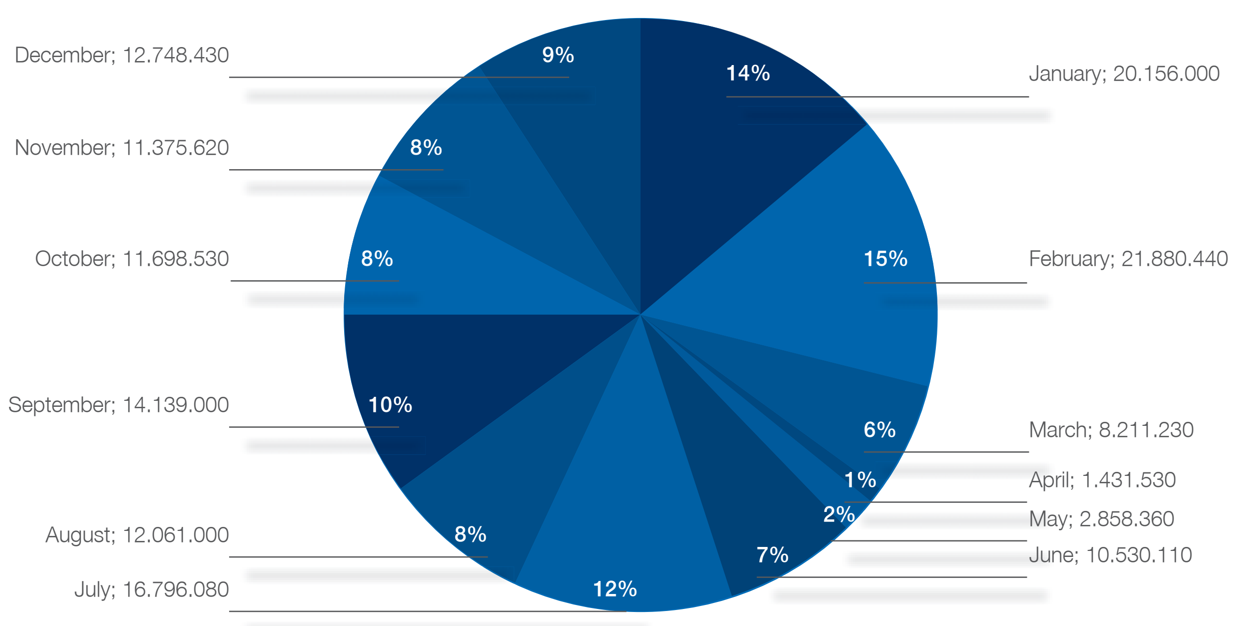
AYEN OSTIM COMBINED CYCLE NATURAL GAS PLANT

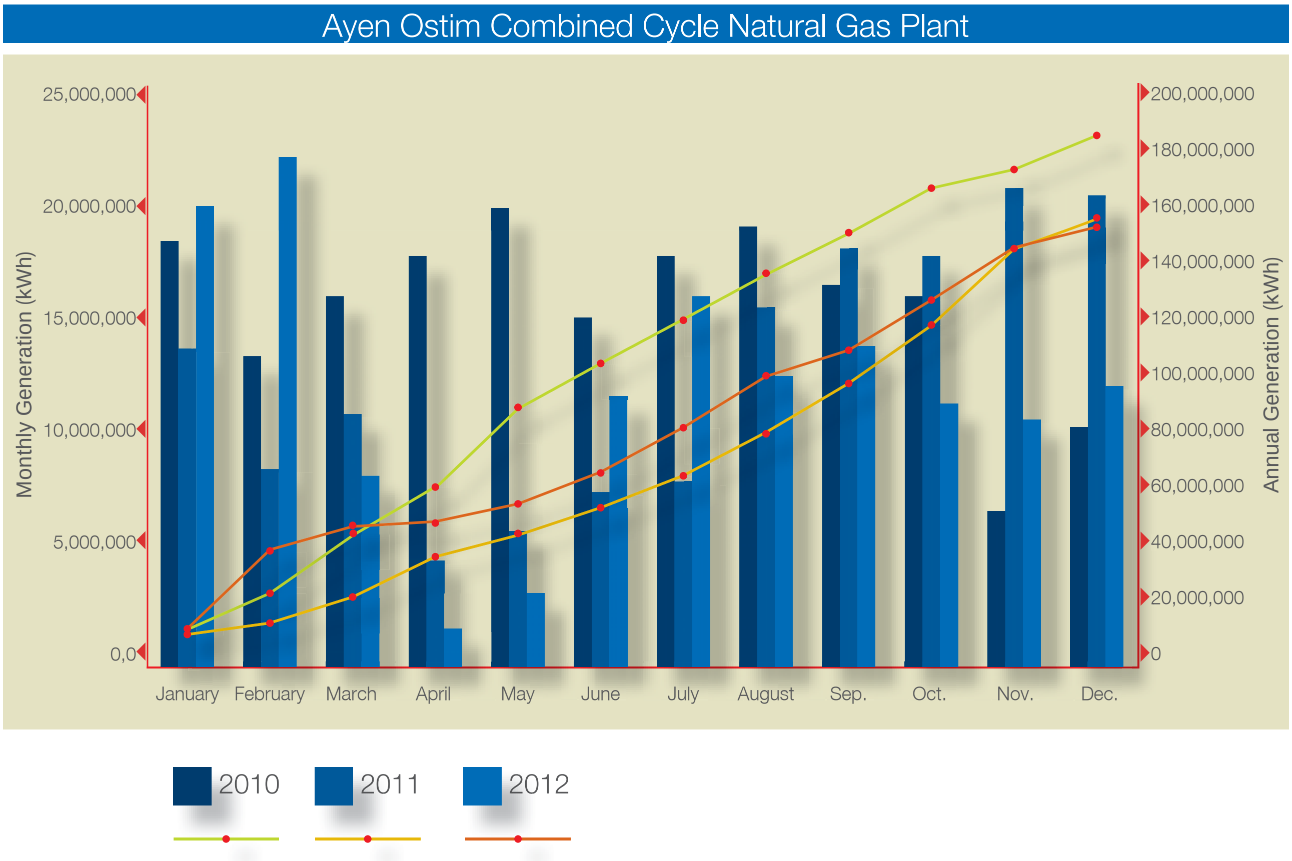
AYEN Ostim Natural Gas Plant is a 280 million kWh Natural Gas Plant Project which is our subsidiary, Ayen Ostim Energy Generation Co. Inc., realized in order to meet the power demand in the Ostim Organized Industry District.

143,800.00 kWh energy generated in 2012 was sold under bi-lateral agreements and in accordance with DUY (Balancing and Settlement Regulation) in the free market.

A long-term maintenance agreement which includes planned and unplanned maintenances for gas turbines were signed with GE, the manufacturer of turbines, and maintenances have been performed as planned. There has not been any technical problem which may adversely affect the generation at our plant.

AYEN OSTIM COMBINED
CYCLE NATURAL GAS PLANT
MONTHLY GENERATION IN 2012
(milyon kWh)




Ayen Ostim Combined Cycle Natural Gas Plant
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0,0
Monthly Generation (kWh)
200,000,000
180,000,000
160,000,000
140,000,000
120,000,000
100,000,000
80,000,000
60,000,000
40,000,000
20,000,000
0
Annual Generation (kWh)
January
February
March
April
May
June
July
August
Sep.
Oct.
Nov.
Dec.
2010
2011
2012

AYEN OSTIM COMBINED CYCLE NATURAL GAS PLANT

Location of power plant	: Ostim Organized Industry District within Province of Ankara
Plant type	: Combined Cycle Natural Gas
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 Terminal	: 9150 KWe

WASTE HEAT BOILER	
Ambient Temperature	: 15 °C
Exhaust Flow (Gas Turbine)	: 74.3 kg/s
Exhaust Temperature (Gas Turbine)	: 508°C
Supply Water Temperature	: 60°C
Chimney Temperature	: <105°C

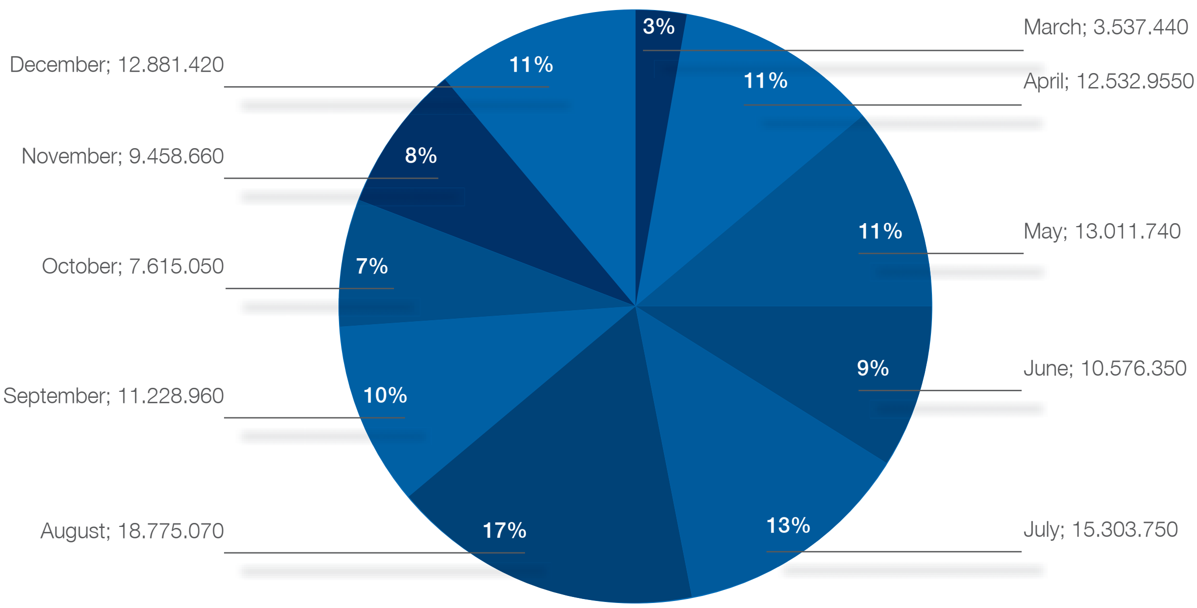
TRANSFORMERS	
Type	: External, Oil-cooled
Number	: 2
Gas Turbine Transformer Output Power	: 36 MWA
Steam Turbine Transformer Output Power	:12 MWA
Voltage	: 10.5/34,5 (+/- 2x2.5%) kV
Frequency	: 50 Hz
Internal Needs Transformer Power	: 1600 kVA

ANNUAL ENERGY GENERATION : 280.000.000 kWh

AKSU WIND POWER PLANT

The acceptance of remaining 3 Turbine & Generator groups of the 72 MW Wind Power Plant, a wind power plant built by one of our subsidiaries, Aksu Temiz Enerji Uretim Sanayi ve Ticaret A.S., in district of Yahyali in the city of Kayseri, took place on 09.06.2012, and the power plant with a generation capacity of 237,200,000 has been fully put into commercial operation.

AKSU WPP
MONTHLY GENERATION IN 2012
(milyon kWh)



Aksu WPP Electricity Sales Price

The electricity purchases prices for the electricity sold by Aksu WPP are determined on the basis of prices set in accordance with the Electricity Market Balancing Settlement Regulation (DUY). Related invoice is paid in 7 business days of delivery by the Market Operator (PMUM) of the invoice. The amount of delay penalty is determined in accordance with the delay penalty clause set out by PMUM and is collected against an invoice.

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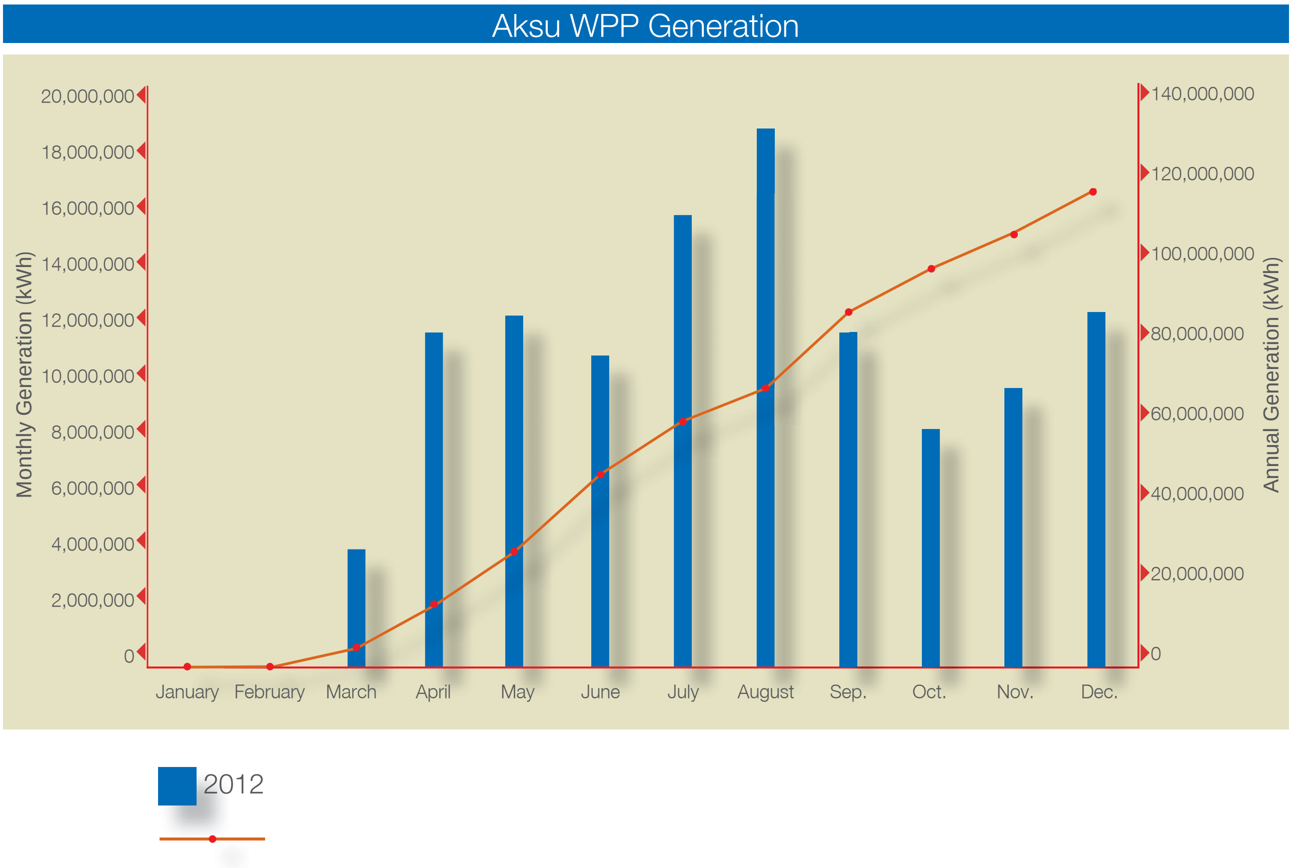


AKSU WIND POWER PLANT

Location	: Village of Dikme, district of Yahyali in the city of Kayseri
Installed Power	: 72 MW
Annual Energy Generation	: 237,218,900 kWh/year
Turbine Type	: Vestas V100 2.0 MW
Turbine Power	: 2000 kW
Generator Voltage	: 690 VAC
Number of Turbines	: 36
Hub Height	: 80 m
Power Factor	: 0.9
Capacity Utilisation Factor	: 37.6%
Investment Cost (Total Cost of Plant)	: EUR110,519,793

OUR SUBSIDIARIES

18. Information on shares of consolidated companies in the parent company

None of the consolidated companies is a subsidiary of parent company.

19. Regarding the process of preparation of the consolidated Financial Statements, information on main elements of Group's internal audit, internal control, and risk management systems and management organ's view

Financial Affairs Department of Ayen Enerji A.S. is responsible for individual financial statements of all consolidated companies and consolidation thereof. Audit Coordination Department is responsible for auditing financial processes which the Audit Coordination Department and top manager consider, upon risk assessment, that they need to be audited. Also consolidated annual financial statements of Ayen Enerji A.S. are audited by an independent audit firm.

20. Information on direct and indirect subsidiaries of company and company's stake in those subsidiaries

1 - AYEN OSTIM ENERJI URETIM A.S.

Ayen Enerji A.S. 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.

Total generation at this power plant in 2012 was 143,800,000 kWh.

2 - AYEN ELEKTRIK TICARET A.S.

Founded in 2002 with a capital of TRL 5 billion, Ayen Elektrik Ticaret A.S. 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 12,000,000 capital of which 99.9% belongs to Ayen Enerji A.S. 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.S. 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.S. started from the second half of 2010 to sell electricity to free consumers through bilateral agreements. In 2012, a total of 561,160,218.50 kWh was sold.

3 - KAYSERI ELEKTRIK URETIM SAN. ve TIC. A.S.

Founded in 1988, Kayseri Elektrik Uretim Sanayi ve Ticaret A.S. 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 HEPP Build-Operate-Transfer Project that is on Kizilirmak River in Kayseri and will be operated for 20 years under the Law no.3096.

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

Our company holds 96.72% shares in this subsidiary with capital of TRL80,000,000.

In 2012, the total generation at the plant was 399,371,790 kWh, and the scheduled generation was realized completely (The operating period for Yamula HEPP is between 1st August and 31st July.)

4 - AYEL ELEKTRIK URETIM SANAYI VE TICARET A.S.

The company was incorporated on 28.01.2010 with the purpose of engaging 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.

Our company holds 55% shares in this subsidiary with capital of TRL5,000,000.

5 - AYEN AS ENERGJI SHA (ALBANIA)

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.S. 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 ENERGJI SHA company with a capital of ALL140.000.000 was founded for 35 years, subjected to the Albanian Law.

Ayen Enerji A.S. holds 82% of the shares in the company. The construction period of the project is 54 months following the approval of the contract and construction works have started.

6 - AKSU TEMIZ ENERJI ELEKTRIK URETIM SANAYI VE TICARET A.S.

Our subsidiary Aksu Temiz Enerji Elektrik Uretim Sanayi ve Ticaret A.S. was established within the scope of the law no. 4628 on 08.09.2003. The electricity generation facility within the borders of Yahyali, 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 70%. The construction of power plant started in the middle of 2011 and the power plant has been put into commercial operation with commissioning of total 36 Wind Turbines and generator Units, including 18 Wind Turbines and a Generator Unit, 15 Wind Turbines and a Generator Unit, and 3 Wind Turbines and a Generator Unit which were commissioned on 13.03.2012, 05.04.2012, and 09.06.2012, respectively.

7- ARAKLI ENERJI DOGALGAZ SANAYI VE TICARET A.S.

Construction of Cankaya Hydroelectric Power Plant, a 72 MW power plant, which is planned to be built and operated within the boundaries of district of Arakli in the city of Trabzon and for which licensing application has been approved by EMRA, will begin once Generation License is granted.

Our company holds 76% shares in this subsidiary with capital of TRL17,500,000.

8 - AYEN DOGALGAZ ENERJI URETIM SANAYI VE TICARET A.S.

Our company holds 90% shares in this subsidiary with capital of TRL100,000.

21. Information on company's shares that the company has acquired

No such acquisition has taken place in 2012 financial year.

22. Litigations, which have been initiated against company and which may adversely affect financial standing and operations thereof, and probable consequences thereof

There are 5 pending actions filed against the Group as of 31st December 2012. Majority of these actions are debt and labour related actions. Group assesses probable consequences and financial impacts of these actions at the end of every period and sets aside appropriate provisions for potential liabilities. There is not any provision made for litigations as of 31st December 2012.

23. Information on administrative or criminal sanctions imposed against company and directors due to non-compliance

No material administrative sanctions have been imposed against the company in 2012 financial year, nor has any director been subject to any criminal sanctions.

24. If company is member of a group of companies, all legal actions taken together with the parent company or a subsidiary thereof in accordance with the direction given by the parent company or in favour of a subsidiary thereof and all measures taken or omitted in favour or the parent company or a subsidiary thereof in previous financial period.

The arm's length principle has been observed in any transaction carried out with any related party. No special treatment occurred in favour or against any company.

25. If company is member of a group of companies, to the best of their knowledge of situation and conditions at the time when the legal action or measure specified in item 31 has been taken or omitted, whether or not an appropriate counter act has been performed with respect to each legal action and whether or not the measure taken or omitted has cause any harm to the company, and if yes whether or not the company has compensated such damages

No such action or measure has been taken in the reporting period.

26. Board of Director's determination and assessment whether or not company has lost part of its capital, or company is insolvent

There has been no such incident occurred in the 2012 financial year.

27. Whether company directly or indirectly holds 5, 10, 20, 25, 33, 50, 67, or 100 of shares in a corporation, or shares of company in such corporation decreased below the above-mentioned percentages and reasons for such decrease

There has been no such incident occurred in the 2012 financial year.

FINANCIAL HIGHLIGHTS

Basic ratios related to financial standing, profitability, and insolvency of company determined on the basis of financial statements prepared in accordance with Communiqué Serial XI and No: 29 and related information

A) Liquidity Ratios	31st December 2012	31st December 2011
Current Ratio	0,71	0,41
B) Financial Standing Ratios		
Total liabilities / Equity	2,32	2,06
C) Profitability Ratios		
Gross Margin (%)	27,83	27,60
Operating Margin (%)	22,43	24,26
EBITDA Margin (%)	31,84	29,58

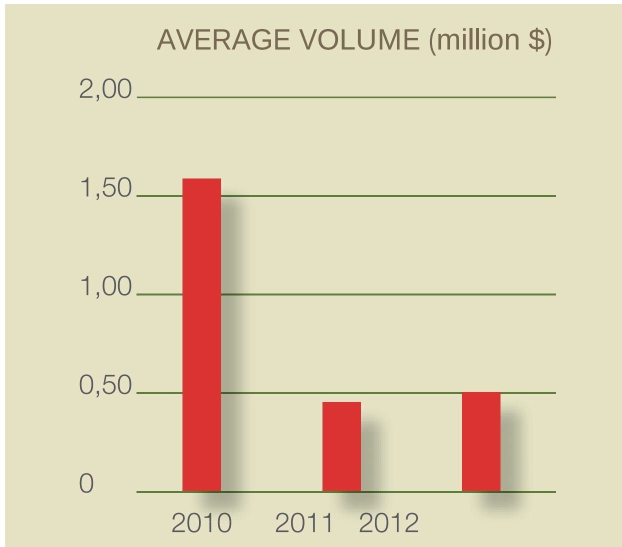
29. Total of financial benefits granted to directors and executives of company, such as attendance fee, remuneration, premiums, bonuses, dividends

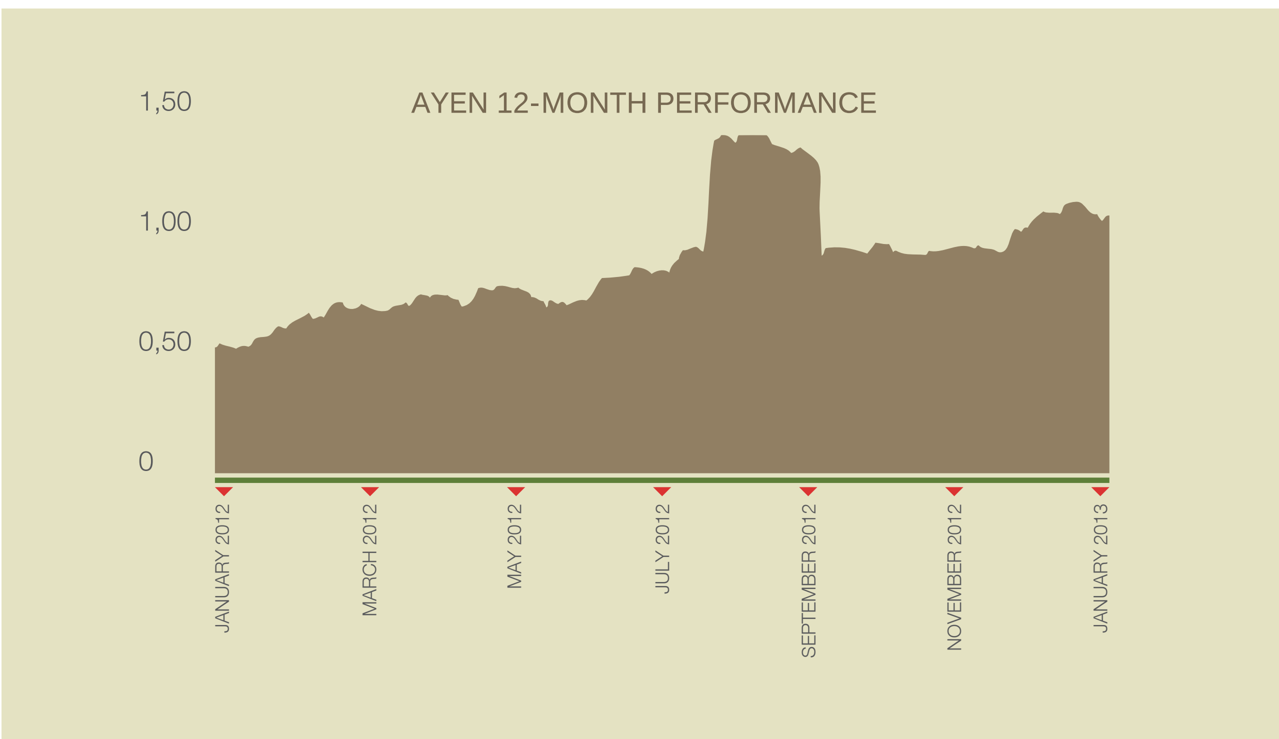
This information is provided in notes to the Audited Consolidated Financial Statements as of 31.12.2012.

AYEN ENERJI IN ISTANBUL STOCK EXCHANGE - 2012

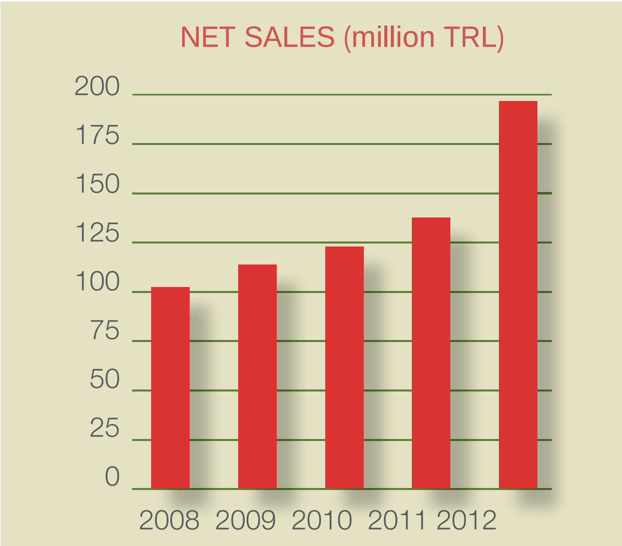
Ayen Enerji shares was traded at an average daily volume of TL 0.88 million (USD 0.51 million) in 2012. During this period, the average daily volume reached to its maximum value at TL 9.61 million (USD 5.36 million) and its minimum value at TL 0.12 million (USD 0.07 million).

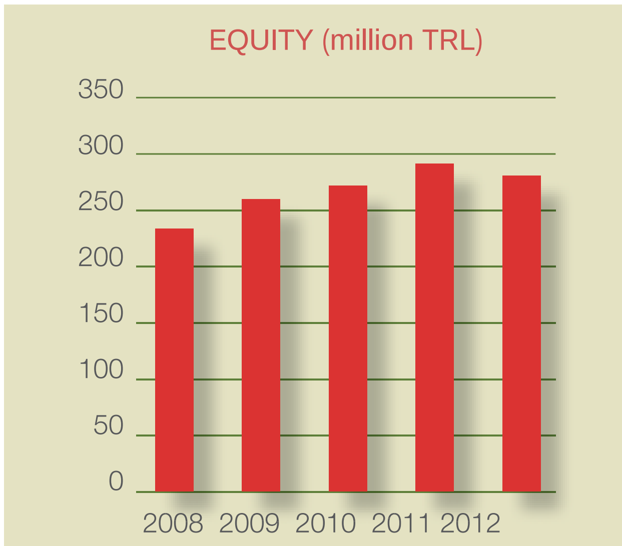
In 2012, Ayen's average Mcap was USD 159.1 million. The Stock's respective high and lows were TL 2.14 (USD 1.52) and TL 1.03 (USD 0.55), representing a maximum Mcap of USD 260.1 million and a minimum Mcap of USD 94.1 million, respectively.

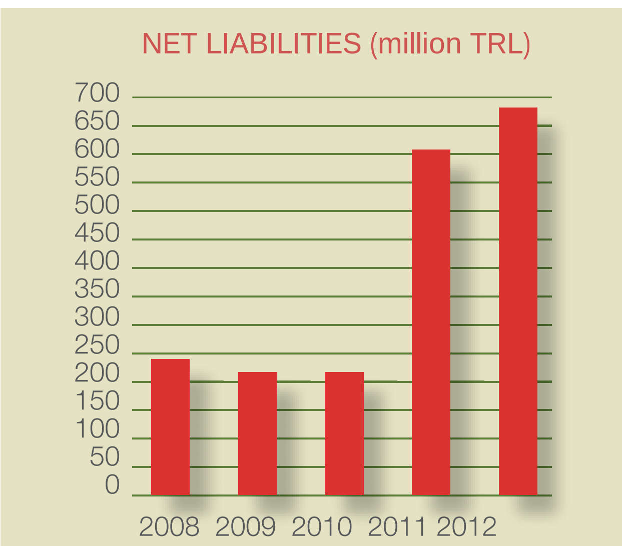


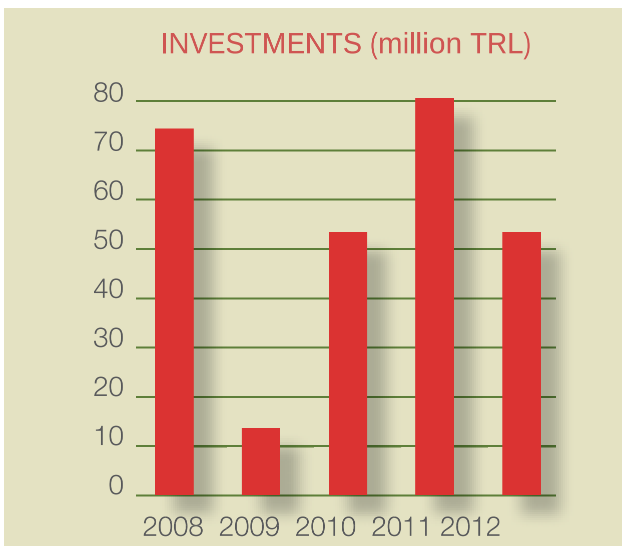


FINANCIAL HIGHLIGHTS









HUMAN RESOURCES

30. Employee and worker turnover ratios, collective bargaining practices, and rights and benefits granted to employees

"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.

Company employs a total of 231 employees, including:
48 at the Head Office,
32 at Camlica HEPP,
34 at Ostim Natural Gas Plant operation,
34 at Yamula HEPP electricity generation operation,
14 at Akbuk WPP,
15 at Aksu WPP,
3 permanent employees at Kizilcahaman Forest investment,
30 at Buyukduz HEPP,
7 at Mordogan WPP, and
4 at Korkmaz WRR construction site.

10 to 15 temporary workers are employed temporarily for hoeing and irrigation works at our Kizilcahaman 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).

SOCIAL RESPONSIBILITIES

31. Information on donations made in the reporting period and on social responsibility

The Group's donations and charities amounted to TRL62,450 in 2012 and included donations and contributions made to assist students with their education, to AKUT, and other organisations and associations. Also the Group has carried out following activities to protect the environment and wild life:

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 Mordogan 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 done with Ayen in 2011 as an illustrative Case study in its own Annual Report. We are sharing what was written on EKF's Report as is:

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

The most important environmental initiative of Ayen Enerji family among various environmental responsibility projects is the “Kizilcahaman 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.

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 Ayen Kizilcahamam Forest, which is included into natural assets of our country, our Group has helped a 1505-decare degraded forest land be preserved.

Ayen Enerji which has made considerable investment in this 150 football field size degraded forest land in the vicinity of Kurtbogazi and Cestepe villages in Kizilcahamam, Ankara since 1999, and thereby helping it become a forest again, has been diligently monitoring results of its works for 14 years.

We can summarise the works that our Group has carried out on this degraded forest land, which is owned by the Directorate General of Forestry but allocated to our Group until 2046, as follows:

1. Encircled with protective fences (wooden fences for protection)
2. Done all necessary works to re-forest a section of 1,160 decares
3. has preserved the flora in remaining 340 decares to contribute to its improvement
4. Further 100 decares of land have been preserved by allocating them for zoning and rehabilitation since they contained sufficient oak clusters and groups, and
5. Fire protection has been established and a service road has been constructed in an area of 40 thousand square meters to protect the land where our Group has made considerable efforts.

Also, as of this year our Group has also planted 500 kg of acorns since there was abundance of acorns this year in a continuous effort to enrich the plant cover on the land.

Thanks to contributions of Ayen Group, especially the founders and employees thereof today this forest 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."

AKSU WPP ORNITHOLOGICAL REPORT

This is a 72 MW wind power plant built and operated by Aksu Temiz Enerji Elektrik Uretim Sanayi ve Ticaret A.S. in Dikme, district of Yahyali in the city of Kayseri. Aksu WPP is composed of 36 Vestas 2.0 V100 HH80 wind turbines with 100 rotor diameter and 80 meters tower height and with installed capacity of 2 MW each. This project includes transformer, which will transform the energy generated at the plant from 6.3 kV to 154 kV for national grid connection purposes, outdoor and indoor switchyards, an administrative building housing the central control units, on-site access roads, and approximately 11 km-long 154 kV energy transmission line for connecting the plant over Camlica 1 HEPP Transformer Centre to the national grid. Access to project site is provided from existing roads. Therefore no access road has been constructed for the project site. There have been only 9.5 km on-site access roads constructed within the scope of project.

For this project, which is a wind farm of total installed capacity of 72 MW to be delivered by 36 turbines with capacity of 2 MP each, EMRA granted a "Generation License" No. EU/1391-12/1015 dated 29.11.2007. The license is valid for 49 years starting from 29.11.2007.

The Provincial Environmental and Forestry Directorate of Kayseri issued a certificate no. 2009/53 dated 03.11.2009 attesting that an "EIA is not required" for project.

The Provincial Environmental and Forestry Directorate of Kayseri also issued a certificate no. 2009/53 dated 11.10.2011 attesting that an " EIA is not required" for the 11km-long transmission line built to transmit the energy generated at the plant to the national grid.

Although the Company obtained certificates attesting that an " EIA is not required" for the project under review for project financing purposes, it retained, at its discretion, "Topcuoglu Mad. San. Ve Ticaret ltd. Sti" to get an EIA Report prepared to assess potential environmental risks that the project may have.

The wind power plant of Aksu Temiz Enerji is located at the intersection of the south of the Central Anatolia and north of the Mediterranean Region in the vicinity of the district of Yahyali in the city of Kayseri.

1. Information on Public Meeting held within the scope of Project

The impact area of project covers the Dikme village in the district of Yahyali in the city of Kayseri. And an expropriation decision no. 1570/10 dated 10.04.2008 was granted by EMRA.

A public hearing meeting took place with participation of the community, NGOs, and politicians at Yahyali Municipal Wedding-Ceremony Hall at 14:00 on Thursday, 16th June 2011. Mrs. Gulnur Zorlutuna from Topcuoglu Madencilik Ltd. Sti, which prepared the Environmental Impact Assessment (EIA) report, made the opening speech of public hearing meeting. She made a presentation based on the EIA report they prepared and briefed on environmental impacts of project in general and of wind turbines in particular. Detail information was provided on sound and noise, construction related earthwork, impacts on fauna and flora, bird migratory pathways, and layout of project site. Meeting proceedings were documented and photographs were taken during the hearing.

2. Information on Project Site and Potential Impacts

The nearest settlement to the project site is the village of Dikme. And the distance between turbines to be installed in the closest vicinity of the village of Dikme and the nearest dwelling in the village is 600 meters. Therefore, it is predicted that noise generated once the wind power plant is commissioned would not have any adverse effect on the community.

The project in question is a wind power plant and hence does not include a sieving & crushing plant or a ready-mix concrete plant. All the concrete needed for project will be supplied by Fatih Beton, a local establishment operating in the village of Dikme.

In addition to Ornithological Report covered by the EIA for project, a second ornithological study was conducted to prepare a more comprehensive ornithological report. A bird watching study was conducted to watch both migratory birds and local bird species during spring and fall 2012. As a result of the study it was concluded that the project is not located on bird migratory pathways, and that the project would not have any significant impact on local bird species. There will be another bird watching study conducted for another two years at the project site and adjoining areas to reach more conclusive results. Lights and signs will be installed on turbine towers and blades as an additional precaution though the project site is not located on any bird migratory pathway. And other measures will be taken on the basis of final observation results.

Access to project site is provided from existing roads. Therefore no access road has been constructed for the project site. There have been only 9.5 km on-site access roads constructed within the scope of project. Lands over which roads will be built are private or public property or forest land. Lands belong to private persons were purchased from them on mutual agreement, or right-of-way was granted by the owners on mutually agreed terms. In any case, the owners were provided with good and valuable consideration and permitted to continue with using such lands for free. Lands which are owned by the public and classified as a forest land are not permitted to be used by third persons, and all permissions and approvals for the use of such lands have been obtained from concerned authorities. No tree was cut for road construction. Although some of the above-mentioned lands were once classified as forest lands they are no longer qualified for being classified as such and covered with bushes or other small vegetation. Based on calculations it was determined that total of 43,674 cubic meters of earthwork material and 5,263 cubic meters of topsoil will be excavated as a result of preparatory and construction works for building the wind turbines and switchyards, and constructing on-site roads. The topsoil was stripped during excavations conducted to build the turbines and construct the roads. Later excavations were carried out for turbines and on-site access roads. The earthwork materials was later used for landscaping purposes once concrete was laid for turbine based and access roads were constructed, and project site was then covered with the topsoil which was removed prior to excavation and construction works.

INDEPENDENT AUDİTOR’S REPORT

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
12 April 2013
This report consists of 2 pages of audit report and 73 pages of consolidated financial statements and footnotes.

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 2012, 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.

Group Management’s Responsibility for the Consolidated Financial Statements

Group 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 Group’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 2012 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, 12 April 2013

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

H. Erdem Selçuk
Partner

Convenience Translation Of The Independent Auditor’s Report And Consolidated Financial Statements For The Year Ended 31 December 2012 Originally Issued in Turkish

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AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2012

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

	Note	Current Period 31 December 2012	Prior Period 31 December 2011
ASSETS			
Current Assets		**138.090.340**	**88.521.817**
Cash and Cash Equivalents	3	46.395.890	2.622.706
Trade Receivables	5	27.195.357	17.096.733
Other Trade Receivables	5	*27.003.167*	*16.890.867*
Due From Related Parties	23	*192.190*	*205.866*
Due From Service Concession Arrangements	7	50.008.259	52.753.439
Other Current Assets	13	14.490.834	16.048.939
Other Current Assets	13	*14.490.834*	*15.861.939*
Due From Related Parties	23	-	*187.000*
Non-Current Assets		**821.937.671**	**821.464.551**
Due From Service Concession Arrangements	7	112.543.305	161.545.954
Financial Assets		33.016	-
Property, Plant and Equipment	8	618.264.701	576.623.745
Intangible Assets	9	20.583.172	15.073.738
Goodwill	10	22.143.133	22.143.133
Deferred Tax Assets	20	4.238.812	4.514.128
Other Non-Current Assets	13	44.131.532	41.563.853
Other Receivables	13	*34.509.681*	*29.076.340*
Due From Related Parties	23	*9.621.851*	*12.487.513*
TOTAL ASSETS		**960.028.011**	**909.986.368**

The accompanying notes presented between pages 8 and 73 form an integral part of these consolidated financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2012

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

	Note	Current Period 31 December 2012	Prior Period 31 December 2011
LIABILITIES			
Current Liabilities		**193.082.267**	**246.718.198**
Financial Liabilities	4	78.700.416	44.490.006
Other Financial Liabilities	6	11.757.891	13.417.859
Trade Payables	5	80.354.786	176.845.964
Other Trade Payables	*5*	*33.897.157*	*160.887.162*
Due to Related Parties	*23*	*46.457.629*	*15.958.802*
Corporate Tax Liability	20	6.995.860	2.624.507
Provisions	11	431.673	320.433
Other Current Liabilities	13	14.841.641	9.019.429
Other Current Liabilities	*13*	*8.027.816*	*3.710.126*
Due to Related Parties	*23*	*6.813.825*	*5.309.303*
Non-Current Liabilities		**478.363.986**	**366.825.290**
Financial Liabilities	4	475.379.228	349.028.375
Other Financial Liabilities	6	22.722	10.569.780
Due to Related Parties	5	-	4.691.028
Due to Related Parties	*23*	*-*	*4.691.028*
Provision for Employee Termination Benefits	12	1.623.543	992.441
Other Non-current Liabilities		1.338.493	1.543.666
Other Non-Current Liabilities	*13*	*893.083*	*-*
Due to Related Parties	*13,23*	*445.410*	*1.543.666*
TOTAL LIABILITIES		**671.446.253**	**613.543.488**
EQUITY		**288.581.758**	**296.442.880**
Equity Attributable to Owners of the Parent		260.196.926	272.536.947
Paid-in Capital	14	171.042.300	171.042.300
Currency Translation Reserves		85.991	37.359
Restricted Profit Reserves		47.370.328	41.124.515
Retained Earnings		19.086.960	36.745.652
Net Profit for the Period		22.611.347	23.587.121
Non-controlling Interests		**28.384.832**	**23.905.933**
TOTAL LIABILITIES AND EQUITY		**960.028.011**	**909.986.368**

The accompanying notes presented between pages 8 and 73 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 2012

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

	Note	Current Period 1 January- 31 December 2012	Prior Period 1 January- 31 December 2011
CONTINUED OPERATIONS			
Sales	15	193.962.272	142.015.331
Cost of Sales (-)	15,16	(139.976.683)	(102.812.976)
GROSS PROFIT		**53.985.589**	**39.202.355**
General Administration Expenses (-)	16	(8.796.040)	(6.620.042)
Other Operating Income	17	1.738.925	2.363.219
Other Operating Expenses (-)	17	(3.417.270)	(481.609)
OPERATING PROFIT		**43.511.204**	**34.463.923**
Finance Income	18	2.377.308	1.860.884
Finance Expense (-)	19	(14.361.457)	(4.924.865)
PROFIT BEFORE TAX		**31.527.055**	**31.399.942**
TAX INCOME/EXPENSE		**(7.271.176)**	**(6.262.671)**
Current Tax Expense	20	(6.995.860)	(5.261.183)
Deferred Tax Expense	20	(275.316)	(1.001.488)
PROFIT FOR THE PERIOD		**24.255.879**	**25.137.271**
Distribution of Profit for the Period			
Owners of the Parent		22.611.347	23.587.121
Non-controlling Interests		1.644.532	1.550.150
		24.255.879	25.137.271
Earnings per 1.000 shares	**21**	**1,32**	**1,38**

The accompanying notes presented between pages 8 and 73 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 2012

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

	Current Period 1 January- 31 December 2012	Prior Period 1 January- 31 December 2011
PROFIT FOR THE PERIOD	**24.255.879**	**25.137.271**
Exchange differences on currency translation reserves	48.632	37.359
OTHER COMPREHENSIVE INCOME	**48.632**	**37.359**
TOTAL COMPREHENSIVE INCOME	**24.304.511**	**25.174.630**
Distribution of Total Comprehensive Income for the Period:		
Owners of the Parent	22.659.979	23.624.480
Non-controlling Interests	1.644.532	1.550.150
	24.304.511	**25.174.630**

The accompanying notes presented between pages 8 and 73 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 2012

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

	Paid-in Capital	Restricted Profit Reserves	Retained Earnings	Net Profit for the Period	Foreign Currency Translation Reserves	**Equity Attributable to Owners of the Parent**	Non-controlling Interests	**Total**
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 December 2011	171.042.300	41.124.515	36.745.652	23.587.121	37.359	**272.536.947**	23.905.933	**296.442.880**
Balance as of 1 January 2012	171.042.300	41.124.515	36.745.652	23.587.121	37.359	**272.536.947**	23.905.933	**296.442.880**
Transfers	-	6.245.813	17.341.308	(23.587.121)	-	**-**	-	**-**
Total comprehensive income	-	-	-	22.611.347	48.632	**22.659.979**	1.644.532	**24.304.511**
Increase in share capital	-	-	-	-	-	**-**	3.274.401	**3.274.401**
The effect of the subsidiaries included in consolidation	-	-	-	-	-	**-**	249.188	**249.188**
Dividends paid	-	-	(35.000.000)	-	-	**(35.000.000)**	(689.222)	**(35.689.222)**
Balance as of 31 December 2012	171.042.300	47.370.328	19.086.960	22.611.347	85.991	**260.196.926**	28.384.832	**288.581.758**

The accompanying notes presented between pages 8 and 73 form an integral part of these consolidated financial statements.

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2012

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

	Note	1 January-31 December 2012	1 January-31 December 2011
Cash flows from operating activities			
Profit before tax		**31.527.055**	**31.399.942**
- Interest expense	19	10.931.388	1.733.436
- Discount expense / (income)	18,19	19.780	(161.098)
- Gain on sales of fixed assets	17	(148.717)	-
- Cancellation of contractual liabilities	17	(522.653)	-
- Contractual expenses	17	2.431.795	-
- Interest income	18	(2.223.640)	(1.689.708)
- Deferred finance expenses	13	2.472.320	2.369.765
- Accrued income due from electiricity sales	5	(13.889.939)	(1.448.743)
- Accrued expenses due to electiricity purchases	5	9.628.896	822.796
- Provision for employee termination benefits	12	669.648	364.025
- Provision for unused vacations	11	111.240	110.752
- Provisions released	11	-	(1.037.126)
- Depreciation and amortisation expenses	8-9	19.618.454	8.498.689
- Unrealised foreign exchange (gain)/loss		(6.175.062)	6.920.735
		54.450.565	47.883.465
Changes in working capital			
(Increase)/decrease in financial assets		(33.016)	56.346
Decrease/(increase) in trade receivables		3.816.698	(1.216.787)
Decrease in due from related parties		634.543	3.329.800
Decrease in due from service concession arrangements		41.588.937	25.419.800
Decrease/(increase) in other receivables and current assets		1.769.799	(10.476.076)
Increase) in other non-current assets		(8.301.462)	(249.917)
(Decrease)/increase in trade payables		(6.994.197)	149.016.123
Increase in due to related parties		30.591.513	20.044.295
Increase in other liabilities		5.210.773	971.693
Employee termination benefits paid	12	(38.546)	(212.437)
Taxes paid	20	(2.624.507)	(5.453.458)
Lawsuit provisions paid	11	-	(898.212)
Net cash generated from operating activities		**120.071.100**	**228.214.635**

The accompanying notes presented between pages 8 and 73 form an integral part of these consolidated financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2012

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

	Note	1 January- 31 December 2012	1 January- 31 December 2011
Cash flows from investing activities			
Proceeds from sale of tangible and intangible assets		405.598	-
Investment expenditures		(61.294.520)	(378.521.137)
Advances given for acquisition of property, plant and equipment		(2.893)	(11.182.276)
Acquisition of subsidiaries	22	(9.586.000)	(13.429.909)
Net cash (used in) investing activities		**(70.477.815)**	**(403.133.322)**
Cash flows from financing activities			
Proceeds from borrowings		143.667.221	233.929.109
Repayment of borrowings		(94.542.867)	(63.657.603)
Other financial liabilities		(12.207.026)	(5.066.717)
Capital increase in non-controlling interests		3.523.589	4.924.843
Interest paid		(12.795.436)	(593.390)
Dividends paid	14	(35.689.222)	(945.509)
- *owners of the Parent*		*(35.000.000)*	-
- *non-controlling interests*		*(689.222)*	*(945.509)*
Deferred finance charges paid	13	-	(13.757.876)
Changes in non-controlling interests as a result of business combinations		-	6.762.173
Interest received		2.223.640	1.689.708
Net cash generated (used) / from in financing activities		**(5.820.101)**	**163.284.735**
Increase / (decrease) in cash and cash equivalents		43.773.184	(11.633.952)
Cash and cash equivalents at the beginning of the period	3	2.622.706	14.256.658
Cash and cash equivalents at the end of the period	3	**46.395.890**	**2.622.706**

The accompanying notes presented between pages 8 and 73 form an integral part of these consolidated financial statements.

KONSOLİDE FİNANSAL TABLOLARA İLİŞKİN DİPNOTLAR

AYEN ENERJİ A.Ş. VE BAĞLI ORTAKLIKLARI

31 ARALIK 2012 TARİHİ İTİBARİYLE BAĞIMSIZ DENETİMDEN GEÇMİŞ KONSOLİDE FİNANSAL TABLOLARA İLİŞKİN DİPNOTLAR
(Tüm tutarlar Türk Lirası olarak gösterilmiştir)

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 2012 (31 December 2011: 15,01%) (Note 14).

These consolidated financial statements for the period between 1 January 2012 and 31 December 2012 have been approved for issueance by the Board of Directors on 12 April 2013. No authority other than Board of Directors and General Assembly has the right to amend the consolidated financial statements.

The subsidiaries 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	Yemliha Kasabası 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")	Electricity production and trading	%69,87	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Ayen-AS Energji SHA ("Ayen-AS")	Electricity production and trading	%82	Bulevardi Deshmoret e Kombit Qendra e Biznesit Twin Towers, Kulla nr.2, Kati i 10 Tirane/Albania (Arnavutluk)
Ayel Elektrik Üretim Sanayii ve Ticaret A.Ş. ("Ayel Elektrik") (*)	Electricity production, distribution and trading	%55	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Araklı Doğalgaz Enerji Sanayi ve Ticaret A.Ş. ("Araklı Enerji") (*)	Electricity production and trading	%76	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Ayen Doğalgaz Enerji Üretim Sanayi ve Ticaret A.Ş. ("Ayen Doğalgaz")(**)	Electricity production and trading	%90	Hülya Sokak No: 37 Gaziosmanpaşa Ankara

(*) Shares has been acquired in 2012.

(**) Has not been included in the consolidation since the Company is non-operating and has no material effect on the consolidated financial statements.

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.

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 and Büyükdüz HEPP with an installed capacity of 48,8 MW for 49 years. Büyükdüz HEPP started to operate on 1 June 2012.

The construction works and installment of the wind turbines of Mordoğan WPP have been completed. The construction works and installment of wind turbines of Korkmaz WPP have been started.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 transformers of TEİAŞ in 2013.

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. 24% shares of Ostim Endüstriyel Yatırım A.Ş. in Ayen Ostim’s capital have been acquired by Aydıner İnşaat as of 20 July 2012.

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.

The production license for the Wind Power Plant (“WPP”) located in Kayseri, Yahyalı with an annual production capacity of 72 MW obtained by Aksu Temiz Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. on 29 November 2007 for 49 years. The first part of the plant with a capacity of 30 MW, the second part of the plant with a capacity of 36 MW and third part of the plant with a capacity of 6 MW started to operate respectively in March, April and May of 2012.

Ayen-AS is engaged with the infrastructure works related to the contruction and 35 years of operation of Fan River HEPPs with an installed capacity of 110,7 MW in Albania.

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 from S.H.P.K. in 2011. Aforementioned acquisition has increased Ayen Enerji’s effective shareholding rate to 87%. Consolidated financial statements has been prepared considering this ratio.

Ayen Enerji has acquired 76% shares of Araklı Enerji Doğalgaz Üretim Sanayi ve Ticaret A.Ş. for a consideration of USD 5.000.000 and TL 760.000 on 9 May 2012. Production license of the HEPP which will be constructed in Trabzon, Araklı with an installed capacity of 73 MW has been approved by EMRA.

The Company participated in 90% share of Ayen Doğalgaz Enerji Üretim Sanayi ve Ticaret A.Ş. which established with TL 100.000 nominal capital. As of 31 December 2012 aforementioned subsidiary has not been included in the consolidation since it does not perform any activity yet and does not have material effect on consolidated financial statements, it. The subsidiary has been recognised as financial asset under non-current assets in consolidated financial statements with the capital participation of Ayen Enerji amounting to TL 33.016.

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 Albanian LEK ("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.

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 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 0,0168). 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.

Comparative Information and Reclassification of Prior Period Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with prior period in order to give information about financial position and performance trends. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes. In the current year, the Group had reclassed certain comparative balances in order conform to current year’s presentation. The nature, reason and amounts for each of the reclassifications are described below:

- In 2011, the Group had presented Type B liquid funds in the amount of TL 22.052 as ‘Financial investments’. In the current year ‘Financial investments’ have been grouped with ‘Cash and cash equivalents’ since the Group’s management determined that the nature of the amounts that comprise ‘Financial investments’ and ‘Cash and cash equivalents’ are the same. The reclassification provides a more appropriate comparison between the two financial years. The result of this reclassification is a decrease of TL 22.052 in ‘Financial investments’ and an equivalent increase of TL 22.052 in ‘Cash and cash equivalents’ on the consolidated statement of financial position for the comparative year ended 31 December 2011. This reclassification has no impact on income statement.

Basis of Consolidation

As of 31 December 2012 and 31December 2011, details of the Company's subsidiaries are as follows:

	Group's proportion of ownership and voting power held (%)		
Subsidiaries	**2012**	**2011**	**Principle Operation**
Ayen Ostim	76,00	76,00	Electricity production and trade
Kayseri Elektrik	96,17	96,17	Electricity production, distribution and trade
Ayen Elektrik	99,99	99,99	Electricity trade
Aksu	69,87	69,87	Electricity production and trade
Ayen-AS	86,95	86,95	Electricity production and trade
Ayel Elektrik	55,00	55,00	Electricity production, distribution and trade
Araklı Enerji (*)	76,00	-	Electricity production and trade
Ayen Doğalgaz (**)	90,00	-	Electricity production and trade

(*) Has been included into consolidation as of 31 December 2012 since it has been acquired on 9 May 2012.

(**) Has not been included in the consolidation since the Company is non-operating and has no material effect on the consolidated financial statements.

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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2.2. Changes in Accounting Policies

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

2.3. Changes in Accounting Estimates and Errors

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

2.4.New and Revised International Financial Reporting Standarts

(a) Standards, amendments and interpretations to existing standards effective in 2012 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 IFRS 7 *Disclosures – Transfers of Financial Assets*

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.

These amendments to IFRS 7 did not 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.

Amendments to IAS 12 Deferred Taxes – ***Recovery of Underlying Assets***

The amendment is effective for annual periods beginning on or after 1 January 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale. The Group does not have investment property. The amendments to the standard do not have an impact on the financial statements.

(b) **New and Revised IFRSs in issue but not yet effective**

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

Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*[1]
Amendments to IAS 1	*Clarification of the Requirements for Comparative Information*[2]
IFRS 9	*Financial Instruments*[5]
IFRS 10	*Consolidated Financial Statements*[3]
IFRS 11	*Joint Arrangements*[3]
IFRS 12	*Disclosure of Interests in Other Entities*[3]
IFRS 13	*Fair Value Measurement*[3]
Amendments to IFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*[3]
Amendments to IFRS 9 and IFRS 7	*Mandatory Effective Date of IFRS 9 and Transition Disclosures*[5]
Amendments to IFRS 10, IFRS 11 and IFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guide*[3]
IAS 19 (as revised in 2011)	*Employee Benefits*[3]
IAS 27 (as revised in 2011)	*Separate Financial Statements*[3]
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[3]
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*[4]
Amendments to IFRSs	*Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[3]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] Effective for annual periods beginning on or after 1 January 2014.
[5] Effective for annual periods beginning on or after 1 January 2015.

Amendments to IAS 1 ***Presentation of Items of Other Comprehensive Income***

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income is effective for the annual periods beginning on or after 1 July 2012. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. 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 items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments can be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to IAS 1 *Presentation of Financial Statements*

The amendments to IAS 1 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* are effective for the annual periods beginning on or after 1 January 2013.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

IFRS 9 *Financial Instruments*

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized 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 amortized cost at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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.

The Group management anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

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* will be withdrawn upon the effective date 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 return 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* will be withdrawn upon the effective date 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 proportional consolidation.

- 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.

- In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided all of these standards are applied at the same time. The Group management anticipates that the application of these five standards will have a significant impact on amounts reported in the consolidated financial statements. A detailed review will be performed by the Group management to quantify the impact on the application of IFRS 10.

IFRS 13 *Fair Value Measurement*

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 Group management anticipates 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.

Amendments to IFRS 7 and IAS 32 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Group management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

IAS 19 *Employee Benefits*

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 recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application. However, the Group management 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.

Annual Improvements to IFRSs 2009 - 2011 Cycle **issued in May 2012**

The Annual Improvements to IFRSs 2009 - 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include:

- Amendments to IAS 16 *Property, Plant and Equipment;* and
- Amendments to IAS 32 *Financial Instruments: Presentation.*

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Group management does not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes.* The Group management does not anticipate that the amendments to IAS 32 will have a significant effect on the Group's consolidated financial statements.

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.

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 any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees. Borrowing costs directly attributable to the acquisition 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. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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	45
Land improvements	10
Plant, machinery and equipment	5-35
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.

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 - 45 years (Note 9).

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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, except that:

- deferred tax assets or liabilities and assets or liabilities 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.

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 acquirerıs 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 acquirerıs 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 an 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.

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 2012, TL 7.896.099 (31 December 2011: TL 15.394.698) of interest expense and TL 8.768.432 (31 December 2011: TL 11.362.452) of foreign exchange gain is capitalized over Büyükdüz HEPP, Mordoğan WPP, Korkmaz WPP and Aksu WPP projects (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 debt instrument 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized 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 gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the ‘other gains and losses’ line item.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, 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.

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 individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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.

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

- Exchange differences on foreign currency borrowings relating 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 those 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 translated into TL using exchange rates prevailing at the end of each reporting period. 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 recognized 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.

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 Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When 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.

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

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 before tax’ as reported in the income statement because of items of income or expense that are taxable or deductible in other years and it items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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. 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 the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. 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.

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Statement of Cash Flows

In statement of cash flow, cash flows are classified according to operating, investment and finance activities. Cash flows from operating activities reflect cash flows generated from electricity sales of the Group. Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group. Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group.

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

Share Capital and Dividends

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

2.6. Critical accounting judgments and key sources of estimation uncertainty

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

Deferred taxes

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

As of 31 December 2012, 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 2.299.285 (31 December 2011: TL 1.982.269) for the carry forward tax losses of Ayen Ostim amounting to TL 8.862.122 (31 December 2011: TL 6.263.504) and the carry forward tax losses of Ayen Elektrik amounting to TL 2.634.302 (31 December 2011: TL 3.647.840) respectively.

Group recognized TL 6.134.783 (31 December 2011: TL 3.478.940) of deferred tax asset over Ayen Enerji's carry forward tax losses amounting to TL 10.830.095 (31 December 2011: TL 17.394.698) and Aksu's carry forward tax losses amounting to TL 19.843.820 (31 December 2011: None) (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 2012, the Group is subject to various legal proceedings. The Group evaluates the possible outcomes of the lawsuits based on the Group's legal advisers view and accounts the required provisions against the possible gains and losses (Note 11).

Impairment of goodwill

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policies stated in Note 2.5. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. This value-in-use calculation includes the discounted cash flow projections. This calculation includes discounted values of the fund flow of Yamula Dam of Kayseri Elektrik determined in USD, approved by the Ministry of Energy and Natural Resources ("MENR") and will be expired in 2025. In the determination of the recoverable amount, the USD calculated amount was converted to TL. Therefore, the value-in-use is affected from the changes in foreign exchange rates. The discount rate used in the value-in-use calculations is 13,44% (2011: 13,44%).

The discount rate used reflects specific risks relating to Kayseri Elektrik. As of 31 December 2012, 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 140.041.115 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	162.943.951
Base discount rate 0	169.067.685
Base discount rate by -1	175.592.092

Recoverable amount of Ayen AS is calculated based on discounted value of future cash flows. In the determination of the recoverable amount, the EUR 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 9% (2011: None).

The discount rate used reflects specific risks relating to Company and Albania. 31 December 2012, the Group compared the 8% of recoverable amount (share of Ayel Elektrik) calculated based on the aforementioned assumptions with 8% of the property, plant and equipment and goodwill balance of Ayen AS amounting to TL 952.365 and TL 4.681.198 respectively 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	11.562.678
Base discount rate 0	14.108.641
Base discount rate by -1	17.266.657

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 2012, the Group made an impairment analysis for property, plant and equipment of Ayen Ostim. As of 31 December 2012, 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 10,03% (31 December 2011: 14,47%). The discount rate used reflects specific risks relating to Ayen Ostim. As of 31 December 2012, 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 26.796.861 and no impairment was identified for the property, plant and equipment.

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

	Value in use (TL)
Base discount rate by +1	29.422.722
Base discount rate 0	30.841.488
Base discount rate by -1	32.373.818

3. CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash	28.180	13.830
Cash in banks	43.986.688	2.586.824
Demand deposit	7.796.926	2.586.824
Time deposits with maturities less than three months	36.189.762	-
Type B liquid funds	2.381.022	22.052
	46.395.890	**2.622.706**

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

As of 31 December 2012, the time deposits with maturities less than three months of Group consists of TL and EURO denominated time deposits with maturities in January 2013. The weighted average effective interest rates of TL and EURO deposits are 4,51% and 0,34% respectively (31 December 2011: None).

As of 31 December 2012, the Group does not have any restricted cash (31 December 2011: None).

4. FINANCIAL LIABILITIES

The detail of bank borrowings of the Group as of 31 December 2012 and 31 December 2011 is as follows:

Financial Liabilities	31 December 2012	31 December 2011
Short-term financial liabilities	78.700.416	44.490.006
Long-term financial liabilities	475.379.228	349.028.375
	554.079.644	**393.518.381**

The accrued interest expense on short-term bank borrowings is TL 2.644.371 (31 December 2011: TL 2.953.132).

The detail of bank borrowings is as follows:

	Weighted average	31 December 2012	
Original Currency	**effective interest rate**	**Short-term**	**Long-term**
TL	%10,77	8.173.985	-
USD	%5,89	27.336.546	66.192.376
EURO	%3,36	43.189.885	409.186.852
		78.700.416	475.379.228

	Weighted average	31 December 2011	
Original Currency	**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

The redemption schedule of the bank borrowings as of 31 December 2012 and 31 December 2011 is as follows:

	31 December 2012	31 December 2011
To be paid within 1 year	78.700.416	44.490.006
To be paid between 1-2 years	67.875.224	30.346.494
To be paid between 2-3 years	59.431.349	43.310.731
To be paid between 3-4 years	51.609.708	39.117.690
To be paid between 4-5 years	45.370.626	35.551.883
5 and more than 5 years	251.092.321	200.701.577
	554.079.644	**393.518.381**

For the long term borrowings of the Group, there exists TL 80.217.000 (USD 45.000.000) of mortgages over land, TL 19.617.714 (USD 9.060.688 and EURO 1.473.883) of letters of guarantee, TL 246.693.900 (USD 50.000.000 and EURO 67.000.000) of guarantee given and TL 521.219.783 (USD 159.808.108 and EURO 100.500.000) of conveyance on receivables (Note 11). Deferred finance expenses have been recognized in other current/non-current assets which have been paid for the long-term bank borrowings of the Group. As of 31 December 2012 the deferred finance expenses of the Group, which have been amortised through the maturity of the loans, is TL 24.547.727 (31 December 2011: TL 27.020.047). Group has also given commercial enterprise pledge amounting to TL 290.000.000 as guarantee for the investment loans (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.

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 2012	31 December 2011
Trade receivables (*)	26.081.294	16.621.062
Due from related parties (Note 23)	192.190	205.866
Discount on trade receivables	(111.331)	(82.027)
Deposits and guarantees	1.033.204	351.832
	27.195.357	**17.096.733**

(*) As of 31 December 2012 trade receivables consist of receivables from Türkiye Elektrik Ticaret ve Taahhüt A.Ş. ("TETAŞ") amounting to TL 9.382.063 (2011: TL 4.882.988) and Türkiye Elektrik İletim A.Ş. ("TEİAŞ") amounting to TL 9.232.298. Remaining amount consists of receivables of Ayen Elektrik from its customers.

There is TL 13.889.939 income accrual related to the electricity sales on Group's short term trade receivables (31 December 2011: TL 1.448.743).

The maturities of trade receivables are less than one month as of 31 December 2012 and 2011.

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

b) Trade Payables:

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

Short term trade receivables	31 December 2012	31 December 2011
Trade receivables (*)	30.391.065	158.553.584
Due from related parties (Note 23)	46.457.629	15.958.802
Other trade payables	3.506.092	2.333.578
	80.354.786	**176.845.964**

(*) As of 31 December 2012, TL 14.748.337 of trade payables is related to the turbine purchases from Suzlon (31 December 2011: TL 144.431.880). Trade payables deferred from 2011 amounting to TL 129.683.543 related to turbine purchases have been paid via long-term loans. Remaining payables will also be paid via long-term loans.

There is TL 9.628.896 expense accruals related to electricity puchase on Group's short term trade payables (31 December 2011: TL 822.796).

The maturities of trade payables are less than one month as of 31 December 2012 and 2011.

Long term trade payables	31 December 2012	31 December 2011
Due to related parties (Note 23) (*)	-	4.691.028
	-	**4.691.028**

(*) Please refer to intangible assets note for explanation (Note 9).

6. OTHER FINANCIAL LIABILITIES

Other Short-Term Financial Liabilities	31 December 2012	31 December 2011
Çamlıca HEPP Electric Energy Fund	11.757.891	13.417.859
	11.757.891	**13.417.859**

Other Long-Term Financial Liabilities	31 December 2012	31 December 2011
Çamlıca HEPP Electric Energy Fund	-	10.547.058
Forestation Fund	22.722	22.722
	22.722	**10.569.780**

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 2012 and 31 December 2011 is as follows:

	31 December 2012	31 December 2011
To be paid within 1 year	11.757.891	13.417.859
To be paid between 1-2 years	-	10.547.058
	11.757.891	**23.964.917**

7. DUE FROM SERVICE CONCESSION ARRANGEMENTS

Due from Service Concession Arrangements	31 December 2012	31 December 2011
Short-term due from service concession arrangements	30.768.182	28.392.189
Invoiced and undue from service concession arrangements (*)	8.434.376	12.030.411
Unbilled short-term due from service concession arrangements related to the shortage in production (**)	10.805.701	12.330.839
Total short-term due from service concession arrangements	50.008.259	52.753.439
Long-term due from service concession arrangements	112.543.305	151.857.437
Unbilled long-term due from service concession arrangements related to the shortage in production (**)	-	9.688.517
Total long-term due from service concession arrangements	112.543.305	161.545.954
Total due from service concession arrangements	**162.551.564**	**214.299.393**
Gross due from service concession arrangements	257.817.599	331.989.583
Unearned financial income (-)	(114.506.112)	(151.739.957)
Due from service concession arrangements	19.240.077	34.049.767
Due from service concession arrangements-net	**162.551.564**	**214.299.393**

(*) 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.

As of 31 December 2012 and 31 December 2011, 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 2012	31 December 2011	31 December 2012	31 December 2011
Up to 1 year	30.098.438	31.128.068	53.653.476	58.797.807
1 to 2 years	23.441.174	30.098.438	41.786.236	56.852.939
2 to 3 years	16.815.620	23.441.174	29.975.524	44.278.033
3 to 4 years	7.750.420	16.815.620	13.815.899	31.763.025
More than 4 years	66.524.438	74.274.858	118.586.464	140.297.779
	144.630.090	**175.758.158**	**257.817.599**	**331.989.583**

	Net due from service concession arrangements (ABD Doları)		Net due from service concession arrangements (TL)	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Up to 1 year	17.260.284	15.031.070	30.768.182	28.392.189
1 to 2 years	14.362.307	17.260.284	25.602.248	32.602.951
2 to 3 years	9.802.086	14.362.307	17.473.199	27.128.961
3 to 4 years	2.130.038	9.802.086	3.797.005	18.515.160
More than 4 years	36.839.926	38.969.964	65.670.853	73.610.365
	80.394.641	**95.425.711**	**143.311.487**	**180.249.626**

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.

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress (*)	Total
Cost								
Opening balance as at 1 January 2012	9.044.912	-	2.976.009	137.928.835	837.301	1.109.617	463.215.690	**615.112.364**
Additions	15.582	-	2.947.851	3.781.803	715.672	156.460	52.638.990	**60.256.358**
Disposals	-	-	(771)	(5.700)	(321.475)	-	-	**(327.946)**
Transfers from constructions in progress	499.350	15.443.405	126.879.917	233.025.345	-	-	(375.848.017)	**-**
Closing balance as of 31 December 2012	9.559.844	15.443.405	132.803.006	374.730.283	1.231.498	1.266.077	140.006.663	**675.040.776**
Accumulated Depreciation								
Opening balance as at 1 January 2012	-	-	(786.862)	(36.133.077)	(625.256)	(943.424)	-	**(38.488.619)**
Charge for the period	-	(1.159.054)	(2.056.027)	(15.064.995)	(156.165)	(75.580)	-	**(18.511.821)**
Disposals	-	-	468	380	223.517	-	-	**224.365**
Closing balance as of 31 December 2012	-	(1.159.054)	(2.842.421)	(51.197.692)	(557.904)	(1.019.004)	-	**(56.776.075)**
Net book value as at 31 December 2012	9.559.844	14.284.351	129.960.585	323.532.591	673.594	247.073	140.006.663	**618.264.701**

(*) Büyükdüz HEPP began to operate on 1 July 2012 and Aksu WPP started to operate gradually in March, April and May 2012. And accordingly TL 188.732.464 and TL 181.115.553 have been transferred from construction in progress to related tangible assets respectively. Additionally, in 2012, TL 7.898.099 of interest expense and TL 8.768.432 of foreign exchange gain regarding the loans used for investments of Büyükdüz HEPP, Mordoğan WPP, Korkmaz WPP, Aksu WPP have been capitalized over property, plant and equipment. Additions during the period consist of expenses related to Büyükdüz HEPP, Aksu WPP Mordoğan WPP, Korkmaz WPP and Ayen-AS contructions.

Cost	Land	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress (*)	Total
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 of 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 interest expense and TL 11.362.452 of foreign exchange loss were capitalized over property, plant and equipment regarding the loans used for investments of Büyükdüz HEPP, Mordoğan WPP, Korkmaz WPP,Aksu WPP and Ayen AS.

Depreciation expense of TL 18.249.256 (31 December 2011: TL 7.557.377) has been charged in cost of sales and TL 262.565 (31 December 2011: TL 189.621) has been charged in general administrative expenses.

As of 31 December 2012, 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 80.217.000) (31 December 2011: USD 45.000.000 (TL 85.000.500)) (Note 11). Remaining amount of the loan guaranteed via mortgage amounting to USD 40.000.000 is TL 7.974.743 as of 31 December 2012. There are commercial enterprise pledges amounting to TL 140.000.000 over Akbük WPP and amounting to TL 150.000.000 over Mordoğan WPP and Korkmaz WPP. Aforementioned pledges were given on 25 June 2009 and on 30 May 2012 as a guarantee for the investment loan obtained for Akbük WPP and Mordoğan WPP and Korkmaz WPP respectively (Note 11).

9. INTANGIBLE ASSETS

Cost	Wholesale Licence	Electricity Production Licence (**)	Rights (***)	Other intangible assets (*)	Total
Opening balance as at 1 January 2012	320.874	6.181.015	182.940	10.485.964	**17.170.793**
Additions	-	8.918.505	1.705.658	-	**10.624.163**
Disposals	-	-	(159.142)	(4.886.360)	**(5.045.502)**
Closing balance as at 31 December 2012	320.874	15.099.520	1.729.456	5.599.604	**22.749.454**
Accumulated Amortization					
Opening balance as at 1 January 2012	(249.830)	(51.934)	(138.646)	(1.656.645)	**(2.097.055)**
Charge fo the period	(33.695)	(209.229)	(213.322)	(650.387)	**(1.106.633)**
Disposals	-	-	5.841	1.031.565	**1.037.406**
Closing balance as at 31 December 2012	(283.525)	(261.163)	(346.127)	(1.275.467)	**(2.166.282)**
Net book value as at 31 December 2012	37.349	14.838.357	1.383.329	4.324.137	**20.583.172**

(*) 24% shares of Ostim Endüstriyel Yatırım A.Ş. on Ayen Ostim's capital have been acquired by Aydıner İnşaat on 20 July 2012. Therefore, TL 4.377.448 of liabilities due to the commission of 5% calculated over the electiricity price of Başkent Elektrik Dağıtım A.Ş. ("BEDAŞ") taking 7.500.000 kWh as the reference point every month is no longer exists and the discounted commission value whose net book value is amounting TL 3.854.795 has been cancelled. In addition, Ostim OSB has transferred the transformer, which is contructed by Ayen Ostim in order to provide access to uninterrupted power supply, to TEİAŞ in July 2012. Since TEİAŞ has presented an opinion related that Ayen Ostim will continue to use afromentioned transformer without any charge, the cost related to the transformer amounting TL 5.599.604 will be continued to be recognized under intangible assests as a result of the management's assessment that Group will get economic benefit from it.

(**) As a resut of the aqcuisition of Araklı Enerji's shares by Ayen Enerji in 2012, TL 8.918.505 which is the fair value of net assets has been accounted under intangible assets as electricty generation license (Note 22).

(***) Consist of the rights obtained as a result of payments related to the exploration activities in licenced geothermal region in accordance with the agreement made with General Directorate of Mineral Research and Exploration.

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 for 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, constructed by Ayen Ostim in order to enable Ostim OSB to buy electricity directly from the network, amounting to 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 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.

Amortization expense of TL 1.069.692 (31 December 2011: TL 722.633) has been charged in cost of sales and TL 36.941 (31 December 2011: TL 29.058) 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 2012 and 2011 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 178.002 (ALL 11.000.000) from AS Energy S.H.P.K. in 2011amounting to TL 4.859.200. 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. As described in Note 2.6 to the consolidated financial statements, as a result of the impairment test carried out at 31 December 2012, no impairment was identified in the carrying amount of goodwill.

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

As of 31 December 2012, there are 5 cases where the Group is litigant and 5 cases where the Group is defendant. Most of the cases are related with the bad debt and employee 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 2012, there is no provision accounted for the law suits (31December 2011: None).

Short term provisions	31 December 2012	31 December 2011
Provisions for unsused vacation	431.673	320.433
	431.673	**320.433**

The movement of the provisions is as follows:

	Provisions for unusued vacation	Total
As of 1 January 2012	320.433	320.433
Additional provision	111.240	111.240
As of 31 December 2012	**431.673**	**431.673**

	Provisions for unusued 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**

b) Contingent Assets and Liabilities

Contingent assets	31 December 2012	31 December 2011
Letters of guarantee received (*)	15.044.192	17.189.346
Guarantee received (**)	682.998.982	907.549.478
	698.043.174	**924.738.824**

(*) Amounting to TL 1.570.178 (EURO 667.678) are the letters of guarantee received against advances given for the machinery-equipment, transformer, procurement and installation of turbines regarding Büyükdüz HEPP investment. Amounting to TL 1.229.939 (EURO 523.000) and TL 12.244.075 is received by Ayen Elektrik as guarantee against risks that might occur in collecting related with electricity sales.

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

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 2012	31 December 2011
Letters of conveyance given (*)	521.219.783	586.666.973

(*) 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 159.808.108 (TL 284.873.933, 31 December 2011: USD 180.562.800) as a conveyance for the loan. However, these conveyances will be effective if payment schedules of the loans have not been met. Moreover, there exists EURO 100.500.000 (TL 236.345.850, 31 December 2011: USD 100.500.000) of conveyance over receivables of Aksu Temiz Energy as of 31 December 2012 (Note 4).

Contingent Liabilities	31 December 2012	31 December 2011
Commercial enterprise pledge (**)	290.000.000	140.000.000

(**) The Group has given commercial enterprise pledge amounting to TL 140.000.000 as a guarantee for the loan used for construction of Akbük WPP, on 25 June 2009 and TL 150.000.000 as a guarantee for the loan used for Mordoğan WPP and Korkmaz WPP on 30 May 2012 (Note 4).

Contingent Liabilities	31 December 2012	31 December 2011
Mortgages given (***)	80.217.000	85.000.500

(***) Consists of the mortages given for the long term borrowings of the Group, there exists TL 80.217.000 (USD 45.000.000) of mortgages over natural gas plant of Ayen Ostim and land of Ayen Enerji. Remaining amount of the loan guaranteed via mortgage amounting to TL 71.304.000 (USD 40.000.000) is TL 7.974.743 as of 31 December 2012 (Note 4).

Contingent Liabilities	31 December 2012	31 December 2011
Letters of guarantee given (****)	124.220.957	109.556.605

(****) Letters of guarantee given consist of TL 62.363.011 in terms of USD, TL 19.530.595 in terms of EURO and TL 42.327.351 in terms of Turkish Lira. Letters of guarantee given comprises that TL 16.960.254 (USD 6.874.510 and EURO 2.001.000) has been given to the Albania Ministry of Economy for Ayen-AS, TL 1.280.085 (USD 718.100)has been given to General Directorate of Mineral Research and Exploration, TL 26.739.000 (USD 15.000.000) has been given to the Privatization Administration, TL 5.937.841 (USD 3.331.000) has been given to BOTAŞ, TL 24.556.200 has been given to MENR, TL 2.000.000 has been given to TEİAŞ for Akbük II plant which of its licence was approved and TL 11.358.712 (EURO 4.830.000) given to electricity distribution companies as assurance pay for the payable arising due to the electiricity purchases/sales by Group. In addition to these, TL 19.617.714 (USD 9.060.688 and EURO 1.473.883) are the letters of gurantee given as a guarantee for the long-term bank borrowings obtained for the investment activities of the Group.

Contingent Liabilities	31 December 2012	31 December 2011
Guarantee given (*****)	246.693.900	163.734.600

(*****) Consists of TL 89.130.000 (USD 50.000.000) guarantee given to İş Bank for the financial loan used and TL 157.563.900 (EURO 67.000.000) is due to the joint quarantee for the loan obtained by Aksu Temiz Enerji from TSKB.

c) Guarantees, Pledge and Mortage

Guarantees, pledge and mortgage ("GPM") position of the Group as of 31 December 2012 and 31 December 2011 are as follows:

	31December 2012				31 December 2011			
	TL Equivalent	TL	USD	EURO	TL Karşılığı	TL	ABD Equivalent	EUDO
GPM given on behalf of its own legal entity	612.801.041	321.127.802	72.592.610	69.001.000	366.889.994	169.226.882	15.374.510	69.000.000
Guarantee letter	76.107.141	31.127.802	22.592.610	2.001.000	63.155.394	29.226.882	15.374.510	2.000.000
Pledge	290.000.000	290.000.000	-	-	140.000.000	140.000.000	-	-
Guarantee	246.693.900	-	50.000.000	67.000.000	163.734.600	-	-	67.000.000
GPM given on behalf of subsidiaries that are included in full consolidation	649.550.599	11.199.551	217.199.796	106.803.883	718.068.684	24.307.038	234.671.001	102.500.856
Conveyance	521.219.783	-	159.808.108	100.500.000	586.666.973	-	180.562.800	100.500.000
Guarantee	48.113.816	11.199.551	12.391.688	6.303.883	46.401.211	24.307.038	9.108.201	2.000.856
Mortgage	80.217.000	-	45.000.000	-	85.000.500	-	45.000.000	-
GPM given for execution of ordinary commercial activities to collect third parties debt	-	-	-	-	-	-	-	-
Other guarantees given	-	-	-	-	-	-	-	-
i. GPM given on behalf of main shareholder 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	**1.262.351.640**	**332.327.353**	**289.792.406**	**175.804.883**	**1.084.958.678**	**193.533.920**	**250.045.511**	**171.500.856**

(*) As of 31 December 2012, rate of Group's GPM to equity is 0% (2011: 0%).

12. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31 December 2012	31 December 2011
Retirement pay provision	1.623.543	992.441
	1.623.543	**992.441**

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 3.033,98 for each period of service as at 31 December 2012 (31 December 2011: TL 2.731,85).

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 2012, 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 5,0% and a discount rate of 7,37%, resulting in a real discount rate of approximately 2,25% (31 December 2011: 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 3.129,25 effective from January 1, 2013 has been taken into consideration in calculation of provision from employment termination benefits. Movement of retirement pay provision for the year ended 31 December 2012 and 31 December 2011 is as follows:

	1 January-31 December 2012	1 January-31 December 2011
Provision at January 1	992.441	840.853
Service cost	328.371	324.830
Interest cost	45.463	39.195
Termination benefits paid	(38.546)	(212.437)
Actuarial loss / gain	295.814	-
Provision at December 31	**1.623.543**	**992.441**

13. OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2012	31 December 2011
VAT carried forward	9.928.698	11.224.597
Deferred finance charges (**)	1.773.555	1.374.861
Personnel advances	158.344	401.446
Prepaid expense	1.891.015	1.677.546
Non-trade receivables from related parties (Note 23)	-	187.000
Other	739.222	1.183.489
	14.490.834	**16.048.939**

Other Non-Current Assets	31 December 2012	31 December 2011
Non-trade receivables from related parties (Note 23)	9.621.851	12.487.513
Advances given for acquisition of property, plant and equipment	3.429.105	3.426.212
Deferred finance charges (**)	22.774.172	25.645.186
Transmission lines (*)	8.306.404	-
Prepaid expenses	-	4.942
	44.131.532	**41.563.853**

(*) Group has beared some costs related to the transmission lines of Büyükdüz, Korkmaz, Mordoğan and Aksu which are constructed for TEİAŞ. Since these costs are considered as prepaid system usage fees, the balance is consists of receivables from TEİAŞ due to transmission lines.

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

Movement of deferred finance charges	1 January-31 December 2012	1 January-31 December 2011
Opening balance	27.020.047	15.631.936
Current period addition	-	13.757.876
Current period amortization	(2.472.320)	(2.369.765)
	24.547.727	**27.020.047**

Other Short-Term Liabilities	31 December 2012	31 December 2011
Tax and duties and other deductions	2.170.861	2.000.496
Expense accruals	155.301	713.243
Non-trade receivables from related parties (Note 23)	6.813.825	5.309.303
Advances received (**)	5.403.486	332.865
Payables due to unfavorables lawsuits (Note 11)	-	449.108
Other	298.168	214.414
	14.841.641	**9.019.429**

Other Long-Term Liabilities	31 December 2012	31 December 2011
Non-trade receivables from related parties (Note 23)	445.410	1.543.666
Other payables (*)	893.083	-
	1.338.493	**1.543.666**

(*) Consist of the liabilities which would be paid to General Directorate of Mineral Research and Exploration, in accordance with the mineral exploration agreement.

(**) As a result of the change in Day-ahead Market system, it consists of the advances obtained from TEİAŞ resulting from the daily supply demand positions.

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 2011: 17.104.230.000) 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 2012 and 31 December 2011 is as follows:

		31 December		31 December
Shareholdes	**%**	**2012**	**%**	**2011**
Aydıner İnşaat A.Ş.	84,98	145.351.747	84,98	145.351.747
Public quotation	15,01	25.673.449	15,01	25.673.449
Other	<1	17.104	<1	17.104
Subscribed capital		**171.042.300**		**171.042.300**

The operations of the Company are managed by the Board of Directors with at least 7 (seven) members that consist 5 (five) A type shareholders determined in the General Assembly in accordance with the Turkish Commercial Code.

In the General Assembly hold on 16 May 2012, it was decided to distribute TL 13.323.849 in cash as first dividend after TL 701.255 of first reserve fund deducted from TL 25.137.271 which is the basis for profit distribution, according to the consolidated financial statements; TL 21.676.151 was decided to be distributed to shareholders in cash, remaining after second reserve fund is appropriated as one tenth from TL 24.080.504 which is subject to distribution from net profit for the period, retained earnings and extraoridiary reserves.

As a result, after first and second reserve funds are appropriated, it was decided to distribute TL 35.000.000 of dividend. Aforementioned dividend distribution was made on 27 June 2012. The amount of distributed profit per share is TL 0,17.

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 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. These amounts are classified as "Restricted profit reserves" according to the CMB Financial Reporting Standards. As of 31 December 2011, the amount of restricted profit reserves is TL 47.370.328 (31 December 2011: TL 41.124.515).

Besides, in Kayseri Elektrik General Assembly which was hold on 21 May 2012, it was decided to appropriate amounting to TL 3.140.205 of reserve out of Company's profit for the year 2012.

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 2011: 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 istribution 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 Communique Serial: XI, No: 29.

15. SATIŞLAR VE SATIŞLARIN MALİYETİ

	1 January-31 December 2012	1 January-31 December 2011
Electricity sales	164.224.692	109.348.751
Interest income from service concession arrangements	29.737.580	32.666.580
Sales	**193.962.272**	**142.015.331**
Cost of sales	(139.976.683)	(102.812.976)
Gross Profit	**53.985.589**	**39.202.355**

During the year, TL 37.192.993 (2011: TL 21.033.368) of invoices issued to TETAŞ related to the Service Concession Arrangements, which is stated in Note 2.5, have been deducted from Service Concession Receivables.

16. EXPENSES BY NATURE

	1 January-31 December 2012	1 January-31 December 2011
Cost of electricity (**)	84.357.663	65.281.702
Cost of natural gas	20.763.306	17.587.909
Depreciation and amortization expenses	19.618.454	8.498.689
Personnel expenses (*)	10.635.052	8.050.490
Plant technical assistance and maintenance	3.834.533	4.145.590
System usage fee (***)	2.620.339	464.220
Transportation expenses	1.616.872	1.056.816
Office expenses	1.350.165	1.204.825
Consultancy fees	1.317.207	1.067.248
Insurance expenses	677.353	501.406
Taxes and duties	610.004	439.129
Other	1.371.775	1.134.994
	148.772.723	109.433.018

(*) Personnel expenses of TL 6.100.422 (31.12.2011: TL 4.392.774) has been charged in cost of sales; TL 4.534.630 (31.12.2011: TL 3.657.716) has been charged in general administrative expenses.

(**) Consists of the cost of electricity that Ayen Ostim, Ayen Enerji, Ayen Elektrik and Aksu 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.

17. OTHER OPERATING INCOME/EXPENSES

Other operating income and expense for the periods ended 31 December 2012 and 2011 are as follows:

	1 January-31 December	1 January-31 December
	2012	**2011**
	2012	2011
Cancellation of contractual liabilities (Note 9)	522.653	-
Gain on sale of fixed assets	148.717	-
Capacity difference income (*)	630.106	-
Reversal of provisions (Note 11)	-	1.037.126
Carbon certificate sales	-	1.038.946
Other	437.449	287.147
	1.738.925	**2.363.219**

(*) Due to the capacity difference occured during the startup period from the supplier of wind turbins of Aksu.

	1 January-31 December	1 January-31 December
	2012	**2011**
	2012	2011
Kızılcahamam forest expense (*)	130.656	144.808
Contructual expense (**)	111.240	110.752
Provision for unused vacation (Note 11)	2.431.795	-
Other (***)	743.579	226.049
	3.417.270	**481.609**

(*) 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.

(**) Due to the expenses arising from the additional aggrement of the Share Transfer Aggrement of Aksu shares.

(***) TL 327.535 of other expenses are arising from tax penalties due to the necessity of giving declarations in the same period as consultancy service invoices are issued. In addition, since Paşalar HEPP Water Usage Aggreement has been cancelled by Council of State, EMRA has requested the return of the license on 20 July 2012. Accordingly, the expenses amounting TL 180.014 related to the Paşalar HEPP, whose license has been returned, has been recognised in income statement.

18. FINANCE INCOME

	1 January-31 December 2012	1 January-31 December 2011
Interest income	2.223.640	1.689.708
Discount income	-	161.098
Foreign exchange gain - net	149.106	10.012
Other	4.562	66
	2.377.308	**1.860.884**

19. FINANCE EXPENSES

	1 January-31 December 2012	1 January-31 December 2011
Interest expense	(10.931.388)	(1.733.436)
Deferred finance expense	(2.472.320)	(2.369.765)
Other finance expenses	(937.969)	(821.664)
Discount expenses	(19.780)	-
	(14.361.457)	**(4.924.865)**

20. TAX ASSETS AND LIABILITIES

Current tax liability:	31 December 2012	31 December 2011
Current tax liability provision	6.995.860	5.261.183
Less: Prepaid taxes and dues	-	(2.636.676)
	6.995.860	2.624.507

Tax charges are as follows:	31 December 2012	31 December 2011
Current tax	(6.995.860)	(5.261.183)
Deferred tax charge	(275.316)	(1.001.488)
Total tax charges	(7.271.176)	(6.262.671)

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 2012 is 20% (2011: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2012 is 20%. (2011: 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 Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

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% (2011: 20%). In addition to these investment incentives are calculated based on tax rate of 0,2% (2011: 0,2%). The breakdown of temporary differences and the resulting deferred income tax assets/(liabilities) provided, at 31 December 2012 and 2011 are as follows:

	Temporary Differences		Deferred tax (assets)/liabilities:	
	31 December	31 December	31 December	31 December
ErtelenmişVergi (varlıkları) yükümlülükleri:	**2012**	**2011**	**2012**	**2011**
Property, plant and equipment and intangible assets	152.846.180	206.788.790	30.569.236	41.357.758
Investment incentives	191.242.000	251.770.500	382.484	503.541
Carry forward tax losses	30.673.915	17.394.698	6.134.783	3.478.940
Provision for employment termination benefits	1.623.543	992.441	324.709	198.488
Due from service concession arrangements	(156.865.125)	(202.263.320)	(31.373.025)	(40.452.664)
Deferred finance charges	(9.882.285)	(3.245.215)	(1.976.457)	(649.043)
Other	885.410	385.540	177.082	77.108
			4.238.812	**4.514.128**

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 2.299.285 (31 December 2011: 1.982.269) for the carry forward tax losses of Ayen Ostim amounting to TL 8.862.122 (31 December 2011: 6.263.504) and that of Ayen Elektrik amounting to TL 2.634.302 (31 December 2011: TL 3.647.840).

As of 31 December 2012 and 31 December 2011, the expiration dates of prior years' losses, which deferred tax asset have not been accounted for, are as follows:

	31 December 2012	31 December 2011
2012	-	3.614.864
2013	132.271	132.271
2016	6.164.209	6.164.209
2017	5.199.944	-
Closing balance at 31 December	**11.496.424**	**9.911.344**

Group recognized TL 6.134.783 (31 December 2011: TL 3.478.940) of deferred tax asset over Ayen Enerji's and Aksu's carry forward tax losses amounting to TL 10.830.095 (31 December 2011: TL 17.394.698) and TL 19.843.820 (31 December 2011: None) respectively.

As of 31 December 2012 and 31 December 2011, the expiration dates of prior years' losses, which deferred tax asset have been accounted for, are as follows:

	31 December 2012	31 December 2011
2012	-	2.571.825
2013	1.781.430	5.815.723
2015	9.048.665	9.007.150
2017	19.843.820	-
Closing balance at 31 December	**30.673.915**	**17.394.698**

Movements in deferred income taxes can be analysed as follows:

	1 January-31 December 2012	1 January-31 December 2011
Opening balance at 1 January	4.514.128	5.515.616
Current year deferred taxation expense	(275.316)	(1.001.488)
Closing balance at 31 December	**4.238.812**	**4.514.128**

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 2012 and 2011 is stated below:

	1 January-31 December 2012	1 January-31 December 2011
Profit before tax on income statement	31.527.055	31.399.942
Effective tax rate (20%) (2011: 20%)	(6.305.411)	(6.279.988)
Effect of tax:		
- revenue that is exempt from taxation	9.489	17.763
- tax assets calculated over previous year losses	189.969	-
- non-deductible expenses	(115.667)	(84.157)
- effect of non-taxable consolidation adjustment	(486.359)	-
- effect of investment allowance	-	503.541
- effect of subsidiaries in loss	(563.197)	(419.830)
Tax expense on income statement	**(7.271.176)**	**(6.262.671)**

21. EARNINGS PER SHARE

	1 January-31 December 2012	1 January-31 December 2011
Profit for the year attributable to equity holders of the Parent	22.611.347	23.587.121
Average number of outstanding shares	17.104.230.000	17.104.230.000
Earnings per basic, 1.000 shares (TL)	**1,32**	**1,38**

22. BUSINESS COMBINATIONS

Ayen has acquired 76% shares of Araklı Enerji Doğalgaz Üretim Sanayi ve Ticaret A.Ş. ("Araklı Enerji") for USD 5.000.000 and TL 760.000 on 9 May 2012. This transaction is recognized by purchasing method. The provisional goodwill calculation is as follows:

	Provisional fair value	Ayen ownership rate %76
Cash	8	6
Cheques received	256.205	194.716
Banks	444	337
Order advances given	75.625	57.475
VAT carried forward	60.140	45.706
VAT deductable	1.313	998
Total current assets	**393.735**	**299.238**
Construction in progress	499.593	379.691
Intangible assets	8.918.505	8.918.505
Total non-current assets	**9.418.098**	**9.298.196**
Total liabilities	**(15.045)**	**(11.434)**
Book value of net assets		**9.586.000**
Paid cash and cash equivalents		9.586.000
Goodwill recognized on consolidated financial statements		**-**

TL 8.918.505 of purchase price exceeding the registered value of net assets acquired is associated with the fair value of license of Araklı Enerji and it is recognized as intangible asset.

23. RELATED PARTY TRANSACTIONS

	31 December 2012							
	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. (*)	68.841	-	-	-	46.448.863	6.810.350	-	-
Kayseri ve Civarı Elektrik A.Ş.	-	-	-	-	8.766	1.458	-	-
Layne Bowler Pompa Sanayi A.Ş. (**)	19.905	-	-	-	-	-	-	-
Samsun Makina Sanayii A.Ş.	2.519	-	-	-	-	-	-	-
Aydıner Xanadu Resort Otel (**)	39.860	-	-	-	-	-	-	-
Aksu Other Sahreholders (***)	-	-	-	9.556.728	-	-	-	-
As Enerji A.Ş.	-	-	-	65.123	-	-	-	-
Araklı Other Shareholders	-	-	-	-	-	-	-	445.410
Other	61.065	-	-	-	-	2.017	-	-
	192.190	**-**	**-**	**9.621.851**	**46.457.629**	**6.813.825**	**-**	**445.410**

(*) Short term trade receivables consist of electricity sales of Ayen Elektrik to worksites of Aydıner İnşaat in various regions. TL 46.448.863 of short term trade payables consist of progress bills issued to Ayen Enerji for the facility construction of Büyükdüz HEPP in Gümüşhane, Mordoğan WPP and Korkmaz WPP in İzmir. The short term non-trade payables consist of loan given to Aydıner İnşaat A.Ş. by the Group. As of 31 December 2012, interest rate for aforementioned loan is 12,27%.

(**) Consist of receivables due to the electricity sales of Ayen Elektrik.

(***) Receivables consist of due from other shareholders of Aksu related to capital commitments.

	31 December 2012							
	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
Ayen-AS Diğer Ortaklar	-	-	-	239.242	-	-	-	-
Ayel Other Shareholders	-	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 worksites of Aydıner İnşaat in various regions, 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 2011, 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 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%. 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 shareholders of Aksu.

	1 January - 31 December 2012					
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. (***)	-	-	-	-	315.789	-
Ostim Organize Sanayi Bölge Müdürlüğü ("Ostim Organize Sanayi") (**)	-	-	-	-	118.923	8.276.500
Ostim Endüstriyel Yatırımlar ve İşletme A.Ş.	-	-	-	-	555.820	-
Samsun Makina Sanayii A.Ş.	-	26.441	-	-	11.538	-
Aybet Beton A.Ş.	-	240.886	-	-	-	-
Metay İnşaat Sanayii ve Ticaret A.Ş.	-	-	-	-	7.020	-
Aksu Diğer Ortaklar	362.149	-	1.155.436	-	-	-
Ayen Doğalgaz Enerji Üretim Sanayi ve Ticaret A.Ş.	6.000	-	-	-	-	-
Layne Bowler Pompa Sanayi A.Ş.	-	181.504	-	-	-	-
	368.149	**3.947.388**	**1.309.049**	**43.054.757**	**1.555.979**	**8.276.500**

(*) Energy sales consist of electricity sales of Ayen Elektrik to Aydıner Xanadu Hotels and worksites of Aydıner İnşaat in various regions. 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. 24% of Ayen Ostim's shares have been transferred from Ostim Endüstriyel Yatırım ve İşletme A.Ş. to Aydıner İnşaat A.Ş. as of 27 July 2012, therefore transactions after this date are not included in related party transactions.

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

	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	-	-	-	-
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.

Compensation of key management personnel during the period as follows

	1 January- 31 December 2012	1 January- 31 December 2011
Salary and other short term benefits	1.981.175	1.670.456
Other long term benefits	123.847	133.616
	2.105.022	**1.804.072**

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 calculated as net debt divided by the total capital amount. Net debt is calculated as total liability amount less cash and cash equivalents. Total capital is calculated as shareholders' equity plus the net debt amount as presented in the balance sheet.

As the Group strategy has changed in 2012, 2011 ratio has been reversed to present financial statements comparatively. As of 31 December 2012 and 31 December 2011 net debt / total capital ratio is as follows:

	2012	2011
	TL	TL
Total Financial Debt	554.079.644	393.518.381
Less: Cash and cash equivalents	(46.395.890)	(2.622.706)
Net Debt	507.683.754	390.895.675
Equity Attributable to Owners of the Parent	260.196.926	272.536.947
Net Debt / Capital	1,95	1,43

b) Financial risk factors

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

b.1) Credit risk management

Credit risk of financial instruments	Receivables					
	Trade Receivables		Trade Receivables			
31 December 2012	Related Party	Third Party	Related Party	Third Party	Due From Service Concession Arrangements	Bank Deposits
Maximum net credit risk as of balance sheet date (A +B+C+D+E)	192.190	27.003.167	9.621.851	-	162.551.564	46.367.710
- The part of maximum risk under guarantee with collateral etc.	-	12.244.075	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	192.190	27.003.167	9.621.851	-	162.551.564	46.367.710
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	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

Finansal araç türleri itibariyle maruz kalınan kredi riskleri	Receivables					
	Trade Receivables		Trade Receivables			
31 December 2011	Related Party	Third Party	Related Party	Third Party	Due From Service Concession Arrangements	Bank Deposits
Maximum net credit risk as of balance sheet date (A +B+C+D+E)	205.866	16.890.867	12.674.513	-	214.299.393	2.608.876
- 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	16.792.901	12.674.513	-	214.299.393	2.608.876
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	-	-	-	-	-	-

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 of the Group and TL 9.382.063 (2011: 4.882.988) and TL 9.232.298 (2011: None) of trade receivables are composed of the receivables from TETAŞ and TEİAŞ respectively. 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 which are performed by the Group's power plants with Build-Operate-Transfer model. 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 2012, and mentioned receivables arises from industrial and commercial customers. Group obtains guarantees from these wholesale customers when necessary.

As of 31 December 2012 there are no past due receivables. The aging of the past due receivables as of 31 December 2011 are as follows:

	Receivables				
31 December 2011	**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. Aforementioned receivables were collected in 2012.

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 2012						
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	554.079.644	672.108.530	22.917.624	68.387.953	288.905.462	291.897.491
Trade payables	33.897.157	33.964.322	33.964.322	-	-	-
Trade payables to related parties	46.457.629	46.457.629	34.018.780	12.438.849	-	-
Non-trade payables to related parties	7.259.235	7.259.235	5.993.938	819.887	445.410	-
Total liabilities	**641.693.665**	**759.789.716**	**96.894.664**	**81.646.689**	**289.350.872**	**291.897.491**

(*) 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 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	159.453.943	201.230.084
Trade payables	160.887.162	160.944.353	160.944.353	-	-	-
Trade payables to related parties	20.649.830	20.649.830	6.200.645	9.758.156	2.102.878	2.588.151
Non-trade payables to related parties	6.852.969	6.852.969	555.493	1.666.479	4.630.997	-
Total liabilities	**581.882.742**	**596.286.804**	**187.514.791**	**38.765.960**	**166.187.818**	**203.818.235**

(*) 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.

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 2012 and 2011 the foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	31 December 2012		
	TL Equivalent	**USD**	EURO
Trade receivables	11.580.948	6.496.661	-
Monetary financial assets	6.893.463	139.502	2.825.525
Due from short term service concession arrangements	50.008.259	28.053.550	-
Other	3.796	-	1.614
CURRENT ASSETS	**68.486.466**	**34.689.713**	**2.827.139**
Due from long term service concession arrangements	112.543.305	63.134.357	-
Other	3.532.851	-	1.502.254
NON-CURRENT ASSETS	**116.076.156**	**63.134.357**	**1.502.254**
TOTAL ASSETS	**184.562.622**	**97.824.070**	**4.329.393**
Trade payables	16.314.258	420.306	6.618.625
Financial liabilities	70.526.431	15.335.210	18.365.389
Other current financial liabilities	11.757.891	6.595.922	-
CURRENT LIABILITIES	**98.598.580**	**22.351.438**	**24.984.014**
Financial liabilities	475.379.228	37.132.490	173.996.195
NON-CURRENT LIABILITIES	**475.379.228**	**37.132.490**	**173.996.195**
TOTAL LIABILITIES	**573.977.808**	**59.483.928**	**198.980.209**
Net Foreign Currency Position	**(389.415.186)**	**38.340.142**	**(194.650.816)**

	31 December 2011		
	TL Equivalent	USD	EURO
Trade receivables	16.566.418	8.770.405	-
Monetary financial assets	172.733	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	**69.700.288**	**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	**233.165.032**	**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 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 liabilities	10.547.058	5.583.704	-
NON-CURRENT LIABILITIES	**359.575.433**	**13.960.912**	**136.346.946**
TOTAL LIABILITIES	**572.218.267**	**39.261.259**	**203.804.598**
Net Foreign Currency Position	**(339.053.235)**	**83.139.513**	**(203.001.662)**

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 an increase in profit or loss.

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

	31 December 2012	
	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation in USD against TL		
US Dollar net asset / liability	6.834.514	(6.834.514)
Part of hedged from US Dollar risk (-)	-	-
US Dollar net effect	6.834.514	(6.834.514)
In case 10% appreciation in EURO against TL		
EURO net asset / liability	(45.776.032)	45.776.032
Part of hedged from EURO risk (-)	-	-
EURO net effect	(45.776.032)	45.776.032
TOTAL	**(38.941.518)**	**38.941.518**

	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	15.704.223	(15.704.223)
Part of hedged from US Dollar risk (-)	-	-
US Dollar net effect	15.704.223	(15.704.223)
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	**(33.905.323)**	**33.905.323**

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 2012, 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 50.349 (2011: TL 57.056 mainly as a result of interest expenses on short-term and long-term borrowings. As of 31 December 2012, for EURO 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 855.172 (2011: TL 617.626) mainly as a result of interest expenses on short-term and long-term borrowings.

25. FINANCIAL INSTRUMENTS

Fair values and categories of financial instruments

	Loans and receivables (including cash and cash equivalents)	Financial liabilities at amortized cost	Carrying value	Note
31 December 2012				
Financial assets				
Cash and cash equivalents	46.395.890	-	46.395.890	3
Trade receivables	27.003.167	-	27.003.167	5
Due from related parties	9.814.041	-	9.814.041	23
Due from service concession arrangements	162.551.564	-	162.551.564	7
Financial liabilities				
Trade payables	-	33.897.157	33.897.157	5
Due to related parties	-	53.716.864	53.716.864	23
Other financial liabilities	-	11.780.613	11.780.613	6
Financial liabilities	-	554.079.644	554.079.644	4

	Loans and receivables (including cash and cash equivalents)	Financial liabilities at amortized cost	Carrying value	Note
31 December 2011				
Financial assets				
Cash and cash equivalents	2.622.706	-	2.622.706	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
Financial liabilities	-	393.518.381	393.518.381	4

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

26. SUBSEQUENT EVENTS

a) Ayen Enerji has decided to amend related articles of the Company's articles of association 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 11 March 2013.

b) In the Board of Directors meeting held on 20 February 2013, the share capital of Ayen AS, located in Albania has been decided to raise to EURO 25.000.000.

SUMMARY OF AUDITOR'S REPORT

To the General Assembly of Ayen Enerji Anonim Sirketi

Of Company

Trade Name	: Ayen Enerji Anonim Sirketi
Head Office	: Ankara
Capital	: TRL171,042,300
Field of activity	: Energy Generation

Of Auditors

Full Name	: Canan Ceyran
Term of Office	: 1 year
Whether or not a Company Employee or a Shareholder	: NOT a Company Employee or a Shareholder f company.

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

Scope, dates and results of the audit on books and documents of the Company
The Company's books and documents were subjected to quarterly reviews and checks, and 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 Code of Commerce and the articles of association, and that the records, documents and accounts were kept in accordance with the general accounting policy.

Times and results of counts at the Company cashier pursuant to TCC Article 353.1(4)
Upon occasional un-notified inspections held at the Company cashier, it was observed that the records matched the cash at hand. Nothing contrary to laws and regulations was observed. It was noted that all valuable papers deposited to the Company were kept completely and in accordance with the records.

Any complaints and corruption reporting, and action taken thereon
No complaint or reporting on corruption was communicated to the Auditor.

Conclusion
I reviewed the accounts and transactions of Ayen Enerji Anonim Sirketi for the period from 01.01.2012 to 31.12.2012 in accordance with the Turkish Code of Commerce, relevant legislation, the articles of association and accounting principles and standards.

In my opinion, the attached balance sheet at 31.12.2012, the contents of which I concur with, presents true and fair view of the financial situation of the Company at that date; and the income statement for the period from 01.01.2012 to 31.12.2012 also presents true and fair view of the operational results for the reporting period.

I hereby request that the honourable General Assembly approve the balance sheet and the income statement and release the Board of Directors.

Saygılarımla,
Canan CEYRAN

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

In 2012 financial period, Ayen Enerji A.S. has carried out necessary works to comply with the Corporate Governance Principles set out in Communiqué Serial IV No. 56 to which compliance is required by the Capital Market Board in 2003. To this end, necessary amendments have been made to the Articles of Association of company. Of these principles those to which our company is not obliged to abide by are mentioned under the titles Shareholders, Public Disclosure and Transparency, Beneficiaries, and the Board of Directors in our Corporate Governance Principles Compliance Report, and necessary works will be carried out to comply with those principles also in the financial years to come depending on the sector in which our company operates, status of company, and market conditions.

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.

Ahmet Alan	- 0 312 445 04 64 /203	aalan@ayen.com.tr
Ahmet Gökhan Saygılı	- 0 312 445 04 64/301	gokhans@ayen.com.tr
Cenk Eren	- 0 312 445 04 64/301	cenke@ayen.com.tr

Activities carried out by the Unit include following:

• Ensuring that shareholders are able to exercise their shareholding rights; that the records concerning shareholders are kept in a sound, secure, and up to date manner,

• Except for request related with undisclosed, confidential information on or commercial secrets of company, 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,

• Performing all duties as directed by the Corporate Governance Committee,

• Ensuring the company files material disclosures with the CMB to enable the public to access information on equal, fair, true, and transparent basis in accordance with applicable legislation and material disclosure requirements, and

• Preparing list of Corporate Insiders; briefing corporate insiders on protection of corporate information and compliance with confidentiality requirements until material information, financial statements, and other incidents are disclosed, and taking necessary actions.

All written or oral requests received from our investors for information in 2012 have been satisfied in accordance with applicable legislation and requirements of the Public Disclosure Platform. No quantitative data were collected, as request for information were not received through a specific channel. Works regarding this matter have been underway.

Our company and officials of our company who hold such information protect existing and potential commercial secrets from unauthorised access by any third party in such a manner so that they cannot be accessible under normal conditions until they are made available to the public.

Pursuant to Article 16 of Communiqué Serial VIII No. 54 of the Capital Market Board, a “list of Corporate Insiders” is prepared and updated when any change occurs to the names who are authorised to access to sensitive information. The most recent version of the list has been submitted to CMB on 10.10.2012.

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 2012 were generally about the operations of generation plants, annual generation and sales quantities, unit prices, stock performance, 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, independent audit reports and Material Disclosures of the company from past to present are published on KAP’s and company’s websites and made available to shareholders for review. In addition to the above, records of proceedings of General Assembly of company are also made available on company’s website.

The Articles of Association of company does not have a specific provision with respect to shareholders’ right to request appointment of an independent auditor, as this matter is set out in the Turkish Code of Commerce No. 6102. No request of this kind has been received from any shareholder of our company in 2012.

4. GENERAL ASSEMBLY

The Ordinary General Assembly of 2011 was held on 31st May 2012. Invitation for the General Assembly and all related information together with agenda of the General Assembly were duly published in the Turkish Trade Registration Gazette No. 8065 dated 10.05.2012 as well as two national newspapers published on 10.05.2012 and were also sent to each registered shareholder in accordance with applicable laws and Articles of Association . 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 Class A Shareholders is sought in general assemblies and the quorum for decision in such meetings. At the 2011 ordinary General Assembly, of all 17,104,230,000 outstanding shares of company, representing capital of TRL171,042,300, 14,545,024,175 shares equivalent of TRL 145,450,241.75 were represented in person and 1,640,925 shares equivalent of TRL16,409.25 were represented through proxy, and therefore quorum was 85.01%. Requests were made to the Ministry of Energy and Natural Resources and to the Capital Market Board for the attendance of representatives thereof at the ordinary General Assembly, and representative of the Ministry of Energy and

Natural Resources attended the General Assembly as an observer. No media representative was present at the ordinary General Assembly.

Pursuant to Communiqué Serial IV No. 56 on Determination and Implementation of Corporate Governance Principles issued by the Capital Market Board, a call for the ordinary General Assembly was made to our shareholders at least 3 weeks before the General Assembly by means of invitation published in the Trade Registration Gazette and in two national newspapers and through a material disclosure published at the Public Disclosure Platform's and our company's websites. 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 were published on the website of our company, and annual report of the financial year was made available at the head office of the company to our shareholders for review15 days prior to the General Assembly. The previous and new versions of Articles of Association approved by the Capital Market Board and Ministry of Customs and Trade and information on proposed independent directors were published on our corporate website, as the agenda of the General Assembly also included an amendment to the Articles of Association of Company.

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. The Chairman of Meeting Committee at the 2012 General Assembly asked all shareholders attending the General Assembly whether they had any question to ask regarding matters specified in the agenda, and he then stated in minute of proceedings of the General Assembly that no one wanted to make any further comment on the agenda. There was not any question, which could not be answered at the General Assembly, that the Investor Relation Units is required to reply in writing. During the General Assembly no shareholder had proposed any matter for discussion by the General Assembly.

Policy for corporate donations and aid, and cap for donations will be determined and submitted to the 2013 General Assembly for approval.

The extraordinary General Assembly for amending Article 3 'Fields of Activities of Company' of Articles of Association of our company to incorporate an additional paragraph which reads "to carry out activities related to Geothermal Resources and Natural Mineral waters" convened on 08.10.2012 in order to comply with requirements of concerned public agency. Related amendment was adopted by the extraordinary General Assembly upon approval of the Capital Market Board and permission of the Ministry of Customs and Trade and also approved by the Preferential Shareholders' Committee.

5. VOTING RIGHTS AND MINORITY RIGHTS

Class A shares owned by founders of company enjoy voting privileges. A Class A shareholder has 1000 (thousand) voting rights per share (one share) that s/he has at the General Assembly while a non Class A shareholder has one (1) voting right for one (1) share s/he has.

Our company will submit the proposed amendment to Articles of Associations which was approved by the Capital Market Board and authorised by the Ministry of Customs and Trade and which will restrict number of votes granted to A Class shareholders to 15 (fifteen) to the 2012 ordinary General Assembly of our company for approval.

None of the majority shareholders is an affiliate of our company. Articles of Association of our company do not have any provision regulating representation of minority interests in the management or cumulative voting rights granted to minority shareholders. Practises in accordance with applicable Capital Market legislation are voluntary. And therefore no cumulative voting is practised at any General Assembly of our company.

Due to the need for some decisions to be made rapidly and difficulties in practice, minority shares are not represented in the management.

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.

It has been unanimously resolved, upon open voting, by the shareholders present at the ordinary General Assembly held on 31.05.2012 to distribute first and second dividend of total TRL35,000,000, including TRL13,323,849.03 out of TRL22,885,865.79, which is remainder of “Net Profit for Period” of 2011 in the amount of TRL23,587,121.00 as reported in the 2011 financial statements which were prepared in accordance with Communiqué Serial XI No. 29 of the Capital Market Board and audited by an independent auditing firm, less 5% of statutory first reserve of TRL701,255.21, as the first dividend, to set aside a statutory second reserve at rate of one eleventh from undistributed profits from undistributed retained earnings of TRL24,080,504.15, i.e. TRL2,403,353.18, and to distribute remainder sum in amount of TRL21,676,150.97 as second dividend.

Dividends for 2011 have been paid on 27.06.2012 (based on permission no. 17/588 dated 25.05.2012 granted by the Capital Market Board, as approval and permissions required from concerned authorities for amending the Articles of Association of Company in order to adopt the Articles to Communiqué Serial IV No. 56 of the CMB were not yet obtained in due time).

6. 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. Since the Turkish Code of Commerce No. 6102 stipulates that transfer of registered shares may not be required except for “important reasons”, the above-mentioned article of Articles of Association of company is now deleted from the Articles of Association by means of “Proposed Amendment to Articles of Association”, which is drafted by the Board of Directors, approved by the Capital Market Board, and authorised by the Ministry of Customs and Trade”, to be submitted to the 2012 General Assembly, which will convene in 2013, for approval.

SECTION II – DISCLOSURES AND TRANSPARENCY

7. 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 rumours 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.

Company prefers not to disclose any forecasts, which may affect decisions of investors and which are based on estimations, for the sake of interests of investors.

8. COMPANY WEBSITE AND CONTENTS

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

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

9. ANNUAL REPORT

Interim reports prepared by the Board of Directors include Corporate Governance Principles in so far as they are related to the reporting period. Annual reports have a separate section on Corporate Governance Principles.

SECTION III – STAKEHOLDERS

10. 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.

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 2012, 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.

With regard to this matter, our Shareholder Relations Unit has been coordinating with the Corporate Governance Committee, which was established in 2012, to provide for any request for information from stakeholders.

11. 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.

12. 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.

13. CODE OF ETHICS AND SOCIAL RESPONSIBILITY

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.

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 – Kizilcahamam 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.

Detail information is provided on our social responsibility projects in relevant sections of our annual reports.

SECTION IV – BOARD OF DIRECTORS

14. STRUCTURE AND FORMATION OF BOARD OF DIRECTORS

The 2012 ordinary General Assembly, which convened in 2012, resolved to amend Articles 10 and 11 of Articles of Association of company pursuant to Communiqué (Serial No. IV, No. 56) on Determination and Implementation of Corporate Governance Principles issued by the Capital Market Board, to increase the number of Directors to 7 (seven), and to appoint 2 (two) additional independent directors in addition to existing five (5) directors.

The Board of Directors of our company is composed of 7 (seven) members selected by the General Assembly, including 5 (five) members nominated by Class A shareholders.

Our company has 1 (one) female director.

Except independent directors, all directors are managing directors. Information on qualifications, backgrounds, and terms of office of directors is provided in the Annual Report.

Statement of Independence issued by Independent Directors are attached to the Corporate Governance Principles Compliance Report.

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.

15. 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.

• Each director has 1 (one) voting right.
• Resolutions are made by simple majority of directors.
• The Board of Directors has convened 32 times in 2012, all of directors have attended the meetings, and resolutions have been passed by unanimous vote.
• There was not any dissenting vote exercised in any meeting held by the Board of Directors in the 2012 financial year.
• In the 2012 financial year, there has not been any related party transaction or material transaction which needed to be submitted to the General Assembly for approval due to lack of approval by independent directors of the Board of Directors.

16. NUMBER, STRUCTURE, AND INDEPENDENCE OF BOARD COMMITTEES

The Board of Directors has convened on 06.07.2012 and resolved to establish an Audit Committee and a Corporate Governance Committee within the Board of Directors pursuant to the Communiqué (Serial No. IV, No. 56) on Determination and Implementation of Corporate Governance Principles issued by the Capital Market Board. Accordingly members of the committees are as follows:

Audit Committee:

Kadir Nejat Unlu	Chairman	(Independent Director)
Metin Bostancioglu	Member	(Independent Director)

Corporate Governance Committee:

Metin Bostancioglu	Chairman	(Independent Director)
Mehmet Aydiner	Member	(Director)
Turgut Aydiner	Member	(Director)

Corporate Governance Committee shall also perform the duties incident to Committee for Early Detection of Risks, Nomination Committee, and Remuneration Committee.

Principles set out in the Communiqué have been adopted as the working procedure and principles of the Committee.

Audit Committee has convened to discuss submission of financial statements, which were prepared by our company for the period between June 2012 and September 2012 in accordance with Communiqué Serial XI No. 29 of the Capital Market Board, and Annual Report prepared by the Board of Directors for approval, and Financial Statements and Annul Report have been disclosed through the Public Disclosure Platform upon approval.

17. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

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.

The Board of Directors has convened on 06.07.2012 and resolved to establish a Corporate Governance Committee within the Board of Directors pursuant to the Communiqué (Serial No. IV, No. 56) on Determination and Implementation of Corporate Governance Principles issued by the Capital Market Board. It has been also resolved that this Committee would also perform the duties incident to Committee for Early Detection of Risks.

The activities that this Committee has carried out in the reporting period are described in the Corporate Governance Principles compliance report.

Details of management of existing risks identified throughout the Group are as follows.

18. 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.

19. REMUNERATION OF DIRECTORS

Guidelines for remuneration of Directors and executives of our company were determined and submitted to the 2011 ordinary General Assembly which convened on 31.05.2012 and approved by them.

Our company has not lent any money or extended loan to any Director or Executive of our company.

Benefits provided to Executives in the 2012 financial year are stated in notes to the Consolidated Financial Statements, which were prepared in accordance with Communiqué Serial XI No. 29 and audited by an independent auditing firm.

Except for independent directors, none of our directors are paid for their duty as a director.

20.1. Remuneration Policy for Directors and Executives of Ayen Enerji A.S.

1. Purpose
Bu belge; Sermaye Piyasası Kurulu düzenlemeleri çerçevesinde Ayen Enerji A.Ş. Yönetim Kurulu Üyeleri ile üst düzey yöneticilerin ücretlendirme politikasının tanımlanmasını kapsamaktadır.

2. Guidelines for Remuneration of Directors
The General Assembly determines amount of remuneration to be paid to Directors and approves payment decision. The General Assembly may resolve to not decide any remuneration for Directors, except for independent directors. No performance-based payment scheme shall apply for remuneration to be set by non-independent Directors.

The General Assembly shall determine amount of remuneration to be paid to independent directors in a manner to ensure their independency. No performance-based or stock option-based remuneration method shall apply for remuneration to be paid to independent directors.

3. Guidelines for Remuneration of Executives

Remuneration to be paid to Executives shall be fixed and be determined on the basis of executive's fitness for his/her position in terms of his/her level of knowledge and experience, his/her experience, and his/her performance in delivering vision, mission, strategic goals, and helping the shareholders achieve their common goals.

Remuneration of executives and non-director committee members is determined by our Corporate Governance Committee in accordance with remuneration guidelines and approved by the Board of Directors.

Based on this remuneration policy, our company may not lend any money or extend any loan to any Director and Executive of our company, nor may allow any Director and Executive get any personal loan through any third person or give any collateral in favour of them, such as personal guarantee.

STATEMENT OF INDEPENDENCY

To the Board of Directors of Ayen Enerji Anonim Sirketi

I hereby declare, accept and guarantee that I satisfy all requirements and criteria for eligibility set out by the Capital Market Board within the framework of Corporate Governance Principles to be elected as an Independent Director.

This is submitted for information of all related parties.

Sincerely,

Kadir Nejat Ünlü

STATEMENT OF INDEPENDENCY

To the Board of Directors of Ayen Enerji Anonim Sirketi

I hereby declare, accept and guarantee that I satisfy all requirements and criteria for eligibility set out by the Capital Market Board within the framework of Corporate Governance Principles to be elected as an Independent Director.

This is submitted for information of all related parties.

Sincerely,

Metin Bostancıoğlu