

**AKSA ENERJİ ÜRETİM A.Ş. AND ITS
WHOLLY OWNED SUBSIDIARIES
CONSOLIDATED FINANCIAL
STATEMENTS AT 31 DECEMBER 2009,
2008 AND 2007
TOGETHER WITH
AUDITOR'S REPORT**

**INDEPENDENT AUDITOR'S REPORT OF
AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

**To the Shareholders and Board of Directors of
Aksa Enerji Üretim A.Ş.
Istanbul**

1. We have audited the accompanying financial statements of Aksa Enerji Üretim A.Ş. and its wholly owned subsidiaries (together referred to as the Group) listed under Note 1 to the financial statements comprise the consolidated balance sheets as at 31 December 2009, 2008 and 2007, and the consolidated statements of income, changes in equity and cash flows for the years ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

6. In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Aksa Enerji Üretim A.Ş. and its wholly owned subsidiaries as of 31 December 2009, 2008 and 2007 and the results of its operations and cash flows for the years then ended in accordance with International Financial Reporting Standards.

EREN Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Member Firm of GRANT THORNTON International



Nazım Hikmet
Partner

Istanbul, 10 March 2010

AKSA ENERJİ ÜRETİM A.Ş. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF 31.12.2009, 2008 AND 2007
(Currency - Turkish Lira)

ASSETS

	<u>Note</u>	<u>31.12.2009</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	4	16,248,278	30,276,340	6,864,775
Trade Receivables, net	5	176,662,166	223,016,802	72,520,042
Due from Related Parties and Shareholders	6	253,752,018	72,209,939	33,350,470
Inventory	7	82,583,401	126,167,907	66,427,683
Other Current Assets	8	18,231,474	27,484,470	9,219,218
		<hr/> 547,477,337	<hr/> 479,155,458	<hr/> 188,382,188
<u>NON - CURRENT ASSETS</u>				
Trade Receivables, net		147,669	137,087	665,289
Investments	9	1,534,796	1,887,724	486,465
Property, Plant and Equipment, net	10	1,151,903,979	853,497,108	350,716,062
Goodwill	2	223,983	223,983	223,983
Intangible Assets, net	11	1,124,081	245,053	351,247
Other Non-Current Assets	8	71,938	190	23,929,730
Deferred Tax Asset	14	3,932,289	3,932,289	3,932,289
		<hr/> 1,158,938,735	<hr/> 859,923,434	<hr/> 380,305,065
TOTAL ASSETS		<hr/> 1,706,416,072	<hr/> 1,339,078,892	<hr/> 568,687,253

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

AKSA ENERJİ ÜRETİM A.Ş. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF 31.12.2009, 2008 AND 2007
(Currency - Turkish Lira)

LIABILITIES

	<u>Note</u>	<u>31.12.2009</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
<u>SHORT TERM LIABILITIES</u>				
Bank Loans	12	180,770,173	140,426,957	72,491,700
Lease Payables	12	8,207,325	4,506,299	344,559
Factoring Payables	12	32,442,510	-	-
Trade Payables, net	13	277,822,804	269,923,378	91,378,274
Taxation Payable on Income	14	16,463,236	5,829,418	3,200,141
Other Payables and Accrued Liabilities	15	4,346,481	11,096,467	3,448,048
		520,052,529	431,782,519	170,862,722
<u>LONG TERM LIABILITIES</u>				
Bank Loans	12	558,570,096	483,961,512	211,487,138
Lease Payables	12	65,541,913	21,160,632	1,178,624
Retirement Pay Provision	16	865,130	850,048	538,638
Other Liabilities		-	-	7,621
Deferred Tax Liability	14	2,909,200	2,909,200	2,909,200
		627,886,339	508,881,392	216,121,221
<u>SHAREHOLDERS' EQUITY</u>				
Share Capital	17	317,312,432	279,561,770	105,216,642
General Reserves	18	95,651,274	75,548,120	51,624,530
Net Profit for the Year		145,513,498	43,305,091	24,862,138
		558,477,204	398,414,981	181,703,310
Commitments and Contingencies	24			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,706,416,072	1,339,078,892	568,687,253

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

AKSA ENERJİ ÜRETİM A.Ş. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED
31.12.2009, 2008 AND 2007
(Currency - Turkish Lira)

<u>INCOME STATEMENT</u>	<u>Note</u>	<u>01.01.- 31.12.2009</u>	<u>01.01.- 31.12.2008</u>	<u>01.01.- 31.12.2007</u>
Net Sales	19	786,368,583	433,907,104	218,339,557
Cost of Sales	20	(598,403,884)	(355,204,904)	(187,230,032)
GROSS PROFIT		187,964,699	78,702,200	31,109,525
Research and Development Expenses	21	(874,749)	(556,458)	(1,126,346)
Marketing and Selling Expenses	21	(949,132)	(629,243)	(510,656)
General Administrative Expenses	21	(15,827,888)	(11,762,479)	(8,649,691)
BASIC OPERATING PROFIT		170,312,930	65,754,020	20,822,832
Negative goodwill arising from the acquisition of Rasa Radyatör Sanayi A.Ş.	2	-	-	6,937,890
Other Income / (Expenses), net	22	(2,630,984)	3,435,904	(157,434)
Financing Income / (Expenses), net	23	(5,705,212)	(20,055,415)	2,141,905
PROFIT BEFORE TAX FOR THE YEAR		161,976,734	49,134,509	29,745,193
Taxation on Profit				
- Current	14	(16,463,236)	(5,829,418)	(3,020,965)
- Deferred	14	-	-	(1,862,090)
NET PROFIT FOR THE YEAR		145,513,498	43,305,091	24,862,138
Earnings before interest, tax, depreciation and amortization (EBITDA)	3	231,173,236	101,365,728	44,745,675

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

AKSA ENERJİ ÜRETİM A.Ş. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED
31.12.2009, 2008 AND 2007
(Currency - Turkish Lira)

<u>SHAREHOLDERS' EQUITY</u>	<u>Share Capital</u>	<u>General Reserves</u>	<u>Net Profit for the Year</u>	<u>Total</u>
Balance, 31.12.2007	105,216,642	51,624,530	24,862,138	181,703,310
Increase in share capital - in cash	174,345,128	-	-	174,345,128
Transfer to reserves	-	24,862,138	(24,862,138)	-
Prior year tax under provision (Rasa Radyatör Sanayi A.Ş.)	-	(938,548)	-	(938,548)
Net profit for the year	-	-	43,305,091	43,305,091
Balance, 31.12.2008	279,561,770	75,548,120	43,305,091	398,414,981
Increase in share capital - in cash	37,750,662	-	-	37,750,662
Transfer to reserves	-	43,305,091	(43,305,091)	-
Dividend Paid (Note 18)	-	(23,201,937)	-	(23,201,937)
Net profit for the year	-	-	145,513,498	145,513,498
Balance, 31.12.2009	317,312,432	95,651,274	145,513,498	558,477,204

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

AKSA ENERJİ ÜRETİM A.Ş. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31.12.2009, 2008 AND 2007
(Currency - Turkish Lira)

	01.01.- 31.12.2009	01.01.- 31.12.2008	01.01.- 31.12.2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year	145,513,498	43,305,091	24,862,138
<u>Adjustment for:</u>			
Depreciation and amortization	60,860,306	35,611,708	23,922,843
Retirement pay provision	15,082	311,410	181,444
Unrealised foreign exchange (gains) / losses on loans	(2,252,660)	68,199,944	-
Discount on receivables / (payables), net	475,065	(6,159,498)	297,707
Tax provision	16,463,236	5,829,418	3,200,141
Deferred taxation, net	-	-	1,862,090
Operating profit before working capital changes	221,074,527	147,098,073	54,326,363
Trade receivables	49,256,085	(153,493,104)	(45,375,484)
Inventory	43,584,506	(59,740,224)	(38,086,638)
Other current assets	9,252,996	(18,265,252)	(5,753,450)
Other non current assets	(71,747)	23,929,540	(23,632,087)
Trade payables	4,512,330	188,229,148	60,839,367
Other payables and accrued liabilities	(6,749,986)	7,648,419	1,042,004
Other long term liabilities	-	(7,621)	7,621
Taxes paid	(5,829,418)	(3,200,141)	(677,910)
Prior year tax under provision (Rasa Radyatör Sanayi A.Ş.)	-	(938,548)	-
Net Cash Flows generated from Operating Activities	315,029,293	131,260,290	2,689,786
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash acquired	-	-	(21,865,923)
Purchases of property, plant and equipment, net	(360,146,205)	(538,286,560)	(172,156,697)
Purchases of equity participations	-	(1,401,259)	-
Disposal of equity participations	352,928	-	-
Net Cash Flows used in Investment Activities	(359,793,277)	(539,687,819)	(194,022,620)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term bank loans	40,551,973	61,197,499	43,648,269
Long-term bank loans	76,652,486	211,012,188	170,769,548
Short-term lease payables	3,701,026	4,161,740	344,559
Long-term lease payables	44,381,281	19,982,008	1,178,624
Factoring payables	32,442,510	-	-
Due from/to related parties and shareholders	(181,542,079)	(38,859,469)	(22,279,271)
Dividend Paid (Note 18)	(23,201,937)	-	-
Share capital	37,750,662	174,345,128	3,593,608
Net Cash Flows generated from Financing Activities	30,735,922	431,839,094	197,255,337
Net Increase / (Decrease) in Cash and Cash Equivalents	(14,028,062)	23,411,565	5,922,503
Cash and Cash Equivalents at Beginning of Year	30,276,340	6,864,775	942,272
Cash and Cash Equivalents at the End of Year	16,248,278	30,276,340	6,864,775

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

AKSA ENERJİ ÜRETİM A.Ş. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF 31.12.2009, 2008 AND 2007
(Currency - US Dollars)

<u>ASSETS</u>	<u>31.12.2009</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	10,791,179	20,020,062	5,894,029
Trade Receivables, net	117,328,927	147,468,625	62,264,997
Due from Related Parties and Shareholders	168,527,607	47,748,422	28,634,387
Inventory	54,847,181	83,427,830	57,034,157
Other Current Assets	12,108,304	18,173,954	7,915,530
	363,603,198	316,838,893	161,743,100
<u>NON - CURRENT ASSETS</u>			
Trade Receivables, net	98,073	90,648	571,211
Investments	1,019,324	1,248,247	417,674
Property, Plant and Equipment, net	765,028,876	564,370,236	301,121,372
Goodwill	148,757	148,108	192,310
Intangible Assets, net	746,550	162,040	301,577
Other Non-Current Assets	47,777	126	20,545,832
Deferred Tax Asset	2,611,602	2,600,204	3,376,225
	769,700,959	568,619,609	326,526,201
TOTAL ASSETS	1,133,304,157	885,458,502	488,269,301

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

AKSA ENERJİ ÜRETİM A.Ş. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF 31.12.2009, 2008 AND 2007
(Currency - US Dollars)

LIABILITIES

	<u>31.12.2009</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
<u>SHORT TERM LIABILITIES</u>			
Bank Loans	120,057,231	92,856,548	62,240,663
Lease Payables	5,450,837	2,979,765	295,835
Factoring Payables	21,546,463	-	
Trade Payables, net	184,514,049	178,485,339	78,456,490
Taxation Payable on Income	10,933,942	3,854,670	2,747,610
Other Payables and Accrued Liabilities	2,886,681	7,337,476	2,960,461
	345,389,203	285,513,798	146,701,059
<u>LONG TERM LIABILITIES</u>			
Bank Loans	370,970,377	320,016,870	181,580,783
Lease Payables	43,529,198	13,992,351	1,011,955
Retirement Pay Provision	574,570	562,090	462,469
Other Liabilities	-	-	6,543
Deferred Tax Liability	1,932,125	1,923,692	2,497,811
	417,006,270	336,495,003	185,559,561
<u>SHAREHOLDERS' EQUITY</u>			
Share Capital	210,740,806	184,858,672	90,337,977
General Reserves	63,526,117	49,955,776	44,324,315
Translation Differences	-	(4,859,028)	-
Net Profit for the Year	96,641,761	33,494,281	21,346,389
	370,908,684	263,449,701	156,008,681
Commitments and Contingencies			
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
	1,133,304,157	885,458,502	488,269,301

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

AKSA ENERJİ ÜRETİM A.Ş. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED
31.12.2009, 2008 AND 2007
(Currency - US Dollars)

INCOME STATEMENT	<u>01.01.-</u> <u>31.12.2009</u>	<u>01.01.-</u> <u>31.12.2008</u>	<u>01.01.-</u> <u>31.12.2007</u>
Net Sales	522,261,130	335,605,034	187,464,203
Cost of Sales	(397,425,705)	(274,732,893)	(160,753,869)
GROSS PROFIT	124,835,425	60,872,141	26,710,334
Research and Development Expenses	(580,958)	(430,392)	(967,070)
Marketing and Selling Expenses	(630,359)	(486,687)	(438,444)
General Administrative Expenses	(10,511,980)	(9,097,678)	(7,426,540)
BASIC OPERATING PROFIT	113,112,128	50,857,384	17,878,280
Negative goodwill arising from the acquisition of Rasa Radyatör Sanayi A.Ş.	-	-	5,956,804
Other Income / (Expenses), net	(1,747,349)	2,657,497	(135,171)
Financing Income / (Expenses), net	(3,789,076)	(15,511,842)	1,839,019
PROFIT BEFORE TAX FOR THE YEAR	107,575,703	38,003,039	25,538,932
Taxation on Profit			
- Current	(10,933,942)	(4,508,758)	(2,593,771)
- Deferred	-	-	(1,598,772)
NET PROFIT FOR THE YEAR	96,641,761	33,494,281	21,346,389
Earnings before interest, tax, depreciation and amortization (EBITDA)	153,532,069	78,401,225	38,418,198

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

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

1. Organization and Nature of Activities

Aksa Enerji Üretim A.Ş.: (The Company) was established on 12 March 1997 for production and sale of electricity. Nearly all of its capital is owned by Kazancı Holding. The Company sells the electrical energy it produces to TEİAŞ (Electricity Transmission Company of Turkey). Below is summary information of power plants of the Company.

The power plant at Bursa which has a capacity of 1,2 MW (Megawatts) produces electricity from methane gas. Methane gas is collected extracted from biological waste naturals. This installation is the first of its kind in Turkey.

Hakkari-I power plant had installed capacity of 17 MW. This was a mobile installation which used light fuel oil and was established to meet the electricity needs of Hakkari and surrounding areas. The contract with EÜAŞ required that all production during three years (1999-2002) was sold to EÜAŞ. During 2004 Hakkari-I power plant was carried to Iraq under 5 years hiring contract. The five years contract with ministry of Industry and Energy of Iraq finished at 2010. It is planned to sell or remove the Power Plant to another place in Iraq or in Turkey.

Hakkari-II power plant has an installed capacity of 24 MW. It is a mobile power plant too and it uses fuel oil for energy production. All production for five years (2001-2006) was contracted to be sold to EÜAŞ. In 2007, the contract period was extended for a year. Electricity production licence was obtained from EMRA (Electricity Market Regulatory Authority in Turkey) at the end of 2007 and the plant is selling its production to TEİAŞ (Balancing Market).

The Company has another mobile electricity production plant located in Samsun which has installed capacity of 130 MW. It uses fuel-oil. All of the production from this installation for five years (2003-2008) is contracted to be sold to EÜAŞ. The Power Plant is planned to convert the existing Wartsila diesel engines to gas-diesel engines. Beginning from third quarter of 2010, Samsun Power Plant will start to work as gas-diesel plant.

The Company has been awarded an electricity production licence for a natural gas fired combined cycle power plant at Antalya with an installed capacity of 1,150 MW.

In relation to Antalya power plant, a purchase agreement was signed with General Electric Packaged Power Inc. ("GE") for 4 units of LM6000 sprint natural gas turbine generator sets, each of them with MW 50 capacity. Another agreement was signed with Thermodyn and IST companies for the steam turbines which will add 50 MW to the power plant without any natural gas costs. In line with this investment, the Company signed a loan agreement with US Exim as export credit institution and JP Morgan as a funding Bank. The Company completed the construction of simple cycle at the end of 2008 and it has become operational.

Additionally, again in relation to Antalya power plant, the Company signed another purchase agreement with Siemens Aktiengesellschaft, fossil power generation ("Siemens") for 2 units of Sgt 5 Pac 4000F natural gas turbine generator sets, each of them with 300 MW capacity, in order to establish an open cycle natural gas fired power plant with 600 MW installed capacity. The Company also completed finance structure of this project with Hermes as export credit institution and Commerzbank as the funding bank.

The Siemens and GE turbines are located at the same area and most of the constructional works regarding Siemens turbines and GE turbines are carried in parallel. Antalya power plant will be fully completed and operational in the first quarter of 2011.

600 MW Siemens natural gas power in Antalya plant has become operational in 2009.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
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During 2008, the Company has obtained a licence for natural gas power plant in Manisa, which is 114 MW installed capacity. The purchase agreement was signed with Wartsila and the finance was completed with West LB as funding bank and Finnvera as export credit institution. Manisa power plant construction has been partially completed in 2008 and fully completed and operational in 2009.

As of 31 December 2009, the number of personel employed by the Company was 267 (31.12.2008: 268).

Aksa Enerji Üretim Kıbrıs (Northern Cyprus): Early in 2003 the Company has been awarded a new contract of 20 MW mobile power plant in Northern Cyprus. The plant has started electricity production in mid 2003 and all of its production is sold to Electricity Distribution Company of Turkish Northern Cyprus (KIBTEK). In October 2004, the Company had signed an additional protocol with KIBTEK. Accordingly, the Company has increased its capacity to 89 MW during 2005 and all of its production will be sold to KIBTEK. At the end of 2008, the contract with KIBTEK has been revised and the contract period has been extended up to 2024. The Company in Northern Cyprus, named Aksa Enerji Üretim A.Ş. (Y.Ş.), is the wholly owned subsidiary of the Company and its financial results have been consolidated in the accompanying financial statements.

As of 31 December 2009, the number of personel employed by the Company was 43 (31.12.2008: 34).

Rasa Radyatör Sanayi A.Ş.: The Company was established on 30 January 1996 in İstanbul. It was originally engaged in the production of oil and water coolers for automobiles, agricultural machinery and generators. During 2001, the Company completed the construction of a mobile power plant in Mardin. Mardin mobile power plant has installed capacity of 33 MW. This is a mobile power plant which uses fuel oil and it has been established to meet the electricity needs of Mardin and surrounding areas. The contract with TEİAŞ (Turkey Electricity Production and Relaying Company) foresees that all production during five years (2001-2007) is sold to TEİAŞ and public institutions. The contract with TEİAŞ has expired as of 31 December 2007. An electricity production licence was obtained from EMRA in 2007 and since then the power plant is producing and selling its energy to TEİAŞ.

The Group is a member of the Kazancı group of companies. Related parties are shown under Appendix 1.

As of 31 December 2009, the number of personel employed by the Company was 101 (31.12.2008: 122).

Deniz Elektrik Üretim Limited Şirketi: The Company was initially established in 1997 in İzmir. In May 2004, 95% of the shares of the Company were acquired by Aksa Enerji Üretim A.Ş. In September 2004, the headquarters of the Company has been moved to İstanbul. The Company is engaged to produce electricity from wind energy. In 2004, the Company has been awarded two wind electricity licenses located in Sebenova/Hatay and Karakurt/Manisa, the production capacities of which are 30 MW and 10.8 MW respectively.

Karakurt/Manisa Wind Power Plant became operational in June 2007. Karakurt Wind Power Plant is selling all its produced energy to TEİAŞ. Sebenova/Hatay Wind Power Plant was under construction in 2007 and it became operational in April, 2008. Similarly the Company is selling all its produced energy to TEİAŞ.

As of 31 December 2009, the number of personel employed by the Company was 42 (31.12.2008: 28) .

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

Baki Elektrik Üretim Limited Şirketi: Baki Enerji Üretim San. ve Tic. Ltd. Şti. (the Company) was established on 4 July 2003 in Ankara for the production and sale of wind power electricity. The Company's 95% shares were acquired by Akxa Enerji Üretim A.Ş. and changed its name to Baki Elektrik Üretim Ltd. Şti. on 30.03.2004 and the head office of the Company has been moved from Ankara to İstanbul on 04.10.2006.

The Company started the construction of a plant which will produce electricity from wind power with a capacity of 90 MW (thirty wind turbines, each with a capacity of 3 MW) in Şamlı, Balıkesir in 2007. The plant became operational in September 2008. The company is selling all its produced energy to TEİAŞ.

The Company is currently increasing the capacity by 23 MW. It is expected that the expansion project will be completed by the end of 2010.

As of 31 December 2009, the number of personel employed by the Company was 29 (31.12.2008: 1) .

In addition to the above, Akxa Enerji Group has been working on alternative projects for production of electricity based on natural gas, wind power and solar energy.

2. Basis of Presentation of the Financial Statements

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect.

Basis of Consolidation

The consolidated financial statements included the financial statements of Akxa Enerji Üretim A.Ş., Deniz Elektrik Üretim Limited Şirketi, Akxa Enerji Üretim Lefkoşe, Baki Elektrik Üretim Ltd. Şti. and Rasa Radyatör Sanayi A.Ş.. The balance sheets and income statements of the consolidated entities are added on a line by line basis. All significant inter-company transactions and balances between the consolidated entities are eliminated on consolidation.

All subsidiaries in the attached financial statements are fully consolidated and no minority interest is calculated because the companies are under the control of the Kazancı family.

The Group is incorporated in Turkey, maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The financial statements have been prepared from statutory financial statements of the Group and presented in Turkish Lira (TL) with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

Financial Statements Translation Into Us Dollars For Convenience Purposes

For the convenience of the reader, the accompanying financial statements have been translated from Turkish Lira to US Dollars as explained below. Such convenience translations are not intended to comply with the provisions of IAS 21 “The Effects of Changes in Foreign Exchange Rates” or Financial Accounting Standards Board No.52 “Foreign Currency Translations” for the translation of financial statements.

Balance sheets: with the respective year-end exchange rates

2009 : USD = TL 1.5057
2008 : USD = TL 1.5123
2007 : USD = TL 1.1647

Income statements:

For the year ended 31 December 2009 income statement items have been translated from TL to US Dollars with the respective year-end exchange rate USD = TL 1.5057.

For the year ended 31 December 2008 income statement items have been translated from TL to US Dollars with average rate USD = TL 1.2929.

For the year ended 31 December 2007 income statement items have been translated from TL to US Dollars with the respective year-end exchange rate USD = TL 1.1647.

Reporting currency

The currency used in these consolidated financial statements is Turkish Lira, which is denoted by the symbol TL.

Goodwill

Goodwill is taken into account at the consolidation stage. Goodwill is the difference of the realizable value and cost of a subsidiary. Goodwill is carried at cost as reduced by appropriate provisions for diminution in the value of goodwill (if one exists) in the accompanying financial statements.

Cost	Baki Elektrik
Payment	180,258
Fair value of the asset acquired	43,725
Goodwill	223,983

Negative goodwill (Rasa Radyatör Sanayi A.Ş.):

Cost	Rasa_Radyatör
Payment	15,000,000
Fair value of the asset acquired	(21,937,890)
Negative goodwill	(6,937,890)

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

Inflation accounting

The restatement for the changes in the general purchasing power of TL until 31 December 2005 is based on IAS 29 (“Financial Reporting in Hyperinflationary Economies”). As of 1 January 2006, it has been decided to discontinue the adjustment of financial statements for inflation after taking into account that the hyperinflation period has come to an end as indicated by existing objective criteria and, that other signs indicating the continuance of hyperinflation have largely disappeared.

Adoption of new and revised international financial reporting standards

In the current period, the Group has applied the standards and interpretations relevant to their scope of activities of the new and newly revised standards and interpretations issued by International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretation Committee (“IFRIC”) of “IASB” being effective from 1st of January 2009.

a) Effective as of 01.01.2009:

- IAS 1 (Amendment), “Presentation of Financial Statements”,
- IAS 19 (Amendment), “Employee Benefits”,
- IAS 23 (Amendment) “Borrowing Costs”,
- IAS 32 (Amendment), “Financial Instruments: Presentation”,
- IAS 36 (Amendment), “Impairment of Assets”,
- IAS 38 (Amendment), “Intangible Assets”,
- IAS 39 (Amendment), “Financial Instruments: Recognition and Measurement”,
- IFRS 1 (Amendment) “First-time Adoption” and IAS 27 “Consolidated and Separate Financial Statements”
- IFRS 2 (Amendment), “Share Based Payments”
- IFRS 7 (Amendment), “Financial Instruments Disclosures”
- IFRS 8, “Operating Segments”
- IFRIC 15, “Agreements for Construction of Real Estates”

b) Effective for annual periods beginning on or after 01.07.2009:

- IFRS 3 (Amendment), “Business Combination”
- IAS 27 (Amendment), “Consolidated and separate financial statements”
- IAS 28 (Amendment), “Investments in Associates” (due to change in IAS 28; changes in IAS 32 Financial Instruments: Presentation” and IFRS 7, “Financial instruments Disclosures”)
- IAS 31 (Amendment), “Interests in Joint Ventures”
- IFRS 3 (Amendment), “Business Combinations”
- IFRS 5 (Amendment), “Non-current assets held-for-sale and discontinued operations”,
- IFRIC 17, “Distributions of Non-cash Assets to Owners”,
- IFRIC 18, “Transfer of Assets from Customers”
- IFRS 1(Amendment), “First-time adoption of IFRS issued”
- IAS 39 (Amendment), “Financial Instruments – Recognition and Measurement”

c) Effective for annual periods beginning on or after 01.10.2009:

- IAS 24 (Amendment), “Related Party: Disclosures”,
- IAS 32 (Amendment), “Financial Instruments: Presentation”,

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

d) Effective for annual periods beginning on or after 01.01.2010:

- IFRS 2 (Amendment), “Share – Based Payment”
- IAS 32 (Amendment), “Financial Instruments Presentation”
- IFRIC 19 “Extinguishing Financial Liabilities With Equity Instruments”
- IAS 24 (Amendment), “Related Party Disclosures”
- IFRIC 14, “The Limit On A Defined Benefit Asset, Minimum Funding Requirements and Their Interaction”
- IFRS 9 (Amendment), “Financial Instruments – Reclassification of Financial Assets”

3. Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of the accompanying consolidated financial statements are set forth below:

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include all short-term, highly liquid investments that are readily convertible to known amounts of cash and near to maturity that they present an insignificant risk of changes in value because of changes in interest rates.

Trade Receivables and Allowance For Doubtful Receivables

Trade receivables and notes receivable are recognized at original invoice amount and discounted to present value less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. In case the provision decreases as a result of an event that occurs after write off, the amount is reflected on the income statement in the current period.

Based on an evaluation of its trade portfolio such as volume, character of outstanding loans, past loan experience and general economic conditions management provides a general reserve that it believes is adequate to cover possible losses and uncollectible amounts in the Group’s receivables, in addition to specific reserves provided for receivables in legal follow-up.

Related parties

For the purpose of the accompanying financial statements, key personnel in management and board of directors, their family and controlled or dependent companies, participations and subsidiaries of the Group are referred to as related parties (Appendix 1).

Trade payables

Trade payables are stated at their nominal value, discounted to present value as appropriate.

Inventory

Inventory (including raw materials) are valued at the lower of cost and net realizable value. Cost is calculated using the average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

Property, plant and equipment, Intangible assets and related depreciation and amortization

Property, plant and equipment and intangible assets are restated in equivalent purchasing power at 31 December 2005 and subsequent additions are carried at cost. Depreciation and amortization are provided on pro-rata basis. Repair and maintenance expenditure related to property, plant and equipment is expensed as incurred. The depreciation and amortization periods for property, plant, equipment and intangible assets which approximate the economic useful lives of such assets, are as follows:

	<u>Year</u>
Land and buildings	10-50
Machinery and equipment (*)	10-20
Furniture, fixtures and office equipment	5
Motor vehicles	5
Intangible assets	5-7

(*) Breakdown of machinery and equipment is as follows:

Karakurt (Manisa) Wind Electricity Powerhouse	10
Sebenova (Hatay) Wind Electricity Powerhouse	20
Şamlı (Balıkesir) Wind Electricity Powerhouse	20
Natural Gas Power Plants	20
Fuel Oil Power Plants	15

Bank loans

Interest bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and shown in other liabilities and expense accruals to the extent they are not settled in the period in which they arise.

Aksa Enerji Üretim A.Ş. has an export credit premium payable in connection with its long term loans used to finance the wind electricity, natural gas and energy plants. In statutory financial statements, the Company recorded these both at assets (Other current and non current assets – Note 8) and liabilities (Short and long term bank loans – Note 12) until the time of payment. As of 31 December 2009 TL 36,133,018 (USD 23,997,488) and 31 December 2008 TL 26,953,700 (USD 17,822,985) of export credit premium is netted of from assets and liabilities (As of 31 December 2007 there was no amount netted off from assets and liabilities).

Deniz Elektrik Üretim Ltd. Şti. has an export credit premium payable in connection with its long term loans used to finance the wind electricity plant. In statutory financial statements, the Company recorded these both at assets (Other current and non current assets – Note 8) and liabilities (Short and long term bank loans – Note 12) until the time of payment. As of 31 December 2009 TL 5,830,763 (USD 3,872,460) and 31 December 2008 TL 6,602,493 (USD 4,365,862) of export credit premium is netted of from assets and liabilities (As of 31 December 2007 there was no amount netted off from assets and liabilities).

Baki Elektrik Üretim Ltd. Şti. has an export credit premium payable in connection with its long term loans used to finance the wind electricity plant. In statutory financial statements, the Company recorded these both at assets (Other current and non current assets – Note 8) and liabilities (Short and long term bank loans – Note 12) until the time of payment. . As of 31 December 2009, TL 23,459,875 (USD 15,580,710) and 31 December 2008, TL 25,375,223 (USD 16,779,226) of export credit premium is netted of from assets and liabilities (As of 31 December 2007 there was no amount netted off from assets and liabilities).

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

Impairment of Assets

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

Taxation and Deferred Income Taxes

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.

Deferred tax: Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Employee Benefits / Retirement Pay Provision

Under the Turkish Labor Law and union agreements, employee termination 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 balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Operating Expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized.

Revenue Recognition

Revenue involves the goods and service sales invoiced value. Revenues are recognized on an accrual basis at the time deliveries of goods and services or acceptances are made, the transfer of risks and benefits related to good are realized, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of the consideration received or receivable. The significant risks and benefits in sales are transferred when the goods are delivered or legal proprietorship is transferred to the customer. Interest income and expenses are recognized in the income statement on an accrual basis. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes.

Research and Development Costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved power plant equipments) are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Development costs that have been capitalised are amortised over five years.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

Segment Reporting

In identifying its operating segments, management generally follows the Group's service lines, which represent the main services provided by the Group. All the Group's power plants and wind electricity powerhouses are located in Turkey (Notes 19-20).

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Foreign Currency Transactions and Translation

Transactions in foreign currencies during the periods have been translated at the exchange rates prevailing at the dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. The foreign exchange gains and losses are recognized in the income statement.

The year end rates used for USD, EURO, CHF and GBP are shown below:

Currency	31.12.2009	31.12.2008	31.12.2007
USD	1.5057	1.5123	1.1647
EURO	2.1603	2.1408	1.7102
CHF	1.4492	1.4300	1.0273
GBP	2.3892	2.1924	2.3259

Provisions

A provision is recognized when, and only when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Commitments and Contingencies

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

Significant management judgment in applying accounting policies

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effect on the financial statements:

Revenue: Management needs to make significant judgment in determining when to recognize income from after-sales services.

Impairment: An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management makes assumptions about future events and circumstances.

Provisions: The Group is currently defending certain lawsuits where the actual outcome may vary from the amount recognized in the financial statements. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Group's position in the related disputes.

EBITDA

EBITDA is defined as earnings before interest expense, income tax expense (benefit), depreciation and amortization. This information should be read with the statements of cash flows contained in the accompanying financial statements.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

4. Cash and Cash Equivalents

	31.12.2009	31.12.2008	31.12.2007
Cash in hand			
- Turkish Lira	40,395	30,521	30,491
- Foreign Currency			
- USD	22,682	53,430	177
- EUR	7,373	16,790	4,459
	<u>70,450</u>	<u>100,741</u>	<u>35,127</u>
Cash at banks			
- Turkish Lira	7,704,162	1,986,771	5,821,005
- Foreign Currency			
- USD	665,604	967,974	542,312
- GBP	12,066	1,315	3,863
- CHF	165	189	154
- EUR	2,228,731	115,451	262,314
Blocked accounts			
- Foreign Currency			
- USD (*)	4,517,100	-	-
	<u>15,127,828</u>	<u>3,071,700</u>	<u>6,629,648</u>
Other liquid assets (Repurchase agreement) (**)	1,050,000	27,103,899	200,000
	<u>16,248,278</u>	<u>30,276,340</u>	<u>6,864,775</u>

(*) USD 3,000,000 (TL 4,517,100) is related to the liabilities of the Group, in accordance with provision of the loan agreement, borrowed to finance the Şamlı Wind Electricity Powerhouse (Note 1).

(**) The average term of repurchase agreements is 2 days.

5. Trade Receivables, net

Customers' current accounts (*)			
- Turkish Lira	151,226,978	155,035,048	66,540,335
- Foreign currency	22,133,861	32,338,651	3,237,195
Notes receivable (**)	3,068,758	36,545,886	133,490
Deposits given	2,999,581	3,034,237	2,926,170
Unearned interest on notes receivable (-)	(204,776)	(3,905,420)	(380,874)
Provision for doubtful receivables (-)	(2,598,628)	(31,600)	(31,600)
Other trade receivables	36,392	-	95,326
	<u>176,662,166</u>	<u>223,016,802</u>	<u>72,520,042</u>

(*) As of 31 December 2009, TL 105,816,678 and USD 6,184,796 (2008: TL 55,536,072 and USD 20,984,161; 2007: TL 25,123,484 and USD 2,234,085) of the customer current accounts are related to trade transactions with related parties which are mainly comprised of sale of imported natural gas equipments to Kazancı Group gas distribution companies. Receivables from overseas related parties are mainly in relation to sale of power generations.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

As mentioned in note 1 above, the Group has contracts with TEİAŞ to sell all its electricity production since 2008 (before 2008 to EÜAŞ); the said establishment has to purchase electricity at prices denominated in foreign currency and the Group undertakes to produce the quantity agreed in the contract. As of 31 December 2009 TL 6,283,509 (2008: TL 79,989,810; 2007: TL 26,530,346) of customers' current account is related to invoices issued by the Group to TEİAŞ and TL 8,395,585 (2008: TL 14,624,204; 2007: TL 8,865,097) is related to invoices issued by the Group to Kibtek.

(**) As of 31 December 2009, maturity breakdown of post dated checks and notes receivables were as follows:

Post dated	5,447
Up to 3 months	1,496,512
Between 3 months and 6 months	943,828
6 months and more	622,971
	3,068,758

6. Due from/to Related Parties and Shareholders, net

Due from/to related parties and shareholders comprised balances with Kazancı Family and Kazancı Group Companies all of which are under the control of Kazancı Family. As of 31 December 2009, TL 245,354,332 of this amount has been collateralized by lien on Aksa Jeneratör Sanayi A.Ş. shares. Additionally Kazancı Holding A.Ş. has signed a protocol (31.12.2009) with Aksa Enerji Üretim A.Ş. that this balance of TL 245,354,332 will be repaid within two years.

As of 31 December 2009, 2008 and 2007 the breakdown of the related parties balances are as follows:

Due from related parties	31.12.2009	31.12.2008	31.12.2007
Non-Trade			
Afyon Doğalgaz Dağıtım A.Ş.	-	-	90,461
Aksa Cng Sıkıştırılmış Doğal Gaz İletişim Dağıtım ve Satış A.Ş.	10	-	7,590
Aksa Doğalgaz Toptan Satış A.Ş.	-	-	564,124
Aksa Göynük Enerji Üretim A.Ş.	47,271	-	-
Aksa Elektrik Perakende Satış A.Ş.	155	-	-
Aksa Elektrik Toptan Satış A.Ş.	-	-	267,708
Aksa Gaz Dağıtım A.Ş.	86	-	187,288
Aksa Jeneratör Sanayi A.Ş.	7,261,554	7,653,720	-
Aksa Power Generation (FZE)	100,882	-	-
Aksa Satış Pazarlama A.Ş.	2,259	-	-
Aksa Teknoloji A.Ş.	-	-	23,793
Aksa Televizyon Hizm. A.Ş.	-	-	106,079
Aksa Turizm İşletmeleri	6,119,393	1,403,139	1,042,209
Ali Metin Kazancı	-	451	-
Ena İnşaat ve Turizm A.Ş.	-	563,757	-
Anadolu Doğalgaz Dağıtım A.Ş.	114	-	-

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

	31.12.2009	31.12.2008	31.12.2007
Balikesir Doğalgaz Dağıtım A.Ş.	-	1,946	-
Bandırma Doğalgaz Dağıtım A.Ş.	149	-	4,271,025
Bilecik Bolu Doğalgaz Dağıtım A.Ş.	-	-	3,076,950
Ceka Enerji Üretim A.Ş.	115,080	1,127,357	944,322
Deriş İnşaat Müh. Müs. Ltd. Şti.	4,422	-	3,060,048
Düzce Ereğli Doğalgaz Dağıtım A.Ş.	-	-	9,187,180
Elazığ Doğalgaz Dağıtım A.Ş.	106	-	-
Refik Renda	-	103,222	-
Fatih Büyüktopçu	9,130	1,413,030	-
Gemlik Doğalgaz Dağıtım A.Ş.	117	-	72,211
Gesa Güç Sistemleri ve Madencilik	469,176	-	-
ISP Uluslararası Yedek Parça A.Ş.	1,531	1,531	-
İdil İki Enerji Sanayi ve Ticaret A.Ş.	139	688	4,298,186
Kapıdağ Rüzgar Enerji Sanayi A.Ş.	199,098	87,770	-
Kazancı Holding A.Ş.	128,945,796	72,297,473	24,612,089
Kazancı Teknik Cihazlar Yedek Parça A.Ş.	-	105,953	185,043
Koni İnşaat A.Ş.	111,582,564	5,753,604	39,759,526
Koni Tarım İşletmeleri	-	-	338,327
Koni Tarımsal Yatırımlar A.Ş.	-	-	51,485
Alenka Enerji Üretim Ltd. Şti.	480,820	66,044	-
Ayres Ayvacık Rüzgar Enerji San. A.Ş.	127,813	296	-
M.K.Paşa Susurluk Doğalgaz Dağıtım A.Ş.	58	-	-
Manisa Doğalgaz Dağıtım A.Ş.	92	-	5,174,308
Mehmet Kazancı	-	837,977	1,003,974
Necati Baykal	-	674,594	162,029
Ordu Giresun Doğalgaz Dağıtım A.Ş.	-	-	375,643
Pegaz Malatya Doğalgaz Dağıtım A.Ş.	54	-	616,298
Rasa Enerji Üretim A.Ş.	1,217,506	990,281	115,080
Renk Transmisyon A.Ş.	-	289	-
S.S. Endstriyel Ürünler Üreticileri	-	2,112	-
Siirt Batman Doğalgaz Dağıtım A.Ş.	10	-	-
Sivas Doğalgaz Dağıtım A.Ş.	400	-	3,077,036
Şaban Cemil Kazancı	-	-	420,304
Tokat Amasya Doğalgaz Dağıtım A.Ş.	-	-	87,639
Trakya Doğalgaz Dağıtım A.Ş.	150,963	403	5,844,824
Van Doğalgaz Dağıtım A.Ş.	-	-	492,618
Koni Turizm ve Ticaret A.Ş.	-	-	4,554,241
Total Non-Trade Receivables	256,836,748	93,085,637	114,069,638

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

Due to related parties	31.12.2009	31.12.2008	31.12.2007
Non-Trade			
Aksa Doğalgaz Dağıtım A.Ş.	36	-	-
Aksa Doğalgaz Toptan Satış A.Ş.	20,757	10,832	1,949
Aksa Elektrik Perakende Satış A.Ş.	28,704	25,000	821,545
Aksa Elektrik Toptan Satış A.Ş.	18,937	18,937	18,937
Aksa İzmir Makina Satış A.Ş.	597	-	-
Aksa Jeneratör Sanayi A.Ş.	2,270,510	20,101,354	76,033,476
Aksa Makina Sanayi A.Ş.	90,695	55,210	864,327
Kazancı Makina ve Motor	9,902	5,292	-
Aksa Satış Pazarlama A.Ş.	48,616	35,611	2,338,578
Aksa Servis Yedek Parça A.Ş.	279	279	27,610
Aksa Turizm İşletmeleri	747	747	747
Ali Metin Kazancı	-	12,660	8,040
Deriş İnşaat Müh. Müs. Ltd. Şti.	895	895	-
Fatih Büyüktopçu	-	8	181
Gesa Güç Sistemleri ve Madencilik	195	195	196
İdil İki Enerji Sanayi ve Ticaret A.Ş.	283,192	227,921	-
Kazancı Holding A.Ş.	1,928	2,227	214
Kazancı Teknik Cihazlar Yedek Parça A.Ş.	39,805	-	411,059
Koni İnşaat A.Ş.	163,154	206,680	126,114
Manisa Doğalgaz Dağıtım A.Ş.	-	-	644
Necati Baykal	-	150	-
Rasa Enerji Üretim A.Ş.	23,264	9,835	9,222
Şaban Cemil Kazancı	200	103,625	-
Refik Renda	-	202	-
Tw Energy Target	54,685	54,685	54,685
Sedat Siverek	188	3,353	-
Aksa kiralama	-	-	1,298
Zeynep Büyüktopçu	-	-	150
Alenka Enerji Üretim Ltd. Şti.	-	-	196
Total Non-Trade Payables	3,084,730	20,875,698	80,719,168
Non-Trade Receivables / (Payables), net	253,752,018	72,209,939	33,350,470

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

7. Inventory

	31.12.2009	31.12.2008	31.12.2007
Raw materials (*)	25,844,295	32,574,650	28,537,314
Work in process	132,653	281,018	510,113
Finished goods	761,948	3,030,362	2,887,228
Merchandise	23,426,491	33,157,044	10,745,966
Other inventory	5,476,259	11,627,550	5,841,438
Advances given	26,941,755	45,497,283	17,905,624
	82,583,401	126,167,907	66,427,683

(*) Raw materials are mainly comprised of fuel oil which are purchased on the basis of CIF (Cost, Insurance, Freight Inclusive).

8. Other Current and Non Current AssetsOther Current Assets:

Prepaid expenses (*)	4,606,422	3,519,788	1,891,357
VAT carried forward	1,202,339	23,220,222	6,645,195
Prepaid taxes and funds	11,101,887	74,211	25,766
Advances given for business purposes	395,747	302,921	323,132
Advances given to personnel	106,749	60,919	64,709
Due from personnel	622,017	176,267	171,398
Sundry debtors	196,313	130,142	97,661
	18,231,474	27,484,470	9,219,218

(*) As of 31 December 2009 and 2008, prepaid expenses are mainly related to rent and insurance expenses.

As of 31 December 2007, prepaid expenses comprised TL 1,272,622 of export credit fund payables (See below and note 12).

Other Non Current Assets:

Baki Elektrik has an export credit fund payable in connection with its long term loans used to finance the wind electricity plant. Payments are to be made every six months in equal installments as shown below. Initially, Baki Elektrik recorded these both at assets (Other non current assets) and liabilities (Long term bank loans) until the time of payment. The annual interest rate for the export credit fund payable is 5.74%.

As of 31 December 2009, TL 23,459,875 (USD 15,580,710) and 31 December 2008, TL 25,375,223 (USD 16,779,226) of export credit premium is netted of from assets and liabilities.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

Deniz Elektrik has two separate export credit fund payables in connection with its long term loans used to finance the wind electricity plants. Payments are to be made every six months in equal installments as shown below. Initially, Deniz Elektrik recorded these both at assets (Other current and non current assets) and liabilities (Long term bank loans) until the time of payment. The annual interest rates for the export credit fund payables were 5.94% and 6.03%.

As of 31 December 2009, TL 5,830,763 (USD 3,872,460) and 31.12.2008, TL 6,602,493 (USD 4,365,862) of export credit premium is netted of from assets and liabilities (Note 3).

As of 31 December 2007, repayment schedule of export credit fund payables was as follows:

Payment Year	Baki Elektrik		Deniz Elektrik		Total TL
	USD	TL	USD	TL	
2008	599,258	697,956	493,403	574,666	(*) 1,272,622
2009	1,198,516	1,395,912	493,403	574,666	1,970,578
2010	1,198,516	1,395,912	493,403	574,666	1,970,578
2011	1,198,516	1,395,912	493,403	574,666	1,970,578
2012	1,198,516	1,395,912	493,403	574,666	1,970,578
2013	1,198,516	1,395,912	493,403	574,666	1,970,578
2014	1,198,516	1,395,912	493,403	574,666	1,970,578
2015	1,198,516	1,395,912	493,403	574,666	1,970,578
2016	1,198,516	1,395,912	493,403	574,666	1,970,578
2017	1,198,516	1,395,912	418,640	487,590	1,883,502
2018	1,198,516	1,395,912	-	-	1,395,912
2019	1,198,516	1,395,912	-	-	1,395,912
2020	1,198,516	1,395,912	-	-	1,395,912
2021	1,198,516	1,395,912	-	-	1,395,912
2022	599,258	697,956	-	-	697,956
	16,179,966	18,844,812	4,365,864	5,084,918	(*) 23,929,730
					25,202,352

(*) Included in long term USD loans (Note 12).

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

9. Investments

	31.12.2009	31.12.2008	31.12.2007
İdil İki Enerji A.Ş.	-	-	216,046
Ceka Enerji Üretim A.Ş. (formerly Siirt Enerji Üretim A.Ş.)	-	3,987	3,987
Rasa Radiator Jiangyin Co. Ltd.	1,512,300	1,512,300	482,478
Ayres Ayvacık Rüzgar Enerji LTD.	6,937	6,937	-
Kapıdağ Rüzgar Enerji Santrali	15,559	15,559	-
Alenka Enerji Üretim ve Yatırımları	-	348,941	-
Provision for impairment of İdil İki Enerji A.Ş.	-	-	(216,046)
	<u>1,534,796</u>	<u>1,887,724</u>	<u>486,465</u>

Rasa Radiator Jiangyin Co. Ltd. was established in China in order to produce radiators. The company is at its initial stage.

As of 31 December 2007, there was an impairment provision for equity investment in İdil İki Enerji A.Ş.. During 2008, the equity investment in this company was sold to Koni İnşaat Sanayi A.Ş. at a profit of 2,844,527 (Note 22).

No consolidation or equity accounting has been applied due to immateriality of the above noted investments.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

10. Property, Plant and Equipment, net

Cost	31.12.2007	Additions / (Disposals)	Transfers	31.12.2008	Additions / (Disposals)	Transfers	31.12.2009
Land and buildings	13,817,729	3,478,743	-	17,296,472	(***) 43,963,985	-	61,260,457
Leasehold improvements	216,394	123,237	-	339,631	75,080	-	414,711
Machinery and equipment	286,166,533	45,493,952	463,482,216	795,142,701	30,877,971	(*) 256,147,207	1,082,167,879
Motor vehicles	1,995,916	155,867	-	2,151,783	1,250,841	-	3,402,624
Fixtures and fittings	4,645,823	1,991,785	13,089	6,650,697	1,101,146	-	7,751,843
Construction in progress (**)	72,594,545	448,661,097	(358,380,306)	162,875,336	156,967,961	(193,334,178)	126,509,119
Advances given	110,549,493	38,258,626	(105,114,999)	43,693,120	124,927,144	(62,813,029)	105,807,235
	489,986,433	538,163,307	-	1,028,149,740	359,164,128	-	1,387,313,868
<u>Accumulated depreciation</u>							
Buildings	312,652	88,761	-	401,413	133,129	-	534,542
Leasehold improvements	68,552	37,992	-	106,544	65,166	-	171,710
Machinery and equipment	133,512,751	34,687,962	-	168,200,713	59,700,062	-	227,900,775
Motor vehicles	1,274,827	111,087	-	1,385,914	312,931	-	1,698,845
Fixtures and fittings	4,101,589	456,459	-	4,558,048	545,969	-	5,104,017
	139,270,371	35,382,261		174,652,632	60,757,257		235,409,889
Net book value	350,716,062	502,781,046		853,497,108	298,406,871		1,151,903,979

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

As of 31 December 2009 the Group's property, plant and equipment were insured at EURO 179,509,376, USD 138,443,817 and TL 1,007,190.

There was no capitalization of interest expenses during 2008. However, in the last quarter of 2008, the global economy all over the world has entered financial crisis. As result, Turkish Lira has depreciated against major foreign currencies. For instance as of 30 September 2008 Turkish Lira to US Dollar and Euro were TL 1.2316 and 1.7978. However, the respective rates were TL 1.5123 and 2.1408 as of 31.12.2008. Consequently, foreign currency losses of TL 45,802,824 has been capitalized in construction in progress.

IAS 23 (revised) eliminates the previous accounting treatment of recognising borrowing costs as an expense. The revised standard is applicable for annual periods beginning on or after 1 January 2009. Accordingly, borrowing costs that are directly attributable to acquisition, construction or production of qualifying assets form part of the cost of those assets. Hence as of 31 December 2009, TL 27,740,648 of interest expenses and foreign exchange losses has been capitalized.

Transfers are related to machinery and equipment which are ready to use in operations.

(*) The breakdown of transfers is as follows:

	31.12.2009
Antalya Siemens & GE NGPP	214,009,483
Manisa Natural Gas Fired Power Plant	42,137,724
	256,147,207

(**) The breakdown of construction in progress is as follows:

Manisa Natural Gas Fired Power Plant	17,640,847
İncesu Hydro Electric Power Plant	36,616,587
Antalya Siemens & GE NGPP	64,436,736
Bolu Göynük Thermal PP	2,178,841
Northern Cyprus Capacity Expansion	2,969,236
Other	2,666,872
	126,509,119

(***) TL 42,191,490 of the amount is related to the purchase of land from Koni İnşaat Sanayi A.Ş., related part. The land is located in Istanbul at Hadımköy region. The initial intention was for investment of 150 MW Power Plant. Accordingly the relevant licences were obtained from EMRA (Energy Market Regulatory Authority). However, a third bridge on the Bosphorus is currently planned by Istanbul Municipality and the linking motorways to that bridge could be close to this land. Accordingly the management of the Group has decided to hold off the electricity power plant investment, until it is certain.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

The allocation of current period depreciation and amortization expenses for the year ended 31 December 2009 is as follows:

Cost of sales	60,223,390
General administrative expenses	636,916
	60,860,306
	60,860,306

11. Intangible Assets, net

Cost	31.12.2007	Additions / (Disposals)	31.12.2008	Additions / (Disposals)	31.12.2009
Rights	496,813	7,295	504,108	946,480	1,450,588
Establishment costs	298,395	-	298,395	-	298,395
	795,208	7,295	802,503	946,480	1,748,983
<u>Accumulated amortization</u>					
Rights	147,692	112,515	260,207	66,300	326,507
Establishment costs	296,269	974	297,243	1,152	298,395
	443,961	113,489	557,450	67,452	624,902
Net book value	351,247		245,053		1,124,081

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

12. Bank Loans and Lease Payables

	<u>31.12.2009</u>		<u>31.12.2008</u>		<u>31.12.2007</u>	
	Foreign Currency	TL	Foreign Currency	TL	Foreign Currency	TL
Short term						
- TL		3,654,577		350,000		23,614,889
- USD	42,857,241	64,530,147	46,350,000	70,095,104	14,676,289	17,093,473
- EUR	7,096,566	15,330,711	3,800,000	8,135,040	4,057,889	6,939,801
		83,515,435		78,580,144		47,648,163
Current portion of long term loans						
- TL		2,348,913		3,664,063		3,182,338
- USD	53,607,744	80,717,181	29,524,691	44,650,190	14,615,616	17,022,808
- USD (Export credit premium payable – Note 8)	-	-	-	-	1,092,661	1,272,622
- EUR	394,539	852,324	489,254	1,047,396	296,537	507,138
		83,918,418		49,361,649		21,984,906
Interest expense accruals		13,336,321		12,485,164		2,858,631
Total short term loans		180,770,173		140,426,957		72,491,700
Factoring payables		32,442,510		-		-
Lease payables						
- USD	5,230,883	7,876,139	2,767,222	4,184,871	295,835	344,559
- EUR	156,600	331,185	150,144	321,428	-	-
		8,207,324		4,506,299		344,559
Total short term financial liabilities		221,420,008		144,933,256		72,836,259

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

	<u>31.12.2009</u>		<u>31.12.2008</u>		<u>31.12.2007</u>	
	Foreign Currency	TL	Foreign Currency	TL	Foreign Currency	TL
Long term loans						
- TL		1,644,010		3,248,683		5,466,631
- USD	353,799,074	532,715,273	315,216,877	476,702,481	155,903,428	181,580,720
- USD (Export credit premium payable – Note 8)	-	-	-	-	20,545,830	23,929,730
- EUR	11,207,153	24,210,813	1,873,294	4,010,348	298,244	510,057
		558,570,096		483,961,512		211,487,138
Lease payables						
- USD	42,918,938	64,623,047	13,168,468	19,914,674	1,011,955	1,178,624
- EUR	425,342	918,866	582,006	1,245,958	-	-
		65,541,913		21,160,632		1,178,624
Total long term financial liabilities		624,112,009		505,122,144		212,665,762
Total financial liabilities		845,532,017		650,055,400		285,502,021

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

As of 31 December 2009, the repayment schedule of the short term and long term loans is as follows:

Payment Year	EUR Loans	TL Equivalent	USD Loans	TL Equivalent	TL Loans	Total TL
2010	7,491,105	16,183,035	96,464,985	145,247,328	6,003,490	167,433,853
2011	1,125,431	2,431,269	68,097,497	102,534,401	1,644,010	106,609,680
2012	1,245,431	2,690,505	47,969,681	72,227,949	-	74,918,454
2013	1,245,431	2,690,505	43,481,031	65,469,388	-	68,159,893
2014	1,245,431	2,690,505	40,263,051	60,624,077	-	63,314,582
2015	1,245,430	2,690,502	34,397,960	51,793,008	-	54,483,510
2016	850,000	1,836,255	28,327,434	42,652,617	-	44,488,872
2017	850,000	1,836,255	25,864,387	38,944,009	-	40,780,264
2018	850,000	1,836,255	21,276,234	32,035,625	-	33,871,880
2019	850,000	1,836,255	20,346,423	30,635,609	-	32,471,864
2020	850,000	1,836,255	11,297,435	17,010,557	-	18,846,812
2021	849,999	1,836,252	6,238,972	9,394,020	-	11,230,272
2022	-	-	6,238,969	9,394,013	-	9,394,013
	18,698,258	40,393,848	450,264,059	677,962,601	7,647,500	726,003,949

As of 31 December 2009, the annual interest rates of the long term foreign currency loans varied between 3.49% and Libor + 3.20%.

Bank loans are guaranteed by Kazancı Holding A.Ş., Akxa Jeneratör Sanayi A.Ş. (a related party), personal guarantee of the Group's shareholders, as well as several other securities (Note 24-b).

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

As of 31 December 2009, the breakdown of the factoring payables is as follows:

Girişim Factoring	32,442,510
	32,442,510

Lease Payables

The Group acquired machinery and equipment via financial leasing. As of 31 December 2009, the repayment schedule of leasing obligations is as follows:

	EUR	TL	USD	TL	Total TL
Payable within one year	156,600	331,185	5,230,883	7,876,139	8,207,324
Payable within one to two years	155,848	336,678	8,731,145	13,146,485	13,483,163
Payable within two to three years	166,754	360,239	9,028,536	13,594,269	13,954,508
Payable within three to four years	102,740	221,949	12,586,257	18,951,127	19,173,076
Payable more than four years	-	-	12,573,000	18,931,167	18,931,167
	581,942	1,250,051	48,149,821	72,499,187	73,749,238

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

13. Trade Payables, net

	31.12.2009	31.12.2008	31.12.2007
Suppliers' current accounts			
- Turkish Lira	110,533,365	140,294,605	22,864,579
- Foreign Currency (**)	120,315,730	121,581,351	62,011,930
Notes payable (*)	51,721,145	17,469,279	6,324,262
Unearned interest on payable (-)	(5,535,634)	(9,711,343)	(27,299)
Deposits received	266,491	-	-
Other	521,707	289,486	204,802
	277,822,804	269,923,378	91,378,274

(*) As of 31 December 2009, TL 42,191,490 of the amount is related to the purchase of land from Koni İnşaat Sanayi A.Ş. (Note 10).

(**) TL 119,094,892 (2008:120,914,791; 2007:61,697,170) of the amount is related to letter of credits which are in relation to import of spare parts and small equipments for power plants.

14. Taxation Payable on Income

The corporation tax rate in Turkey on the profits for the calendar year 2009 is 20% (2008: 20%). Taxable profits are calculated by modifying accounting income for certain exclusions and allowances for tax purposes from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed. In Turkey, no taxes are withheld from undistributed profits, profits added to share capital (bonus shares) and dividends paid to other resident companies. Other than those, profits distributed in dividends to individuals and non-resident companies are subject to withholding at the rate of 15%.

The Turkish Tax Procedural Law does not include a procedure for formally agreeing tax assessments. Tax returns must be filed within three and a half months of the year-end and may be subject to investigation, together with their underlying accounting records, by the tax authorities at any stage during the following five years.

Investment Allowance Exemption:

The investment allowance application which had been in force for a significant period of time was abolished by Law No.5479 dated 30.03.2006. However, in accordance with the temporary article 69 of the Income Tax Law, income and corporate taxpayers can deduct the following amounts from their income related to the years 2006, 2007 and 2008 as well as the investment allowance amounts they could not offset against 2005 gains which were present as of 31.12.2005, in accordance with the legislation (including the provisions related to tax rates) in force as of 31.12.2005.

During 2007, the Group revised its foreseeable utilization of investment allowances in future corporate tax computations and wrote off TL 5,000,000 from its deferred tax assets. Accordingly the Group is not creating any deferred tax assets or liability since 31.12.2007.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

The tax liabilities included in the accompanying financial statements comprised:

	31.12.2009	31.12.2008	31.12.2007
a) Included in the income statement:			
Current tax charge	(16,463,236)	(5,829,418)	(3,020,965)
Deferred tax credit / (charge)	-	-	(1,862,090)
b) Included in the balance sheet:			
Taxation payable on income (current)	16,463,236	5,829,418	3,200,141
Deferred tax assets	3,932,289	3,932,289	3,932,289
Deferred tax liabilities	2,909,200	2,909,200	2,909,200

Deferred taxes

As of 31 December 2009 and 2008, The Group does not have material timing differences which will be reversed in the foreseeable future. Accordingly, the Group does not create any provision for deferred taxation.

15. Other Payables and Accrued Liabilities

	31.12.2009	31.12.2008	31.12.2007
Order advances received	1,030,270	1,311,451	24,770
Taxes and dues payable	1,625,610	475,411	560,779
Social security premiums payable	738,110	741,327	355,751
Deferred income	8,632	14,281	-
Other expense accruals	89,455	7,692,953	1,807,492
Due to personnel	801,965	793,458	614,863
Other	52,439	67,586	84,393
	4,346,481	11,096,467	3,448,048

16. Retirement Pay Provision

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The rate of pay is that ruling at the respective balance sheet dates, subject to a maximum of TL 2,365 per month as of 31.12.2009 (31.12.2008 : TL 2,173 per month; 31.12.2007 : YTL 2,030 per month).

The liability is not funded, as there is no funding requirement.

As of 31 December 2009 and 2008 in the accompanying financial statements in accordance with revised IAS 19 (Employee Benefits) the Group reflected a liability for termination benefits based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted to present value at the balance sheet date by using average market yield, expected inflation rate (4.80%) and an appropriate discount rate (11%).

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

17. Share Capital

The issued and paid up share capital of the Group comprised 550,000,000 shares of par value TL 1 each at 31 December 2009 and 2008.

	31.12.2009	%	31.12.2008	%	31.12.2007	%
Kazancı Holding A.Ş.	549,965,625	99.99	549,965,625	99.99	549,966,824	99.99
Ali Metin Kazancı	4,814	(*)	4,814	(*)	4,349	(*)
Mehmet Kazancı	4,814	(*)	4,814	(*)	4,347	(*)
Şaban Cemil Kazancı	4,814	(*)	4,814	(*)	4,347	(*)
Necati Baykal	4,814	(*)	4,814	(*)	4,347	(*)
Aksa Makina Sanayi A.Ş.	15,119	(*)	15,119	(*)	15,786	(*)
Historic share capital	550,000,000	100.00	550,000,000	100.00	550,000,000	100.00
Unpaid portion of share capital (-)	(234,675,500)		(272,426,162)		(446,771,290)	
Inflation adjustment to share capital	1,987,932		1,987,932		1,987,932	
Inflation adjusted share capital	317,312,432		279,561,770		105,216,642	

(*) Less than 0.01

18. General Reserves

General reserves comprise prior years' undistributed income and legal reserves.

The legal reserves are appropriated in accordance with the Turkish Commercial Code. 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 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. The legal reserves are not available for distribution unless they exceed 50 % of the paid-in share capital but may be used to offset losses in the event that the general reserve is exhausted.

Undistributed retained earnings are available for distribution. However if this reserve is distributed as dividends, a further legal reserve is required to be provided equal to 10% of dividend declared.

Dividend payments (TL 23,201,937) were not actually paid in cash to the shareholders. It was used to decrease the unpaid portion of the Company's issued share capital (Note 17).

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

19. Net Sales

	MWH	01.01.- 31.12.2009 Amount	MWH	01.01.- 31.12.2008 Amount	MWH	01.01.- 31.12.2007 Amount
Hakkari-2 Fueleoil PP	122,507	46,712,300	142,025	52,949,819	107,666	28,699,033
Bursa Biogas PP	-	1,506	110	16,646	149	16,353
Samsun Fueleoil PP	-	-	36,219	33,516,033	266,036	68,417,253
Manisa Natural Gas Fired PP	416,996	114,671,034	75,406	23,460,788	-	-
Antalya Natural Gas Fired PP	1,672,465	413,754,056	129,653	41,582,432	-	-
Mardin Fueleoil PP	98,060	35,431,450	167,060	60,303,735	97,527	31,099,256
Northern Cyprus Fueleoil PP	428,907	71,937,054	332,880	60,212,804	439,073	50,598,321
Karakurt Wind Farm	28,978	5,110,385	30,952	4,207,825	16,611	2,171,248
Sebenova Wind Farm	70,951	9,793,637	43,629	7,560,954	-	-
Şamlı Wind Farm	214,458	33,855,726	60,126	8,601,925	-	-
Total Energy Sales	3,053,322	731,267,148	1,018,060	292,412,961	927,063	181,001,464
Other Sales (*)		105,212,332		70,948,737		32,415,173
Exports (**)		22,667,151		70,420,262		3,744,697
Bolu-Göynük Lignite Sales		21,598,821		10,907,600		5,870,185
Returns and discounts (-) (***)		(94,376,869)		(10,782,456)		(4,691,962)
Grand Total		786,368,583		433,907,104		218,339,557

(*) Other sales consisted mainly of the natural gas equipments and operating supplies to Kazancı Group gas distribution companies and few radiator sales to third parties.

(**) Exports consisted mainly of power generator sales to overseas Akxa power generator trading companies and few radiator sales to overseas.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

(***) As mentioned in Summary of Significant Accounting Policies in note 3 above, net sales represent gross sales less returns and discounts. Sales invoices are agreed with TEİAŞ, the operator of the Balancing and Settlement Market, at the end of each month. Discounts are established as the difference between the overall electricity purchased by the Balancing and Settlement Market, on the one hand, and ultimately used by the Balancing and Settlement Market, on the other hand. TEİAŞ calculates this difference on an aggregate basis and then allocates the discounts among all sellers in the Balancing and Settlement Market pro rata to their sales. TEİAŞ used to conduct such netting off monthly until the beginning of 2010. Since then excess sales are netted off on a hourly basis.

20. Cost of Sales

	01.01.- 31.12.2009	01.01.- 31.12.2008	01.01.- 31.12.2007
Cost of Fueloil & Natural Gas PP	491,418,184	265,541,695	164,132,088
Cost of Wind Electricity Powerhouses	21,865,187	11,911,004	1,769,558
Cost of Lignite Sales	14,812,401	7,848,223	5,488,136
Cost of Generator & Natural Gas Equipments Sales	70,308,112	69,903,982	15,840,250
COST OF SALES	598,403,884	355,204,904	187,230,032

In 2009, the Group has obtained Fueloil Purchasing Authorization Certificate, from Energy Market Regulatory Authority. Previously the Group was working with retail agents for the purpose of fueloil purchases. With this certificate, the Group now has a right to buy fueloil directly without paying special consumption tax (which is TL 0.224 per liter).

21. Research and Development, Marketing and Selling and General Administrative Expenses

Research and development expenses	874,749	556,458	1,126,346
Marketing, selling and distribution expenses	949,132	629,243	510,656
General administrative expenses	15,827,888	11,762,479	8,649,691
	17,651,769	12,948,180	10,286,693

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

Breakdown of operating expenses are as follows:

	01.01.- 31.12.2009	01.01.- 31.12.2008	01.01.- 31.12.2007
Personnel expenses	8,482,264	5,267,637	4,830,751
Advertising and representation expenses	1,022,559	442,441	118,141
Freight and freight insurance	157,619	204,808	510,656
Traveling expenses	1,371,493	1,100,758	989,240
Consultancy and audit expenses	1,296,189	684,220	659,842
Transportation expenses	221,077	115,951	40,432
Rent expenses	196,641	89,706	107,494
Motor vehicle expenses	503,942	467,799	212,086
Insurance expenses	529,126	663,647	102,579
Repair and maintenance expenses	91,405	41,872	47,640
Communication expenses	144,100	83,501	96,864
Court and notary expenses	56,470	24,930	46,312
Fuel expenses	32,234	43,078	28,335
Taxes paid	593,455	700,389	314,039
Retirement pay provision expense	92,008	372,243	61,891
Research and development expenses	874,749	556,458	891,891
Depreciation and amortisation expenses	636,916	920,491	299,484
Office expenses	409,245	156,470	113,157
Cargo expenses	197,603	21,486	24,316
Membership fees	40,978	26,288	22,335
Other	701,696	964,007	764,808
	17,651,769	12,948,180	10,286,693

Included in 2009 general administrative expenses, there is an amount of TL 93,456 from Kazancı Holding A.Ş. in relation to common usage of IT and other facilities.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

22. Other Income / (Expenses), net

For the year ended 2009 TL 2,567,028 of other expenses is related to provision for doubtful receivables (Note 5) and for the year ended 2008 TL 2,844,527 of other income is related to the sale of equity investment (Note 9).

23. Financing Income / (Expenses), net

	01.01.- 31.12.2009	01.01.- 31.12.2008	01.01.- 31.12.2007
Interest income on time deposits at banks and interest income on receivables from Kazancı Group Companies	51,168,788	11,755,725	4,304,328
Profit / (loss) on sale of marketable securities, net	606,650	330,003	20,406
Foreign exchange gains / (losses), net	(5,630,155)	(8,824,423)	12,750,542
Interest paid on loans and lease payables	(42,905,003)	(24,528,307)	(10,153,858)
Bank commission expenses	(6,345,444)	(3,971,618)	(3,429,131)
Unearned interest income / (expense), net	(475,065)	6,159,498	(297,707)
Letters of guarantee expenses	(2,054,021)	(976,293)	(1,044,293)
Other	(70,962)	-	(8,382)
	(5,705,212)	(20,055,415)	2,141,905

24. Commitments and Contingencies

a) Letters of guarantee given to:

	Foreign Currency	Foreign Currency Amount	TL Equivalent
Ministry of energy and natural resources	TL	921,008	921,008
Beyoğlu 4. Executive directorate	TL	7,444	7,444
Petroleum transportation with pipelines Co.	USD	2,641,000	3,976,554
Bursa municipality	TL	1,621	1,621
Public waterworks administration	TL	2,676,000	2,676,000
Energy market regulatory authority(EMRA)	TL	57,688,660	57,688,660
Electricity Generation Co. (EÜAŞ)	USD	25,819,427	38,876,311
Gediz Electricity Distribution Co.	TL	15,570	15,570
Halkalı revenue office	TL	38,399	38,399
İstanbul 10. Commercial court of first instance	TL	1,500	1,500
İstanbul 3. Execution directorate	TL	4,615,000	4,615,000
KKTC Electricity administration	USD	3,000,000	4,517,100
KKTC treasury department	TL	10,000	10,000
Middle east Antalya port	USD	125,000	188,213
Sakarya Electricity Distribution Co.	TL	85,305	85,305
Türkiye Electricity Distribution Co. - Bursa	TL	600	600
Türkiye Electricity Distribution Co. - Samsun	TL	26,862	26,862
Türkiye Electricity Distribution Co. - Ankara	TL	10,000	10,000
Türkiye Electricity Transmission Co. (TEİAŞ)	TL	6,812,496	6,812,496
Türkiye Coalminig institution	TL	9,405,657	9,405,657
Yeşilirmak Electricity Distribution Co.	TL	23,892	23,892
Other	TL	50,000	50,000
		129,948,092	

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

b) Guarantees given for the Group's loans

Guarantee Genus	Foreign Currency	Currency Amount	Total (TL)
Mortgage	TL	-	45,000
Mortgage (*)	EURO	15,000,000	32,404,500
Commercial Enterprise Pledge(**)	USD	133,000,000	200,258,100
Share Pledge (***)	TL	-	11,220,000
Surety Ship	TL	-	334,588,248
Surety Ship	USD	365,189,767	549,866,232
Surety Ship	EURO	47,320,237	102,225,908
			1,219,387,988

(*) Mortgages have been established on Samsun power plant at amounts of EUR 12,000,000 and EUR 3,000,000 on 30.06.2005 and 11.07.2005.

(**) The amount is related to Antalya power plant.

(***) The Group provided a share pledge in favor of Commerzbank Aktiengesellschaft on its shares in Baki which represents 51% of Baki share capital.

c) Guarantees given to related parties

As of 31 December 2009, the amount of corporate guarantees granted to Kazancı Group companies in relation to their bank loans were at TL 1,006,409,012. As of 31 December 2009, the open risk in relation to these corporate guarantees was at TL 348,971,489 based on the Group's management representation.

As of 31 December 2009, there was 1 lawsuit pending in favor of the Group at the amount of TL 10,000 and there were 15 law suits pending against the Group at the amount of TL 10,010,707 (including the case with regard to San-İş Sanayi ve Ticaret A.Ş.).

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

25. The Nature And Level of Risks Arising From Financial Instruments

The table below summarizes the foreign monetary position risk of the Group as of 31 December 2009. The recorded amounts of the foreign monetary assets were kept by the Group and those of the payables in terms of total amounts and foreign exchange are as follows:

	Foreign Currency Amount	TL
<u>Cash in hand</u>		
- USD	15,064	22,682
- EUR	3,413	7,373
		30,055
<u>Cash at banks</u>		
- USD	3,442,056	5,182,704
- GBP	5,050	12,066
- CHF	114	165
- EUR	1,031,676	2,228,731
		7,423,666
<u>Customers' current accounts</u>		
- USD	14,478,571	21,800,384
- EUR	1,100,072	2,376,486
		24,176,870
<u>Advances given for inventory purchasing</u>		
- USD	3,144,566	4,734,773
- GBP	23,114	55,224
- EUR	6,084,772	13,144,933
		17,934,930
<u>Advances given for fixed assets</u>		
- USD	70,271,126	105,807,235
		105,807,235
<u>Total foreign currency assets</u>		155,372,756

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

	Foreign Currency Amount	TL
<u>Bank loans</u>		
- USD	450,264,059	677,962,601
- EUR	18,698,258	40,393,848
		<u>718,356,449</u>
<u>Lease payables</u>		
- USD	48,149,821	72,499,186
- EUR	581,942	1,250,051
		<u>73,749,237</u>
<u>Suppliers' current accounts</u>		
- USD	57,410,598	86,443,138
- GBP	2,030	4,850
- EUR	15,677,333	33,867,742
		<u>120,315,730</u>
<u>Total foreign currency liabilities</u>		<u>912,421,416</u>
<u>Foreign currency deficit as of 31.12.2009</u>		<u>757,048,660</u>

35
AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

Supplementary Disclosures on financial instruments

(a) Capital Management Policies and Procedures

The risk related with each of the capital class and group capital cost is considered by the top management of the Group.

The primary objective of the Group's capital management objectives is to ensure that it maintains a healthy capital structure in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may obtain new loans, repay existing loans; make cash and non cash (bonus shares) dividend payments to shareholders, issue new shares based on Management's evaluation.

The Group manages the capital structure so as to ensure the Group's ability to continue as a going concern; and maximize its profitability by maintaining an adequate capital to overall financing structure ratio.

The Group monitors capital using a gearing ratio, which is net debt divided by total financing used. The Group includes within net financial debt, borrowings, trade letters of credit, less cash and cash equivalents. Financing used is the sum of total equity and net financial debt.

The following table sets out the gearing ratios as of 31.12.2009, 2008 and 2007:

	31.12.2009	31.12.2008	31.12.2007
Total financial liabilities	845,532,017	650,055,400	285,502,021
Less: cash and cash equivalents	(16,248,278)	(30,276,340)	(6,864,775)
Net financial debt	829,283,739	619,779,060	278,637,246
Total equity	558,477,204	398,414,981	181,703,310
Total financing used	1,387,760,943	1,018,194,041	460,340,556
Gearing ratio (net financial debt to overall financing used ratio)	60%	61%	61%

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

(b) Financial instruments and categories

	31.12.2009	31.12.2008	31.12.2007
Financial assets			
Cash and cash equivalents	15,198,278	3,172,441	6,664,775
Financial assets	1,050,000	27,103,899	200,000
Trade receivables	176,662,166	223,016,802	72,520,042
	<u>192,910,444</u>	<u>253,293,142</u>	<u>79,384,817</u>
Financial liabilities			
Financial payables	845,532,017	650,055,400	285,502,021
Trade payables	277,822,804	269,923,378	91,378,274
	<u>1,123,354,821</u>	<u>919,978,778</u>	<u>376,880,295</u>

(c) Market risk

The Group is exposed to financial risks arising from changes in currency rate (paragraph d), interest rate (paragraph e) and price risk (paragraph f) which arise directly from its operations.

In view of the market risks and global crisis which have occurred in particular, in the last quarter of 2008, the Group's risk management policies and processes used to measure those risks have been prudent and based on the assumption that the economy will contract in some ways.

(d) Foreign currency risk

The Group does not have transactional currency exposure from foreign currency denominated transactions.

The Group is exposed to foreign currency risk arising from the translation of foreign currency denominated assets and liabilities to TL. The foreign currency denominated assets and liabilities mainly include bank deposits, bank borrowings and trade payables and trade receivables. As of 31.12.2009 and 2008, the foreign currency denominated assets and liabilities is disclosed on note 25.

(e) Interest rate risk management

The Group is exposed to interest rate risk arising from bank loans and financial leases.

(f) Price risk

Sales invoices to TEİAŞ and EÜAŞ are issued in Turkish Lira and sales unit prices are fixed, the management of the Group is carefully monitoring the costs. When needed appropriate measures are taken.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

26. Subsequent Events

In the bidding organised by Privatisation Authority on 6 November 2009, Akxa Elektrik Perakende Satış A.Ş. (a Kazancı Group company) was awarded the licence of Çoruh Electricity Distribution Company for 30 years period. The bidding price was USD 227 million. Licence covers Artvin, Giresun, Gümüşhane, Rize and Trabzon where there are 988,000 subscription. The amount of annual electricity consumption in this area is 2,2 GWh.

In the bidding organised by Privatisation Authority on 19 February 2010, Akxa Elektrik Perakende Satış A.Ş. (a Kazancı Group company) was awarded the licence of Van Gölü Electricity Company for 30 years period. The bidding price was USD 100 million. Licence covers Bitlis, Hakkari, Muş and Van where there are 401,000 subscription. The amount of annual electricity consumption in this area is 1,1 GWh.

In the bidding organised by Privatisation Authority on 19 February 2010, Akxa Elektrik Perakende Satış A.Ş. (a Kazancı Group company) was awarded the licence of Fırat Electricity Company for 30 years period. The bidding price was USD 230 million. Licence covers Elazığ, Bingöl, Malatya and Tunceli where there are 664,000 subscription. The amount of annual electricity consumption in this area is 2,1 GWh.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

Appendix 1

Related parties of the Group are shown below:

- Afyon Doğal Gaz Dağıtım A.Ş.
- Aksa Anadolu Yakası Makina Satış Ve Servis Ltd. Şti.
- Aksa Ankara Makina Satış Ve Servis A.Ş.
- Aksa Central Asia Ltd.
- Aksa CNG Sıkıştırılmış Doğal Gaz Dağ. İletim Ve Satış A.Ş.
- Aksa Doğal Gaz Toptan Satış A.Ş.
- Aksa Doğalgaz Dağıtım A.Ş.
- Aksa Doğalgaz İletim A.Ş.
- Aksa Elektrik Perakende Satış A.Ş.
- Aksa Elektrik Toptan Satış A.Ş.
- Aksa Enerji A.Ş. Irak
- Aksa Enerji Üretim İhracat
- Aksa Far East Pte Ltd.
- Aksa Gaz Dağıtım A.S.
- Aksa İran
- Aksa International Ltd.
- Aksa Jeneratör Sanayi A.Ş.
- Aksa Kiralama Ve Makina Satış A.Ş.
- Aksa Makina Sanayi A.Ş.
- Aksa Power Generation Co.
- Aksa Power Generation Fze.
- Aksa Satış Ve Pazarlama A.Ş.
- Aksa Servis Ve Yedek Parça A.Ş.
- Aksa Tarım İşletmeleri
- Aksa Teknoloji A.Ş.
- Aksa Televizyon Hizmetleri A.Ş.
- Aksa Turizm İşletmeleri A.Ş.
- Alenka Enerji Ltd. Şti.
- Anadolu Doğal Gaz İletim A.Ş.
- Anadolu Doğalgaz Dağıtım A.Ş.
- Anadolu Doğalgaz Toptan Satış A.Ş.
- Anka Makina Ticaret
- Ayres Ayvacı Rüzgar Enerji Santrali Ltd. Şti.
- Balıkesir Doğal Gaz Dağıtım A.Ş.
- Bandırma Doğal Gaz Dağıtım A.Ş.
- Bilecik Bolu Doğal Gaz Dağıtım A.Ş.
- Ceka Enerji Üretim A.Ş.
- Çanakkale Doğalgaz Dağıtım A.Ş.
- Deriş İnşaat A.Ş.
- Doust Company (Irak)
- Düzce Ereğli Doğal Gaz Dağıtım A.Ş.
- Elazığ Doğalgaz Dağıtım A.Ş.
- Ena İnşaat
- EURL AKSA Generateurs
- Gemlik Doğal Gaz Dağıtım A.Ş.
- Gesa Güç Sistemleri A.Ş.
- Gümüşhane Bayburt Doğalgaz A.Ş.
- Gürgaz Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.
- I.S.P
- İdil İki Enerji Sanayi Ve Ticaret A.Ş.
- Kapıdağ Rüzgar Enerji Santrali Ltd. Şti.
- Karadeniz Doğalgaz Dağıtım A.Ş.
- Kazancı Holding A.Ş.
- Kazancı Makina Ve Motor Ltd. Şti.
- Kazancı Teknik Cihazlar Yedek Parça A.Ş.
- Koni İnşaat Sanayi A.Ş.
- Koni Tarım İşletmeleri A.Ş.
- Koni Tarımsal Yatırımlar
- Koni Turizm San. Ve Ticaret A.Ş.
- Malatya Doğalgaz A.Ş.
- Manisa Doğalgaz Dağıtım A.Ş.
- Mustafa Kemal Paşa Susurluk Doğalgaz Dağıtım A.Ş.
- Onan Enerji Üretim A.Ş.
- Ordu Giresun Doğalgaz Dağıtım A.Ş.
- Pegaz Malatya Şehiriçi Doğalgaz Dağıtım A.Ş.
- Rasa Enerji Üretim A.Ş.
- Renk Transmisyon San A.Ş.
- Siirt Batman Doğalgaz Dağıtım A.Ş.
- Sivas Doğal Gaz Dağıtım A.Ş.
- SS Endüstriyel Ürün Yapı A.Ş.
- Tokat Amasya Doğal Gaz Dağıtım A.Ş.
- Trakya Doğal Gaz Dağıtım A.Ş.
- Van Doğalgaz Dağıtım A.Ş.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

Appendix 2

Reconciliation Between the Accompanying Financial Statements and The Financial Statements Prepared Specifically For Reporting To Turkish Capital Markets Board (CMB)

INCOME STATEMENT

	31.12.2009	31.12.2008	31.12.2007
	Turkish Lira	Turkish Lira	Turkish Lira
Net Profit Per the Accompanying Financial Statements	145,513,498	43,305,091	24,862,138
Net Profit Per CMB Report	83,101,970	3,604,104	43,544,753
Difference	62,411,528	39,700,987	(18,682,615)
Impairment provision for a land ⁽¹⁾	22,491,490	-	-
Capitalized interest and FX losses ⁽²⁾	27,740,648	-	-
Capitalized FX losses ⁽³⁾	-	45,802,824	(6,617,935)
Deferred tax ⁽⁴⁾	6,119,127	1,430,738	1,596,788
Inflationary restatement differences and depreciation	5,625,810	(8,444,199)	(7,567,488)
Other	434,453	911,624	(6,093,980)
	62,411,528	39,700,987	(18,682,615)

⁽¹⁾ Towards the end of 2009, real estate expert valuation reports were prepared for the Group's land. In respect of a piece of land which is not currently used, there was a value decrease of TL 22,491,490. In the CMB report this was adjusted in the income statement. However, in anticipation of future cash flows resulting from being investment property (the linking highways to the possible third bridge over the Bosphorus are expected to be near this land) no adjustment was done in the accompanying financial statements.

⁽²⁾ During 2009 certain financial interest expenses was capitalized as part of acquisition costs of machinery and equipment. In the CMB report, based on the stringent interpretation of IAS 23 (Revised) financial interest expenses of TL 27,740,648 was written off in the income statement. In the accompanying financial statements and in the Group's statutory accounts these were recorded as part of cost of machinery and equipment. This accounting treatment (capitalization of interest expenses) was checked against the fair values of machinery and equipment (carried out again at the end of 2009) and no problem was noted.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS WHOLLY OWNED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2009, 2008 AND 2007
(Currency - Turkish Lira)

⁽³⁾ In the last quarter of 2008, the global economy all over the world has entered financial crisis. As a result, Turkish Lira has depreciated against major foreign currencies. For instance as of September 30, 2008 Turkish Lira to US Dollar and Euro were TL 1.2316 and 1.7978 respectively. However, the respective rates were TL 1.5123 and 2.1408 as of December 31, 2008. Consequently, foreign currency losses of TL 45,802,824 has been capitalized in construction in progress to be in line with revaluation of relevant foreign currency financial liabilities. This amount was written off as financial expenses in the CMB report in line with IAS23.

⁽⁴⁾ In the CMB report deferred tax asset / liability is created for each and every timing differences in accordance with IAS 12. However, based on the Group's past tax history, the Group has never had material timing differences which would reverse in the foreseeable future. Accordingly, no additional deferred tax asset or liability has been created since December 31, 2007 in the accompanying financial statements.

BALANCE SHEET

As of December 31, 2009 in the CMB report, there was an amount of TL 209,569,465 which was disclosed both in the trade receivables and short term financial liabilities. The receivable was from TEİAŞ and the financial liability was to factoring companies. Towards the end of 2009, TEİAŞ informed the electricity producing companies that they could factor their receivables. Within this framework, the Group collected its receivables from factoring companies. TEİAŞ signed protocols with the factoring companies accepting the responsibility to pay the factoring companies. Hence in the accompanying financial statements and in the Group's statutory accounts, the mentioned receivable from TEİAŞ and the financial liability to factoring companies do not exist.