Clearance on the financial statements as of December 31, 2008

To : Mr. Jean François Perret
From : Belma Öztürk Gürsoy – Mazars / Denge, İstanbul
Date : February 13, 2009
Subject : Clearance Opinion on the audit of the financial statements as of December 31, 2008
(SNET-Altek Alarko Elektrik Santralları Tesis, İşletme ve Ticaret Anonim Şirketi).

1. As requested by you, we have audited the financial statements of "Altek Alarko Elektrik Santralları Tesis, İşletme ve Ticaret Anonim Şirketi" (the Company and a Turkish Corporation) as of December 31, 2008 with the scope described in paragraph 2 below. These financial statements, which are reflected in YTL (new Turkish Lira) comprise the balance sheet of "Altek Alarko Elektrik Santralları Tesis, İşletme ve Ticaret Anonim Şirketi" as of December 31, 2008, and the statement of income for the year then ended, together with the disclosures required for the consolidation of the SNET Group and for their proper interpretation and comprehension. The main captions included in the financial statements are as follows:

   Total assets: YTL 202,586,430
   Total net income after taxes: YTL 26,419,481
   Total sales: YTL 141,130,799
   Total net worth: YTL 126,246,714

   Our responsibility is to express an opinion on the aforementioned financial statements taken as a whole, based on the work performed in accordance with the scope established, which includes examination, by means of selective tests, of the documentation supporting the financial statements and evaluation of its overall presentation, of the accounting principles applied and of the estimates made.

2. This report was prepared for use in the audit of SNET's individual and consolidated financial statements, and, accordingly, was prepared on the basis of the scopes defined in your instructions, prepared for this purpose. Consequently, this report was not prepared for use by other persons and may not be appropriate for uses other than that specifically cited.

3. Based on your instructions, the scope of our audit was established in order to provide certainly as to whether the aforementioned financial statements contains misstatements or adjustments that could have, taken individually or as a whole, an effect exceeding Euros 0.5 million with respect to P&L adjustments and Euros 2 million with respect to balance sheet reclassifications.

4. International Financial Reporting Interpretation numbered 12 (IFRIC 12) regarding the accounting of "Service Concession Arrangements" is applicable to the financial statements starting from periods beginning on or after 1 January 2008. The Company has not adjusted the effect of lengthened expiry date of usage right for Hasanlar hydroelectric power plant with respect to the supplementary protocol made with Ministry of Energy and Natural Resources (MENR), which is a requirement of IFRIC 12. This adjustment has an increasing effect on the retained earnings by an amount of YTL 2,278,384 and decreasing effect on current year profit by YTL 667,646 as of December 31, 2008.

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5. In our opinion, except for the effect of the 4th paragraph above, the financial statements present, for the purpose described in paragraph 2 above, the shareholder's equity and financial position of "Altek Alarko Elektrik Santralları Tesis, İşletme ve Ticaret Anonim Şirketi" as of December 31, 2008, and the results of its operations for the year then ended, does not contain any errors or adjustments whose effect would in aggregate exceed the amounts indicated, and contains the required information, sufficient for consolidation and for its proper interpretation and comprehension, in conformity with International Financial Reporting Standards (IFRS) applied on a basis consistent with that of the preceding year.

We would like to draw your attention to the following matters:

6. On December 31, 2003, the Company received tariff reduction invoices from TETAŞ related to 2002 and 2001 sales amounting to approximately YTL 2.3 million. The major components of such adjustment, among the others, are related to adjustments to the (i) tax component of tariff in connection with the utilization of investment incentive and (ii) production level. Although such invoices were recorded as a deduction to sales as of December 31, 2003, the Company management did not agree on the basis of the reduction adjustment. In 2004 the Company has filed legal cases against Ministry of Energy and Natural Resources (MENR) for the cancellation of such transactions. The outcome of such cases is unknown as of the date of this report.

7. MENR had notified revised price tariff to to the Company for Hasanlar power plant at June 25, 2007 and for Berdan power plant at June 19, 2007 for the years 2003, 2004 and 2005. Besides, TETAŞ sent price reduction invoices to the Company related with the years 2003-2007 and revised these price reduction invoices on April 4, 2008 regarding the period between 01.01.2006-31.12.2006. These price difference invoices sent from TETAŞ is totally amounting to YTL 1,674,626 for Hasanlar and YTL 1,600,308 for Berdan (totally YTL 3,864,422- including VAT). The Company returned these price difference invoices to TETAŞ through notary attestation and appealed to the related authorized bodies. In order to determine the effect of revised price tariffs regarding Hasanlar and Berdan power plants, the Company performed a study by using the latest received price tariffs for the years 2003-2008 and with respect to the result of this study, the Company is liable to pay YTL 2,200,298 to TETAŞ.

   On September 22, 2008 (referring to the relevant letter of MENR dated September 15, 2008) the Company received revised price tariff from TETAŞ regarding Tohma for the period between 2003-August 2008. Besides, TETAŞ sent a price reduction invoice to the Company by an amount of YTL 806,027 for Tohma power plant and this invoice is sent back by the Company to TETAS through notary attestation. With respect to the result of a study performed by the Company in order to determine the effect of latest revised price tariffs, the Company has YTL 285,369 receivable from TETAŞ regarding Tohma power plant.

Furthermore, TETAŞ has not yet paid the receivable of the Company related to Berdan, Hasanlar, Tohma power plants totally amounting to YTL 6,593,243 (including VAT) as of our report date.

At December 26, 2008, the Company commenced legal case against MENR to stop execution considering that there is no improvement granted through correspondence or appeals performed up to the present. There is no further clarification about the issue as of our report date and accordingly, the accompanying financial statements do not include any provision.

DENGE BAĞIMSIZ DENETİM
SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of MAZARS

Belma Öztürk Gürsoy
Partner

Altek Alarko Elektrik Santralları Tesis, İşletme ve Ticaret Anonim Şirketi

FINANCIAL STATEMENTS
For the years ended December 31, 2008 and 2007
(Currency -- YTL / U.S. Dollars (USD))

ASSETS

	USD	YTL	YTL
	December 31, 2008	December 31, 2008	December 31, 2007
Current assets			
Cash and cash equivalents	10,251,441	15,503,254	7,023,112
Accounts receivable	22,713,539	34,349,685	11,258,543
Inventories	892,634	1,349,930	2,163,362
Prepayments and other current assets	468,515	708,536	403,426
Total current assets	**34,326,129**	**51,911,405**	**20,848,443**
Non-current assets			
Property, plant and equipment, net	77,517,441	117,229,626	123,604,680
Construction in progress	6,532,115	9,878,517	5,591,123
Advances given	7,265,941	10,988,283	6,778
Intangible assets, net	8,312,730	12,571,342	14,583,610
Other non-current assets	4,799	7,257	7,198
Total non-current assets	**99,633,026**	**150,675,025**	**143,793,389**
Total assets	**133,959,155**	**202,586,430**	**164,641,832**

LIABILITIES

	USD	YTL	YTL
	December 31, 2008	December 31, 2008	December 31, 2007
Current liabilities			
Current portion of long-term bank borrowings	10,866,888	16,433,994	16,602,001
Accounts payable	9,064,368	13,708,044	6,204,295
Other current liabilities and accrued expenses	4,240,764	6,413,308	3,955,126
Income tax payable	658,715	996,175	--
Total current liabilities	**24,830,735**	**37,551,521**	**26,761,422**
Non-current liabilities			
Long-term bank borrowings	20,035,527	30,299,728	29,617,342
Long-term accounts payable	--	--	1,260,625
Reserve for employee termination benefits	375,611	568,037	456,697
Other non-current liabilities	21,231	32,107	--
Deferred tax liability	5,216,110	7,888,323	6,718,513
Total non-current liabilities	**25,648,479**	**38,788,195**	**38,053,177**
Shareholders' equity			
Paid-in share capital	24,302,101	36,752,068	17,300,068
Retained earnings	41,708,104	63,075,165	61,925,296
Net income/ (loss) for the year	17,469,736	26,419,481	20,601,869
Total shareholders' equity	**83,479,941**	**126,246,714**	**99,827,233**
Total liabilities and shareholders' equity	**133,959,155**	**202,586,430**	**164,641,832**

Altek Alarko Elektrik Santralları Tesis, İşletme ve Ticaret Anonim Şirketi

FINANCIAL STATEMENTS
For the years ended December 31, 2008 and 2007
(Currency -- YTL / U.S. Dollars (USD))

	USD December 31, 2008	YTL December 31, 2008	YTL December 31, 2007
Sales, net	93,321,959	141,130,799	92,899,010
Cost of sales	(66,459,851)	(100,507,233)	(76,275,167)
Gross profit	**26,862,108**	**40,623,566**	**16,623,843**
General and administrative expenses	(2,837,921)	(4,291,788)	(3,250,017)
Other income, net	351,740	531,937	1,008,780
Income from operations	**24,375,927**	**36,863,715**	**14,382,606**
Financial (expense)/income, net	(5,467,520)	(8,268,531)	7,682,439
Income before taxation	**18,908,407**	**28,595,184**	**22,065,045**
Taxation on income			
- Current	(658,715)	(996,175)	--
- Deferred	(779,956)	(1,179,528)	(1,463,176)
Net profit / loss for the year	**17,469,736**	**26,419,481**	**20,601,869**

Final Audit Memorandum at December 31, 2008

To : Mr. Jean François Perret

From : Belma Öztürk Gürsoy, Mazars / Denge, İstanbul

Date : February 13, 2009

Subject : SNET – Consolidation as of December 31, 2008
Final Audit Memorandum

Entity : **Altek Alarko Elektrik Santralları Tesis, İşletme ve Tic. A.Ş.**

Currency : **YTL**

1. AUDIT HIGHLIGHT SUMMARY

1.1 Audit adjustments above EUR 500,000

KYTL

Financial statements as of December 31, 2008	***Statutory accounts***	***IAS accounts***
Net profit before audit :	**27,752**	**27,416**
Audit adjustments accepted and booked by local management :	None	None
Net profit after audit :	**27,752**	**27,416**
Audit adjustments accepted by local management but still not booked and which should be booked at consolidation level)	None	(*)
Audit adjustments not accepted by local management and not booked	None	None

(*) IFRIC 12 dealing with the accounting of "Service Concession Arrangements" became applicable starting from the periods beginning on or after 1 January 2008. With respect to this interpretation, fixed assets subject to service concession agreements should be considered in line with the recognition rules of either intangible assets or financial assets. After evaluation the recognition rules described in IFRIC 12, the Company reclassified its fixed assets regarding Hasanlar, Tohma and Berdan power plants as intangible assets and the comparative financial statements are also reclassified in this respect. The amount of reclassification is YTL 14,497,541 as of December 31, 2007. Within this context, useful life of intangible assets demonstrating the right of usage should be equal to the duration of service concession agreements. As an exception, the Company has not adjusted the effect of the lengthened expiry date of usage right for Hasanlar hydroelectric power plant with respect to the supplementary protocol made with Ministry of Energy and Natural Resources (MENR). This adjustment has an increasing effect on the retained earnings by an amount of YTL 2,278,384 and decreasing effect on current year profit by YTL 667,646 as of December 31, 2008.

1.2 Reclassification above EUR 2,000,000

Please refer to note in Section 1.1 regarding IFRIC 12.

1.3 Uncertainties and exposures above EUR 500,000

1.3.1 Follow up of prior year exposures

a) Regarding the Nuovo Pignone SPA case, under the consideration of written opinion obtained from the lawyer, the Company had evaluated the potential outcomes of subsequent legal actions that might be taken and finally decided to set a provision for the full amount (USD 1,617,687 principal and USD 517,923 interest) in its financial statements as of December 31, 2007. The balance of this provision is amounting to USD 2,397,631 as of December 31, 2008 with its current year interest charges.

As part of our audit procedures, we have sent direct confirmation letters to the lawyers of the Company and based on the reply received from the lawyer being in-charge of Nuovo Pignone SPA case, we understand that the claimant is asking to the Company for the payment of international arbitration board's expenses as of January 27, 2009. Total expense is amounting to USD 333,258 and there is no provision set for these expenses in the financial statements of the Company since the payment request is not definitive and legally binding yet.

b) On December 31, 2003, the Company received tariff reduction invoices from TETAŞ related to 2002 and 2001 sales amounting to approximately YTL 2.3 million. The major components of such adjustment, among the others, are related to adjustments to the (i) tax component of tariff in connection with the utilization of investment incentive and (ii) production level. Although such invoices were recorded as a deduction to sales as of December 31, 2003, the Company management did not agree on the basis of the reduction adjustment in 2003 and they applied to Ministry of Energy and Natural Resources (MENR) for the correction. In the absence of any response from MENR, in 2004 the Company has filed legal cases against MENR for the cancellation of such transactions. The outcome of such cases is unknown as of the date of this memorandum.

c) On June 25, 2007, in relation to Hasanlar and Berdan power plants and on September 22, 2008 in relation to Tohma power plant, EMRA has notified to the Company the price tariffs for the years 2003- 2008 which are revised in accordance with the tariff of the year 2005. Besides, with a reference to these revised price tariffs notified by EMRA, TETAŞ has sent price reduction invoices to the Company as of July 2007. Furthermore, the price deduction invoices totally amounting to YTL 3,274,935 (YTL 3,864,422 including VAT) has been returned to TETAŞ by the Company after notary attestation immediately. The detail of the invoices (without VAT) returned to TETAŞ is as follows;

Name of the Plant	**Period Covered**	**YTL Amount**
Hasanlar	2003-2006	1,497,259
	January - August 2007	177,367
Berdan	2003-2006	1,536,207
	January - June 2007	64,102
Tohma	January 2003-August 2008	806,027
Total 2003-2006		**3,033,466**
Total 2007		**241,469**
Total 2008		**806,027**
Grand Total		**4,080,962**

The Company performed a study to determine the effect of latest revised price tariffs for the relevant years. The below table provides the differences between the amounts computed over the latest tariffs received and the amounts actually have been charged to TETAŞ for the indicated years;

Power Plant	Years	YTL Difference Receivable / (payable) by the Company
Hasanlar	2003	(324,940)
	2004	(334,931)
	2005	(754,114)
	2006	(352,781)
	2007	(326,742)
	2008	(112,677)
Subtotal		**(2,206,185)**
Berdan	2003	(526,989)
	2004	(589,452)
	2005	(524,532)
	2006	(29,372)
	2007	584,781
	2008	1,091,451
Subtotal		**(5,887)**
Tohma	2003	(566,086)
	2004	545,604
	2005	270,326
	2006	466,115
	2007	(319,453)
	2008	(111,137)
Subtotal		**285,369**
Grand Total		**(1,914,929)**

Furthermore, TETAŞ has not yet paid the receivable of the Company related to Berdan, Hasanlar, Tohma power plants totally amounting to YTL 6,593,243 (including VAT) as of our report date.

We have been informed that several objections raised to EMRA as well as several meetings are held with the representatives of EMRA by the Management of the Company in the meantime. However, at December 26, 2008, the Company commenced legal case against MENR to stop execution considering that there is no improvement granted through correspondence or appeals performed up to the present.

There is no further clarification about the issue as of our report date and accordingly, the accompanying financial statements do not include any provision.

1.3.2 New exposures

None.

1.4 Audit scope limitation

None.

1.5 Exceptions to the applications of the International Accounting Standard

Please refer to Note in Section 1.1. regarding IFRIC 12.

2. OTHER SIGNIFICANT MATTERS

Follow up of previous points

a) The Company had obtained the usage right of "Karakuz Barrage and Hydroelectric Power Plant" (Karakuz project) for 49 years. In respect to this project, the Company had also obtained a production license from EMRA on August 18, 2005. During our review on legal cases filed against and by the Company, we had determined that a third party named Erimtan Müş. Taah. Tic A.Ş. (Erimtan) had also applied to EMRA to obtain a production license for Karakuz Barrage although the Company has already obtained the related license. We were acknowledged by the letter of the Company's lawyer, EMRA had taken a decision at December 31, 2005 to cancel its prior decision regarding giving production license to the Company as of August 18, 2005. We had also observed in the lawyer's letter that EMRA has taken a further decision to provide production license to Erimtan for Karakuz project as of February 9, 2006. Within this context, there were many legal cases filed against EMRA and Erimtan by the Company. Although, the Management of the Company had not foreseen a problem to keep its current license obtained from EMRA, investment in this location was mostly suspended until the clarification of the case. The total of expenses capitalized for Karakuz project as of December 31, 2007 was amounting to YTL 5,591,123

With respect to the confirmation letter we received during our final audit for the year ending December 31, 2008, we observed that the legal cases are finalized in favor of the Company and the investment activity will not be suspended anymore for Karakuz project.

- **Internal control weaknesses**

  We have not identified any significant internal control weaknesses during the planning and final phase of our audit work.

- **Other matters**

  The Company has filed legal case against MENR for suspension of execution of its monthly additional accruals and payment orders for system usage, operation and transmission cost of Hasanlar Hydroelectric Power Plant. Within this context, the Company has returned the related invoices of Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ) after notarial attestation. The total of returned and not recorded SEDAŞ invoices is amounting to YTL 674,173 (excluding value added tax) as of December 31, 2008 (YTL 682,536 as of our audit date). The case is still outstanding.

3. KEY DATA AND RECONCILIATION OF NET ASSETS AND NET INCOME AS PER THE CONSOLIDATION FORMS AND PER THE STATUTORY INCOME

3.1 Key data

Please refer to the attached word file for the Balance Sheet & Income Statement.

3.2 Reconciliation of stock equity and net income as per the IAS accounts and per the statutory accounts

KYTL

	Stock equity 2007	Other changes	Net profit 2008	Stock equity 2008
Balances per accompanying IAS financial statements	**99,827**		**26,419**	**126,246**
Discounting of employee termination benefits pursuant to IAS 19	(117)		(31)	(148)
Provision for legal case (§ 1.3.1. a)	2,640		986	3,626
Adjustment to depreciation as to useful lives of fixed assets	(12,710)		(6,427)	(19,137)
Effect of restatement pursuant to IAS 29	(75,826)		--	(75,826)
Statutory inflation adjustment	51,315		--	51,315
Discount on bank loans	322		(218)	104
Rediscount on receivables and payables	(131)		33	(98)
Accounting for deferred taxation	6,717		1,171	7,888
Other	114		(114)	--
Balances per statutory financial statements	**72,151**		**21,819**	**93,970**

4. DETAILED COMMENTS

4.1. Company identification and activity description

Altek Alarko Elektrik Santralları Tesis, İşletme ve Ticaret Anonim Şirketi (the Company and a Turkish Corporation) was established in 1987 and engaged in the production of electricity via hydroelectric power plants (HPP) built under Build-Operate-Transfer (BOT) model except for the Kırklareli Combined Cycle Natural Gas Power Plant (Kırklareli Plant) which is owned by the Company and operates in a competitive market after having the production license from Energy Markets Regulatory Authority (EMRA). The Company realizes its sales of electrical energy produced in power plants located in Düzce (Hasanlar HPP), Tarsus (Berdan HPP) and Malatya (Tohma HPP) to Türkiye Elektrik Ticaret ve Taahhüt A.Ş. (TETAŞ) and electrical energy produced in Kırklareli project to Türkiye Elektrik İletim Anonim Şirketi (TEİAŞ). The Company carries out its administrative operations in İstanbul.

4.2. Basis of financial statements

The financial statements of the Company 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 (IAS) and Standing Interpretations Committee interpretations approved by the IASC that remain in effect.

The Company maintains its books of account and prepares its statutory financial statements in accordance with 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 Company and presented in New Turkish Lira (YTL) with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise effects of restatement for the changes in the general purchasing power of YTL, reserve for employee termination benefits pursuant to IAS 19, amortized cost effect of long-term bank loans with respect to IAS 39, deferred tax effect of temporary differences between the statutory and IFRS financial statements.

Functional and presentation currency of the Company is YTL. Since Turkey has been considered as an hyperinflationary country until the end December 31, 2005, the financial statements of the Company have been restated in terms of measuring unit current at this date with respect to IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms.

Determining whether an economy is hyperinflationary in accordance with IAS 29 requires judgment as the standard does not establish an absolute rate; instead it considers the following characteristics of the economic environment of a country to be strong indicators of the existence of hyperinflation:

- The general population prefers to keep its wealth in non-monetary assets or in a relatively stable currency; amounts of local currency held are immediately invested to maintain purchasing power,
- The general population regards monetary amounts not in terms of local currency but in terms of relatively stable currency, prices may be quoted in that currency,
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short,
- Interest rates, wages and prices are linked to a price index,
- The cumulative rate over three years is approaching or exceeds 100%.

Considering the effect of the above indicators, IAS 29 application has been ceased in 2006 for the financial statements of the Company. With respect to IAS 29, when an economy ceases to be hyperinflationary and an entity discontinues the preparation and presentation of financial statements prepared in accordance with IAS 29, it shall treat the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements. Accordingly, cumulative hyperinflation effect on retained earnings and other non-monetary items has been carried forward through opening balances of IFRS financial statements.

USD amounts shown in the financial statements have been included solely for the convenience of the reader and are translated from YTL, as a matter of arithmetic computation only, at the official YTL exchange rate ("Official Exchange Rate") for purchases of USD announced by the Central Bank of the Republic of Turkey on December 31, 2008 of YTL 1.5123 = USD 1.00. Such translation should not be construed as a representation that the YTL amounts have been or could be converted into USD at this or any other rate.

4.3. Highlights / analytic review

Sales

The increase in sales amounting to YTL 48,231,789 (52%) is mainly related with the increase in sales in Kırklareli Plant. The below table presents the production details realized during the year 2008 for each production plant;

YTL	HASANLAR	BERDAN	TOHMA	KIRKLARELİ
Sales	1,459,976	732,459	1,690,707	137,247,657
Cost of sales	180,251	1,331,268	1,592,489	97,403,225
Gros margin	1,279,725	(598,809)	98,218	39,844,432
Profit margin	**88%**	**(81%)**	**6%**	**29%**

The reason of the negative gross margin in Berdan Hes is related with the season of drought within the year 2008. Moreover, there is production suspension in Tohma Hes within the year 2008 (in 8. month) related with the same reason.

The below table presents the production and unit price details realized during the year 2008 and 2007 for each production plant;

			31.12.2008	31.12.2007
Kırklareli	Quantity	Kwh	607,347,179	672,518,548
	Average Unit Price	YTL	0.23	0.128
	Total	YTL	**137,247,657**	**88,330,271**
Hasanlar	Quantity	Kwh	25,256,760	40,386,817
	Average Unit Price	cent	5.83	4.513
	Total	YTL	**1,459,976**	**1,777,126**
Berdan	Quantity	Kwh	14,348,700	19,001,790
	Average Unit Price	cent	5.24	4.380
	Total	YTL	**732,459**	**1,078,314**
Tohma	Quantity	Kwh	32,242,600	35,339,992
	Average Unit Price	cent	4.75	4.240
	Total	Ytl	**1,690,707**	**1,713,299**

Accounts Receivable

The increase in accounts receivable is mainly attributable to the receivables from TEİAŞ amounted to YTL 27,652,887 and TETAŞ amounted to YTL 6,593,243 and unit price increase in Kırklareli plant in comparison to prior year.

Tax position and general information on Turkish taxation system

The corporate tax law has been changed on June 13, 2006 with the law numbered 5520. Most of the clauses of this new law have become effective starting from January 1, 2006. With respect to the law, corporation tax is payable at the rate of 20 % for the year 2008 (2007 - %20) on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed. (Except for withholding to be paid with the rate of 19.8 % calculated over the used exception amount if there is any investment incentive exception within the framework of the temporary article no.61 of the Income Tax Law). Additionally, corporation can deduct their investment allowance exception amounts calculated in accordance with the rules of the legislation in practice as at December 31, 2005 from the incomes of years 2006, 2007 and 2008 in the context of the rules of the existing legislation at the mentioned date.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Effective by January 1, 2007, the corporation tax law numbered 5520 has brought new clauses and requirements to the companies on the issue of "disguised profit distribution by way of transfer pricing". Accordingly, companies are liable to present supporting documentation to tax authorities to prove that their transactions with related parties are in arms-length basis. The related person refers to the partners of the corporations, the real person or corporation and its administration to which the corporations or the partners are related, the real persons or institutions to which s/he is related or that s/he influences directly or indirectly its capital or control. The spouses of the partners, ascending and descending lines of the partners, their spouses, and the cognates including the third generation and their matrimonial allies are also considered as the related persons. Since the Company has inter-company transactions, all intercompany transactions should be evaluated with respect to the requirements of this new tax law.

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported for IFRS purposes and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes. As of December 31, 2008 and 2007, effects of deferred tax have been properly reflected in the accompanying financial statements.

Off balance sheet commitments

As of December 31, 2008, letters of guarantee and guarantee notes given by the Company to banks and other institutions related with tenders, imports and bank borrowings amounting to YTL 58,391,848 and guarantees received is amounting to YTL 8,139,307.

SHARE CAPITAL 31/12/2008

Shareholder	Dec. 31, 2008	Dec. 31, 2007	Variation
Number of shares	3,600,000,000	200,000,000	None
Nominal value (Full YTL)	0.01	0.01	None
Shareholders' equity (YTL)	**36,000,000**	**2,000,000**	

	Dec. 31, 2008		Dec. 31, 2007	
	Number	**%**	**Number**	**%**
Societe Nationale D'electricite et de Thermique	1,800,000,000	50.00	100,000,000	50.00
Alarko Holding A.Ş.	1,736,882,442	48.24	96,493,469	48.24
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	53,396,658	1.48	2,966,481	1.48
Others	9,720,900	0.28	540,050	0.28
Total	**3,600,000,000**	**100**	**200,000,000**	**100**

SHAREHOLDERS' EQUITY 31/12/2008
(As Reported)

KYTL	
Stockholders equity at December, 31st 2007	**99,827**
2008 results	27,416
Stockholders equity according to the audited accounts at December 31, 2008	**127,243**

RESERVES AND ALLOWANCES DETAIL : 31/12/2008

YTL

Description	Amount as of 31.12.2007(BS)	Additions (P&L)+	Reversals (P&L)-	Amount as of 31.12.2008(BS)
Provisions for risk & charges				
Provision for litigation penalty (Please refer to § 1.3.1. a)	2,640,363		985,575	3,625,938
Sub total provision for risks & charges (1)	**2,640,363**		985,575	3,625,938
Employee Termination Benefits	456,697		111,339	568,036
Sub total other (2)	**456,697**		**111,339**	**568,036**
TOTAL (1) + (2)	**3,097,060**		**1,096,914**	**4,193,974**

5. SUBSEQUENT EVENTS

According to the Law on the Currency Unit of the Republic of Turkey, numbered 5083 and published in the Official Gazette on January 31, 2004, effective from January 1, 2009, the prefix "New" from the "New Turkish Lira" and the "New Kurus" has been removed with respect to the decision of the Council of Ministers published in the Official Gazette dated May 5, 2007. Within the context of the decision, there will not be any change in the value of the currency that, in the conversion; 1 New Turkish Lira (YTL) equals to 1 Turkish Lira (TL) and 1 Yeni Kurus (YKr) is equal to 1 Kurus (Kr) in which 1 TL equals to 100 Kr.

In respect to the mentioned decision, New Turkish Lira banknotes and coins will remain in circulation until the end of the year 2009 together with the Turkish Lira banknotes and coins.

As of January 1, 2009, prices in all kind of documents (invoice, bill of expenses, payroll, etc.) will be shown only in Turkish Lira and Kurus and all companies will prepare their accounting records over Turkish Lira and Kurus.