

**AYEN ENERJİ A.Ş.
AND ITS SUBSIDIARIES**

**Convenience Translation Of The
Independent Auditor's Review Report And
Condensed Consolidated Financial Statements
For The Six-Month Interim Period
Ended 30 June 2014 Originally Issued In Turkish**

DRT BAĞIMSIZ DENETİM VE SERBEST
MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
18 August 2014

*This report consists of 1 page of review
report and 32 pages of condensed
consolidated financial statements and footnotes.*

**CONVENIENCE TRANSLATION OF THE REVIEW REPORT AND THE
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH**

REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

To the Board of Directors of
Ayen Enerji A.Ş.
Ankara

Introduction

We have reviewed the accompanying condensed consolidated financial position of Ayen Enerji A.Ş. (the “Company”) and its subsidiaries (together the “Group”) as of 30 June 2014 and the related condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month interim period then ended. Group management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards 34 “Interim Financial Reporting” (“TAS 34”). Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 “Interim Financial Reporting”.

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

H. Erdem Selçuk
Partner

Ankara, 18 August 2014

Member of Deloitte Tohmatsu Limited

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AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2014

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

	Notes	Current Period (Reviewed) 30 June 2014	Prior Period (Audited) 31 December 2013
ASSETS			
Current Assets		95.783.833	206.919.140
Cash and Cash Equivalents		8.875.291	95.281.050
Trade Receivables		31.822.435	46.379.422
<i>Trade Receivables from Third Parties</i>		31.446.761	46.071.801
<i>Trade Receivables from Related Parties</i>	3	375.674	307.621
Other Receivables		754.556	1.567.700
<i>Other Receivables from Third Parties</i>		674.710	1.566.230
<i>Other Receivables from Related Parties</i>	3	79.846	1.470
Service Concession Arrangements	6	34.158.406	44.108.340
Prepaid Expenses		4.056.036	5.019.588
Assets Related to Current Tax		188.187	184.206
Other Current Assets		15.928.922	14.378.834
Non-Current Assets		1.064.785.966	961.357.557
Service Concession Arrangements	6	93.155.696	104.094.187
Financial Assets		129.533	108.295
Other Receivables		19.707.514	11.899.501
<i>Other Receivables from Third Parties</i>		366.915	351.135
<i>Other Receivables from Related Parties</i>	3	19.340.599	11.548.366
Property, Plant and Equipment	5	796.267.404	717.421.599
Intangible Assets		41.791.978	41.949.591
<i>Other Intangible Assets</i>	5	19.648.845	19.806.458
<i>Goodwill</i>		22.143.133	22.143.133
Prepaid Expenses	4	53.979.577	41.011.218
Deferred Tax Assets		22.518.894	21.939.066
Other Non-Current Assets		37.235.370	22.934.100
TOTAL ASSETS		1.160.569.799	1.168.276.697

The accompanying notes presented between pages 8 and 32 form an integral part of these condensed consolidated interim financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2014

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

LIABILITIES	Notes	Current Period (Reviewed) 30 June 2014	Prior Period (Audited) 31 December 2013
Current Liabilities		239.473.761	331.113.199
Short-Term Borrowings	14	51.060.389	46.441.613
Short-Term Portion of Long-Term Borrowings	14	94.454.438	95.775.147
Other Financial Liabilities		18.064	1.528.052
Trade Payables		63.282.974	141.866.502
<i>Trade Payables to Third Parties</i>		25.131.525	59.025.809
<i>Trade Payables to Related Parties</i>	3	38.151.449	82.840.693
Payables for Employee Termination Benefits		346.465	579.399
Other Liabilities		20.843.954	28.126.463
<i>Trade Payables to Third Parties</i>		316.825	1.765.136
<i>Trade Payables to Related Parties</i>	3	20.527.129	26.361.327
Deferred Income		97.712	5.335.707
Current Tax Liabilities		4.831.585	7.554.708
Short-Term Provisions		562.596	388.973
<i>Short-Term Provisions for Employee Benefits</i>		562.596	388.973
Payables Related to Current Tax		2.492.393	2.500.763
Other Current Liabilities		1.483.191	1.015.872
Non-Current Liabilities		661.179.974	594.765.388
Long-Term Borrowings	14	659.066.038	592.328.564
Other Financial Liabilities		-	22.722
Other Payables		607.305	988.822
<i>Other Payables to Third Parties</i>		161.895	543.412
<i>Other Payables to Related Parties</i>	3	445.410	445.410
Long-Term Provisions		1.506.631	1.425.280
<i>Long-Term Provisions for Employee Benefits</i>		1.506.631	1.425.280
EQUITY		259.916.064	242.398.110
Equity Attributable to Owners of the Parent		230.287.781	219.855.345
Paid-in Capital	10	171.042.300	171.042.300
Accumulated Other Comprehensive Income or Expenses that will be Reclassified Subsequently to Profit or Loss		6.686.595	8.445.989
<i>Currency Translation Reserves</i>		6.686.595	8.445.989
Accumulated Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss		(89.307)	(89.307)
<i>Accumulated Gain/Loss on Remeasurement of Defined Benefit Plans</i>		(89.307)	(89.307)
Restricted Reserves	10	56.068.939	51.589.982
Retained Earnings/Accumulated Losses		(15.612.576)	37.712.818
Net Profit/Loss for the Period		12.191.830	(48.846.437)
Non-Controlling Interests		29.628.283	22.542.765
TOTAL LIABILITIES AND EQUITY		1.160.569.799	1.168.276.697

The accompanying notes presented between pages 8 and 32 form an integral part of these condensed consolidated interim financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

	Notes	Current Period (Reviewed) 1 January- 30 June 2014	Current Period (Not Reviewed) 1 April- 30 June 2014	Prior Period (Reviewed) 1 January- 30 June 2013	Prior Period (Not Reviewed) 1 April- 30 June 2013
PROFIT OR LOSS					
Revenue		102.726.986	53.968.098	166.021.463	86.291.364
Cost of Sales (-)	9	(71.909.823)	(32.630.589)	(130.642.672)	(63.629.648)
GROSS PROFIT		30.817.163	21.337.509	35.378.791	22.661.716
General Administration Expenses (-)	9	(4.519.689)	(2.072.325)	(4.195.931)	(2.201.027)
Other Income from Operating Activities		4.267.943	2.597.324	2.976.499	(255.580)
Other Expenses from Operating Activities (-)		(3.507.431)	(2.592.082)	(1.588.446)	(666.375)
OPERATING PROFIT		27.057.986	19.270.426	32.570.913	19.538.734
Income from Investing Activities	11	1.434.324	(2.954.675)	12.591.550	9.008.179
Expenses from Investing Activities (-)	11	(405.151)	(651.925)	(163.440)	(160.978)
OPERATING PROFIT / LOSS BEFORE FINANCE EXPENSE		28.087.159	15.663.826	44.999.023	28.385.935
Finance Expenses (-)	12	(10.228.053)	13.744.557	(46.677.032)	(46.872.945)
PROFIT/LOSS FOR THE PERIOD		17.859.106	29.408.383	(1.678.009)	(18.487.010)
Tax Expense/Income		(4.251.757)	(6.059.704)	37.347	3.274.251
Current Tax Expense /Income		(4.831.585)	(3.782.152)	(3.197.451)	(2.062.383)
Deferred Tax Expense/Income		579.828	(2.277.552)	3.234.798	5.336.634
PROFIT/ LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		13.607.349	23.348.679	(1.640.662)	(15.212.759)
PROFIT/LOSS BEFORE TAX		13.607.349	23.348.679	(1.640.662)	(15.212.759)
Profit / Loss for the Period Attributable to:					
Non-Controlling Interests		1.415.519	1.956.827	(1.580.869)	(2.677.045)
Owners of the Company		12.191.830	21.391.852	(59.793)	(12.535.714)
		13.607.349	23.348.679	(1.640.662)	(15.212.759)
Earnings / losses per 1.000 shares	13	0,71	1,25	(0,003)	(0,73)

The accompanying notes presented between pages 8 and 32 form an integral part of these condensed consolidated interim financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014**

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

	Current Period (Reviewed) 1 January- 30 June 2014	Current Period (Not Reviewed) 1 April- 30 June 2014	Prior Period (Reviewed) 1 January- 30 June 2013	Prior Period (Not Reviewed) 1 April - 30 June 2013
PROFIT/LOSS FOR THE PERIOD	13.607.349	23.348.679	(1.640.662)	(15.212.759)
Accumulated Other Comprehensive Income or Expenses that will be Reclassified to Profit or Loss	(1.759.394)	(2.915.934)	(454.084)	(431.899)
Currency Translation Reserves	(1.759.394)	(2.915.934)	(454.084)	(431.899)
Accumulated Other Comprehensive Income or Expenses that will not be Reclassified to Profit or Loss	-	-	138.232	-
Accumulated Gain / Loss on Remeasurement of Defined Benefit Plans	-	-	172.790	-
Tax Relating to Other Comprehensive Income Deferred Tax Expense/Income	-	-	(34.558)	-
OTHER COMPREHENSIVE INCOME/EXPENSE	(1.759.394)	(2.915.934)	(315.852)	(431.899)
TOTAL COMPREHENSIVE INCOME/EXPENSE	11.847.955	20.432.745	(1.956.514)	(15.644.658)
Total Comprehensive Income for the Period Attributable to:				
Non- Controlling Interests	1.415.519	1.956.827	(1.580.869)	(2.677.045)
Owners of the Company	10.432.436	18.475.918	(375.645)	(12.967.613)
	11.847.955	20.432.745	(1.956.514)	(15.644.658)

The accompanying notes presented between pages 8 and 32 form an integral part of these condensed consolidated interim financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

	Share Capital	Restricted Profit Reserves	Retained Earnings		Accumulated Other Comprehensive Income or Expense that may be Reclassified to Profit or Loss	Accumulated Other Comprehensive Income or Expense that will not be Reclassified to Profit or Loss	Equity Attributable to Owners of the Parent	Non-Controlling Interest	Total Equity
			Retained Earnings	Net Profit/Loss for the Period	Currency Translation Reserves	Accumulated Gain / Loss on Remeasurement of Defined Benefit Plans			
Balance as of 1 January 2013	171.042.300	47.370.328	19.086.960	22.847.998	85.991	(236.651)	260.196.926	28.384.832	288.581.758
Transfers	-	4.219.654	18.628.344	(22.847.998)	-	-	-	-	-
Total comprehensive (expense)/income	-	-	-	(59.793)	(454.084)	138.232	(375.645)	(1.580.869)	(1.956.514)
Dividends paid	-	-	-	-	-	-	-	(926.145)	(926.145)
Increase in share capital	-	-	-	-	-	-	-	3.763.716	3.763.716
Balance as of 30 June 2013	171.042.300	51.589.982	37.715.304	(59.793)	(368.093)	(98.419)	259.821.281	29.641.534	289.462.815
Balance as of 1 January 2014	171.042.300	51.589.982	37.712.818	(48.846.437)	8.445.989	(89.307)	219.855.345	22.542.765	242.398.110
Transfers	-	4.478.957	(53.325.394)	48.846.437	-	-	-	-	-
Total comprehensive income/expense	-	-	-	12.191.830	(1.759.394)	-	10.432.436	1.415.519	11.847.955
Increase in share capital	-	-	-	-	-	-	-	6.654.753	6.654.753
Dividends paid	-	-	-	-	-	-	-	(984.754)	(984.754)
Balance as of 30 June 2014	171.042.300	56.068.939	(15.612.576)	12.191.830	6.686.595	(89.307)	230.287.781	29.628.283	259.916.064

The accompanying notes presented between pages 8 and 32 form an integral part of these condensed consolidated interim financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

		Current Period (Reviewed)	Prior Period (Reviewed)
		1 January- 30 June 2014	1 January- 30 June 2013
	<u>Notes</u>		
A. Cash Flows from Operating Activities			
Profit/(Loss) for the Period		17.859.106	(1.678.009)
Adjustments to reconcile profit/loss for the period			
- Adjustments related to depreciation and amortization expenses	5,9	14.029.878	11.826.116
- Adjustments related to provisions		676.660	92.303
- Adjustments related to interest income and expenses	11,12	12.125.583	7.294.807
- Adjustments related to accrued income		(1.591.524)	(2.965.046)
- Adjustments related to accrued expense		(7.702.385)	11.462.529
- Adjustments related to deferred finance expenses	12	2.375.825	1.364.580
- Adjustments related to gain/loss on disposal of non-current assets		-	(160.399)
- Realised foreign exchange loss due to foreign currency translation		(362.730)	(454.084)
- Unrealised foreign exchange (gain)/loss		(7.531.803)	27.400.471
Changes in working capital			
- Adjustments related to increase/decrease in trade receivables		16.148.511	(6.017.400)
- Adjustments related to increase/(decrease) in financial assets		(21.238)	-
- Adjustments related to decrease in service concession arrangements		20.483.582	18.336.462
- Adjustments related to decrease in other receivables from operating activities		(14.037.618)	(25.246.078)
- Adjustments related to decrease in trade payables		(70.881.143)	(17.365.877)
- Adjustments related to increase/increase in other liabilities from operating activities		(12.676.007)	(9.314.021)
		(31.105.303)	14.576.354
Cash Generated From / (Used In) Operations			
Income taxes paid		(7.554.708)	(6.995.860)
Other cash inflows/outflows		(421.686)	(12.959)
		(39.081.697)	7.567.535

The accompanying notes presented between pages 8 and 32 form an integral part of these condensed consolidated interim financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

	Current Period (Reviewed)	Prior Period (Reviewed)
	1 January- 30 June 2014	1 January- 30 June 2013
<u>Notes</u>		
B. Cash Flows from Investing Activities		
Proceeds from sales of property, plant and equipment	22.534	196.664
Payments for property, plant and equipment and intangible asset	(89.262.521)	(40.465.224)
Advances given for acquisition of property, plant and equipment	(17.124.869)	(196.825)
	<u>(106.364.856)</u>	<u>(40.465.385)</u>
C. Cash Flows from Financing Activities		
Cash obtained from borrowings	164.364.489	60.464.610
Cash used for repayments of the borrowings	(88.307.125)	(58.828.075)
Capital increase in non-controlling interests	-	3.763.716
Interest received	1.394.931	978.844
Interest paid	(15.894.031)	(10.696.347)
Dividends paid	(984.754)	(926.145)
- non-controlling interests	(984.754)	(926.145)
Payments for the other financial liabilities	(1.532.716)	(2.890.402)
	<u>59.040.794</u>	<u>(8.133.799)</u>
Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)	<u>(86.405.759)</u>	<u>(41.031.649)</u>
D. Cash and cash equivalents at the beginning of the period	<u>95.281.050</u>	<u>46.395.890</u>
Cash and cash equivalents at the end of the period (A+B+C+D)	<u>8.875.291</u>	<u>5.364.241</u>

The accompanying notes presented between pages 8 and 32 form an integral part of these condensed consolidated interim financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

Hülya Sok. No: 37, Gaziosmanpaşa/Ankara

The Company is registered to Capital Markets Board (“CMB”) and its shares are publicly traded in Borsa Istanbul. 15,01% of the shares of the Company is publicly held as of 30 June 2014 (31 December 2013: %15,01’dir) (Note: 10).

The number of personnel of the Group as of 30 June 2014 is 204 (31 December 2013: 204).

The subsidiaries of the Company (“the Subsidiaries”), the nature of their business and their address of registered head offices are as follows:

Subsidiaries	Place of incorporation and the nature of the business	Direct Share	Indirect Share	Registered address
Ayen Ostim Enerji Üretim A.Ş. (“Ayen Ostim”)	Electricity production and trading	%76	%76	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Kayseri Elektrik Üretim Sanayi ve Ticaret A.Ş. (“Kayseri Elektrik”)	Electricity production, distribution and trading	%96	%96	Yemliha Kasabası Kayseri
Ayen Elektrik Ticaret A.Ş. (“Ayen Elektrik”)	Electricity trading	%100	%100	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Aksu Temiz Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. (“Aksu”)	Electricity production and trading	%70	%70	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Ayen-AS Energji SHA (“Ayen-AS”)	Electricity production and trading	%82	%87	Bulevardi Deshmoret e Kombit Qendra e Biznesit Twin Towers, Kulla nr.2, Kati i 10 Tirane/Albania (Arnavutluk)
Ayel Elektrik Üretim Sanayii ve Ticaret A.Ş. (“Ayel Elektrik”)	Electricity production, distribution and trading	%55	%55	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Araklı Doğalgaz Enerji Sanayi ve Ticaret A.Ş. (“Araklı Enerji”)	Electricity production and trading	%76	%76	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Ayen Doğalgaz Enerji Üretim Sanayi ve Ticaret A.Ş. (“Ayen Doğalgaz”)(*)	Electricity production and trading	%90	%90	Hülya Sokak No: 37 Gaziosmanpaşa Ankara

(*) Has not been included in the consolidation since the company is non-operating and has no material effect on the condensed consolidated interim financial statements. In addition, the project license of the Company has been cancelled with the approval of Energy Market Regulatory Authority (“EMRA”)

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

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

Subsidiaries	Place of incorporation and the nature of the business	Direct Share	Indirect Share	Registered address
Ayen Enerji Trading SHA ("Ayen Trading")(*)	Electricity trading	%0	%100	Bulevardi Deshmoret e Kombit Qendra e Biznesit Twin Towers, Kulla nr.2, Kati i 10 Tirane/Albania (Arnautluk)
Ayen Enerji Trading D.O.O Beograd-StariGrad(*)	Electricity trading	%0	%100	Kosançicev Venac Sokak No: 20, 11000 Belgrad, Serbia (Sırbistan)
Ayen Enerji Trgovanje z Električno Energijo, D.O.O (*)	Electricity trading	%0	%100	Dolenjska cesta 148, 1000 Ljubljana, Slovenia (Slovenya)

(*) Has not been included in the consolidation since these companies are non-operating and has no material effect on the condensed consolidated interim financial statements.

Çamlıca 1 Hydro Electric Power Plant ("HEPP") is one of the power plant of Ayen Enerji and constructed under Build-Operate and Transfer ("BOT") model, transferred to EGIC as of 12 December 2013 at 12:00 pm.

The production license for the Wind Power Plant ("WPP") located in Akbük with an annual production capacity of 31,5 MW obtained by Ayen Enerji on 18 January 2007 for 49 years. The first part of the plant with a capacity of 16.8 MW and the second part of the plant with a capacity of 14,7 MW started to operate on 19 March 2009 and 3 April 2009 respectively.

In addition to these, the Company has energy production license for Korkmaz WPP with an installed capacity of 24 MW, Mordoğan WPP with an installed capacity of 30,75 MW and Büyükdüz HEPP with an installed capacity of 70,8 MW for 49 years. Büyükdüz HEPP started to operate on 1 June 2012.

Mordoğan WPP, with an installed capacity of 30,75 MW and established in the province of Izmir Karaburun, started to operate at 27 September 2013.

Construction of Korkmaz WPP with an installed capacity of 24 MW and established in the province of Izmir Seferihisar, has been completed as of the date of this report. 5 of the wind turbine-generator groups has been approved by the Ministry of Energy and Natural Resources ("MENR") on 15 August 2014 and they has started to operate. Acceptation process of remaining 7 wind turbine-generator groups have not been completed as of the date of this report.

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

The main operation of Ayen Ostim which is located at Ostim Organize Sanayi Bölgesi and began to operate in July 2004, is to supply electricity to end users in the market according to "Act of Electricity Market" (within "Electricity Market Balancing and Settlement Regulation"). The installed capacity of the natural gas power plant is 41 MW. 24% of shares in Ayen Ostim's capital belongs to Aydınır İnşaat which is the main shareholder of the Company.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

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

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

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

Ayen AS Energji SHA; as of 30 June 2014, excavation and related works of 18.965 meters (83,47%) of 22.720 meters tunnels within the 3 and 4 numbered projects related to the Project of Fan River HEPP’s with an installed capacity of 110,7 MW in Albania, have been completed. Investment regarding the construction and 41 years of operation of the aforementioned project is ongoing.

The nature of operations of Ayel Elektrik is the sale, import and export of the electricity and/or the electricity capacity on wholesale and directly to the end users in accordance with the “Regulation for the Electricity Market License”, “Wholesale License” and the other related regulations.

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

Ayen Elektrik has participated in 100% shares of Ayen Energji Trading SHA with ALL 3.500.000 (EURO 25.000) capital. The Company has established in Tiran-Albania in accordance with Albanian laws at 30 September 2013. As of 30 June 2014, the Company has not been included in the consolidation since it has no material effect on the condensed consolidated interim financial statements.

Ayen Elektrik Ticaret A.Ş. has participated in 100% shares of Ayen Energji Trgovanje z Električno Energijo, D.O.O (Slovenia) with EUR 7.500 capital and Ayen Energji Trading D.O.O (Serbia) with EUR 10.000 capital respectively on 19 June 2014 and 13 June 2014. The main operations of the aforementioned companies within the framework of the European Union Regulations to the particularly European Countries are wholesale of electricity and/or capacity and importing and exporting by the direct sales to free consumers.

Approval of financial statements:

Board of Directors has approved the condensed consolidated interim financial statements for the period between 1 January - 30 June 2014 and delegated publishing it on 18 August 2014. No authority other than Board of Directors and General Assembly has the right to modify the condensed consolidated interim financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of the presentation

Statement of Compliance

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

Ayen-AS Energy maintains its books of account in Albanian LEK (“ALL”) in accordance with accounting principles in Albania.

The accompanying consolidated financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying consolidated financial statements are prepared based on the Turkish Accounting Standards/Turkish Financial Reporting Standards and Interpretations (“TAS/IFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

In addition, the condensed consolidated interim financial statements and disclosures are presented in accordance with the publication by CMB dated 7 June 2013.

The accompanying condensed consolidated interim financial statements have been prepared in terms of Turkish Lira on the historical cost basis except for the fair value measurement of certain financial assets and liabilities.

Functional Currency

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

Subsidiaries of the Group are measured using the currency that has significant impact on the entity or on the operations of entity, which reflects the economic substance of the underlying events and circumstances relevant to the entity. In this context, Ayen-AS Energy is measured using ALL. According to TAS 21, balance sheet items (except capital accounts) in terms of ALL have been included into consolidation by being translated to TL with buying rate applicable as of balance sheet date (ALL 1= TL 0,0206). Profit or loss statement items have been included into consolidation by being translated to TL with monthly average buying rates.

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

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

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

2.2 New and Revised Turkish Financial Reporting Standards

(a) Amendments to TFRSs affecting presentation of financial statements

None

(b) Standards, amendments and interpretations to the existing standards effective in 2014 but not relevant to the Group (cont'd)

Amendments to TFRS 10,11 and TAS 27	<i>Investment Companies¹</i>
Amendments to TAS 32	<i>Offsetting Financial Assets and Financial Liabilities¹</i>
Amendments to TAS 36	<i>Recoverable Amount Disclosures for Non-Financial Asset¹</i>
Amendments to TAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting¹</i>
TFRS Comment 21	<i>Taxes and Funds¹</i>

¹¹ Effective for annual periods beginning on or after 1 January 2014.

Amendments to TFRS 10, 11, TAS 27 *Investment Entities*

This amendment with the additional provisions of TFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to TAS 32 *Offsetting Financial Assets and Financial Liabilities*

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

Amendments to TAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

As a consequence of TFRS 13 *Fair Value Measurements*, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of TAS 36 has been changed.

Amendments to TAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

This amendment to TAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

TFRS Interpretation 21 *Levies*

TFRS Interpretation 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

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

2.2 New and Revised Turkish Financial Reporting Standards (cont'd)

(c) New and revised TFRSs in issue but not yet effective (cont'd)

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

TFRS 9 Financial Instruments

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

Amendments to TFRS 9 and TFRS 7 Mandatory Effective Date of TFRS 9 and Transition Disclosures

On November 2013, it is tentatively decided that the mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017. This amendment has not been published by POA, yet.

The Group, evaluates the effects of these standards on the financial position and performance of the Group.

2.3 Summary of Significant Accounting Policies

The accounting policies applied in preparation of condensed consolidated interim financial statements are compatible with the accounting policies applied for the period between 1 January-31 December 2013. The condensed consolidated interim financial statements should be read with the consolidated annual financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

3. RELATED PARTY TRANSACTIONS

	30 June 2014							
	Receivables				Payables			
	Short-Term		Long-Term		Short-Term		Long-Term	
Related party transactions	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade
Aydiner İnşaat A.Ş. (*)	6.719	-	-	-	37.052.956	13.024.495	-	-
Kayseri ve Civarı Elektrik A.Ş.	-	-	-	-	18.627	-	-	-
Layne Bowler Pompa Sanayi A.Ş.	21.125	-	-	-	-	-	-	-
Samsun Makina Sanayii A.Ş. (****)	-	-	-	-	-	7.499.507	-	-
Aksu Other Shareholders (**)	631	-	-	11.794.734	-	-	-	-
As Enerji ŞhPk (***)	-	-	-	6.795.577	-	-	-	-
Ayen Enerji Other Shareholders	-	-	-	750.288	-	-	-	-
Araklı Other Shareholders	-	-	-	-	-	-	-	445.410
Metay İnşaat Sanayi Ticaret A.Ş.	347.199	79.846	-	-	1.079.866	3.127	-	-
	<u>375.674</u>	<u>79.846</u>	<u>-</u>	<u>19.340.599</u>	<u>38.151.449</u>	<u>20.527.129</u>	<u>-</u>	<u>445.410</u>

(*) Short-term trade receivables consist of electricity sales of Ayen Elektrik to worksites of Aydiner İnşaat in various regions. The short-term trade payables consist of the progress bills issued by Aydiner İnşaat for constructions in progress of the Group. The short-term non-trade payables consist of loan given to Group by Aydiner İnşaat A.Ş.. As of 30 June 2014, interest rate for aforementioned loan is 14,45%

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

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

(****) Short-term non trade payables consists of loan given to Group. As of 30 June 2014 interest rate for aforementioned loan is 11,75%.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

3. RELATED PARTY TRANSACTIONS (cont'd)

	31 December 2013							
	Receivables				Payables			
	Short-Term		Long-Term		Short-Term		Long-Term	
	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade
Related party transactions								
Aydiner İnşaat A.Ş. (*)	173.127	-	-	-	82.628.425	26.361.327	-	-
Kayseri ve Civarı Elektrik A.Ş.	-	-	-	-	16.153	-	-	-
Layne Bowler Pompa Sanayi A.Ş. (**)	25.178	-	-	-	-	-	-	-
Samsun Makina Sanayii A.Ş.	2.913	-	-	-	-	-	-	-
Aksu Other Shareholders (***)	-	-	-	10.841.375	-	-	-	-
As Energji ShPk (****)	-	-	-	706.991	-	-	-	-
Araklı Other Shareholders	-	-	-	-	-	-	-	445.410
Other	106.403	1.470	-	-	196.115	-	-	-
	<u>307.621</u>	<u>1.470</u>	<u>-</u>	<u>11.548.366</u>	<u>82.840.693</u>	<u>26.361.327</u>	<u>-</u>	<u>445.410</u>

(*) Short-term trade receivables consist of electricity sales of Ayen Elektrik to worksites of Aydiner İnşaat in various regions. The short-term trade payables consist of the progress bills issued by Aydiner İnşaat for constructions in progress of the Group. The short-term non-trade payables consist of loan given to Group by Aydiner İnşaat A.Ş.. As of 31 December 2013, interest rate for aforementioned loan is 11,73%.

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

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

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

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

3. RELATED PARTY TRANSACTIONS (cont'd)

	1 January – 30 June 2014					
Related party transactions	Energy sales	Interest income	Purchases of fixed assets	Purchases of services	Interest expense	Other expenses
Aydiner İnşaat A.Ş. (*)	731.063	2.018.418	67.698.538	182.638	378.203	-
Kayseri ve Civarı Elektrik A.Ş.	-	-	-	133.695	-	-
Samsun Makine Sanayi A.Ş.	9.377	-	-	-	423.308	-
Aybet Beton A.Ş.	517.313	-	-	-	-	-
Metay İnşaat Sanayii ve Ticaret A.Ş.	-	-	-	1.350	-	514.257
Aksu Other Shareholders	-	825.705	-	-	-	-
Layne Bowler Pompa Sanayi A.Ş.	110.758	-	-	-	-	-
Other	-	-	-	84.224	-	-
	<u>1.368.511</u>	<u>2.844.123</u>	<u>67.698.538</u>	<u>401.907</u>	<u>801.511</u>	<u>514.257</u>

(*) Purchases of fixed assets consists of progress payment invoices issued by Aydiner İnşaat to Group regarding to the constructions in progress.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

3. RELATED PARTY TRANSACTIONS (cont'd)

Related Party Transactions	1 January - 30 June 2013					
	Sale of services	Energy sales	Interest income	Purchase of fixed assets	Purchase of services	Interest expense
Aydiner İnşaat A.Ş. (*)	152.542	1.527.428	164.770	27.454.835	169.270	90.093
Kayseri ve Civarı Elektrik A.Ş.	-	-	-	-	100.149	-
Samsun Makina Sanayii A.Ş.	-	13.274	-	-	-	-
Aybet Beton A.Ş.	-	151.883	-	-	-	-
Metay İnşaat Sanayii ve Ticaret A.Ş.	-	-	-	-	30.674	-
Aksu Other Shareholders	-	-	352.278	-	-	-
Layne Bowler Pompa Sanayi A.Ş.	26.695	93.439	-	-	-	-
	<u>179.237</u>	<u>1.786.024</u>	<u>517.048</u>	<u>27.454.835</u>	<u>300.093</u>	<u>90.093</u>

(*) Purchase of fixed assets consist of the construction progress bills of Aydiner İnşaat which invoiced to the Group.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

3. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel:

Compensation of key management personnel during the period as follows:

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Salary and other short term benefits	893.573	360.947	1.005.636	592.357
Other long-term benefits	107.831	(35.021)	115.005	(1.830)
	<u>1.001.404</u>	<u>325.926</u>	<u>1.120.641</u>	<u>590.527</u>

4. PREPAID EXPENSES AND DEFERRED INCOME

As of 30 June 2014 and 31 December 2013 details of long term prepaid expenses of the Group are summarized below:

Long-Term Prepaid Expenses	30 June 2014	31December 2013
Deferred finance charges	24.806.385	23.918.652
Transmission line (*)	10.822.614	11.092.261
Advances given (**)	18.350.578	5.877.512
Other	-	122.793
	<u>53.979.577</u>	<u>41.011.218</u>

(*) Consists of the costs regarding the Büyükdüz, Mordoğan, Korkmaz and Aksu transmission lines constructed for TEİAŞ, which are considered as prepaid expenses of switching station.

(**) Consists of advances paid to subcontractors for the dam projects of Ayen AS.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

5. TANGIBLE AND INTANGIBLE ASSETS

	Property, Plant and Equipment	Intangible Assets
<u>Cost</u>		
Opening balance as at 1 January 2014	797.349.246	22.846.460
Additions (*)	93.853.322	283.946
Disposals	(35.580)	-
Currency translation differences	(1.396.664)	-
Closing balance as at 30 June 2014	889.770.324	23.130.406
<u>Accumulated Depreciation</u>		
Opening balance as at 1 January 2014	(79.927.647)	(3.040.002)
Charge for the period	(13.588.319)	(441.559)
Disposals	13.046	-
Closing balance as at 30 June 2014	(93.502.920)	(3.481.561)
Net book value as at 30 June 2014	796.267.404	19.648.845

(*) As of 30 June 2014, TL of 92.803.471 TL of the additions is related to the construction in progress, TL 85.006.169 of the additions is related to the Arnavutluk HEPP, the remaining balance consists the construction progress payments, general construction expenses and general expenses for the construction of facility of Korkmaz WEPP. In 2014, TL 4.107.904 of borrowing costs regarding the loans used for construction in progress have been capitalized in property, plant and equipment.

	Property, Plant and Equipment	Intangible Assets
<u>Cost</u>		
Opening balance as at 1 January 2013	675.040.776	22.749.454
Additions (*)	40.437.663	27.561
Disposals	(1.114.013)	-
Closing balance as at 30 June 2013	714.364.426	22.777.015
<u>Accumulated Depreciation</u>		
Opening balance as at 1 January 2013	(56.776.075)	(2.166.282)
Charge for the period	(11.386.830)	(439.286)
Disposals	1.077.748	-
Closing balance as at 30 June 2013	(67.085.157)	(2.605.568)
Net book value as at 30 June 2013	647.279.269	20.171.447

(*) TL 38.633.202 of the additions related with the Arnavutluk HEPP construction expenses and the remaining amount is for the investment expenses of the Mordoğan WEPP and Korkmaz WEPP. In 2013, TL 2.670.211 of interest expense and TL 1.971.063 of foreign exchange loss regarding the loans used for constructions in progress have been capitalized over property, plant and equipment.

TL 13.821.319 (30 June 2013: TL 11.589.594) of the current period depreciation expense and amortization expense has been charged in cost of sales and TL 208.559 (30 June 2013: TL 236.522) charged in general administration expenses.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

6. SERVICE CONCESSION ARRANGEMENTS

	30 June 2014	31 December 2013
Due from Service Concession Arrangements		
Short-term due from service concession arrangements	25.655.336	30.653.471
Invoiced and undue due from service concession arrangements (*)	8.503.070	12.235.929
Unbilled short-term due from service concession arrangements related to the shortage in production (**)	-	1.218.940
Total short-term due from service concession arrangements	34.158.406	44.108.340
Long-term due from service concession arrangements	93.155.696	104.094.187
Total due from service concession arrangements	127.314.102	148.202.527
Gross due from service concession arrangements	218.309.016	244.444.905
Unearned financial income (-)	(99.497.984)	(109.697.247)
Due from service concession arrangements(*) (**)	8.503.070	13.454.869
Due from service concession arrangements-net	127.314.102	148.202.527

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

(**) Consists of the equity portion of unbilled income of Çamlıca HEPP for the years 2000, 2001, 2003, 2006, 2007, 2012 and 2013.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

6. SERVICE CONCESSION ARRANGEMENTS (cont'd)

As of 30 June 2014 and 31 December 2013, the payment schedules for gross and net due from service concession arrangements are as follows:

	Gross due from service concession arrangements (USD)		Gross due from service concession arrangements (TL)	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
Up to 1 year	20.128.397	23.441.174	42.740.638	50.030.498
1 to 2 years	12.283.020	16.815.620	26.081.765	35.889.578
2 to 3 years	7.750.420	7.750.420	16.457.242	16.541.721
3 to 4 years	7.750.420	7.750.420	16.457.242	16.541.721
More than 4 years	54.898.808	58.774.018	116.572.129	125.441.387
	<u>102.811.065</u>	<u>114.531.652</u>	<u>218.309.016</u>	<u>244.444.905</u>
	Net due from service concession arrangements (USD)		Net due from service concession arrangements (TL)	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
Up to 1 year	12.082.196	14.362.307	25.655.336	30.653.471
1 to 2 years	5.966.062	9.802.086	12.668.336	20.920.592
2 to 3 years	2.291.395	2.130.038	4.865.548	4.546.140
3 to 4 years	2.629.109	2.452.753	5.582.650	5.234.911
More than 4 years	32.984.441	34.387.173	70.039.162	73.392.544
	<u>55.953.203</u>	<u>63.134.357</u>	<u>118.811.032</u>	<u>134.747.658</u>

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

7. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

At the end of each period, the Group evaluates the potential results of the litigations and their financial effects and books a provision accordingly. As of 30 June 2014, there is no provision accounted for the litigations (31 December 2013: None).

b) Contingent Assets and Liabilities

	30 June 2014	31 December 2013
<u>Contingent assets</u>		
Letters of guarantee received (*)	19.061.613	23.714.418
Guarantee received (**)	689.517.050	694.476.336
	<u>708.578.663</u>	<u>718.190.754</u>

(*) All of the letters of guarantee received by Ayen Elektrik as a guarantee against risks that might occur in collecting related with electricity sales.

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

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

	30 June 2014	31 December 2013
<u>Contingent Liabilities</u>		
Letters of conveyance given (*)	556.018.106	574.775.632

(*) Regarding the "Royalty agreement of the establishment and operation of Yamula Dam and HEPP and sale of the produced electricity to TETAŞ" and the "Energy sales agreement for Yamula Dam and HEPP" signed with MENR on 7 July 2003 Kayseri Elektrik gave its receivable of USD 124.979.823 (31 December 2013: USD 131.030.025) as a conveyance for the loan. However, these conveyances will be effective if payment schedules of the loans have not been met. Moreover, there exists EURO 100.500.000 (TL 290.635.950, 31 December 2013: EURO 100.500.000) of conveyance over receivables of Aksu Temiz Enerji as of 30 June 2014 (Note 14).

	30 June 2014	31 December 2013
<u>Contingent Liabilities</u>		
Commercial enterprise pledge (**)	290.000.000	290.000.000

(**) The Group has given commercial enterprise pledge amounting to TL 140.000.000 as a guarantee for the loan used for construction of Akbük WPP, on 25 June 2009 and TL 150.000.000 as a guarantee for the loan used for Mordoğan WPP and Korkmaz WPP on 30 May 2012 (Note 14).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

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

b) Contingent Assets and Liabilities (cont'd)

	30 June 2014	31 December 2013
Contingent Liabilities		
Mortgages given (***)	95.553.000	96.043.500

(***) Consists of the mortgages given for the long-term borrowings of the Group, there exists TL 95.553.000 (USD 45.000.000) of mortgages over property, plant and equipment (Note 14). Remaining amount of the loan guaranteed via mortgage amounting to TL 84.936.000 (USD 40.000.000) is TL 1.440.675 as of 30 June 2014

	30 June 2014	31 December 2013
Contingent Liabilities		
Letters of guarantee given (****)	95.728.046	124.963.599

(****) Letters of guarantee given consist of TL 53.901.613 in terms of USD, TL 1.943.143 in terms of EURO and TL 39.883.290 in terms of Turkish Lira. Letters of guarantee given comprises that TL 14.597.335 (USD 6.874.510) has been given to the Albania Ministry of Economy for Ayen-AS, TL 1.524.814 (USD 718.100) has been given to General Directorate of Mineral Research and Exploration, TL 7.073.045 (USD 3.331.000) has been given to BOTAS, TL 6.479.000 has been given to MENR, TL 2.000.000 has been given to TEİAŞ for Akbük II plant and TL 27.566.849 given to electricity distribution companies as assurance pay for the payable arising due to the electricity purchases by Group. In addition to these, TL 14.292.769 (USD 5.815.968 and EURO 671.926) are the letters of guarantee given as a guarantee for the long-term borrowings obtained for the investment activities of the Group. TL 18.356.793 (USD 8.645.000) is a letter of guarantee given in accordance with the concession agreement for the transfer of Çamlıca HEPP in working condition.

	30 June 2014	31 December 2013
Contingent Liabilities		
Guarantee given (*****)	248.965.700	265.043.100

(***** Consists of TL 55.208.400 (USD 26.000.000) guarantee given to İş Bank for the borrowing used and TL 193.757.300 (EURO 67.000.000) is due to the joint guarantee for the loan obtained by Aksu Temiz Enerji from TSKB.

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

8. COMMITMENTS

Guarantees, pledge and mortgage (“GPM”) position of the Group as of 30 June 2014 and 31 December 2013 is as follows:

	30 June 2014				31 December 2013			
	TL Equivalent	TL	USD	EURO	TL Equivalent	TL	USD	EURO
GPM given on behalf of the legal entity	401.029.687	300.725.346	47.237.610	-	435.554.942	316.053.974	53.237.610	2.001.000
Guarantee Letter	45.204.287	10.725.346	16.237.610	-	66.585.842	26.053.974	16.237.610	2.001.000
Pledge	290.000.000	290.000.000	-	-	290.000.000	290.000.000	-	-
Mortgage	10.617.000	-	5.000.000	-	10.671.500	-	5.000.000	-
Guarantee	55.208.400	-	26.000.000	-	68.297.600	-	32.000.000	-
GPM given on behalf of the subsidiaries that are included in full consolidation	885.235.165	29.157.945	174.126.791	168.171.926	915.270.889	13.571.429	181.759.545	174.960.008
Conveyance	556.018.106	-	124.979.823	100.500.000	574.775.632	-	131.030.025	100.500.000
Guarantee Letter	50.523.759	29.157.945	9.146.968	671.926	58.377.757	13.571.429	10.729.520	7.460.008
Mortgage	84.936.000	-	40.000.000	-	85.372.000	-	40.000.000	-
Guarantee	193.757.300	-	-	67.000.000	196.745.500	-	-	67.000.000
GPM given for execution of ordinary commercial activities to collect third parties debt	-	-	-	-	-	-	-	-
Other guarantees given	-	-	-	-	-	-	-	-
i. GPM given on behalf of main shareholder								
Guarantee	-	-	-	-	-	-	-	-
ii. GPM given on behalf of group companies not covered by B and C.	-	-	-	-	-	-	-	-
iii. GPM given on behalf of group companies not covered by C.	-	-	-	-	-	-	-	-
Total	<u>1.286.264.852</u>	<u>329.883.291</u>	<u>221.364.401</u>	<u>168.171.926</u>	<u>1.350.825.831</u>	<u>329.625.403</u>	<u>234.997.155</u>	<u>176.961.008</u>

(*) As of 30 June 2014, rate of Group’s GPM to equity is 0% (2013: 0%).

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

9. EXPENSES BY NATURE

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Personnel expenses (*)	(6.167.175)	(2.692.065)	(5.977.086)	(3.400.618)
Depreciation	(14.029.878)	(7.052.566)	(11.826.116)	(5.912.098)
Transportation	(543.397)	(204.778)	(851.417)	(410.110)
Cost of natural gas	(12.971.850)	(6.698.999)	(7.981.162)	(5.160.376)
Cost of electricity (**)	(32.888.463)	(13.235.622)	(100.807.159)	(47.642.434)
Plant technical assistance and maintenance	(4.367.711)	(3.281.019)	(2.062.390)	(474.933)
Consultancy	(1.286.338)	(435.795)	(1.062.963)	(685.441)
System usage fee (***)	(1.097.552)	(426.977)	(1.394.206)	(673.510)
Office	(425.203)	(217.756)	(450.846)	(219.840)
Taxes and duties	(195.401)	(114.386)	(209.545)	(170.152)
Other	(2.456.544)	(342.951)	(2.215.713)	(1.081.163)
	<u>(76.429.512)</u>	<u>(34.702.914)</u>	<u>(134.838.603)</u>	<u>(65.830.675)</u>

(*) Personnel expenses of TL 3.282.065 (30 June 2013: TL 3.403.443) has been charged in cost of sales; TL 2.885.110 (30 June 2013: TL 2.573.643) has been charged in general administrative expenses.

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

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

10. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company is not subject to registered capital system. The approved and issued capital of the Company consists of 17.104.230.000 shares (31 December 2013: 17.104.230.000) with TL 0,01 nominal price each. The mentioned capital is fully paid.

The composition of the Company's paid-in share capital as of 30 June 2014 and 31 December 2013 is as follows:

Shareholders	%	30 June 2014	%	31 December 2013
Aydiner İnşaat A.Ş.	84,98	145.351.747	84,98	145.351.747
Public quotation	15,01	25.673.449	15,01	25.673.449
Other	<1	17.104	<1	17.104
Subscribed capital		<u>171.042.300</u>		<u>171.042.300</u>

The operations of the Company are managed by the Board of Directors with at least 7 (seven) members that consist 5 (five) A type shareholders determined in the General Assembly in accordance with the Turkish Commercial Code. Each (A) type shareholders have 15 voting rights in Ordinary and Extraordinary General Assemblies.

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

10. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

b) Restricted profit reserves and retained earnings

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. These amounts are classified as "Restricted profit reserves" according to the CMB Financial Reporting Standards. As of 30 June 2014, the amount of restricted profit reserves is TL 56.068.939 (31 December 2013: TL 51.589.983).

Besides, in Kayseri Elektrik General Assembly which was hold on 29 April 2014, was decided transfer of TL 4.478.957 to reserves from the Company's profit for the year 2013.

Resources Available for Profit Distribution

As of balance sheet date, period loss of the Group is TL 17.337.812 and retained earnings is TL 27.421.467 according to the statutory records. Total profit available for distribution resources after deducting period loss from retained earnings is TL 44.759.279 (31 December 2013: TL 27.421.467).

11. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities:

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Interest income	1.394.931	517.585	978.844	466.011
Foreign exchange gains	-	(3.511.653)	11.432.001	8.542.168
Gain on sale of fixed assets	17.421	17.421	179.237	-
Other	21.972	21.972	1.468	-
	<u>1.434.324</u>	<u>(2.954.675)</u>	<u>12.591.550</u>	<u>9.008.179</u>

Expense from Investing Activities:

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Foreign exchange loss	(405.151)	(651.925)	(144.602)	(142.140)
Loss from sale of fixed assets	-	-	(18.838)	(18.838)
	<u>(405.151)</u>	<u>(651.925)</u>	<u>(163.440)</u>	<u>(160.978)</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

12. FINANCE EXPENSES

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Net foreign exchange (income)/loss	6.407.082	22.590.616	(36.522.665)	(41.153.477)
Bank loan interests	(13.520.514)	(7.048.617)	(8.273.651)	(4.691.608)
Deferred finance expenses	(2.375.825)	(1.333.770)	(1.364.580)	(781.603)
Other finance expenses	(738.796)	(463.672)	(516.136)	(246.257)
	<u>(10.228.053)</u>	<u>13.744.557</u>	<u>(46.677.032)</u>	<u>(46.872.945)</u>

13. EARNINGS/(LOSS) PER SHARE

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Earning/Loss per share				
Average number of outstanding shares	17.104.230.000	17.104.230.000	17.104.230.000	17.104.230.000
Profit/(loss) for the period attributable to equity holders of the Parent	12.191.830	21.391.852	(59.793)	(12.535.714)
Earnings/(loss) per basic, 1.000 shares (TL)	0,71	1,25	(0,003)	(0,73)

14. FINANCIAL INSTRUMENTS

Financial Liabilities:

The detail of borrowings of the Group as of 30 June 2014 and 31 December 2013 is as follows:

Borrowings	30 June 2014	31 December 2013
Short-term financial borrowings	51.060.389	46.441.613
Short-term portion of long-term borrowings	94.454.438	95.775.147
Long-term financial borrowings	659.066.038	592.328.564
	<u>804.580.865</u>	<u>734.545.324</u>

The accrued interest expense on short-term borrowings is TL 5.357.641 (31 December 2013: TL 3.442.807).

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

14. FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities (cont'd)

The detail of borrowings is as follows:

Original Currency	Weighted average effective interest rate (%)	30 June 2014	
		Short-term	Long-term
TL	13,22%	51.060.389	-
USD	6,11%	31.034.638	31.731.845
EURO	3,73%	63.419.800	627.334.193
		<u>145.514.827</u>	<u>659.066.038</u>

Original Currency	Weighted average effective interest rate (%)	31 December 2013	
		Short-term	Long-term
TL	9,55%	46.441.613	-
USD	5,99%	32.680.985	46.715.066
EURO	3,29%	63.094.162	545.613.498
		<u>142.216.760</u>	<u>592.328.564</u>

The redemption schedule of the borrowings as of 30 June 2014 and 31 December 2013 is as follows:

	30 June 2014	31 December 2013
To be paid within 1 year	145.514.827	142.216.760
To be paid between 1-2 years	70.407.069	82.616.721
To be paid between 2-3 years	64.395.322	65.235.499
To be paid between 3-4 years	63.118.427	62.293.433
To be paid between 4-5 years	61.273.214	53.886.535
5 and more than 5 years	399.872.006	328.296.376
	<u>804.580.865</u>	<u>734.545.324</u>

For the long-term borrowings of the Group, there exists TL 95.553.000 (USD 45.000.000) of mortgages over land, TL 14.292.769 (USD 5.815.968 and EURO 671.926) of letters of guarantee, TL 248.965.700 (EURO 67.000.000 and USD 26.000.000) of guarantee given and TL 556.018.106 (USD 124.979.823 and EURO 100.500.000) of conveyance on receivables (Note 7). Deferred finance expenses have been recognized in deferred finance expenses which have been paid for the long-term borrowings of the Group. As of 30 June 2014 the deferred finance expenses of the Group, which have been amortised through the maturity of the loans, is TL 26.685.811 (31 December 2013: TL 25.759.689) (Note 6). Group has also given commercial enterprise pledge amounting to TL 290.000.000 as guarantee for the investment loans (Note 7).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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15. FOREIGN CURRENCY POSITION

The Group is exposed to foreign exchange risks due to foreign currency transactions.

The table below analyses foreign currency denominated assets and liabilities and TL equivalents of the Group as of 30 June 2014 and 31 December 2013:

	30 June 2014		
	TL Equivalent	USD	EUR
Trade receivables	5.878.399	2.763.683	3.456
Monetary financial assets	2.875.957	73.511	940.511
Due from short term service concession arrangements	34.158.406	16.086.656	-
Other	61.938	148	21.309
CURRENT ASSETS	42.974.700	18.923.998	965.276
Due from long term service concession arrangements	93.155.696	43.871.007	-
Other	2.904.075	-	1.004.210
NON-CURRENT ASSETS	96.059.771	43.871.007	1.004.210
TOTAL ASSETS	139.034.471	62.795.005	1.969.486
Trade payables	44.072.580	346.651	14.985.477
Financial borrowings	94.454.438	14.615.540	21.930.150
SHORT TERM LIABILITIES	138.527.018	14.962.191	36.915.627
Financial borrowings	659.066.038	14.943.885	216.928.038
LONG TERM LIABILITIES	659.066.038	14.943.885	216.928.038
TOTAL LIABILITIES	797.593.056	29.906.076	253.843.665
Net Foreign Currency Position	(658.558.585)	32.888.929	(251.874.179)

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15. FOREIGN CURRENCY POSITION (cont'd)

	31 December 2013		
	TL Equivalent	USD	EURO
Trade receivables	17.682.710	7.152.344	823.246
Monetary financial assets	24.579.054	138.530	8.269.501
Due from short-term service concession arrangements	44.108.340	20.666.420	-
Other	12.945.887	164	4.408.492
CURRENT ASSETS	99.315.991	27.957.458	13.501.239
Due from long-term service concession arrangements	104.094.187	48.772.050	-
Other	2.894.693	-	985.763
NON-CURRENT ASSETS	106.988.880	48.772.050	985.763
TOTAL ASSETS	206.304.871	76.729.508	14.487.002
Trade payables	93.321.297	1.731.965	30.520.948
Financial borrowings	95.775.147	15.312.273	21.486.178
Other current financial liabilities	1.528.052	715.950	-
CURRENT LIABILITIES	190.624.496	17.760.188	52.007.126
Financial borrowings	592.328.564	21.887.769	185.804.018
NON-CURRENT LIABILITIES	592.328.564	21.887.769	185.804.018
TOTAL LIABILITIES	782.953.060	39.647.957	237.811.144
Net Foreign Currency Position	(576.648.189)	37.081.551	(223.324.142)

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15. FOREIGN CURRENCY POSITION (cont'd)

The Group is mainly exposed to foreign exchange risk through the impact of rate changes in the translation of USD and EUR denominated assets and liabilities to local currency. As of 30 June 2014 and 31 December 2013, had the TL appreciated or depreciated by 10% against USD and EUR with all other variables held constant, the effect over current period consolidated net income and shareholder's equity be as follows:

	30 June 2014	
	Profit/Loss	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
In case 10% appreciation in USD against TL		
US Dollar net asset / liability	6.983.635	(6.983.635)
Part of hedged from US Dollar risk (-)	-	-
US Dollar net effect	<u>6.983.635</u>	<u>(6.983.635)</u>
Euro net asset / liability	(72.839.494)	72.839.494
Part of hedged from Euro risk (-)	-	-
Euro net effect	<u>(72.839.494)</u>	<u>72.839.494</u>
TOTAL	(65.855.859)	65.855.859

	30 June 2013	
	Profit/Loss	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
In case 10% appreciation in USD against TL		
US Dollar net asset / liability	7.384.534	(7.384.534)
Part of hedged from US Dollar risk (-)	-	-
US Dollar net effect	<u>7.384.534</u>	<u>(7.384.534)</u>
Euro net asset / liability	(48.912.993)	48.912.993
Part of hedged from Euro risk (-)	-	-
Euro net effect	<u>(48.912.993)</u>	<u>48.912.993</u>
TOTAL	(41.528.459)	41.528.459

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2014

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

16. EVENTS AFTER THE REPORTING PERIOD

Construction of Korkmaz WPP with an installed capacity of 24 MW and established in the province of Izmir Seferihisar, has been completed as of the date of this report. 5 of the wind turbine-generator groups has been approved by the Ministry of Energy and Natural Resources (“MENR”) on 15 August 2014 and they has started to operate. Acceptation process of remaining 7 wind turbine-generator groups have not been completed as of the date of this report.