(Convenience translation of a report and financial statements originally issued in Turkish)

Ayen Enerji A.Ş. and Its Subsidiaries

Condensed consolidated financial statements for the interim period ended 1 January – 30 June 2019 together with independent auditor's review report

(Convenience translation of independent review report and condensed consolidated financial statements originally issued in Turkish)

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(Convenience translation of independent review report and condensed consolidated financial statements originally issued in Turkish)

Report on Limited Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Ayen Enerji A.Ş. (the "Company") and its subsidiaries (the "Group") as of June 30, 2019 and the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting ("TAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our limited review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 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 of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with TAS 34.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Mehmet Can Altıntaş, SMMM
Partner

August 19, 2019
Ankara, Turkey

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

	Notes	Current Period (Reviewed) June 30, 2019	Prior Period (Audited) December 31, 2018
ASSETS			
Current Assets			
Cash and Cash Equivalents		37.485.332	121.209.720
Trade Receivables		62.567.951	73.533.759
Due from related parties	*4*	*1.433.026*	*2.727.127*
Due .from others		*61.134.925*	*70.806.632*
Other Receivables		9.477.936	4.746.572
Due from related parties	*4*	*448.227*	*13.552*
Due .from others		*9.029.709*	*4.733.020*
Service Concession Arrangements	8	36.800.830	17.240.073
Prepaid Expenses		6.702.100	3.930.068
Due from other parties		*6.702.100*	*3.930.068*
Other Current Assets	7	127.201.971	130.265.646
TOTAL CURRENT ASSETS		**280.236.120**	**350.925.838**
Non-Current Assets			
Financial Assets		412.408	412.408
Other Receivables		66.632.714	59.888.813
Due from related parties	*4*	*3.978.688*	*3.661.216*
Due .from others		*62.654.026*	*56.227.597*
Service Concession Arrangements	8	152.761.155	149.266.526
Property, Plant and Equipment	5	2.151.803.826	2.040.200.205
Right of Use Assets	6	6.895.345	-
Intangible Assets		26.463.663	26.551.494
Goodwill		*17.461.935*	*17.461.935*
Other Intangible Assets	*5*	*9.001.728*	*9.089.559*
Prepaid expenses		745.205	390.532
Due from other parties		*745.205*	*390.532*
Deferred Tax Assets		40.919.962	40.400.915
TOTAL NON-CURRENT ASSETS		**2.446.634.278**	**2.317.110.893**
TOTAL ASSETS		**2.726.870.398**	**2.668.036.731**

The accompanying policies and explanatory notes are the integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019

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

	Notes	**Current Period (Reviewed) June 30, 2019**	**Prior Period (Audited) December 31, 2018**
LIABILITIES			
Current Liabilities			
Short-Term Financial Liabilities	9	198.769.332	207.720.061
Due to other parties		198.769.332	207.720.061
Bank borrowings		*190.946.905*	*201.214.742*
Lease liabilities		*7.822.427*	*6.505.319*
Short Term Portion of Financial Liabilities	9	262.310.646	188.985.658
Due to other parties		262.310.646	188.985.658
Bank borrowings		*262.310.646*	*188.985.658*
Other Financial Liabilities		18.064	18.064
Other Miscellaneous Financial Liabilities		*18.064*	*18.064*
Trade Payables		19.194.756	59.538.995
Due to related parties	*4*	*3.812.773*	*23.241.931*
Due to other parties		*15.381.983*	*36.297.064*
Employee Benefit Obligations		601.066	619.731
Other Payables		109.978.782	138.650.763
Due to related parties	*4*	*99.944.836*	*136.259.892*
Due to other parties		*10.033.946*	*2.390.871*
Deferred Income		7.288.174	10.109.211
Due to other parties (Excluding Obligations Arising From Customer Contracts)		*7.288.174*	*10.109.211*
Current Income Tax Liabilities		8.830.946	6.865.181
Short- Term Provisions		874.526	938.073
Short-Term Provisions for Employee Benefits		*874.526*	*938.073*
Other Current Liabilities		123.293	30.075
Due to other parties		*123.293*	*30.075*
TOTAL CURRENT LIABILITIES		**607.989.585**	**613.475.812**
Non-Current Liabilities			
Long-Term Financial Liabilities	9	1.417.235.994	1.442.857.822
Due to other parties		1.417.235.994	1.442.857.822
Bank borrowings		*1.386.858.134*	*1.414.662.074*
Lease liabilities		*30.377.860*	*28.195.748*
Long- Term Provisions		3.251.488	3.084.486
Long- Term Provisions for Employee Benefits		*3.251.488*	*3.084.486*
Deferred Income		18.585.037	22.182.141
Due to other parties (Excluding Obligations Arising From Customer Contracts)		*18.585.037*	*22.182.141*
Other Payables		445.410	445.410
Due to related parties	*4*	*445.410*	*445.410*
Deferred Tax Liabilities		32.947.890	29.406.145
TOTAL NON-CURRENT LIABILITIES		**1.472.465.819**	**1.497.976.004**
TOTAL LIABILITIES		**2.080.455.404**	**2.111.451.816**

The accompanying policies and explanatory notes are the integral part of the consolidated financial statements.

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

	Notes	Current Period (Reviewed) June 30, 2019	Prior Period (Audited) December 31, 2018
EQUITY			
Parent's Equity		**563.321.046**	**479.652.307**
Paid-in Share Capital	12	171.042.300	171.042.300
Other Accumulated Comprehensive Income / Expenses that not to be Reclassified to Profit or Loss		38.535.525	39.284.579
Accumulated Losses on Remeasurement of Defined Benefit Plans		*(1.896.102)*	*(1.147.048)*
Increase on Revaluation of Property, Plant and Equipment		*40.431.627*	*40.431.627*
Other Accumulated Comprehensive Income to be Reclassified to Profit or Loss		333.101.620	279.044.334
Currency Translation Differences		*333.101.620*	*279.044.334*
Restricted Profit Reserves	12	71.893.619	71.893.619
Legal Reserves		*71.893.619*	*71.893.619*
Retained Earnings/ (Losses)		(81.612.525)	(31.942.586)
Net Profit or Loss for the Period		30.360.507	(49.669.939)
Non-Controlling Interests		**83.093.948**	**76.932.608**
TOTAL EQUITY		**646.414.994**	**556.584.915**
TOTAL LIABILITIES AND EQUITY		**2.726.870.398**	**2.668.036.731**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

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

	Notes	**Current Period (Reviewed) January 1 - June 30, 2019**	Prior Period (Reviewed) January 1 - June 30, 2018	**Current Period (Not Reviewed) April 1 - June 30, 2019**	Prior Period (Not Reviewed) April 1- June 30, 2018
PROFIT OR LOSS					
Revenue	3	306.276.585	377.819.080	158.057.089	175.940.078
Cost of Sales (-)	3, 13	(168.230.399)	(265.172.383)	(77.493.402)	(121.614.189)
GROSS PROFIT		**138.046.186**	112.646.697	**80.563.687**	54.325.889
General Administrative Expenses (-)	13	(11.179.637)	(9.468.563)	(6.083.649)	(6.398.280)
Other Operating Income		18.802.283	7.226.136	11.646.643	6.172.354
Other Operating Expenses (-)		(9.578.470)	(11.504.206)	(7.221.952)	(6.643.379)
OPERATING PROFIT		**136.090.362**	98.900.064	**78.904.729**	47.456.584
Income from Investment Activities	14	24.108.574	37.440.316	8.066.257	26.375.312
Impairment Gains/ (Losses) and Cancellation of Impairment Losses Determined According to TFRS 9		96.949	-	18.144	-
OPERATING INCOME BEFORE FINANCIAL EXPENSE		**160.295.885**	136.340.380	**86.989.130**	73.831.896
Financial Income/ (Expenses), Net	15	(118.360.576)	(103.975.412)	(31.534.317)	(50.639.936)
PROFIT BEFORE TAXATION ON INCOME		**41.935.309**	32.364.968	**55.454.813**	23.191.960
Tax (Expense)/ Income from Continued Operations		**(12.192.450)**	(11.413.520)	**(6.476.440)**	(8.823.494)
Current Tax Expense		(9.011.053)	(14.075.823)	(4.229.297)	(6.606.327)
Deferred Tax Income/ (Expense)		(3.181.397)	2.662.303	(2.247.143)	(2.217.167)
PROFIT FOR THE PERIOD FROM CONTINUED OPERATIONS		**29.742.859**	20.951.448	**48.978.373**	14.368.466
NET PROFIT FOR THE PERIOD		**29.742.859**	20.951.448	**48.978.373**	14.368.466
Attribution of Profit for the Period					
Non-Controlling Interests		(617.648)	5.311.818	1.329.223	3.209.400
Equity Holders of the Parent		30.360.507	15.639.630	47.649.150	11.159.066
Earning per 1.000 shares	16	**1,78**	0,91	**2,79**	0,65

The accompanying policies and explanatory notes are the integral part of the consolidated financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

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

OTHER COMPREHENSIVE INCOME	**Current Period (Reviewed) January 1 - June 30, 2019**	Prior Period (Reviewed) January 1 - June 30, 2018	**Current Period (Not Reviewed) April 1 - June 30, 2019**	Prior Period (Not Reviewed) April 1- June 30, 2018
PROFIT FOR THE PERIOD	**29.742.859**	20.951.448	**48.978.373**	14.368.466
Other Accumulated Comprehensive Income or Expenses To Be Reclassified to Profit or Loss	**60.836.274**	107.473.799	**39.962.202**	64.369.570
Currency Translation Differences	***60.836.274***	*107.473.799*	***39.962.202***	*64.369.570*
Other Accumulated Comprehensive Income or Expenses Not To Be Reclassified to Profit or Loss	**(749.054)**	249.605	**(697.522)**	189.548
Accumulated Gain / Loss on Remeasurement of Defined Benefit Plans	***(907.753)***	*309.549*	***(875.314)***	*232.407*
Deferred Tax Income/ (Expense)	***158.699***	*(59.944)*	***177.792***	*(42.859)*
OTHER COMPREHENSIVE INCOME	**60.087.220**	107.723.404	**39.264.680**	64.559.118
TOTAL COMPREHENSIVE INCOME	**89.830.079**	128.674.852	**88.243.053**	78.927.584
Total Comprehensive Income for the Period Attributable to:				
Non-Controlling Interests	**6.161.340**	17.479.554	**5.806.864**	10.476.505
Equity Holders of the Parent	**83.668.739**	111.195.298	**82.436.189**	68.451.079

The accompanying policies and explanatory notes are the integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

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

		Other Accumulated Comprehensive Income/ (Expense) not to be reclassified to profit or loss	Other Accumulated Comprehensive Income / (Expense) not to be reclassified to profit or loss	Other Accumulated Comprehensive Income / (Expense) not to be reclassified to profit or loss						
	Paid-in share capital	Actuarial Gain/ (Loss) Arising From Employee Benefits	Increase on Revaluation of Property, Plant and Equipment	Currency Translation Differences	Restricted Profit Reserves	Retained Earnings/ (Losses)	Net Profit or Loss for the Period	**Parent's Equity**	Non-Controlling Interests	**Total Equity**
Balance as of January 1, 2019	**171.042.300**	**(1.147.048)**	**40.431.627**	**279.044.334**	**71.893.619**	**(31.942.586)**	**(49.669.939)**	**479.652.307**	**76.932.608**	**556.584.915**
Transfers	-	-	-	-	-	(49.669.939)	49.669.939	**-**	-	**-**
Total comprehensive income/ (loss)	-	(749.054)	-	54.057.286	-	-	30.360.507	**83.668.739**	6.161.340	**89.830.079**
Balance as of June 30, 2019	**171.042.300**	**(1.896.102)**	**40.431.627**	**333.101.620**	**71.893.619**	**(81.612.525)**	**30.360.507**	**563.321.046**	**83.093.948**	**646.414.994**

The accompanying policies and explanatory notes are the integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

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

		Other Accumulated Comprehensive Income/ (Expense) not to be reclassified to profit or loss	Other Accumulated Comprehensive Income / (Expense) not to be reclassified to profit or loss	Other Accumulated Comprehensive Income / (Expense) not to be reclassified to profit or loss						
	Paid-in share capital	Actuarial Gain/ (Loss) Arising From Employee Benefits	Increase on Revaluation of Property, Plant and Equipment	Currency Translation Differences	Restricted Profit Reserves	Retained Earnings/ (Losses)	Net Profit or Loss for the Period	**Parent's Equity**	Non-Controlling Interests	**Total Equity**
Balance as of December 31, 2017	171.042.300	(858.333)	40.431.627	113.243.708	71.893.619	(62.118.845)	35.085.883	**368.719.959**	57.819.825	**426.539.784**
Impact of accounting policy change (Note 2.2)	-	-	-	-	-	(228.426)	-	**(228.426)**	-	**(228.426)**
Balance as of January 1, 2018	**171.042.300**	**(858.333)**	**40.431.627**	**113.243.708**	**71.893.619**	**(62.347.271)**	**35.085.883**	**368.491.533**	**57.819.825**	**426.311.358**
Transfers	-	-	-	-	-	35.085.883	(35.085.883)	-	-	-
Total comprehensive income/ (loss)	-	249.605	-	95.306.063	-	-	15.639.630	**111.195.298**	17.479.554	**128.674.852**
Dividends	-	-	-	-	-	-	-	-	(2.229.944)	**(2.229.944)**
Balance as of June 30, 2018	**171.042.300**	**(608.728)**	**40.431.627**	**208.549.771**	**71.893.619**	**(27.261.388)**	**15.639.630**	**479.686.831**	**73.069.435**	**552.756.266**

The accompanying policies and explanatory notes are the integral part of the consolidated financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2019

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

	Notes	Current Period (Reviewed) January 1 – June 30, 2019	Prior Period (Reviewed) January 1 – June 30, 2018
CASH FLOW FROM OPERATING ACTIVITIES		**97.768.378**	**(84.356.581)**
Profit for the period		**29.742.859**	**20.951.448**
- Period income from continuing operations		**29.742.859**	**20.951.448**
Adjustments to reconcile profit/ loss for the period		**143.686.114**	**117.340.146**
- Adjustments related to depreciation and amortization expenses	3, 5, 13	35.557.366	28.841.014
- Adjustments related to gains on sales of fixed asset		-	(8.349)
- Adjustments related to provisions		307.966	374.023
Provisions and adjustments related to employee benefits		*307.966*	*374.023*
- Adjustments for impairment loss/(reversal of impairment loss)		(96.949)	*17.642*
Adjustments for impairment of receivables		*(96.949)*	*17.642*
- Adjustments for interest (income)/ expenses		66.998.742	60.026.541
Adjustments for interest income	15	*(346.726)*	*(282.921)*
Adjustments for interest expenses		*67.345.468*	*60.309.462*
- Adjustments for unrealized foreign exchange difference		34.709.936	19.428.098
- Adjustments for tax income/ (expense)		12.192.450	11.413.520
- Other adjustments for non-cash transactions		(2.386.293)	844.761
- Adjustments for profit / loss reconciliation	14	(3.597.104)	(3.597.104)
Changes in working capital		**(63.786.585)**	**(212.455.698)**
- Adjustments related to (increase)/ decrease in trade receivables		17.336.651	9.585.558
(Increase)/ decrease in trade receivables from related parties		*5.337.727*	*2.781.626*
(Increase)/ decrease in trade receivables from third parties		*11.998.924*	*6.803.932*
- Adjustments related to (increase)/ decrease in other receivables from operating activities		8.881.287	19.462.553
(Increase)/ decrease in other receivables from related parties		*(752.147)*	*(11.944.065)*
(Increase)/ decrease in other receivables from third parties		*9.633.434*	*31.406.618*
- Adjustment related to (increase)/ decrease in service concession arrangements		(7.664.897)	8.689.864
- Increase/ (decrease) in deferred income		(2.821.037)	(292.410)
- (Increase)/ decrease in prepaid expenses		(3.126.705)	(3.745.761)
- Adjustment related to increase/ (decrease) in trade payables		(41.798.854)	(24.260.541)
Increase/ (decrease)in trade payables to related parties		*(19.429.158)*	*(21.818.426)*
Increase/ (decrease) in trade payables to third parties		*(22.369.696)*	*(2.442.115)*
- Increase/ (decrease) in payables of employee benefits		(18.665)	208.275
- Adjustments related to increase/decrease in other payables		(34.574.365)	(222.103.236)
Increase/ (decrease) in other payables to related parties		*(42.310.658)*	*(223.017.056)*
Increase/ (decrease) in other payables to third parties		*7.736.293*	*913.820*
Cash flow from operations		**109.642.388**	**(74.164.104)**
Payments for employee benefits		(1.112.265)	(205.237)
Income taxes paid		(10.761.745)	(9.987.240)

The accompanying policies and explanatory notes are the integral part of the consolidated financial statements.

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

	Notes	Current Period (Reviewed) January 1 – June 30, 2019	Prior Period (Reviewed) January 1 – June 30, 2018
CASH FLOWS FROM INVESTING ACTIVITIES		**(2.483.416)**	**(16.706.160)**
Cash outflow from sale of property, plant and equipment and intangible assets		(1.828.226)	(13.382.284)
Cash outflow from purchases of property, plant and equipment and intangible assets	5	*(1.828.226)*	*(13.382.284)*
Proceeds from sale of property, plant and equipment and intangible assets		-	15.751
Proceeds from sale of property, plant and equipment and intangible assets		-	*15.751*
Advances given for acquisition of property, plant and equipment		(655.190)	(3.339.627)
Other advances given for acquisition of property, plant and equipment		*(655.190)*	*(3.339.627)*
CASH FLOWS FROM FINANCING ACTIVITIES		**(181.395.643)**	**(85.150.068)**
Cash inflows due to borrowings		55.819.269	111.059.757
Cash inflows from bank loans	9	*55.819.269*	*111.059.757*
Cash outflows due to borrowings		(174.071.756)	(146.507.224)
Cash outflows from repayments of bank loans	9	*(174.071.756)*	*(146.507.224)*
Interest paid		(62.449.674)	(47.755.578)
Cash outflows due to repayment of lease liabilities	9	(1.040.208)	-
Dividends paid		-	(2.229.944)
Interest received	15	346.726	282.921
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN CURRENCY TRANSLATIONS		**(86.110.681)**	**(186.212.809)**
Foreign currency translation effects on cash and cash equivalents		**2.386.293**	**(844.761)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(83.724.388)**	**(187.057.570)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**121.209.720**	**254.490.339**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**37.485.332**	**67.432.769**

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

Hülya Sok. No: 37, Gaziosmanpaşa, Ankara

The Company is registered to Capital Markets Board ("CMB") and its shares are publicly traded in Borsa Istanbul. 15,01% of the shares of the Company is publicly held as of June 30, 2019 (December 31, 2018: 15,01%) (Note 18).

As of June 30, 2019, the number of personnel of the Ayen Enerji A.Ş. and Its Subsidiaries (together referred as the "Group") is 276. (December 31, 2018: 255).

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

Subsidiaries	Nature of 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
Ayen-AS Energji SHA ("Ayen-AS")	Electricity production and trading	82%	89%	Papa Gijon Pali i II-te, ABA Business Center, Tirane/Albania
Ayel Elektrik Üretim Sanayii ve Ticaret A.Ş. ("Ayel Elektrik")	Electricity distribution and trading	82%	82%	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 Energy Trading SHA ("Ayen Trading")	Electricity trading	0%	100%	Papa Gijon Pali i II-te, ABA Business Center, Tirane/Albania
Ayen Energy Trading D.O.O. Beograd-StariGrad ("Ayen Sırbistan)	Electricity trading	0%	100%	Kosançicev Venac Sokak No: 20, 11000 Belgrad, Serbia
Ayen Energija Trgovanje z Električno Energijo D.O.O.("Ayen Slovenya")	Electricity trading	0%	100%	Ayen Energija d.o.o. Zemljemerska ulica 12 1000 Ljubljana Slovenia
Ayen – ALB SHA	Electricity trading	92%	92%	Tirane Tirane, TIRANE Njesia Bashkiake Nr.2, Rruga Papa Gjon Pali II-te, ABA Business Center, Kati:6, Nr.601, Albania

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

The production license for the Wind Power Plant ("WPP") located in Akbük with an annual production capacity of 31,5 MW obtained by Ayen Enerji on 18 January 2007 for 49 years. The first part of the plant with a capacity of 16,8 MW and the second part of the plant with a capacity of 14,7 MW started to operate on 19 March 2009 and 3 April 2009 respectively.

Büyükdüz HEPP, of Ayen Enerji is located in Gümüşhane, Kürtün with an installed capacity of 68,9 MW has production licence for 49 years. The power plant started to operate on 1 June 2012.

Mordoğan WPP, of Ayen Enerji, is located in İzmir, Karaburun with an installed capacity of 30,75 MW and has a production licence for 49 years. The power plant started to operate on 27 September 2013.

Korkmaz WPP, of Ayen Enerji, is located in İzmir, Seferihisar with an installed capacity of 24 MW and has a production licence for 49 years. The first part of the plant with an installed capacity of 10 MW and the second part of the plant with an installed capacity of 14 MW started to operate respectively August and September 2014.

Akbük II WPP, of Ayen Enerji, is located in Aydın, Didim, and Muğla, Milas, in regard to wind energy, with an installed capacity of 20 MW and has a production capacity of 68.153,000 kWh/year, is approved by EMRA and the power plant started to operate on 12 February 2016.

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 Aydıner İnşaat which is the main shareholder of the Company. The Group has decided to discontinue the production of Ayen Ostim as of November 1, 2017 since it has been affected by adverse developments occurred in energy market.

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 the end users in accordance with the "Regulation for the Electricity Market License", "Wholesale License" and the other related regulations.

Ayen AS Energji SHA; the construction of the facilities of PESHQESHIT 3 Hydroelectricity Energy Production Facility, established in Albania has been completed with the annual electricity energy production capacity of 118.400.000 kWh, installation power of 34 MW and one of the HEPP projects within the scope of the "Albanian Fan Basin HEPP Project" with the annual electricity energy production capacity of 347.246.000 and installation power of 109,73 MW and has been commissioned commercially on 4 May 2015 and the electricity energy production in this facility has started. The test of the facilities of Fangut HEPP established in Albania has been completed with the annual electricity energy production capacity of 228.846.000 kWh and installation power of 75,71 MW and the plant has started to operation as of December 1, 2017. At the same time, tail water plant which is fed by tail water of Fangut Dam with installation power of 1MW has been started to operation in December, 2017.

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.

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

Ayen Enerji has acquired 76% shares of Araklı Enerji Doğalgaz Üretim Sanayi ve Ticaret A.Ş. on 9 May 2012. Production license of the Çankaya HEPP which will be constructed in Trabzon, Araklı with an installed capacity of 72 MW has been approved by EMRA. As of 19 January 2015, with the approval of EMRA, installed capacity of the power plant has been increased to 98,36 MW for Çankaya DAM and HEPP projects. In accordance with Electricity Market Law no. 6446 and relevant legislations, pre deal for license obtained from Energy Market Regulatory Board.

Ayen Elektrik participated in 100% share of Ayen Energji Trading SHA which established with ALL 100.000.000 (EURO 750.400) nominal capital on 24 September 2013. The Company has established in Tirane- Albania in accordance with Albania laws at 30 September 2013.

Ayen Elektrik Ticaret A.Ş participated in 100% share of Ayen Energji Trading D.O.O. (Serbia) with EURO 110.000 nominal capital and Ayen Energji Trgovanje z Električno Energijo, D.O.O. (Slovenia) with EURO 267.500 nominal capital in respectively 13 June 2014 and 19 June 2014. The main operations of these companies are to sale, import and export of the electricity and/or the electricity capacity as wholesale and sale directly to end users particularly to European Countries in accordance with the European Union regulations.

Ayen ALB is the concession company of HEPP-Kalivac and has been established on November 22, 2017 with ALL 3.500.000 nominal capital and will be constructed according to BOT Model issued by Republic of Albania Ministry of Energy and Industry with the annual electricity energy production capacity of 366.6 kWh, installation power of 111 MW and 35 years duration. The concession agreement negotiations are still proceeding. The Company's tender has been chosen as best tender for the BOT Model for HEPP-Kalivac invitation issued by Republic of Albania Ministry of Energy and Industry.

Approval of consolidated financial statements:

Board of Directors has approved the consolidated financial statements for the period between January 1– June 30, 2019 and delegated publishing it on August 19, 2019. No authority other than Board of Directors and General Assembly has the right to modify the consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

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

Ayen-AS and Ayen Trading maintain their books of account in Albanian LEK ("ALL") in accordance with accounting principles in Albania. Ayen Slovenia and Ayen Serbia maintain their books of accounts in EURO and in Serbian Dinar in accordance with accounting principles in Slovenia and Serbia respectively.

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

For the period ended 30 June 2019, the Group prepared its interim condensed consolidated financial statements in accordance with the Turkish Accounting Standard 34 Interim Financial Reporting. In accordance with the TAS 34, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed consolidated financial statements in the interim periods. Accordingly, these interim condensed consolidated financial statements does not include all required explanatory notes as should be provided and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018.

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/TFRS") 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 consolidated financial statements and disclosures are presented in accordance with the publication by CMB dated June 7, 2013

The accompanying consolidated 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.

<u>Functional Currency</u>

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 and Ayen Trading 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 0,0534). Additionally, Ayen Slovenia is measured using EURO and Ayen Serbia is measured using Serbian Dinar and the balance sheet items (except capital accounts) in terms of EURO and RSD have been included into consolidation by being translated to TL with buying rate applicable as of balance sheet date (1 EURO = 6,5507 TL, 1 RSD = 0,05572 TL). Profit or loss statement and other comprehensive income items have been included into consolidation by being translated to TL with buying rate applicable at the transaction date.

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.

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

Comparative information, adjustment and reclassification of prior period financial statements

The financial statements of the Group include comparative consolidated financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation in the current period consolidated financial statements.

In the consolidated financial statements for the year ended June 30, 2018, the following classifications have been made in order to comply with the presentation of the current period.

- Income from sell and lease back transaction amounting to TL 3.597.104 has been reclassified from other operating income to income from investment activities.
- Foreign exchange gain amounting to TL 7.541.529 in other operating income and foreign exchange loss amounting to TL 165.421 in other operating expenses have been netted off and reclassified to income from investment activities as net foreign exchange gain amounting to TL 7.376.108.
- Trade receivables from EPİAŞ amounting to TL 4.937.924 have been reclassified from trade receivables from related parties to trade receivables from third parties.
- Trade receivables from related parties and other receivables from related parties amounting to TL 1.848.137 and TL 55.358.285 from AS Energji Shpk, have been reclassified to trade receivables from third parties and other receivables from third parties, respectively.

2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim consolidated financial statements as at June 30, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

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

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

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to TFRS 16:

The Group adopted TFRS 16 using the modified retrospective approach. The Group elected to apply the standard to contracts that were previously identified as leases applying TAS 17 and TFRS 4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying TAS 17 and TFRS 4.

The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

	January 1, 2019
Assets	**7.124.091**
Property, plant and equipment (right-of-use assets)	7.124.091
Liabilities	**7.124.091**
Lease liabilities	7.124.091

The standard is applied for annual periods beginning on or after 1 January 2019. The Group disclosed the impact of the standard on financial position or performance of the Group in Note 2.3.

Amendments to TAS 28 "Investments in Associates and Joint Ventures" (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

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

TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation did not have a significant impact on the financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements — The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- TAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- TAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

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

Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

Definition of a Business (Amendments to TFRS 3)

In May 2019, the PAO issued amendments to the definition of a business in TFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. Overall, the Group expects no significant impact on its balance sheet and equity.

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the PAO issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

There are no standards, interpretations and amendments to existing IFRS standards issued by the IASB and not yet adapted/issued by the POA.

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

2.3 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

The Group has adopted TFRS 16 "Leases" as at 1 January 2019 for the first time, in line with the transition provisions of the standard.

Impacts of the first time adoption of TFRS 16 on the interim condensed consolidated financial statements of the Group are as below:

TFRS 16 "Leases"

The Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.

b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.

c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and

d) The Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:

   i) the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
   ii) the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

At inception of a contract that contains a lease, the Group recognises a right of use asset and a lease liability in its financial statements.

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

Right of use asset

The right of use asset is initially recognized at cost comprising of:

a) amount of the initial measurement of the lease liability;
b) any lease payments made at or before the commencement date, less any lease incentives received;
c) any initial direct costs incurred by the Group; and
d) an estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

The Group re-measure the right of use asset:

a) after netting-off depreciation and reducing impairment losses from right of use asset,
b) adjusted for certain re-measurements of the lease liability recognized at the present value

The Group applies TAS 16 "Property, Plant and Equipment" to amortize the right of use asset and TAS 36 "Impairment of Assets" to asses for any impairment.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments, including in-substance fixed payments;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
c) the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

a) increasing the carrying amount to reflect interest on lease liability
b) reducing the carrying amount to reflect the lease payments made and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Group adjusts the right of use asset in accordance with the reassessment of the lease liability.

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

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

Exemptions and simplifications

Short-term lease payments with a lease term below 12 months and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc.) are not included in the measurement of the lease liabilities in the scope of exemptions provided in TFRS 16 "Leases". Lease payments of these contracts are continued to be recognised in profit or loss in the related period. The Group applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

The Group – as a lessor

The Group does not have significant operations as a lessor.

First time adoption of TFRS 16 "Leases"

The Group has applied TFRS 16 "Leases", which replaces TAS 17 "Leases", for the effective period beginning on 1 January 2019. The cumulative impact of applying TFRS 16 is accounted in the interim condensed consolidated financial statements retrospectively ("cumulative impact approach") at the start of the current accounting period. The simplified transition approach of the related standard does not require a restatement in the comparative periods or in the retained earnings.

With the transition to TFRS 16 "Leases", a "lease liability" is recognized in the interim condensed consolidated financial statements for the lease contracts which were previously measured under TAS 17 "Leases" as operational leases. At transition, lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on the effective transition date. The Group measured right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under TFRS 16 simplified transition approach.

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

3. SEGMENT REPORTING

Board of Directors reviews results and operations on a geographic segment basis in order to monitor performance and to allocate resources. Geographic segments of the Group are defined in the following regions: Turkey and abroad. The companies located in abroad operate in Albania, Serbia and Slovenia.

1 January – 30 June 2019	**Turkey**	**Abroad**	**Total**	**Consolidation Adjustments**	**Consolidated**
Revenue	263.206.481	241.700.642	504.907.123	(198.630.538)	306.276.585
Cost of sales (-)	(157.046.817)	(209.723.115)	(366.769.932)	198.539.533	(168.230.399)
Gross profit	**106.159.664**	**31.977.527**	**138.137.191**	**(91.005)**	**138.046.186**
General administrative expenses (-)	(4.886.505)	(6.401.132)	(11.287.637)	108.000	(11.179.637)
Other operating income	7.699.208	11.211.075	18.910.283	(108.000)	18.802.283
Other operating expenses (-)	(3.459.056)	(6.119.414)	(9.578.470)	-	(9.578.470)
Operating profit	**105.513.311**	**30.668.056**	**136.181.367**	**(91.005)**	**136.090.362**
Purchases of tangible and intangible fixed asset	310.025	1.518.201	1.828.226	-	1.828.226
Depreciation and amortization on fixed assets	(10.179.047)	(25.378.319)	(35.557.366)	-	(35.557.366)

1 January – 30 June 2018	**Turkey**	**Abroad**	**Total**	**Consolidation Adjustments**	**Consolidated**
Revenue	230.621.657	349.098.842	579.720.499	(201.901.419)	377.819.080
Cost of sales (-)	(163.431.452)	(303.500.691)	(466.932.143)	201.759.760	(265.172.383)
Gross profit	**67.190.205**	**45.598.151**	**112.788.356**	**(141.659)**	**112.646.697**
General administrative expenses (-)	(5.695.598)	(3.949.619)	(9.645.217)	176.654	(9.468.563)
Other operating income	7.349.074	3.062	7.352.136	(126.000)	7.226.136
Other operating expenses (-)	(10.153.946)	(1.350.260)	(11.504.206)	-	(11.504.206)
Operating profit	**58.689.735**	**40.301.334**	**98.991.069**	**(91.005)**	**98.900.064**
Purchases of tangible and intangible fixed asset	3.839.054	9.543.230	13.382.284	-	13.382.284
Depreciation and amortization on fixed assets	(10.739.970)	(18.101.044)	(28.841.014)	-	(28.841.014)

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

4. RELATED PARTY TRANSACTIONS

	June 30, 2019							
	Receivables				Payables			
	Short-term		Long-term		Short-term		Long-term	
Related party transactions	**Trade**	**Non-trade**	**Trade**	**Non-trade**	**Trade**	**Non-trade**	**Trade**	**Non-trade**
Aydıner İnşaat A.Ş. (*) (1)	93.726	-	-	-	3.812.773	99.929.409	-	-
Samsun Makine Sanayi A.Ş. (2)	285.541	-	-	-	-	-	-	-
Ayta Tarım (2)	-	433.500	-	-	-	-	-	-
Agron Turizm ve Tic. A.Ş. (2)	1.045.196	-	-	-	-	-	-	-
Ayen Enerji other shareholder (**) (1)	-	-	-	3.978.688	-	-	-	-
Zetay Tarım Hayv. İmalat San. ve Tic. A.Ş. (2)	7.287	-	-	-	-	-	-	-
Other	1.276	14.727	-	-	-	15.427	-	445.410
	1.433.026	**448.227**	**-**	**3.978.688**	**3.812.773**	**99.944.836**	**-**	**445.410**

(*) Trade payables consist of the progress bills issued by Aydıner İnşaat for constructions in progress of the Group. The short-term non-trade payables consist of loan given to Group by Aydıner İnşaat A.Ş.. As of June 30, 2019, interest rate applied for aforementioned loan is 25,98% for TL denominated borrowings.

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

(1) Shareholder
(2) Entity under control of the shareholder

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

4. RELATED PARTY TRANSACTIONS (cont'd)

	December 31, 2018							
	Receivables				Payables			
	Short-term		Long-term		Short-term		Long-term	
Related party transactions	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
Aydıner İnşaat A.Ş. (*) (1)	14.056	-	-	-	22.438.196	135.244.465	-	-
Aksu Temiz Enerji A.Ş. (2)	629.179	-	-	-	-	-	-	-
Samsun Makine Sanayi A.Ş. (2)	1.339.045	-	-	-	-	-	-	-
Agron Turizm ve Tic. A.Ş. (2)	732.474	-	-	-	-	-	-	-
Ayen Enerji other shareholder (**) (1)	-	-	-	3.661.216	-	-	-	-
Zetay Tarım Hayv. İmalat San. ve Tic. A.Ş. (2)	10.171	-	-	-	-	-	-	-
Other	2.202	13.552	-	-	803.735	1.015.427	-	445.410
	2.727.127	13.552	-	3.661.216	23.241.931	136.259.892	-	445.410

(*) Short-term trade payables consist of the progress bills issued by Aydıner İnşaat for constructions in progress of the Group. The short-term non-trade payables consist of loan given to Group by Aydıner İnşaat A.Ş.. As of December 31, 2018, interest rate applied for aforementioned loan is 15,49% for TL denominated borrowings; 4,49% for EURO denominated borrowings; 5,51% for USD denominated borrowings.

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

(1) Shareholder
(2) Entity under control of the shareholder

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

4. RELATED PARTY TRANSACTIONS (cont'd)

	January 1 – June 30, 2019				
Related party transactions	**Foreign exchange income**	**Purchases of energy**	**Interest income**	**Purchases of services**	**Interest expenses**
Aydıner İnşaat A.Ş. (1)	-	203.485	4.629	31.225	3.820.351
Aksu Temiz Enerji A.Ş. (2)	-	1.039.303	-	-	-
Samsun Makine Sanayi A.Ş. (2)	-	10.281.122	6.009	-	-
Aybet Beton A.Ş. (2)	-	6.328	47	-	-
Agron Turizm ve Tic. A.Ş. (2)	-	927.902	64.447	-	-
Metay İnşaat Sanayii ve Ticaret A.Ş. (2)	-	-	-	1.000	-
Zetay Tarım Hayv. İmalat San. ve Tic. A.Ş. (2)	-	15.902	632	-	-
Ayen Enerji other shareholder (1)	317.471	-	-	-	-
Other	-	-	-	5.406	-
	317.471	**12.474.042**	**75.764**	**37.631**	**3.820.351**

(1) Shareholder
(2) Entity under control of the shareholder

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

4. RELATED PARTY TRANSACTIONS (cont'd)

	January 1 – June 30, 2018						
Related party transactions	Foreign Exchange income	Foreign Exchange expenses	Purchases of energy	Interest income	Purchases of fixed assets	Purchases of services	Interest expenses
Aydıner İnşaat A.Ş. (*) (1)	-	-	684.115	15.655	5.150.834	32.289	1.677.646
Aksu Temiz Enerji A.Ş. (2)	-	322.530	-	-	-	-	-
Samsun Makine Sanayi A.Ş. (2)	-	-	4.130.469	-	-	-	-
Aybet Beton A.Ş. (2)	-	-	437.912	95	-	-	-
Metay İnşaat Sanayii ve Ticaret A.Ş. (2)	-	-	-	-	592.076	-	-
Layne Bowler Pompa Sanayi A.Ş. (2)	-	-	136.417	-	-	-	-
Ayen Enerji other shareholder (1)	482.068	-	-	-	-	-	-
Other	-	-	20.501	-	-	8.159	-
	482.068	322.530	5.409.414	15.750	5.742.910	40.448	1.677.646

(*) Purchase of fixed assets consists of progress payment invoices issued by Aydıner İnşaat to Group regarding to construction in progress.

(1) Shareholder
(2) Entity under control of the shareholder

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

4. RELATED PARTY TRANSACTIONS (cont'd)

Compensation of key management personnel:

Key management personnel consists of key managers and the general manager. The compensation of key management personnel includes salaries, bonus, health insurance and transportation. Compensation of key management personnel during the period as follow:

	January 1- June 30, 2019	January 1- June 30, 2018	**April 1 - June 30, 2019**	April 1 - June 30, 2018
Salary and other short-term benefits	1.055.931	1.158.548	352.823	449.870
Other long-term benefits	447.836	406.649	97.332	70.197
	1.503.767	1.565.197	**450.155**	520.067

5. TANGIBLE AND OTHER INTANGIBLE ASSETS

	Property, Plant and Equipment	**Other Intangible Assets**
Cost		
Opening balance as of January 1, 2019	2.252.912.751	12.460.974
Additions	1.817.535	10.691
Disposals	-	-
Currency translation differences	153.471.859	86.049
Closing balance as of June 30, 2019	**2.408.202.145**	**12.557.714**
Accumulated Depreciation		
Opening balance as of January 1, 2019	(212.712.546)	(3.371.415)
Charge for the period	(35.045.433)	(164.163)
Disposals	-	-
Currency translation differences	(8.640.340)	(20.408)
Closing balance as of June 30, 2019	**(256.398.319)**	**(3.555.986)**
Net book value as of June 30, 2019	**2.151.803.826**	**9.001.728**

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

5. TANGIBLE AND OTHER INTANGIBLE ASSETS (cont'd)

	Property, Plant and Equipment	Other Intangible Assets
Cost		
Opening balance as of January 1, 2018	1.780.642.184	17.503.102
Additions	13.347.410	34.874
Disposals	(8.224)	-
Currency translation differences	271.650.915	116.928
Closing balance as of June 30, 2018	2.065.632.285	17.654.904
Accumulated Depreciation		
Opening balance as of January 1, 2018	(168.248.850)	(6.010.149)
Charge for the period	(28.601.324)	(239.690)
Disposals	822	-
Currency translation differences	(7.992.224)	(87.793)
Closing balance as of June 30, 2018	(204.841.576)	(6.337.632)
Net book value as of June 30, 2018	1.860.790.709	11.317.272

Depreciation and amortization expense of TL 33.976.458 (June 30, 2018: TL 28.043.779) has been charged in cost of sales and TL 1.233.138 (June 30, 2018: TL 797.235) has been charged in general administrative expenses.

6. RIGHT OF USE ASSETS

	Land	**Buildings**	**Vehicles**	**Total**
Cost				
Opening balance as of January 1, 2019	5.689.499	1.384.568	50.024	7.124.091
Currency translation differences	-	129.505	-	129.505
Closing balance as of June 30, 2019	**5.689.499**	**1.514.073**	**50.024**	**7.253.596**
Accumulated Depreciation				
Opening balance as of January 1, 2019	-	-	-	-
Charge for the period	(73.958)	(249.074)	(24.738)	(347.770)
Currency translation differences	-	(10.481)	-	(10.481)
Closing balance as of June 30, 2019	**(73.958)**	**(259.555)**	**(24.738)**	**(358.251)**
Net book value as of June 30, 2019	**5.615.541**	**1.254.518**	**25.286**	**6.895.345**

Depreciation and amortization expense of TL 209.899 has been charged in cost of sales and TL137.871 has been charged in general administrative expenses.

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

7. OTHER CURRENT ASSETS

Other current assets	**June 30, 2019**	December 31, 2018
VAT deductible (*)	**121.936.361**	125.330.504
VAT carried forward	**4.905.772**	4.604.258
Other	**359.838**	330.884
	127.201.971	130.265.646

(*) The balance comprised of the VAT deductible amount of Ayen AS, Ayen ALB and Ayen Trading.

8. SERVICE CONCESSION ARRANGEMENTS

Due from service concession arrangements	**June 30, 2019**	December 31, 2018
Short-term due from service concession arrangements	**19.760.976**	16.881.686
Invoiced and undue from service concession arrangements (*)	**17.039.854**	358.387
Total short-term due from service concession arrangements	**36.800.830**	17.240.073
Long-term due from service concession arrangements	**152.761.155**	149.266.526
Total due from service concession arrangements	**189.561.985**	166.506.599

Including unearned financial income from service concession arrangements, gross to net confirmation is as follows:

Gross due from service concession arrangements	**271.343.690**	268.430.047
Unearned financial income (-)	**(98.821.559)**	(102.281.835)
Due from service concession agreement payments (*)	**17.039.854**	358.387
Due from service concession agreements - net	**189.561.985**	166.506.599

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

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

8. SERVICE CONCESSION ARRANGEMENTS (cont'd)

As of June 30, 2019 and December 31, 2018, 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)**	
	June 30, 2019	December 31, 2018	**June 30, 2019**	December 31, 2018
Up to 1 year	**7.750.420**	7.750.420	**44.604.442**	40.774.185
1 to 2 years	**7.750.420**	7.750.420	**44.604.442**	40.774.185
2 to 3 years	**7.750.420**	7.750.420	**44.604.442**	40.774.185
3 to 4 years	**7.750.420**	7.750.420	**44.604.442**	40.774.185
More than 4 years	**16.146.708**	20.021.918	**92.925.922**	105.333.307
	47.148.388	51.023.598	**271.343.690**	268.430.047

	Net due from service concession arrangements (USD)		**Net due from service concession arrangements (TL)**	
	June 30, 2019	December 31, 2018	**June 30, 2019**	December 31, 2018
Up to 1 year	**3.433.646**	3.208.897	**19.760.976**	16.881.686
1 to 2 years	**3.927.413**	3.658.396	**22.602.655**	19.246.456
2 to 3 years	**4.498.158**	4.196.430	**25.887.349**	22.076.999
3 to 4 years	**5.145.003**	4.799.886	**29.610.007**	25.251.722
More than 4 years	**12.973.040**	15.718.099	**74.661.144**	82.691.349
	29.977.260	31.581.708	**172.522.131**	166.148.212

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

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

9. FINANCIAL LIABILITIES

The detail of borrowings of the Group as of June 30, 2019 and December 31, 2018 is as follows:

Financial liabilities	**June 30, 2019**	December 31, 2018
Short-term financial liabilities	**198.769.332**	207.720.061
Short-term portion of long-term financial liabilities	**262.310.646**	188.985.658
Long-term financial liabilities	**1.417.235.994**	1.442.857.822
	1.878.315.972	1.839.563.541

Bank borrowings

Original currency	**Weighted average effective interest rate (%)**	**June 30, 2019** Short-term	**June 30, 2019** Long-term
TL	**21,29%**	**42.145.123**	**16.941.177**
USD	**8,01%**	**190.737.892**	**13.812.240**
EURO	**3,44%**	**220.374.536**	**1.356.104.717**
		453.257.551	**1.386.858.134**

Original currency	Weighted average effective interest rate (%)	December 31, 2018 Short-term	December 31, 2018 Long-term
TL	21,93%	91.511.139	21.176.472
USD	9,55%	143.023.127	50.504.640
EURO	3,43%	155.666.134	1.342.980.962
		390.200.400	1.414.662.074

The accrued interest expense on short-term borrowings is TL 29.623.973 (December 31, 2018: TL 28.406.641).

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

9. FINANCIAL LIABILITIES (cont'd)

The redemption schedule of the borrowings as of June 30, 2019 and December 31, 2018 is as follows:

	June 30, 2019	December 31, 2018
To be paid within 1 year	**453.257.551**	390.200.400
To be paid between 1-2 years	**170.793.511**	215.253.152
To be paid between 2-3 years	**160.289.152**	153.260.753
To be paid between 3-4 years	**152.225.809**	145.579.724
To be paid between 4-5 years	**144.199.964**	138.093.119
5 and more than 5 years	**759.349.698**	762.475.326
	1.840.115.685	1.804.862.474

For the long-term borrowings of the Group, there is TL 173.466.296 (USD 30.141.317) of conveyance on receivables (Note 10). Insurance and commission fees have been recognized under long term borrowings which have been paid for the long-term borrowings of the Group. As of June 30, 2019, deferred financing expense is TL 24.664.474 (December 31, 2018: TL 26.172.785).

Financial Lease Payables

Financial Lease Payables	**June 30, 2019**	December 31, 2018
Short-term	**7.822.427**	6.505.319
Financial lease payables (*)	**7.113.197**	6.505.319
Operational lease liabilities	**709.230**	-
Long-term	**30.377.860**	28.195.748
Financial lease payables (*)	**24.480.397**	28.195.748
Operational lease liabilities	**5.897.463**	-
	38.200.287	34.701.067

(*) Short and long term financial leasing payables consist of payables related to a land sold to a financial leasing company in accordance with sale and leaseback agreement signed on December 25, 2017.

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

9. FINANCIAL LIABILITIES (cont'd)

Original currency	**Weighted average effective interest rate (%)**	**June 30, 2019 Short-term**	**June 30, 2019 Long-term**
TL	**18%**	**7.154.324**	**29.748.242**
EURO	**4,58%**	**668.103**	**629.618**
		7.822.427	**30.377.860**

Original currency	Weighted average effective interest rate (%)	December 31, 2018 Short-term	December 31, 2018 Long-term
TL	18%	6.505.319	28.195.748
		6.505.319	28.195.748

The repayment schedule of financial lease payables is as follows:

	June 30, 2019	December 31, 2018
To be paid within 1 year	**7.822.427**	6.505.319
To be paid between 1-2 years	**8.958.105**	7.777.878
To be paid between 2-3 years	**10.621.773**	9.299.372
To be paid between 3-4 years	**5.946.021**	11.118.498
5 and more than 5 years	**4.851.961**	-
	38.200.287	34.701.067

As of June 30, 2019 and 2018, the movement for financial liabilities is as follows:

Financial liabilities	**2019**	2018
Beginning of the period – January 1	**1.839.563.541**	1.459.634.135
TFRS 16 transition effect (Note 2)	**7.124.091**	-
Borrowings received	**55.819.269**	111.059.757
Borrowings paid	**(174.071.756)**	(146.507.224)
Change in foreign exchange differences	**50.100.425**	45.886.853
Currency translation differences	**95.709.603**	188.965.290
Change in deferred finance expenses	**946.771**	71.358
Change in interest accruals	**3.749.891**	9.577.268
Cash outflows arising from lease agreements	**(1.040.208)**	-
Interest accruals arising from lease agreements	**414.345**	-
End of the period – June 30	**1.878.315.972**	1.668.687.437

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

10. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

As of June 30, 2018, there are cases where the Group is litigant and defendant. Most of the cases are related with the bad debt cases. The Group has not provided any provision as of June 30, 2019, as the lawyers have not foreseen a significant cash outflow for the ongoing lawsuits as of the date of preparation of the consolidated financial statements.

b) Contingent Assets and Liabilities

Contingent assets	**June 30, 2019**	December 31, 2018
Letters of guarantee received (*)	**4.394.900**	17.207.528
Guarantees given on behalf of Ayen Enerji (**)	**477.674.128**	483.462.775
	482.069.028	500.670.303

(*) Received by Ayen Elektrik as guarantee risks that might occur in collecting related with electricity sales.
(**) Consists of Aydıner İnşaat A.Ş.'s guarantee obtained regarding cash and non-cash General Loan Agreements signed by the Group with banks.

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

Contingent liabilities	**June 30, 2019**	December 31, 2018
Letters of conveyance given (*)	**173.466.296**	210.724.229

(*) 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 30.141.317 (December 31, 2018: USD 40.054.787) as a conveyance for the loan. However, these conveyances will be effective if payment schedules of the loans have not been met.

Contingent liabilities	**June 30, 2019**	December 31, 2018
Commercial enterprise pledge (**)	**290.000.000**	290.000.000

(**) Commercial enterprise pledge amounting to TL 140.000.000 for Akbük WPP and TL 150.000.000 for Mordoğan-Korkmaz WPP has been given as a guarantee for the loan used from Commerzbank AG.

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

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

b) Contingent Assets and Liabilities (cont'd)

Contingent liabilities	June 30, 2019	December 31, 2018
Mortgages given (***)	**28.775.500**	26.304.500

(***) Consists of the mortgages given for the long-term bank credits of the Group, there exists TL 28.775.500 (USD 5.000.000) of mortgages over land that belongs to Ayen Enerji.

Contingent liabilities	June 30, 2019	December 31, 2018
Letters of guarantee given (****)	**87.101.326**	106.915.005

(****) Letters of guarantee given consist of TL 70.480.533 in terms of EURO and TL 16.620.793 in terms of Turkish Lira. Letters of guarantee given by the Group comprises that TL 68.842.859 (EUR 10.509.237) has been given to the Albania Ministry of Economy for Ayen AS, TL 5.736.710 (EUR 200.000, TL 4.426.570) has been given to TEİAŞ, TL 4.842.720 has been given to Enerjisa, TL 2.773.600 has been given to EPDK, TL 1.700.000 has been given to Ak Enerji, TL 1.324.700 has been given to Aydem Elektrik Dağıtım, other letters mainly consist of guarantees given in relation to reciprocal agreements which are signed between electricity trade companies and the Group and guarantees given in relation to System Use Agreement.

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

11. COMMITMENTS

Guarantees, pledge and mortgage ("GPM") position of the Group as of June 30, 2019 and December 31, 2018 is as follows:

	June 30, 2019				December 31, 2018			
	TL Equivalent	**TL**	**USD**	**EURO**	TL Equivalent	TL	USD	EURO
Total GPM given on behalf of the legal entity:	393.140.549	295.522.190	5.000.000	10.509.237	421.909.862	324.117.881	5.000.000	11.859.237
Guarantee Letter	74.365.049	5.522.190	-	10.509.237	105.605.362	34.117.881	-	11.859.237
Pledge	290.000.000	290.000.000	-	-	290.000.000	290.000.000	-	-
Mortgage	28.775.500	-	5.000.000	-	26.304.500	-	5.000.000	-
Guarantee	-	-	-	-	-	-	-	-
Total GPM Given on behalf of the subsidiaries that are included in full consolidation:	186.202.573	11.098.602	30.141.317	250.000	212.033.872	1.309.643	40.054.787	-
Conveyance	173.466.296	-	30.141.317	-	210.724.229	-	40.054.787	-
Guarantee Letter	12.736.277	11.098.602	-	250.000	1.309.643	1.309.643	-	-
Pledge	-	-	-	-	-	-	-	-
Guarantee	-	-	-	-	-	-	-	-
Total GPM given for execution of ordinary commercial activities to collect third parties debt	-	-	-	-	-	-	-	-
Other guarantees given	-	-	-	-	-	-	-	-
i. GPM given on behalf of main shareholder								
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	-	-	-	-	-	-	-	-
Total GPM given on behalf of the legal entity:	**579.343.122**	**306.620.792**	**35.141.317**	**10.759.237**	**633.943.734**	**325.427.524**	**45.054.787**	**11.859.237**

(*) The ratio of other GPM to equity as at June 30, 2019 is 0%. (December 31, 2018: 0%).

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

12. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company is subject to registered capital system. The approved and issued capital of the Company consists of 17.104.230.000 shares (December 31, 2018: 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 June 30, 2019 and December 31, 2018 is as follows:

Shareholders	**%**	**June 30, 2019**	%	December 31, 2018
Aydıner İnşaat A.Ş.	**84,98**	**145.347.710**	84,98	145.347.710
Public quotation	**15,01**	**25.675.650**	15,01	25.675.650
Other	**<1**	**18.940**	<1	18.940
Subscribed capital		**171.042.300**		171.042.300

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

Restricted profit reserves and retained earnings

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. According to the Turkish Commercial Code, if the general legal reserve does not exceed half of the capital or issued capital, it can only be used for measures to close the losses, to continue the business when things are not going well or to prevent unemployment and to take precautions to mitigate its consequences. As of June 30, 2019 the amount of restricted profit reserves is TL 71.893.619. (December 31, 2018: 71.893.619 TL).

Resources Available for Profit Distribution

As of balance sheet date, there are net profit amounting TL 6.591.208 and retained earnings amounting TL 85.969.487 in the statutory records of Ayen Enerji A.Ş. (December 31, 2018: TL 63.958.695).

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

13. EXPENSES BY NATURE

	January 1 - June 30, 2019	January 1 - June 30, 2018	**April 1 - June 30, 2019**	April 1 - June 30, 2018
Cost of sales	**168.230.399**	265.172.383	**77.493.402**	121.614.189
General and administrative expenses	**11.179.637**	9.468.563	**6.083.649**	6.398.280
	179.410.036	274.640.946	**83.577.051**	128.012.469

	January 1 - June 30, 2019	January 1 - June 30, 2018	**April 1 - June 30, 2019**	April 1 - June 30, 2018
Cost of electricity (*)	**90.623.736**	204.653.354	**36.233.650**	91.970.281
Depreciation and amortization expenses	**35.557.366**	28.841.014	**18.313.211**	14.891.412
System usage and capacity fee (***)	**22.414.561**	14.561.705	**12.204.936**	7.177.170
Personnel expenses (**)	**12.480.952**	10.738.308	**6.448.950**	5.394.894
Plant technical assistance and maintenance	**9.702.529**	8.286.427	**5.426.267**	5.017.141
Insurance expenses	**2.155.199**	1.893.503	**1.365.748**	750.970
Consultancy fees	**1.234.045**	996.373	**631.748**	424.268
Hydraulic contribution	**730.420**	492.730	**633.835**	397.969
Office expenses	**704.405**	687.783	**232.354**	135.148
Taxes and duties	**588.701**	187.596	**546.937**	119.185
Transportation expenses	**402.733**	351.241	**143.153**	168.489
Chamber and dues expenses	**216.451**	214.234	**144.361**	67.142
Other	**2.598.938**	2.736.678	**1.251.901**	1.498.400
	179.410.036	274.640.946	**83.577.051**	128.012.469

(*) Comprise of the cost of electricity that the Group purchases from EPİAŞ or other suppliers in order to sell its customers.

(**) Personnel expenses of TL 7.417.750 (June 30, 2018: TL 5.807.341) has been charged in cost of sales, TL 5.063.202 (June 30, 2018: TL 4.930.967) has been charged in general administrative expenses.

(***) TEİAŞ charges system usage fees to the Group and the Group reflects the same amount to TETAŞ and to other customers. The amounts that could be reflected to the customers and TETAŞ are netted off in the accompanying consolidated financial statements, however, the amounts that could not be reflected and paid to TEİAŞ by the Group are reflected on cost of sales. Companies located in abroad make capacity purchase from market operator of region and other participants of the market in order to make purchase and sale in energy market. Capacity fees have been charged in cost of sales.

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

14. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1 - June 30, 2019	January 1 - June 30, 2018	**April 1- June 30, 2019**	April 1- June 30, 2018
Foreign exchange income/ (expense) - net	**20.508.188**	33.834.863	**6.267.705**	24.576.760
Revenue from sale and lease back operation	**3.597.104**	3.597.104	**1.798.552**	1.798.552
Other	**3.282**	8.349	**-**	-
	24.108.574	37.440.316	**8.066.257**	26.375.312

15. FINANCIAL EXPENSES

	January 1 - June 30, 2019	January 1 - June 30, 2018	**April 1- June 30, 2019**	April 1- June 30, 2018
Bank loan interests	**(66.435.496)**	(51.867.069)	**(30.014.072)**	(21.871.693)
Net foreign exchange (loss)/ income	**(48.524.805)**	(45.277.454)	**1.543.368**	(25.139.179)
Deferred finance expenses	**(1.125.185)**	(1.125.185)	**(562.592)**	(562.592)
Operational lease interest expenses	**(414.345)**	-	**(414.345)**	-
Bond interests	**-**	(4.508.659)	**-**	(2.284.585)
Interest income	**346.726**	282.921	**120.795**	66.972
Other	**(2.207.471)**	(1.479.966)	**(2.207.471)**	(848.859)
	(118.360.576)	(103.975.412)	**(31.534.317)**	(50.639.936)

16. EARNING PER SHARE

Earning/ loss per share	**January 1 - June 30, 2019**	January 1 - June 30, 2018	**April 1 - June 30, 2019**	April 1 - June 30, 2018
Average number of outstanding shares	**17.104.230.000**	17.104.230.000	**17.104.230.000**	17.104.230.000
Profit for the year attributable to equity holders of the Parent	**30.360.507**	15.639.630	**47.649.150**	11.159.066
Earnings per basic, 1.000 shares (TL)	**1,78**	0,91	**2,79**	0,65

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

17. FOREIGN CURRENCY POSITION

Transactions in foreign currencies expose the Group to foreign currency risk.

As of June 30, 2019 and December 31, 2018 the amount of foreign currency denominated assets and liabilities and TL equivalent amounts are as follows:

	June 30, 2019		
	TL Equivalent	**USD**	**EURO**
Trade receivables	126.323.589	4.581.478	15.258.938
Monetary financial assets	26.985.154	223.943	3.922.686
Due from short term service concession arrangements	36.800.830	6.394.473	-
Other	3.500.661	-	534.395
CURRENT ASSETS	**193.610.234**	**11.199.894**	**19.716.019**
Due from long term service concession arrangements	152.761.155	26.543.614	-
Other	-	-	-
NON-CURRENT ASSETS	**152.761.155**	**26.543.614**	**-**
TOTAL ASSETS	**346.371.389**	**37.743.508**	**19.716.019**
Trade payables	32.114.614	265.556	4.669.167
Financial liabilities	411.780.531	33.142.411	33.743.361
CURRENT LIABILITIES	**443.895.145**	**33.407.967**	**38.412.528**
Financial liabilities	1.370.546.575	2.400.000	207.112.879
NON-CURRENT LIABILITIES	**1.370.546.575**	**2.400.000**	**207.112.879**
TOTAL LIABILITIES	**1.814.441.720**	**35.807.967**	**245.525.407**
Net Foreign Currency Liability Position	**(1.468.070.331)**	**1.935.541**	**(225.809.388)**

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

17. FOREIGN CURRENCY POSITION (cont'd)

	December 31, 2018		
	TL Equivalent	**USD**	**EURO**
Trade receivables	12.837.627	651.668	1.560.927
Monetary financial assets	32.447.787	5.465.750	612.644
Due from short term service concession arrangements	17.240.073	3.277.020	-
Other	943.696	-	156.552
CURRENT ASSETS	**63.469.183**	**9.394.438**	**2.330.123**
Due from long term service concession arrangements	149.266.526	28.372.812	-
Other	1.848.137	-	306.592
NON-CURRENT ASSETS	**151.114.663**	**28.372.812**	**306.592**
TOTAL ASSETS	**214.583.846**	**37.767.250**	**2.636.715**
Trade payables	28.524.203	364.093	4.414.192
Financial liabilities	298.689.259	27.186.057	25.823.844
CURRENT LIABILITIES	**327.213.462**	**27.550.150**	**30.238.036**
Financial liabilities	1.393.485.599	9.600.000	222.790.471
NON-CURRENT LIABILITIES	**1.393.485.599**	**9.600.000**	**222.790.471**
TOTAL LIABILITIES	**1.720.699.061**	**37.150.150**	**253.028.507**
Net Foreign Currency Liability Position	**(1.506.115.215)**	**617.100**	**(250.391.792)**

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 June 30, 2019 and December 31, 2018, 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:

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

17. FOREIGN CURRENCY POSITION (cont'd)

	June 30, 2019	
	Profit/ Loss	
	Appreciation of foreign currency	**Depreciation of foreign currency**
In case 10% appreciation in USD against TL		
USD net asset/liability	1.113.923	(1.113.923)
Part of hedged from US Dollar risk (-)	**-**	**-**
USD net effect	**1.113.923**	**(1.113.923)**
In case 10% appreciation in EURO against TL		
EURO net asset/liability	(147.920.956)	147.920.956
Part of hedged from EURO risk (-)	**-**	**-**
EURO net effect	**(147.920.956)**	**147.920.956**
TOTAL	**(146.807.033)**	**146.807.033**

	December 31, 2018	
	Profit/ Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation in USD against TL		
USD net asset/liability	324.650	(324.650)
Part of hedged from US Dollar risk (-)	-	-
USD net effect	324.650	(324.650)
In case 10% appreciation in EURO against TL		
EURO net asset/liability	(150.936.172)	150.936.172
Part of hedged from EURO risk (-)	**-**	**-**
EURO net effect	(150.936.172)	150.936.172
TOTAL	(150.611.522)	150.611.522

18. EVENTS AFTER THE REPORTING PERIOD

The prospectus for the shares with a nominal value of TL 106.457.700, which will be issued in order to increase the paid-in capital of TL 171.072.300 of Ayen Enerji A.Ş. to TL 277.500.000 all in cash, has been approved at the Capital Markets Board's board meeting dated August 1, 2019 and numbered 2019/39 and the process related to capital increase is ongoing.