

(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 2020 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, 2020 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 Altınbaş, SMMM
Partner

August 19, 2020
Ankara, Turkey



AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2020

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

	Notes	Current Period (Reviewed) June 30, 2020	Prior Period (Audited) December 31, 2019
ASSETS			
Current Assets			
Cash and Cash Equivalents		91.155.652	19.550.506
Trade Receivables		22.587.970	25.056.457
<i>Due from related parties</i>	4	1.744.141	1.769.751
<i>Due from others</i>		20.843.829	23.286.706
Other Receivables		12.174.877	4.483.914
<i>Due from related parties</i>	4	17.330	14.952
<i>Due from others</i>		12.157.547	4.468.962
Service Concession Arrangements	8	30.141.508	27.035.467
Prepaid Expenses	9	5.690.179	4.368.146
<i>Due from other parties</i>		5.690.179	4.368.146
Current Tax Assets		840.965	1.144.570
Other Current Assets	7	65.098.512	100.437.444
TOTAL CURRENT ASSETS		227.689.663	182.076.504
Non-Current Assets			
Financial Investments		412.408	412.408
Other Receivables		78.044.623	68.655.483
<i>Due from related parties</i>	4	-	3.388.844
<i>Due from others</i>		78.044.623	65.266.639
Service Concession Arrangements	8	154.744.567	146.808.569
Property, Plant and Equipment	5	2.342.695.255	2.141.325.018
Intangible Assets		26.279.269	26.325.587
<i>Goodwill</i>		17.461.935	17.461.935
<i>Other Intangible Assets</i>	5	8.817.334	8.863.652
Investment Property	6	16.500.000	16.500.000
Right of Use Assets	5	8.090.769	6.667.146
Prepaid expenses	9	110.430.422	21.895.887
<i>Due from other parties</i>		110.430.422	21.895.887
Deferred Tax Assets		43.888.471	36.890.354
TOTAL NON-CURRENT ASSETS		2.781.085.784	2.465.480.452
TOTAL ASSETS		3.008.775.447	2.647.556.956

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 FINANCIAL POSITION
AS OF JUNE 30, 2020**

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

	Notes	Current Period (Reviewed) June 30, 2020	Prior Period (Audited) December 31, 2019
LIABILITIES			
Current Liabilities			
Short-Term Financial Liabilities	10	220.227.769	188.984.654
Due to other parties		220.227.769	188.984.654
<i>Bank borrowings</i>		210.737.651	179.900.091
<i>Lease liabilities</i>		9.490.118	9.084.563
Short Term Portion of Financial Liabilities	10	253.207.150	209.671.222
Due to other parties		253.207.150	209.671.222
<i>Bank borrowings</i>		253.207.150	209.671.222
Other Financial Liabilities		18.064	18.064
<i>Other Miscellaneous Financial Liabilities</i>		18.064	18.064
Trade Payables		25.928.866	15.022.402
<i>Due to other parties</i>		25.928.866	15.022.402
Employee Benefit Obligations		714.942	628.300
Other Payables		35.089.722	20.082.485
<i>Due to related parties</i>	4	29.323.513	17.779.806
<i>Due to other parties</i>		5.766.209	2.302.679
Deferred Income		8.884.433	7.293.978
<i>Due to other parties (Excluding Obligations Arising from Customer Contracts)</i>		8.884.433	7.293.978
Current Income Tax Liabilities		3.115.455	13.347.090
Short- Term Provisions		1.110.571	1.028.278
<i>Short-Term Provisions for Employee Benefits</i>		1.110.571	1.028.278
Other Current Liabilities		111.482	64.326
<i>Due to other parties</i>		111.482	64.326
TOTAL CURRENT LIABILITIES		548.408.454	456.140.799
Non-Current Liabilities			
Long-Term Financial Liabilities	10	1.615.590.931	1.383.164.276
Due to other parties		1.615.590.931	1.383.164.276
<i>Bank borrowings</i>		1.591.968.383	1.357.061.608
<i>Lease liabilities</i>		23.622.548	26.102.668
Long- Term Provisions		4.187.957	4.297.212
<i>Long-Term Provisions for Employee Benefits</i>		4.187.957	4.297.212
Deferred Income		11.390.829	14.987.933
<i>Due to other parties (Excluding Obligations Arising from Customer Contracts)</i>		11.390.829	14.987.933
Other Payables		445.410	445.410
<i>Due to related parties</i>	4	445.410	445.410
Deferred Tax Liabilities		39.746.330	33.511.160
TOTAL NON-CURRENT LIABILITIES		1.671.361.457	1.436.405.991
TOTAL LIABILITIES		2.219.769.911	1.892.546.790

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 FINANCIAL POSITION
AS OF JUNE 30, 2020**

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

	Notes	Current Period (Reviewed) June 30, 2020	Prior Period (Audited) December 31, 2019
EQUITY			
Parent's Equity		716.366.541	686.606.896
Paid-in Share Capital	13	277.500.000	277.500.000
Share Premiums / Discounts		232.214	232.214
Other Accumulated Comprehensive Income / Expenses that not to be Reclassified to Profit or Loss		26.754.583	26.111.484
<i>Accumulated Losses on Remeasurement of Defined Benefit Plans</i>		(2.059.714)	(2.702.813)
<i>Increase on Revaluation of Property, Plant and Equipment</i>		28.814.297	28.814.297
Other Accumulated Comprehensive Income to be Reclassified to Profit or Loss		435.769.942	353.853.527
<i>Currency Translation Differences</i>		435.769.942	353.853.527
Restricted Profit Reserves	13	71.893.619	71.893.619
<i>Legal Reserves</i>		71.893.619	71.893.619
Retained Earnings/ (Losses)		(50.706.026)	(64.019.709)
Net Profit or Loss for the Period		(45.077.791)	21.035.761
Non-Controlling Interests		72.638.995	68.403.270
TOTAL EQUITY		789.005.536	755.010.166
TOTAL LIABILITIES AND EQUITY		3.008.775.447	2.647.556.956

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 PROFIT OR LOSS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

	Notes	Current Period (Reviewed) January 1 - June 30, 2020	Prior Period (Reviewed) January 1 - June 30, 2019	Current Period (Not Reviewed) April 1 - June 30, 2020	Prior Period (Not Reviewed) April 1 - June 30, 2019
PROFIT OR LOSS					
Revenue		243.269.892	306.276.585	121.052.447	158.057.089
Cost of Sales (-)	14	(148.494.770)	(168.230.399)	(73.834.932)	(77.493.402)
GROSS PROFIT		94.775.122	138.046.186	47.217.515	80.563.687
General Administrative Expenses (-)	14	(12.203.897)	(11.179.637)	(5.732.307)	(6.083.649)
Other Operating Income		32.800.202	18.899.232	16.584.066	11.664.787
Other Operating Expenses (-)		(20.399.802)	(9.578.470)	(12.275.358)	(7.221.952)
OPERATING PROFIT		94.971.625	136.187.311	45.793.916	78.922.873
Income from Investment Activities	15	37.185.110	24.108.574	15.471.352	8.066.257
OPERATING INCOME BEFORE FINANCIAL EXPENSE		132.156.735	160.295.885	61.265.268	86.989.130
Financial Income/ (Expenses), Net	16	(177.833.564)	(118.360.576)	(17.859.947)	(31.534.317)
PROFIT BEFORE TAXATION ON INCOME		(45.676.829)	41.935.309	43.405.321	55.454.813
Tax (Expense)/ Income from Continued Operations		(3.318.888)	(12.192.450)	(2.806.281)	(6.476.440)
Current Tax Income/ (Expense)		(4.263.222)	(9.011.053)	(1.792.294)	(4.229.297)
Deferred Tax Income/ (Expense)		944.334	(3.181.397)	(1.013.987)	(2.247.143)
PROFIT FOR THE PERIOD FROM CONTINUED OPERATIONS		(48.995.717)	29.742.859	40.599.040	48.978.373
NET (LOSS)/ PROFIT FOR THE PERIOD		(48.995.717)	29.742.859	40.599.040	48.978.373
Attribution of Profit for the Period					
Non-Controlling Interests		(3.917.926)	(617.648)	3.268.431	1.329.223
Equity Holders of the Parent		(45.077.791)	30.360.507	37.330.609	47.649.150
Earning per 1.000 shares	17	(1,62)	1,78	1,35	2,79

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, 2020

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

	Current Period (Reviewed) January 1 - June 30, 2020	Prior Period (Reviewed) January 1 - June 30, 2019	Current Period (Not Reviewed) April 1 - June 30, 2020	Prior Period (Not Reviewed) April 1 - June 30, 2019
OTHER COMPREHENSIVE INCOME				
PROFIT/ (LOSS) FOR THE PERIOD	(48.995.717)	29.742.859	40.599.040	48.978.373
Income or Expenses to be Reclassified to Profit or Loss	90.827.527	60.836.274	82.303.741	39.962.202
<i>Currency Translation Differences</i>	90.827.527	60.836.274	82.303.741	39.962.202
Income or Expenses not to be Reclassified to Profit or Loss	643.099	(749.054)	(163.658)	(697.522)
<i>Loss on Remeasurement of Defined Benefit Plans</i>	824.486	(907.753)	(209.818)	(875.314)
<i>Deferred Tax Income/ (Expense)</i>	(181.387)	158.699	46.160	177.792
OTHER COMPREHENSIVE INCOME	91.470.626	60.087.220	82.140.083	39.264.680
TOTAL COMPREHENSIVE INCOME	42.474.909	89.830.079	122.739.123	88.243.053
Total Comprehensive Income for the Period Attributable to:				
Non-Controlling Interests	4.993.186	6.161.340	11.490.801	5.806.864
Equity Holders of the Parent	37.481.723	83.668.739	111.248.322	82.436.189

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 CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

	Paid-in share capital	Share Premiums / Discounts	Other Accumulated Comprehensive Income or Expense not to be Reclassified to Profit or Loss		Other Accumulated Comprehensive Income or Expense to be Reclassified to Profit or Loss	Restricted Profit Reserves	Retained Earnings or Accumulated Losses	Net Profit / (Loss) for the Year	Parent's Equity	Non-Controlling Interests	Total Equity
			Defined Benefit Plans Remeasurement Gain / (Losses)	Property, Plant and Equipment Revaluation Fund	Currency Translation Differences						
Balance as of January 1, 2020	277.500.000	232.214	(2.702.813)	28.814.297	353.853.527	71.893.619	(64.019.709)	21.035.761	686.606.896	68.403.270	755.010.166
Transfers	-	-	-	-	-	-	21.035.761	(21.035.761)	-	-	-
Total comprehensive income/ (loss)	-	-	643.099	-	81.916.415	-	-	(45.077.791)	37.481.723	4.993.186	42.474.909
Transactions with Non-Controlling Shareholders (*)	-	-	-	-	-	-	(7.722.078)	-	(7.722.078)	1.222.078	(6.500.000)
Dividends	-	-	-	-	-	-	-	-	-	(1.979.539)	(1.979.539)
Balance as of June 30, 2020	277.500.000	232.214	(2.059.714)	28.814.297	435.769.942	71.893.619	(50.706.026)	(45.077.791)	716.366.541	72.638.995	789.005.536

(*) As of December 31, 2019, 24% shares of Ayen Ostim Enerji Üretim A.Ş., of which the Company had 76% shares, were purchased for TL 6.500.000 according to the Board of Directors decision dated January 17, 2020 by the Company.

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 CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

	Paid-in share capital	Other Accumulated Comprehensive Income/ (Expense) not to be Reclassified to Profit or Loss		Other Accumulated Comprehensive Income / (Expense) to be Reclassified to Profit or Loss	Restricted Profit Reserves	Retained Earnings/ (Losses)	Net Profit or Loss for the Period	Parent's Equity	Non-Controlling Interests	Total Equity
		Defined Benefit Plans Remeasurement Gain / (Losses)	Property, Plant and Equipment Revaluation Fund	Currency Translation Differences						
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.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

Notes	Current Period (Reviewed) January 1 – June 30, 2020	Prior Period (Reviewed) January 1 – June 30, 2019
CASH FLOW FROM OPERATING ACTIVITIES	197.297.036	97.768.378
Profit/ (Loss) for the period	(48.995.717)	29.742.859
- Period income/ (loss) from continuing operations	(48.995.717)	29.742.859
Adjustments to reconcile profit/ loss for the period	187.041.863	143.686.114
- Adjustments related to depreciation and amortization expenses	38.814.342	35.557.366
- Adjustments related to provisions	939.945	307.966
<i>Provisions and adjustments related to employee benefits</i>	939.945	307.966
- Adjustments for impairment loss/ (reversal of impairment loss)	9.468	(96.949)
<i>Adjustments for impairment of receivables</i>	9.468	(96.949)
- Adjustments for interest (income)/ expenses	59.035.779	66.998.742
<i>Adjustments for interest income</i>	(563.551)	(346.726)
<i>Adjustments for interest expenses</i>	59.599.330	67.345.468
- Adjustments for unrealized foreign exchange differences	98.565.674	34.709.936
- Adjustments for tax income/ (expense)	3.318.888	12.192.450
- Other adjustments for non-cash transactions	(10.045.129)	(2.386.293)
- Other adjustments for profit / loss reconciliation	(3.597.104)	(3.597.104)
Changes in working capital	73.888.170	(63.786.585)
- Adjustments related to (increase)/ decrease in trade receivables	8.314.190	17.336.651
<i>(Increase)/ decrease in trade receivables from related parties</i>	4.086.654	5.337.727
<i>(Increase)/ decrease in trade receivables from third parties</i>	4.227.536	11.998.924
- Adjustments related to (increase)/ decrease in other receivables from operating activities	32.365.146	8.881.287
<i>(Increase)/ decrease in other receivables from related parties</i>	3.770.708	(752.147)
<i>(Increase)/ decrease in other receivables from third parties</i>	28.594.438	9.633.434
- Adjustment related to (increase)/ decrease in service concession arrangements	12.091.499	(7.664.897)
- Increase/ (decrease) in deferred income	1.590.455	(2.821.037)
- (Increase)/ decrease in prepaid expenses	2.498.342	(3.126.705)
- Adjustment related to increase/ (decrease) in trade payables	10.507.747	(41.798.854)
<i>Increase/ (decrease) in trade payables to related parties</i>	-	(19.429.158)
<i>Increase/ (decrease) in trade payables to third parties</i>	10.507.747	(22.369.696)
- Increase/ (decrease) in payables of employee benefits	86.642	(18.665)
- Adjustments related to increase/decrease in other payables	6.434.149	(34.574.365)
<i>Increase/ (decrease) in other payables to related parties</i>	3.064.168	(42.310.658)
<i>Increase/ (decrease) in other payables to third parties</i>	3.369.981	7.736.293
Cash flow from operations	211.934.316	109.642.388
Payments for employee benefits	(142.423)	(1.112.265)
Income taxes paid	(14.494.857)	(10.761.745)

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, 2020

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

	Notes	Current Period (Reviewed) January 1 – June 30, 2020	Prior Period (Reviewed) January 1 – June 30, 2019
CASH FLOWS FROM INVESTING ACTIVITIES		(102.207.584)	(2.483.416)
Cash outflow from purchase of property, plant and equipment and intangible assets		(12.510.976)	(1.828.226)
<i>Cash outflow from purchases of property, plant and equipment</i>	5	(12.483.185)	(1.817.535)
<i>Cash outflow from purchases of intangible assets</i>		(27.791)	(10.691)
Advances given		(89.696.608)	(655.190)
<i>Other advances given</i>		(89.696.608)	(655.190)
CASH FLOWS FROM FINANCING ACTIVITIES		(26.091.671)	(181.395.643)
Cash inflows due to borrowings		148.427.937	55.819.269
<i>Cash inflows from bank loans</i>	10	148.427.937	55.819.269
Cash outflows due to borrowings		(119.919.701)	(174.071.756)
<i>Cash outflows from repayments of bank loans</i>	10	(119.919.701)	(174.071.756)
Interest paid		(53.791.576)	(62.449.674)
Cash outflows due to repayment of lease liabilities	10	(1.371.882)	(1.040.208)
Interest received	16	563.551	346.726
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN CURRENCY TRANSLATIONS		68.997.781	(86.110.681)
Foreign currency translation effects on cash and cash equivalents		2.607.365	2.386.293
NET DECREASE IN CASH AND CASH EQUIVALENTS		71.605.146	(83.724.388)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		19.550.506	121.209.720
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		91.155.652	37.485.332

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

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

(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 Aydınlar Group. Main shareholder of the Company is Aydınlar İnşaat A.Ş. (“Aydınlar 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, 2020 (December 31, 2019: 15,01%) (Note 13).

As of June 30, 2020, the number of personnel of the Ayen Enerji A.Ş. and Its Subsidiaries (together referred as the “Group”) is 257. (December 31, 2019: 265).

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	100%	100%	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	90%	90%	Papa Gijon Pali i II-te, ABA Business Center, Tirane/Albania
Ayel Elektrik Üretim Sanayii ve Ticaret A.Ş. (“Ayel Elektrik”)	Electricity production, distribution and trading	100%	100%	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-Stari Grad (“Ayen Srbistan”)	Electricity trading	0%	100%	Kosaçicev 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 production	92%	92%	Tirane, TIRANE Njesia Bashkiake Nr.2, Rruga Papa Gjon Pali II-te, ABA Business Center, Kati:6, Nr.601, Albania

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

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 in Gümüşhane, Kürtün with an installed capacity of 68,9 MW has production license 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 license 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 license 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, regarding 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 generation license numbered EÜ/9146-3/04419 was obtained for the Çaypınar Wind Energy Electricity Generation Plant (“Çaypınar”) project by Ayen Enerji in accordance with the Electricity Market Law No. 6446 and the relevant legislation. Çaypınar project has an installed power of 25.2 MWm/ 24 MWe and annual electricity generation capacity of 84,000,000 kWh.

In line with the Company’s strategic goals and growth policies, the application made to the Energy Market Regulatory Board for Çaypınar to be constructed and operated under the responsibility of Ayen Ostim was approved by Ayen Energy Board of Directors Decision No. 9449-14 in March 19, 2020.

Within the scope of this decision, the generation license which was given to Ayen Energy for Çaypınar was cancelled. Instead of this, it has been decided to issue a generation license to Ayen Ostim for 48(forty-eight) years, 10(ten) months, 4(four) days as a continuation of the old license.

The construction and operation of Çaypınar will be carried out by Ayen Ostim during the Generation License.

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 ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

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

Ayen AS Enerjji 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.

Ayen Enerjji has acquired 76% shares of Araklı Enerjji 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 Enerjji 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 Enerjji Trading D.O.O. (Serbia) with EURO 110.000 nominal capital and Ayen Enerjji 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 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 and the service concession agreement has been signed.

Approval of consolidated financial statements:

Board of Directors has approved the consolidated financial statements for the period between January 1– June 30, 2020 and delegated publishing it on August 19, 2020. No authority other than Board of Directors and General Assembly has the right to modify the consolidated financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

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, Ayen ALB 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 in accordance with accounting principles.

For the period ended 30 June 2020, 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 do 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 2019.

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 investment properties and financial assets and liabilities with revaluated amounts.

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.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

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

2.1 Basis of presentation (cont'd)

Functional Currency (cont'd)

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, Ayen ALB and Ayen Trading use ALL, Ayen Sırbistan RSD and Ayen Slovenya EURO. 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 0,062). 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 = 7,7082 TL, 1 RSD = 0,066 TL). Profit or loss statement and other comprehensive income items have been included into consolidation by being translated to TL with annual average exchange rate.

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.

Preparation of Consolidated Financial Statements in Hyperinflationary Periods

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with TAS. Accordingly, the Company did not apply TAS 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") in its financial statements for the accounting periods starting 1 January 2005.

Basis of Consolidation

As of June 30, 2020, and December 31, 2019 details of the Company's subsidiaries are as follows:

Subsidiaries	Group's proportion of ownership and voting power held (%)		Place of incorporation and operation	Principle activity
	2020	2019		
Ayen Ostim	100	76	Ankara- Ankara	Electricity production and trade
Kayseri Elektrik	96	96	Kayseri- Kayseri	Electricity production, distribution and trade
Ayen Elektrik	100	100	Ankara- Ankara	Electricity trade
Ayen-AS	90	90	Tirane-Albania	Electricity production and trade

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

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

2.1 Basis of presentation (cont'd)

Basis of Consolidation (cont'd)

Subsidiaries	Group's proportion of ownership and voting power held (%)		Place of incorporation and operation	Principle activity
	2020	2019		
Ayel Elektrik	100	100	Ankara- Ankara	Electricity production, distribution and trade
Araklı Enerji	76	76	Ankara- Trabzon	Electricity production and trade
Ayen Trading	100	100	Tirane-Albania	Electricity trade
Ayen Sırbistan	100	100	Belgrad-Serbia	Electricity trade
Ayen Slovenya	100	100	Ljubljana, Slovenia	Electricity trade
Ayen ALB	92	92	Tirane-Albania	Electricity production and trade

The accompanying consolidated financial statements include the financial statements of the Company and entities controlled or jointly controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

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

2.1 Basis of presentation (cont'd)

Basis of Consolidation (cont'd)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

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 December 31, 2019, the following classifications have been made in order to comply with the presentation of the current period.

- The non-trade payables amounting to TL 3.942.587, which was inadvertently recognized under trade payables to related parties in the statement of financial position as of December 31, 2019, has been reclassified to other payables to related parties.

2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim consolidated financial statements as at June 30, 2020 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, 2020. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

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

2.2 The new standards, amendments and interpretations (cont'd)

i. The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:

- Definition of a Business (Amendments to TFRS 3)
- Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)
- Definition of Material (Amendments to TAS 1 and TAS 8)
- Covid-19 Rent Related Concessions (Amendments to TFRS 16)

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)
- TFRS 17 - The new Standard for insurance contracts
- Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to TFRS 3 – Reference to the Conceptual Framework
- Amendments to TAS 16 – Proceeds before intended use
- Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

iii. Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- TFRS 1 First-time Adoption of International Financial Reporting Standards
- TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities
- TAS 41 Agriculture – Taxation in fair value measurements

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

2.3 Going Concern

The Group has prepared its consolidated financial statements on the assumption that the business will continue its operations in the foreseeable future. As it can be seen in the consolidated financial statement of dated June 30, 2020, the Group's short term liabilities exceed its current assets by TL 320.718.791. In the period ended on the same date, the Group's net loss for the period is TL 48.995.717, its total comprehensive income is TL 42.474.909 and the Group's equity is TL 789.005.336.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

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

2.3 Going Concern (cont'd)

The majority of the resources used by the Group to finance its investments and presented as financial liabilities in the consolidated financial statements are in foreign currency, and the future income of the Group due to these investments is also sensitive to foreign currency. According to the short and medium term projections made by the Group management by evaluating both its production capacity, current market conditions and future market expectations, and state purchase price guarantees, the projected cash inflow from the Group's operating activities will cover the need of cash due to financial activities. For this reason, the Group management does not foresee a risk regarding going concern.

2.4 The Effects of Covid-19

The Group makes predictions by taking into consideration the financial impacts of the Coronavirus on financial activities for 2020 financial year and beyond. Certain analysis are carried out based on these estimations. As a result of these analyses; it has been determined that most of the Ayen Enerji's sales are within the scope of YEKDEM (the Renewable Energy Resources Support) mechanism. Therefore, there is no uncertainty or anticipated significant financial impact in the energy sector due to the Coronavirus outbreak.

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 2020	Turkey	Abroad	Consolidated
Revenue	152.071.680	91.198.212	243.269.892
Cost of sales (-)	(74.277.154)	(74.217.616)	(148.494.770)
Gross profit	77.794.526	16.980.596	94.775.122
General administrative expenses (-)	(5.180.743)	(7.023.154)	(12.203.897)
Other operating income	5.596.486	27.203.716	32.800.202
Other operating expenses (-)	(1.840.702)	(18.559.100)	(20.399.802)
Operating profit	76.369.567	18.602.058	94.971.625
Income from investing activities	37.346.359	(161.249)	37.185.110
Operating ncome before financial expense	113.715.926	18.440.809	132.156.735
Financial income / (expenses)	(115.082.391)	(62.751.173)	(177.833.564)
Profit / (Loss) before taxation on income	(1.366.465)	(44.310.364)	(45.676.829)
Current tax income / (expense)	(3.447.438)	(815.784)	(4.263.222)
Deferred tax income / (expense)	5.162.992	(4.218.658)	944.334
Profit / (loss) for the period	349.089	(49.344.806)	(48.995.717)
Purchases of tangible and intangible fixed asset	10.784.828	1.726.148	12.510.976
Depreciation and amortization on fixed assets	(10.929.859)	(27.884.483)	(38.814.342)

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

3. SEGMENT REPORTING (cont'd)

1 January – 30 June 2019	Turkey	Abroad	Consolidated
Revenue	199.924.126	106.352.459	306.276.585
Cost of sales (-)	(93.141.420)	(75.088.979)	(168.230.399)
Gross profit	106.782.706	31.263.480	138.046.186
General administrative expenses (-)	(4.778.505)	(6.401.132)	(11.179.637)
Other operating income	7.688.157	11.211.075	18.899.232
Other operating expenses (-)	(3.459.056)	(6.119.414)	(9.578.470)
Operating profit	106.233.302	29.954.009	136.187.311
Income from investing activities	19.308.346	4.800.228	24.108.574
Operating ncome before financial expense	125.541.648	34.754.237	160.295.885
Financial income / (expenses)	(89.304.352)	(29.056.224)	(118.360.576)
Profit / (Loss) before taxation on income	36.237.296	5.698.013	41.935.309
Current tax income / (expense)	(6.725.180)	(2.285.873)	(9.011.053)
Deferred tax income / (expense)	(114.690)	(3.066.707)	(3.181.397)
Profit / (loss) for the period	29.397.426	345.433	29.742.859
Purchases of tangible and intangible fixed asset	310.025	1.518.201	1.828.226
Depreciation and amortization on fixed assets	(10.179.047)	(25.378.319)	(35.557.366)

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

4. RELATED PARTY TRANSACTIONS

Related party transactions	June 30, 2020					
	Receivables			Payables		
	Short-term		Long-term	Short-term		Long-term
Trade	Non-trade	Non-trade	Trade	Non-trade	Non-trade	
Aydiner İnşaat A.Ş. (*)	-	-	-	-	27.335.382	-
Agron Turizm ve Tic. A.Ş.	1.600.613	-	-	-	-	-
Erciyes Enerji Üretim San. ve Tic. A.Ş.	-	-	-	-	1.916.555	-
Other	143.528	17.330	-	-	71.576	445.410
	1.744.141	17.330	-	-	29.323.513	445.410

(*) 6.500.000 TL of short term non-trade payables consist of payables arising from the purchase of Ayen Ostim shares.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

4. RELATED PARTY TRANSACTIONS (cont'd)

Related party transactions	December 31, 2019				
	Receivables			Payables	
	Short-term		Long-term	Short-term	Long-term
	Trade	Non-trade	Non-trade	Non-trade	Non-trade
Aydiner İnşaat A.Ş. (*)	-	-	-	17.764.379	-
Samsun Makine Sanayi A.Ş.	99.653	-	-	-	-
Agron Turizm ve Tic. A.Ş.	1.652.413	-	-	-	-
Ayen Enerji other shareholders	-	-	3.388.844	-	-
Zetay Tarım Hayv. İmalat San. ve Tic. A.Ş.	15.327	-	-	-	-
Other	2.358	14.952	-	15.427	445.410
	<u>1.769.751</u>	<u>14.952</u>	<u>3.388.844</u>	<u>17.779.806</u>	<u>445.410</u>

(*) Short-term non-trade payables consist of the progress bills issued by Aydiner İnşaat for constructions in progress of the Group.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

4. RELATED PARTY TRANSACTIONS (cont'd)

January 1 – June 30, 2020

<u>Related party transactions</u>	<u>Foreign exchange income</u>	<u>Sales of energy</u>	<u>Interest income</u>	<u>Interest Expenses</u>	<u>Purchases of services</u>
Aydiner İnşaat A.Ş. (*)	-	187.817	7.171	1.346.688	4.563.053
Aybet Beton A.Ş.	-	308.818	1.650	-	-
Agron Turizm ve Tic. A.Ş.	-	406.417	125.956	-	-
Ayen Enerji other shareholders	296.190	-	-	-	-
Other	-	60.356	1.454	-	-
	296.190	963.408	136.231	1.346.688	4.563.053

(*) 4.535.602 TL of the purchases of services that received from Aydiner İnşaat A.Ş. consist of progress payments regarding to construction in progress.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

(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	Sales of energy	Interest income	Interest expenses	Purchases of services
Aydıner İnşaat A.Ş.	-	203.485	4.629	3.820.351	31.225
Aksu Temiz Enerji A.Ş.	-	1.039.303	-	-	-
Samsun Makine Sanayi A.Ş.	-	10.281.122	6.009	-	-
Aybet Beton A.Ş.	-	6.328	47	-	-
Agron Turizm ve Tic. A.Ş.	-	927.902	64.447	-	-
Zetay Tarım Hayv. İmalat San. ve Tic. A.Ş.	-	15.902	632	-	-
Ayen Enerji other shareholders	317.471	-	-	-	-
Other	-	-	-	-	6.406
	<u>317.471</u>	<u>12.474.042</u>	<u>75.764</u>	<u>3.820.351</u>	<u>37.631</u>

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

(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, 2020	January 1- June 30, 2019	April 1 - June 30, 2020	April 1 - June 30, 2019
Salary and other short-term benefits	2.539.473	1.055.931	1.516.213	352.823
Other long-term benefits	546.335	447.836	58.967	97.332
	<u>3.085.808</u>	<u>1.503.767</u>	<u>1.575.180</u>	<u>450.155</u>

5. TANGIBLE, OTHER INTANGIBLE AND RIGHT OF USE ASSETS

	Property, Plant and Equipment	Other Intangible Assets	Right of Use Assets
<u>Cost</u>			
Opening balance as of January 1, 2020	2.437.940.518	12.604.081	7.565.575
Additions	12.483.185	27.791	
Revaluation effect(*)	-	-	1.809.813
Derecognised items (**)	-	-	(161.496)
Currency translation differences	248.575.162	147.878	231.589
Closing balance as of June 30, 2020	<u>2.698.998.865</u>	<u>12.779.750</u>	<u>9.445.481</u>
<u>Accumulated Depreciation</u>			
Opening balance as of January 1, 2020	(296.615.500)	(3.740.429)	(898.429)
Charge for the period	(38.138.552)	(161.312)	(514.478)
Derecognised item (**)	-	-	161.496
Currency translation differences	(21.549.558)	(60.675)	(103.301)
Closing balance as of June 30, 2020	<u>(356.303.610)</u>	<u>(3.962.416)</u>	<u>(1.354.712)</u>
Net book value as of June 30, 2020	<u>2.342.695.255</u>	<u>8.817.334</u>	<u>8.090.769</u>

(*) Refers to the changes arising from price increase / (decrease) depending on the index in rent payments.

(**) The Group has derecognised the right of use assets whose lease terms have expired. These net offs have no effect on profit / (loss).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

5. TANGIBLE, OTHER INTANGIBLE AND RIGHT OF USE ASSETS (cont'd)

	<u>Property, Plant and Equipment</u>	<u>Other Intangible Assets</u>	<u>Right of Use Assets</u>
<u>Cost</u>			
Opening balance as of January 1, 2019	2.252.912.751	12.460.974	7.124.091
Additions	1.817.535	10.691	-
Disposals	-	-	-
Currency translation differences	153.471.859	86.049	129.505
Closing balance as of June 30, 2019	<u>2.408.202.145</u>	<u>12.557.714</u>	<u>7.253.596</u>
<u>Accumulated Depreciation</u>			
Opening balance as of January 1, 2019	(212.712.546)	(3.371.415)	-
Charge for the period	(35.045.433)	(164.163)	(347.770)
Disposals	-	-	-
Currency translation differences	(8.640.340)	(20.408)	(10.481)
Closing balance as of June 30, 2019	<u>(256.398.319)</u>	<u>(3.555.986)</u>	<u>(358.251)</u>
Net book value as of June 30, 2019	<u>2.151.803.826</u>	<u>9.001.728</u>	<u>6.895.345</u>

Depreciation and amortization expense of TL 37.410.006 (June 30, 2019: TL 33.976.458) has been charged in cost of sales and TL 1.404.336 (June 30, 2019: TL 1.233.138) has been charged in general administrative expenses.

Regarding long term bank loans, there is a mortgage amounting to TL 34.211.000 (USD 5.000.000) on tangible assets of the Group (December 31, 2019 : TL 29.701.000) (Note 11).

Commercial enterprise pledge amounting to TL 140.000.000 for Akbük WPP in June 25, 2009 and TL 150.000.000 for Mordoğan and Korkmaz WPP in May 30, 2012 has been given as a guarantee for the bank loan (Note 11).

6. INVESTMENT PROPERTIES

<u>Cost Value</u>	<u>Land and Parcels</u>
January 1, 2020	16.500.000
Transfer	-
Positive valuation differences	-
June 30, 2020	<u>16.500.000</u>

The fair value of the Company's investment properties as of December 31, 2019 has been obtained based on the evaluations made by Lâl Gayrimenkul Değerleme ve Danışmanlık A.Ş., an independent expertise agency authorized by the CMB, which has no relation with the Company. In the valuation made according to International Valuation Standards, peer comparison method has been taken into consideration and the level of fair value is 2.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

7. OTHER CURRENT ASSETS

	June 30, 2020	December 31, 2019
<u>Other current assets</u>		
VAT deductible (*)	57.973.958	95.093.627
VAT carried forward	6.432.126	4.710.081
Other	692.428	633.736
	<u>65.098.512</u>	<u>100.437.444</u>

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

8. SERVICE CONCESSION ARRANGEMENTS

	June 30, 2020	December 31, 2019
<u>Due from service concession arrangements</u>		
Short-term due from service concession arrangements	26.872.145	21.731.604
Invoiced and undue from service concession arrangements (*)	3.269.363	5.303.863
Total short-term due from service concession arrangements	<u>30.141.508</u>	<u>27.035.467</u>
Long-term due from service concession arrangements	154.744.567	146.808.569
Total due from service concession arrangements	<u>184.886.075</u>	<u>173.844.036</u>

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

Gross due from service concession arrangements	269.568.777	257.051.332
Unearned financial income (-)	(87.952.065)	(88.511.159)
Due from service concession agreement payments (*)	3.269.363	5.303.863
Due from service concession agreements - net	<u>184.886.075</u>	<u>173.844.036</u>

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

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

8. SERVICE CONCESSION ARRANGEMENTS (cont'd)

As of June 30, 2020 and December 31, 2019, 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, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Up to 1 year	7.750.420	7.750.420	53.029.924	46.039.045
1 to 2 years	7.750.420	7.750.420	53.029.924	46.039.045
2 to 3 years	7.750.420	7.750.420	53.029.924	46.039.045
3 to 4 years	7.750.420	7.750.420	53.029.924	46.039.045
More than 4 years	8.396.288	12.271.498	57.449.081	72.895.152
	39.397.968	43.273.178	269.568.777	257.051.332
	Net due from service concession arrangements (USD)		Net due from service concession arrangements (TL)	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Up to 1 year	3.927.413	3.658.396	26.872.145	21.731.604
1 to 2 years	4.498.158	4.196.430	30.777.297	24.927.633
2 to 3 years	5.145.003	4.799.886	35.203.140	28.512.283
3 to 4 years	5.882.713	5.490.121	40.250.699	32.612.417
More than 4 years	7.090.326	10.227.978	48.513.431	60.756.236
	26.543.613	28.372.811	181.616.712	168.540.173

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.

9. PREPAID EXPENSES

	June 30, 2020	December 31, 2019
Short-Term Prepaid Expenses		
Prepaid expense for the following months	4.723.918	3.921.079
Job advances	115.748	427.687
Other	850.513	19.380
	5.690.179	4.368.146

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

9. PREPAID EXPENSES (cont'd)

Long-Term Prepaid Expenses	June 30, 2020	December 31, 2019
Advances given (*)	110.430.422	21.895.887
	110.430.422	21.895.887

(*) Major part of the advances given consist of the advances given for the Çaypınar WPP project.

10. FINANCIAL LIABILITIES

The detail of borrowings of the Group as of June 30, 2020 and December 31, 2019 is as follows:

Financial liabilities	June 30, 2020	December 31, 2019
Short-term financial liabilities	220.227.769	188.984.654
Short-term portion of long-term financial liabilities	253.207.150	209.671.222
Long-term financial liabilities	1.615.590.931	1.383.164.276
	2.089.025.850	1.781.820.152

Bank borrowings

Original currency	Weighted average effective interest rate (%)	June 30, 2020	
		Short-term	Long-term
TL	10,56%	33.765.409	28.595.281
USD	7,33%	221.071.565	-
EURO	3,71%	209.107.827	1.563.373.102
		463.944.801	1.591.968.383

Original currency	Weighted average effective interest rate (%)	December 31, 2019	
		Short-term	Long-term
TL	15,93%	18.277.182	12.705.883
USD	7,33%	197.041.717	7.128.240
EURO	3,51%	174.252.414	1.337.227.485
		389.571.313	1.357.061.608

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

10. FINANCIAL LIABILITIES (cont'd)

The redemption schedule of the borrowings as of June 30, 2020 and December 31, 2019 is as follows:

	June 30, 2020	December 31, 2019
To be paid within 1 year	463.944.801	389.571.313
To be paid between 1-2 years	213.270.908	178.921.478
To be paid between 2-3 years	197.429.780	160.438.361
To be paid between 3-4 years	184.561.190	167.782.209
To be paid between 4-5 years	171.068.818	148.695.495
5 and more than 5 years	825.637.687	701.224.065
	<u>2.055.913.184</u>	<u>1.746.632.921</u>

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, 2020, deferred financing expense is TL 22.407.213 (December 31, 2019: TL 24.664.474). In accordance with the agreements that the Group made regarding the investment loans, the Group has an obligation to meet some ratios calculated over consolidated financial statements prepared in accordance with Turkish Financial Reporting Standards as of the end of every financial year.

Lease Payables

Lease Payables	June 30, 2020	December 31, 2019
Short-term	9.490.118	9.084.563
Gross lease payables	14.266.213	14.334.148
Interest rates (-)	(4.776.095)	(5.249.585)
Long-term	23.622.548	26.102.668
Gross lease payables	56.414.142	54.068.069
Interest rates (-)	(32.791.594)	(27.965.401)
	<u>33.112.666</u>	<u>35.187.231</u>

As of June 30, 2020, the Group's lease payables consist of; a sale and leaseback agreement amounting to TL 24.480.396 (December 31, 2019 : TL 28.195.749) made on December 25, 2017 and the lease payables due to the new TFRS 16 standard amounting to TL 8.632.270 TL (December 31, 2019 : TL 6.991.482). The lease payables due to TFRS 16 consist of rental vehicles and lands used by Ayen Enerji, land used by Ayen Trading and vehicles and offices used by Ayen AS.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

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

10. FINANCIAL LIABILITIES (cont'd)

Original currency	Weighted average effective interest rate (%)	June 30, 2020	
		Short-term	Long-term
TL	18%	8.653.903	23.467.773
EURO	4,58%	836.215	154.775
		9.490.118	23.622.548

Original currency	Weighted average effective interest rate (%)	December 31, 2019	
		Short-term	Long-term
TL	18%	7.926.312	26.102.668
EURO	4,58%	1.158.251	-
		9.084.563	26.102.668

The repayment schedule of financial lease payables is as follows:

	June 30, 2020	December 31, 2019
To be paid within 1 year	9.490.118	9.084.563
To be paid between 1-2 years	10.168.264	6.816.458
To be paid between 2-3 years	5.807.393	10.632.808
To be paid between 3-4 years	154.775	2.968.533
5 and more than 5 years	7.492.116	5.684.869
	33.112.666	35.187.231

As of June 30, 2020 and 2019, the movement for financial liabilities is as follows:

Financial liabilities	2020	2019
Beginning of the period – January 1	1.781.820.152	1.839.563.541
TFRS 16 transition effect	-	7.124.091
Borrowings received	148.427.937	55.819.269
Borrowings paid	(119.919.701)	(174.071.756)
Change in foreign exchange differences	121.699.212	50.100.425
Currency translation differences	150.641.620	95.709.603
Change in deferred finance expenses	1.734.239	946.771
Change in interest accruals	3.101.806	3.749.891
Revaluation arising from lease agreements (*)	1.809.813	-
Cash outflows arising from lease agreements	(1.371.882)	(1.040.208)
Interest accruals arising from lease agreements	1.082.654	414.345
End of the period – June 30	2.089.025.850	1.878.315.972

(*) The Group recalculated the lease liability to reflect the changes that arising from the index-related price increase in lease payments. The resulting effect has been reflected in the financial statements as an adjustment to the right of use asset.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

As of June 30, 2020, 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, 2020, 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, 2020	December 31, 2019
Letters of guarantee received (*)	4.858.395	7.703.258
Guarantees given on behalf of Ayen Enerji (**)	363.133.702	438.938.183
	<u>367.992.097</u>	<u>446.641.441</u>

(*) Received by Ayen Elektrik as guarantee risks that might occur in collecting related with electricity sales.

(**) Consists of Aydın 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, 2020	December 31, 2019
Commercial enterprise pledge (*)	290.000.000	290.000.000
Letters of guarantee given (**)	102.773.942	94.999.576
Mortgages given (***)	34.211.000	29.701.000
	<u>426.984.942</u>	<u>414.700.576</u>

(*) Commercial enterprise pledge amounting to TL 140.000.000 for Akbük WPP in June 25,2009 and TL 150.000.000 for Mordoğan and Korkmaz WPP in May 30,2012 has been given as a guarantee for the bank loan by the Group.

(**) Letters of guarantee given consist of TL 82.934.351 in terms of EURO and TL 19.839.591 in terms of Turkish Lira. Letters of guarantee given comprise of TL 81.007.301 (EUR 10.509.237) has been given to the Albania Ministry of Economy for Ayen AS, TL 7.018.120 (EUR 250.000, TL 5.091.070) has been given to TEİAŞ, TL 4.003.600 has been given to EPDK, TL 7.593.300 has been given to Enerjisa and 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.

(***) Consists of the mortgages given for the long-term borrowings of the Group, there exists TL 34.211.000 (USD 5.000.000) of mortgages over property, plant and equipment of Ayen Enerji.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

12. COMMITMENTS

Guarantees, pledge and mortgage (“GPM”) position of the Group as of June 30, 2020 and December 31, 2019 is as follows:

	June 30, 2020				December 31, 2019			
	TL Equivalent	TL	USD	EURO	TL Equivalent	TL	USD	EURO
Total GPM given on behalf of the legal entity:	416.395.686	300.791.975	5.000.000	10.559.237	400.194.914	300.601.182	5.000.000	10.509.237
Guarantee Letter	92.184.686	10.791.975	-	10.559.237	80.493.914	10.601.182	-	10.509.237
Pledge	290.000.000	290.000.000	-	-	290.000.000	290.000.000	-	-
Mortgage	34.211.000	-	5.000.000	-	29.701.000	-	5.000.000	-
Guarantee	-	-	-	-	-	-	-	-
Total GPM Given on behalf of the subsidiaries that are included in full consolidation:	10.589.256	9.047.616	-	200.000	14.505.662	11.512.892	-	450.000
Conveyance	-	-	-	-	-	-	-	-
Guarantee Letter	10.589.256	9.047.616	-	200.000	14.505.662	11.512.892	-	450.000
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:	<u>426.984.942</u>	<u>309.839.591</u>	<u>5.000.000</u>	<u>10.759.237</u>	<u>414.700.576</u>	<u>312.114.074</u>	<u>5.000.000</u>	<u>10.959.237</u>

(*) The ratio of other GPM to equity as at June 30, 2020 is 0%. (December 31, 2019: 0%).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

13. 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 27.750.000.000 shares (December 31, 2019: 27.750.000.000) 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, 2020 and December 31, 2019 is as follows:

Shareholders	%	June 30, 2020	%	December 31, 2019
Aydiner İnşaat A.Ş.	84,98	235.812.946	84,98	235.812.946
Public quotation	15,01	41.656.325	15,01	41.656.325
Other	<1	30.729	<1	30.729
Subscribed capital		277.500.000		277.500.000

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, 2020 the amount of restricted profit reserves is TL 71.893.619. (December 31, 2019: 71.893.619 TL).

Resources Available for Profit Distribution

As of balance sheet date, there is net profit amounting TL 49.069.260 in the statutory records of the Company. (December 31, 2019 Net loss TL 21.492.704).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

14. EXPENSES BY NATURE

	January 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2020	April 1 - June 30, 2019
Cost of sales	148.494.770	168.230.399	73.834.932	77.493.402
General and administrative expenses	12.203.897	11.179.637	5.732.307	6.083.649
	160.698.667	179.410.036	79.567.239	83.577.051
	January 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2020	April 1 - June 30, 2019
Cost of electricity (*)	64.326.920	90.623.736	29.160.829	36.233.650
Depreciation and amortization expenses	38.814.342	35.557.366	20.126.903	18.313.211
System usage and capacity fee (**)	23.942.168	22.414.561	14.509.296	12.204.936
Personnel expenses (***)	13.766.309	12.480.952	6.679.285	6.448.950
Plant technical assistance and maintenance	9.705.345	9.702.529	5.571.928	5.426.267
Consultancy fees	2.882.789	1.234.045	1.692.523	631.748
Insurance expenses	2.602.565	2.155.199	1.765.171	1.365.748
Taxes and duties	820.464	588.701	403.711	546.937
Hydraulic contribution	811.036	730.420	683.139	633.835
Office expenses	775.252	704.405	100.118	232.354
Transportation expenses	392.766	402.733	74.584	143.153
Chamber and dues expenses	152.299	216.451	36.936	144.361
Other	1.706.412	2.598.938	(1.237.184)	1.251.901
	160.698.667	179.410.036	79.567.239	83.577.051

(*) Consists of the amount of electricity that Ayen Enerji, Ayen Elektrik and the companies trading electricity in abroad purchase from EPIAŞ and suppliers other than group companies and sell to customers.

(**) The Group reflects the transmission service invoices issued by TEİAŞ and the Electricity Distribution Corporation ("EDAŞ") and sent to the Group by invoicing the same amounts to EÜAŞ and electricity distribution system usage fees to other customers. The amounts that can be reflected to EÜAŞ and other customers are shown in the accompanying consolidated financial statements by netting with sales, but the amounts that could not be reflected and paid to TEİAŞ by the Group are reflected in the cost of sales.

(***) 7.852.797 TL (June 30, 2019: 7.417.750 TL) of personnel expenses are included in the cost of sales and 5.913.512 TL (June 30, 2019: 5.063.202 TL) are included in general administrative expenses.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

15. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

The details of income from investing activities for the years ended June 30, 2020 and 2019 are as follows:

	January 1 - June 30, 2020	January 1 - June 30, 2019	April 1- June 30, 2020	April 1- June 30, 2019
Foreign exchange income/ (expense)	33.588.006	20.508.188	13.672.800	6.267.705
Revenue from sale and lease back operation	3.597.104	3.597.104	1.798.552	1.798.552
Other	-	3.282	-	-
	<u>37.185.110</u>	<u>24.108.574</u>	<u>15.471.352</u>	<u>8.066.257</u>

16. FINANCIAL EXPENSES

	January 1 - June 30, 2020	January 1 - June 30, 2019	April 1- June 30, 2020	April 1- June 30, 2019
Net foreign exchange (loss)/ income	(115.158.935)	(48.524.805)	14.928.182	1.543.368
Bank loan interests	(58.627.621)	(66.435.496)	(29.397.508)	(30.014.072)
Deferred finance expenses	(1.122.168)	(1.125.185)	(562.592)	(562.592)
Operational lease interest expenses	(1.082.654)	(414.345)	(879.830)	(414.345)
Interest income	563.551	346.726	457.538	120.795
Other	(2.405.737)	(2.207.471)	(2.405.737)	(2.207.471)
	<u>(177.833.564)</u>	<u>(118.360.576)</u>	<u>(17.859.947)</u>	<u>(31.534.317)</u>

17. EARNING PER SHARE

	January 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2020	April 1 - June 30, 2019
Profit for the year attributable to equity holders of the Parent	(45.077.791)	30.360.507	37.330.609	47.649.150
Average number of outstanding shares	27.750.000.000	17.104.230.000	27.750.000.000	17.104.230.000
Earnings per basic, 1.000 shares (TL)	(1,62)	1,78	1,35	2,79

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

18. FOREIGN CURRENCY POSITION

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

As of June 30, 2020 and December 31, 2019 the amount of foreign currency denominated assets and liabilities and TL equivalent amounts are as follows:

	June 30, 2020		
	TL Equivalent	USD	EURO
Trade receivables	10.855.917	811.101	688.384
Monetary financial assets	77.801.401	703.090	9.469.230
Due from short term service concession arrangements	30.141.508	4.405.236	-
Other	45.463	-	5.898
CURRENT ASSETS	118.844.289	5.919.427	10.163.512
Due from long term service concession arrangements	154.744.567	22.616.200	-
Other	75.212.723	-	9.757.495
NON-CURRENT ASSETS	229.957.290	22.616.200	9.757.495
TOTAL ASSETS	348.801.579	28.535.627	19.921.007
Trade payables	14.177.122	-	1.839.226
Financial liabilities	430.179.392	32.310.012	27.127.971
Financial leases	836.215	-	108.484
CURRENT LIABILITIES	445.192.729	32.310.012	29.075.681
Financial liabilities	1.563.373.102	-	202.819.478
Financial leases	154.775	-	20.079
NON-CURRENT LIABILITIES	1.563.527.877	-	202.839.557
TOTAL LIABILITIES	2.008.720.606	32.310.012	231.915.238
Net Foreign Currency Liability Position	(1.659.919.027)	(3.774.385)	(211.994.231)

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

18. FOREIGN CURRENCY POSITION (cont'd)

	December 31, 2019		
	TL Equivalent	USD	EURO
Trade receivables	11.165.211	1.525.569	316.216
Monetary financial assets	6.629.550	267.017	758.340
Due from short term service concession arrangements	27.035.467	4.551.272	-
Other	3.428.072	-	515.453
CURRENT ASSETS	48.258.300	6.343.858	1.590.009
Due from long term service concession arrangements	146.808.569	24.714.415	-
Other	64.893.196	-	9.757.495
NON-CURRENT ASSETS	211.701.765	24.714.415	9.757.495
TOTAL ASSETS	259.960.065	31.058.273	11.347.504
Trade payables	2.243.973	68.200	276.494
Financial liabilities	371.294.131	33.170.889	26.201.007
Financial leases	1.158.251	-	174.157
CURRENT LIABILITIES	374.696.355	33.239.089	26.651.658
Financial liabilities	1.344.355.725	1.200.000	201.068.698
NON-CURRENT LIABILITIES	1.344.355.725	1.200.000	201.068.698
TOTAL LIABILITIES	1.719.052.080	34.439.089	227.720.356
Net Foreign Currency Liability Position	(1.459.092.015)	(3.380.816)	(216.372.852)

The following table details the Group's sensitivity to a 10% increase and decrease in USD, and EURO. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss.

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

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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

18. FOREIGN CURRENCY POSITION (cont'd)

	June 30, 2020	
	Profit/ Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation in USD against TL		
USD net asset/liability	(2.582.510)	2.582.510
Part of hedged from US Dollar risk (-)		
USD net effect	(2.582.510)	2.582.510
In case 10% appreciation in EURO against TL		
EURO net asset/liability	(163.409.393)	163.409.393
Part of hedged from EURO risk (-)		
EURO net effect	(163.409.393)	163.409.393
TOTAL	(165.991.903)	165.991.903

	December 31, 2019	
	Profit/ Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation in USD against TL		
USD net asset/liability	(2.008.273)	2.008.273
Part of hedged from US Dollar risk (-)		
USD net effect	(2.008.273)	2.008.273
In case 10% appreciation in EURO against TL		
EURO net asset/liability	(143.900.929)	143.900.929
Part of hedged from EURO risk (-)		
EURO net effect	(143.900.929)	143.900.929
TOTAL	(145.909.202)	145.909.202

19. EVENTS AFTER THE REPORTING PERIOD

None.