

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

**Convenience Translation Of The
Independent Auditor's Review Report And
Condensed Consolidated Financial Statements
For The Six Month Interim Period Ended
30 June 2016 Originally Issued in Turkish**

**DRT BAĞIMSIZ DENETİM VE SERBEST
MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
19 August 2016**

*This report consists of 2 pages of audit
report and 33 pages of condensed
consolidated financial statements and footnotes.*

**(CONVENIENCE TRANSLATION OF THE REPORT ON REVIEW OF CONDENSED
CONSOLIDATED INTERIM FINANCIAL INFORMATION ORIGINALLY
ISSUED IN TURKISH)**

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Ayen Enerji A.Ş. (the “Company”) and its subsidiaries (together will be referred as “the Group”) as of 30 June 2016 and the related condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month interim period then ended. Group management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards 34 “Interim Financial Reporting” (“TAS 34”). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

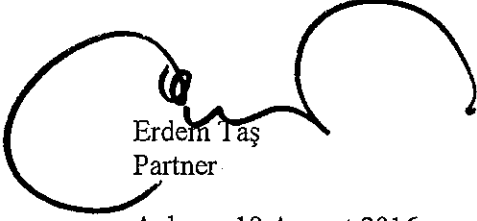
We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated interim financial information consists of making inquiries, primarily of persons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

Deloitte.

Conclusion

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

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



Erdem Taş
Partner

Ankara, 19 August 2016

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AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period (Reviewed) 30 June 2016	Prior Period (Audited) 31 December 2015
ASSETS			
Current Assets			
Cash and Cash Equivalents		32.882.267	152.593.651
Trade Receivables		28.879.728	26.344.803
<i>Trade Receivables from Related Parties</i>	3	4.920.783	5.133.733
<i>Trade Receivables from Third Parties</i>		23.958.945	21.211.070
Other Receivables		4.072.456	2.474.699
<i>Other Receivables from Related Parties</i>	3	961.320	476.640
<i>Other Receivables from Third Parties</i>		3.111.136	1.998.059
Service Concession Arrangements	5	11.187.555	8.150.322
Prepaid Expenses		4.842.272	5.813.961
Assets Related to Current Tax		55.411	69.657
Other Current Assets		1.823.115	4.192.115
TOTAL CURRENT ASSETS		83.742.804	199.639.208
Non-current assets			
Financial Assets		412.408	412.408
Other Receivables		37.280.577	31.470.733
<i>Other Receivables from Related Parties</i>	3	32.979.166	26.847.475
<i>Other Receivables from Third Parties</i>		4.301.411	4.623.258
Service Concession Arrangements	5	103.051.368	107.115.770
Property, Plant and Equipment	4	1.250.957.446	1.153.032.787
Intangible Assets		40.275.168	40.720.144
<i>Goodwill</i>		22.143.133	22.143.133
<i>Other Intangible Assets</i>	4	18.132.035	18.577.011
Prepaid Expenses		35.431.237	60.796.804
Deferred Tax Assets		17.569.247	20.729.570
Other Non-Current Assets		94.437.277	84.320.634
TOTAL NON-CURRENT ASSETS		1.579.414.728	1.498.598.850
TOTAL ASSETS		1.663.157.532	1.698.238.058

The accompanying notes presented between pages 9 and 33 form an integral part of these condensed consolidated interim financial information.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period (Reviewed) 30 June 2016	Prior Period (Audited) 31 December 2015
LIABILITIES			
Current Liabilities			
Short-Term Borrowings	13	148.240.000	77.920.101
Short-Term Portion of Long-Term Borrowings	13	90.977.321	90.141.518
Other Financial Liabilities	13	70.257.058	70.259.766
Trade Payables		49.266.528	68.343.642
<i>Trade Payables to Related Parties</i>	3	27.034.775	33.879.246
<i>Trade Payables to Third Parties</i>		22.231.753	34.464.396
Employee Benefit Obligations		407.952	372.978
Other Payables		35.253.556	139.990.344
<i>Other Payables to Related Parties</i>	3	29.218.871	136.629.974
<i>Other Payables to Third Parties</i>		6.034.685	3.360.370
Deferred Revenue		73.901	73.359
Current Tax Liabilities		2.866.452	9.598.135
Short-Term Provisions		993.373	643.961
<i>Short-Term Provisions for Employee Benefits</i>		993.373	643.961
Other Current Assets		634.643	617.215
TOTAL CURRENT LIABILITIES		398.970.784	457.961.019
Non-Current Liabilities			
Long-Term Borrowings	13	942.586.855	949.510.411
Trade Payables		24.162.616	23.092.938
<i>Trade Payables to Related Parties</i>	3	24.162.616	23.092.938
Employee Benefit Obligations		3.137.943	2.720.724
Other Payables		445.410	445.410
<i>Other Payables to Related Parties</i>	3	445.410	445.410
TOTAL NON-CURRENT LIABILITIES		970.332.824	975.769.483
TOTAL LIABILITIES		1.369.303.608	1.433.730.502

The accompanying notes presented between pages 9 and 33 form an integral part of these condensed consolidated interim financial information.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period (Reviewed) 30 June 2016	Prior Period (Audited) 31 December 2015
EQUITY			
Equity Attributable to Owners of the Parent		247.398.278	225.843.845
Paid-in Capital	9	171.042.300	171.042.300
Accumulated Other Comprehensive			
Income or Expenses that will not be Reclassified			
Subsequently to Profit or Loss		(457.969)	(457.969)
<i>Revaluation and Measurement Gains (Losses)</i>		(457.969)	(457.969)
<i>Accumulated Gain/Loss on Remeasurement of</i>			
<i>Defined Benefit Plans</i>		(457.969)	(457.969)
Accumulated Other Comprehensive Income or Expenses that			
may be Reclassified Subsequently to Profit or Loss		17.443.327	17.200.021
<i>Currency Translation Reserves</i>		17.443.327	17.200.021
Restricted Reserves	9	67.942.354	62.162.876
<i>Legal Reserves</i>		67.942.354	62.162.876
Accumulated Losses/Retained Earnings		(29.882.861)	5.056.522
Net Profit/Loss for the Period		21.311.127	(29.159.905)
Non-Controlling Interests		46.455.646	38.663.711
TOTAL EQUITY		293.853.924	264.507.556
TOTAL LIABILITIES AND EQUITY		1.663.157.532	1.698.238.058

The accompanying notes presented between pages 9 and 33 form an integral part of these condensed consolidated interim financial information.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 JUNE 2016**

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period (Reviewed) 1 January- 30 June 2016	Prior Period (Reviewed) 1 January- 30 June 2015	Current Period (Not Reviewed) 1 April- 30 June 2016	Prior Period (Not Reviewed) 1 April- 30 June 2015
PROFIT OR LOSS					
Revenue		186.065.013	139.237.160	91.779.617	64.366.018
Cost of Sales (-)	8	(122.767.292)	(97.074.585)	(58.888.073)	(40.957.049)
GROSS PROFIT		63.297.721	42.162.575	32.891.544	23.408.969
General Administration Expenses (-)	8	(7.331.405)	(7.356.579)	(3.465.510)	(3.653.233)
Other Income from Operating Activities		6.753.900	7.037.521	3.181.666	5.540.243
Other Expenses from Operating Activities (-)		(5.813.972)	(3.258.803)	(4.416.214)	(1.791.563)
OPERATING PROFIT		56.906.244	38.584.714	28.191.486	23.504.416
Income from Investing Activities	10	1.579.146	18.601.599	2.482.680	3.962.286
Expenses from Investing Activities (-)	10	(1.603.306)	-	-	-
OPERATING PROFIT BEFORE FINANCE EXPENSE		56.882.084	57.186.313	30.674.166	27.466.702
Finance Expenses (-)	11	(25.509.975)	(53.316.461)	(6.876.377)	(33.972.629)
PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS		31.372.109	3.869.852	23.797.789	(6.505.927)
Tax Expense / Income from Continuing Operations		(6.714.935)	(1.835.500)	(4.196.931)	658.217
Current Tax Expense		(3.554.612)	(5.864.975)	(1.528.156)	(3.319.719)
Deferred Tax Expense / Income		(3.160.323)	4.029.475	(2.668.775)	3.977.936
PROFIT / LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		24.657.174	2.034.352	19.600.858	(5.847.710)
PROFIT / LOSS FOR THE PERIOD		24.657.174	2.034.352	19.600.858	(5.847.710)
Profit / Loss for the Period Attributable to:					
Non-Controlling Interests		3.346.047	351.653	1.316.581	(983.699)
Owners of the Company		21.311.127	1.682.699	18.284.277	(4.864.011)
Earnings / losses per 1.000 shares	12	1,25	0,10	1,07	(0,28)

The accompanying notes presented between pages 9 and 33 form an integral part of these condensed consolidated interim financial information.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2016**

(Amounts are expressed in Turkish Lira (TL))

	Current Period (Reviewed) 1 January- 30 June 2016	Prior Period (Reviewed) 1 January- 30 June 2015	Current Period (Not Reviewed) 1 April- 30 June 2016	Prior Period (Not Reviewed) 1 April- 30 June 2015
PROFIT/LOSS FOR THE PERIOD	24.657.174	2.034.352	19.600.858	(5.847.710)
Accumulated Other Comprehensive Income or Expenses that will be Reclassified Subsequently to Profit/Loss				
<i>Currency Translation Reserves</i>	211.231	5.271.764	2.211.274	4.886.249
<i>Gain from Currency Translation Reserves</i>	211.231	5.271.764	2.211.274	4.886.249
OTHER COMPREHENSIVE INCOME	211.231	5.271.764	2.211.274	4.886.249
TOTAL COMPREHENSIVE INCOME/EXPENSE	24.868.405	7.306.116	21.812.132	(961.461)
Total Comprehensive Income for the Period Attributable to				
Non-Controlling Interests	3.313.972	351.653	1.411.079	(983.699)
Owners of the Company	21.554.433	6.954.463	20.401.053	22.238

The accompanying notes presented between pages 9 and 33 form an integral part of these condensed consolidated interim financial information.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2016**

(Amounts are expressed in Turkish Lira (TL))

	Share Capital	Accumulated Other Comprehensive Income or Expense that will not be Reclassified to Profit or Loss	Accumulated Other Comprehensive Income or Expense that will be Reclassified to Profit or Loss	Currency Translation Reserves	Restricted Profit Reserves	Accumulated Losses/ Retained Earnings	Net Profit/Loss for the Period	Equity Attributable to Owners of the Parent	Non- Controlling Interest	Total Equity
Balance as of 1 January 2015 (opening balance)	171.042.300		3.411.319	56.068.938	(15.687.799)	26.838.259	241.216.449	32.746.662	273.963.111	
Transfers	-	-	-	6.093.938	20.744.321	(26.838.259)	-	-	-	
Total comprehensive income / (expense)	-	-	5.271.764	-	-	1.682.699	6.954.463	351.653	7.306.116	
Period income	-	-	-	-	-	1.682.699	1.682.699	351.653	2.034.352	
Other comprehensive income	-	-	5.271.764	-	-	-	5.271.764	-	5.271.764	
Dividends	-	-	-	-	-	-	-	(1.337.518)	(1.337.518)	
Increase of capital	-	-	-	-	-	-	-	1.976.931	1.976.931	
Balance as of 1 June 2015 (closing balance)	171.042.300	(456.568)	8.683.083	62.162.876	5.056.522	1.682.699	248.170.912	33.737.728	281.908.640	
Balance as of 1 January 2016 (opening balance)	171.042.300	(457.969)	17.200.021	62.162.876	5.056.522	(29.159.905)	225.843.845	38.663.711	264.507.556	
Transferler	-	-	-	5.779.478	(34.939.383)	29.159.905	-	-	-	
Total comprehensive income / (expense)	-	-	243.306	-	-	21.311.127	21.554.433	3.313.972	24.868.405	
Period income	-	-	-	-	-	21.311.127	21.311.127	3.346.047	24.657.174	
Other comprehensive income	-	-	243.306	-	-	-	243.306	(32.075)	211.231	
Dividends	-	-	-	-	-	-	-	(1.268.500)	(1.268.500)	
Increase of capital	-	-	-	-	-	-	-	5.746.463	5.746.463	
Balance as of 1 June 2016 (closing balance)	171.042.300	(457.969)	17.443.327	67.942.354	(29.882.861)	21.311.127	247.398.278	46.455.646	293.853.924	

The accompanying notes presented between pages 9 and 33 form an integral part of these condensed consolidated interim financial information.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2016

(Amounts are expressed in Turkish Lira (TL))

Notes	Current Period (Reviewed) 1 January- 30 June 2016	Previous Period (Reviewed) 1 January- 30 June 2015
CASH FLOWS FROM OPERATING ACTIVITIES	(26.433.275)	(16.309.091)
Profit for the period	24.657.174	2.034.352
- Period income from continuing operations	24.657.174	2.034.352
Adjustments to reconcile profit/loss for the period	46.763.179	34.345.976
- Adjustments related to depreciation and amortization expenses	19.676.415	15.892.645
- Adjustments related to provisions	509.741	422.186
<i>Provisions and adjustments related to employee benefits</i>	<i>509.741</i>	<i>422.186</i>
- Adjustments to interest (income) expenses	18.760.552	10.021.872
<i>Adjustments to interest income</i>	<i>(1.544.864)</i>	<i>(1.232.779)</i>
<i>Adjustments to interest expenses</i>	<i>20.305.416</i>	<i>11.254.651</i>
- Unrealised foreign exchange gain/(loss)	3.083.816	15.874.125
- Adjustments to tax income (expense)	6.714.935	1.835.500
- Other adjustments to non-cash transactions	(1.982.280)	(9.700.352)
Changes in working capital	(87.372.031)	(42.572.644)
- Adjustments related to increase/decrease in trade receivables	(2.403.507)	(141.521)
<i>Increase/decrease in trade receivables from related parties</i>	<i>212.950</i>	<i>(234.145)</i>
<i>Increase/decrease in trade receivables from third parties</i>	<i>(2.616.457)</i>	<i>92.624</i>
- Adjustments related to increase/decrease in other receivables from operating activities	2.700.194	7.839.980
<i>Increase/decrease in other receivables from related parties</i>	<i>(1.604.920)</i>	<i>(3.109.060)</i>
<i>Increase/decrease in other receivables from third parties</i>	<i>4.305.114</i>	<i>10.949.040</i>
- Adjustment related to increase/decrease in service concession arrangements	507.683	5.015.756
- Adjustment related to increase/decrease in prepaid expenses	35.331.186	(1.282.268)
- Adjustment related to increase/decrease in trade payables	(18.007.436)	759.858
<i>Increase/decrease in trade payables to related parties</i>	<i>(5.774.793)</i>	<i>1.366.801</i>
<i>Increase/decrease in trade payables to third parties</i>	<i>(12.232.643)</i>	<i>(606.943)</i>
- Increase in payables of employee benefits	452.193	139.137
- Adjustments related to increase/decrease in other payables	(105.952.344)	(54.903.586)
<i>Increase/decrease in other payables to related parties</i>	<i>(107.411.103)</i>	<i>(56.594.829)</i>
<i>Increase/decrease in other payables to third parties</i>	<i>1.458.759</i>	<i>1.691.243</i>
Cash Flow from Operations	(15.951.678)	(6.192.316)
Payments for employee benefits	(195.302)	(8.049)
Income taxes paid	(10.286.295)	(10.108.726)

The accompanying notes presented between pages 9 and 33 form an integral part of these condensed consolidated interim financial information.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2016**

(Amounts are expressed in Turkish Lira (TL))

	Current Period (Reviewed) 1 January- 30 June 2016	Previous Period (Reviewed) 1 January- 30 June 2015
CASH FLOWS FROM INVESTING ACTIVITIES	(121.558.839)	(105.624.543)
Proceeds from sale of property, plant and equipment and intangible assets	(99.684.080)	(78.084.522)
<i>Proceeds from sale of property, plant and equipment</i>	(99.601.600)	(78.063.955)
<i>Proceeds from sale of intangible assets</i>	(82.480)	(20.567)
Advances given for acquisition of property, plant and equipment	(14.425.691)	(12.748.357)
<i>Other advances given for acquisition of property, plant and equipment</i>	(14.425.691)	(12.748.357)
Tax payments	(8.993.931)	(16.024.443)
Interest received	1.544.863	1.232.779
CASH FLOWS FROM FINANCING ACTIVITIES	28.008.025	(49.836.197)
Cash inflows due to borrowings	163.963.495	69.036.117
<i>Cash inflows due to bank loans</i>	163.963.495	69.036.117
Cash outflows due to borrowings	(103.435.179)	(100.734.397)
<i>Cash outflows due to bank loans</i>	(103.435.179)	(100.734.397)
Dividends paid	-	(1.337.518)
Interest paid	(33.255.304)	(18.798.890)
Other cash inflows/(outflows)	735.013	1.998.491
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN CURRENCY TRANSLATIONS	(119.984.089)	(171.769.831)
Foreign currency translation effects on cash and cash equivalents	272.705	(6.318.798)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(119.711.384)	(178.088.629)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	152.593.651	188.692.607
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	32.882.267	10.603.978

The accompanying notes presented between pages 9 and 33 form an integral part of these condensed consolidated interim financial information.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Amounts are expressed in Turkish Lira (TL))

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

Hülya Sok. No: 37, Gaziosmanpaşa/Ankara

The Company is registered to Capital Markets Board (“CMB”) and its shares are publicly traded in Borsa Istanbul. 15,01% of the shares of the Company is publicly held as of 30 June 2016 (31 December 2015: 15,01%) (Note 9).

As of 30 June 2016, the number of personnel of the Group is 324 (31 December 2015: 304).

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 the business	Direct Share	Indirect Share	Registered address
Ayen Ostim Enerji Üretim A.Ş. (“Ayen Ostim”)	Electricity production and trading	76%	76%	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Kayseri Elektrik Üretim Sanayi ve Ticaret A.Ş. (“Kayseri Elektrik”)	Electricity production, distribution and trading	96%	96%	Yemliha Kasabası Kayseri
Ayen Elektrik Ticaret A.Ş. (“Ayen Elektrik”)	Electricity trading	100%	100%	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Aksu Temiz Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. (“Aksu”)	Electricity production and trading	70%	70%	Hülya Sokak No: 37 Gaziosmanpaşa Ankara
Ayen-AS Enerji 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 production, 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-Stari Grad (“Ayen Sırbistan”)	Electricity trading	0%	100%	Kosañıcev Venac Sokak No: 20, 11000 Belgrad, Serbia
Ayen Energija Trgovanje z Električno Energijo D.O.O. (“Ayen Slovenya”)	Electricity trading	0%	100%	Zemljemerska ulica 12 1000 Ljubljana, Slovenia

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Amounts are expressed in Turkish Lira (TL))

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

<u>Subsidiaries</u>	<u>Nature of the business</u>	<u>Direct Share</u>	<u>Indirect Share</u>	<u>Registered address</u>
Elektrik Piyasaları İşletim A.Ş. ("EPIAŞ")	Electricity market operations	1%	1%	Harbiye Mahallesi Asker Ocağı Caddesi Süzer Plaza Kat 4 No :15 Şişli -İstanbul

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 Aydiner İnşaat which is the main shareholder of the Company.

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

The production license for the Wind Power Plant ("WPP") located in Kayseri, Yahyalı with an annual production capacity of 72 MW obtained by Aksu Temiz Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. on 29 November 2007 for 49 years. The first part of the plant with a capacity of 30 MW, the second part of the plant with a capacity of 36 MW and third part of the plant with a capacity of 6 MW started to operate respectively in March, April and May of 2012. In addition, total installed capacity increased to 80 MW after increasing capacity by 8 MW, and license amendment is implemented by EMRA.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Amounts are expressed in Turkish Lira (TL))

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

Ayen AS Enerjji SHA; the construction of the facilities of the 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 28 MW which is one of the HEPP projects within the scope of the “Albanian Fan Basin HEPP Project” with the annual electricity energy production capacity of 380.000.000 and installation power of 110 MW and has been commissioned commercially on 4 May 2015 and the electricity energy production in this facility has started.

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

Ayen Enerji has acquired 76% shares of Araklı Enerji Doğalgaz Üretim Sanayi ve Ticaret A.Ş. on 9 May 2012. Production license of the HEPP which will be constructed in Trabzon, Araklı with an installed capacity of 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 approval for license obtained from Energy Market Regulatory Board.

Ayen Elektrik participated in 100% share of Ayen Enerjji Trading SHA which established with ALL 3.500.000 (EURO 25.000) nominal capital. 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 10.000 nominal capital and Ayen Enerjji Trgovanje z Električno Energijo, D.O.O. (Slovenia) with EURO 67.500 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.

Approval of condensed consolidated financial statements:

Board of Directors has approved the condensed consolidated interim financial statements for the period between 1 January – 30 June 2016 and delegated publishing it on 19 August 2016. No authority other than Board of Directors and General Assembly has the right to modify the condensed consolidated financial statements.

2. BASIS OF PRESENTATION OF CONDENSED 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 ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Amounts are expressed in Turkish Lira (TL))

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

2.1 Basis of Presentation (cont'd)

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

The accompanying condensed 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.

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 condensed 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 condensed 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 0,0233). Additionally, Ayen Slovenia and Ayen Serbia is measured using EURO and the balance sheet items (except capital accounts) in terms of EURO have been included into consolidation by being translated to TL with buying rate applicable as of balance sheet date (EURO 1 = TL 3,2044). 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.

2.2 New and Revised Turkish Accounting Standards

a) Amendments to TAS affecting amounts reported and/or disclosures in the condensed consolidated financial statements

None.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Amounts are expressed in Turkish Lira (TL))

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

2.2 New and Revised Turkish Accounting Standards (cont'd)

b) New and revised TAS applied with no material effect on the condensed consolidated financial statements

Amendments to TAS 16 TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to TAS 16 and TAS 41 TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture: Bearer Plants</i> ¹
Amendments to IFRS 11 and IFRS 1 Annual Improvements to 2011-2013 Cycle	<i>Accounting for Acquisition of Interests in Joint operations</i> ¹ <i>TFRS 1</i> ²
Amendments to TAS 1 Annual Improvements to 2012-2014 Cycle	<i>Disclosure Initiative</i> ² <i>TFRS 5, TFRS 7, TMS 34, TMS 19</i> ²
Amendments to TAS 27	<i>Equity Method in Separate Financial Statements</i> ²
Amendments to IFRS 10 ve IFRS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to IFRS 10, IFRS 12 ve IFRS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ²
IFRS 14	<i>Regulatory Deferral Accounts</i> ²

¹ Effective for annual periods beginning on or after 31 December 2015.

² Effective for annual periods beginning on or after 1 January 2016.

Amendments to TAS 16 and TAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to TFRS 11 and TFRS 1 *Accounting for Acquisition of Interests in Joint operations*

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TAS, except for those principles that conflict with the guidance in TFRS 11,
- disclose the information required by TFRS 3 and other TAS for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Amounts are expressed in Turkish Lira (TL))

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

2.2 New and Revised Turkish Accounting Standards (cont'd)

b) New and revised TAS applied with no material effect on the condensed consolidated financial statements (cont'd)

Annual Improvements 2011-2013 Cycle

TFRS 1: Clarify which versions of TAS can be used on initial adoption (amends basis for conclusions only).

Amendments to TAS 1 Disclosure Initiative

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Annual Improvements 2012-2014 Cycle

TFRS 5: Adds specific guidance in TFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

TFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

TAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19.

Amendments to TAS 27 Equity Method in Separate Financial Statements

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

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

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Amounts are expressed in Turkish Lira (TL))

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

2.2 New and Revised Turkish Accounting Standards (cont'd)

Amendments to TFRS 10, TFRS 12 and TAS 28 Investment Entities: Applying the Consolidation Exception

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

TFRS 14 Regulatory Deferral Accounts

TFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of Turkish Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of TFRS and in subsequent financial statements.

TFRS 14 also led to amendments in related provisions of TFRS 1.

c) New and revised TAS in issue but not yet effective

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

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>

TFRS 9 Financial Instruments

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

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Amounts are expressed in Turkish Lira (TL))

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

2.2 New and Revised Turkish Accounting Standards (cont'd)

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

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

The mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2018.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

2.3 Comparative information, adjustment and reclassification of prior period financial statements

The financial statements of the Company include comparative 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 financial statements.

According to the 20/670 numbered meeting of the Capital Markets Board (CMB) dated June 7, 2013, CMB has published samples of financial statements and guidance for preparation of these financial statements which will enter in to force starting from the period ended March 31, 2013. These samples and guidance have been prepared in accordance with Communique on Principles of Financial Reporting in Capital Markets. The Company's financial statements have prepared according to these formats.

In addition, as of June 2, 2016, the 2016 TAS Taxonomy is approved by the board decision numbered 30. This Taxonomy is developed in order to provide TAS financial statements appropriate for 'Extensible Business Reporting Language' format based on the Article 9 (b) of Decree Law No. 660. Necessary reclassifications and adjustments are considered in the condensed consolidated financial statement for the period ended June 30, 2016, in accordance with 2016 TAS Taxonomy.

2.4 Summary of Significant Accounting Policies

Account policies using in preparing of condensed consolidated financial statements are available with accounting policies using in 1 January-31 December 2015. Accompanying condensed consolidated financial statements should be analyzed with consolidated financial statements of 1 January-31 December 2015.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016**

(Amounts are expressed in Turkish Lira (TL))

3. RELATED PARTY DISCLOSURES

Related party transactions	30 June 2016						
	Receivables			Payables			
	Short-Term	Non-Trade	Long-Term	Short-Term	Non-Trade	Long-Term	
Trade	Non-Trade	Trade	Trade	Non-Trade	Trade	Non-Trade	
Aydiner İnşaat A.Ş. (*)	-	-	-	26.061.743	27.940.591	24.162.616	-
Kayseri ve Civarı Elektrik A.Ş.	-	-	-	18.695	-	-	-
Samsun Makine Sanayi A.Ş.	1.313.781	-	-	-	-	-	-
Aksu Other Shareholders (**)	-	-	16.640.620	-	-	-	-
Kayseri Other Shareholders (****)	-	-	-	-	1.278.280	-	-
Agrom Turizm ve Ticaret A.Ş.	327.898	-	-	-	-	-	-
Melay İnşaat Sanayii ve Ticaret A.Ş.	-	-	-	954.337	-	-	-
As Enerji ŞİPK (***)	-	-	16.338.546	-	-	-	-
Ayen Enerji Other Shareholders	-	961.320	-	-	-	-	-
Araklı Other Shareholders	-	-	-	-	-	-	445.410
Enerji Piyasaları İşletme A.Ş.	3.279.104	-	-	-	-	-	-
	<u>4.920.783</u>	<u>961.320</u>	<u>-</u>	<u>27.034.775</u>	<u>29.218.871</u>	<u>24.162.616</u>	<u>445.410</u>

(*) Short-term trade receivables consist of electricity sales of Ayen Elektrik to workites of Aydiner İnşaat in various regions. The short-term trade payables consist of the progress bills for the facility construction of Korkmaz WPP, located in İzmir and Ayen AS HEPP, located in Albania. The short-term non-trade payables consist of loan given to Group by Aydiner İnşaat A.Ş.. As of 30 June 2016, interest rate for aforementioned loan is 15,23%.

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

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

(****) Payables consists of due to other shareholders of Kayseri related to distribution of profit.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016**

(Amounts are expressed in Turkish Lira (TL))

3. RELATED PARTY DISCLOSURES (cont'd)

Related Party Transactions	31 December 2015							
	Receivables				Payables			
	Short-Term		Long-Term		Short-Term		Long-Term	
Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade	
Aydiner İnşaat A.Ş. (*)	221.230	-	-	-	29.945.037	136.615.813	23.092.938	-
Kayseri ve Civarı Elektrik A.Ş.	8.659	-	-	-	20.847	-	-	-
Layne Bowler Pompa Sanayi A.Ş.	26.721	-	-	-	-	-	-	-
Samsun Makine Sanayi A.Ş.	1.729.437	-	-	-	-	-	-	-
Metay İnşaat Sanayi ve Ticaret A.Ş.	-	-	-	-	3.913.362	-	-	-
Aksu Other Shareholders (**)	-	-	-	15.349.919	-	14.161	-	-
AS Enerji ŞhPk (***)	-	-	-	11.497.556	-	-	-	-
Ayen Enerji Other Shareholders	-	476.640	-	-	-	-	-	-
Araklı Other Shareholders	-	-	-	-	-	-	-	445.410
Enerji Piyasaları İşletme A.Ş.	3.147.686	-	-	-	-	-	-	-
	<u>5.133.733</u>	<u>476.640</u>	<u>-</u>	<u>26.847.475</u>	<u>33.879.246</u>	<u>136.629.974</u>	<u>23.092.938</u>	<u>445.410</u>

(*) The short-term trade payables consist of the progress bills for the facility construction of Korkmaz WPP, located in İzmir and Ayen AS HEPP, located in Albania. The short-term non-trade payables consist of loan given to Group by Aydiner İnşaat A.Ş.. As of 31 December 2015, interest rate for aforementioned loan is 15%.

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

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

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016**

(Amounts are expressed in Turkish Lira (TL))

3. RELATED PARTY DISCLOSURES (cont'd)

	1 January – 30 June 2016				
Related party transactions	Energy sales	Interest income	Purchase of fixed assets	Purchase of services	Interest expense
Aydiner İnşaat A.Ş. (*)	592.664	-	35.899.533	88.039	1.958.126
Kayseri ve Civan Elektrik A.Ş.	-	-	-	99.328	-
Metay İnşaat Sanayi ve Ticaret A.Ş.	-	-	3.482.965	-	-
Samsun Makina Sanayii A.Ş.	6.477.672	-	-	-	-
Aybet Beton A.Ş.	317.810	-	-	-	-
Aksu Other Shareholders	-	1.278.376	-	-	-
Agron Turizm ve Ticaret A.Ş.	92.559	-	-	-	-
Layne Bowler Pompa Sanayi A.Ş.	107.863	-	-	-	-
Enerji Piyasaları A.Ş.	41.503.433	-	-	-	-
Other	-	-	-	85	-
	<u>49.092.001</u>	<u>1.278.376</u>	<u>39.382.498</u>	<u>187.452</u>	<u>1.958.126</u>

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

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016**

(Amounts are expressed in Turkish Lira (TL))

3. RELATED PARTY DISCLOSURES (cont'd)

Related party transactions	1 January – 30 June 2015				
	Energy sales	Interest income	Purchases of fixed assets	Purchases of services	Interest Expenses
Aydiner İnşaat A.Ş. (*)	182.356	2.821.523	44.699.758	123.924	214.842
Kayseri ve Civarı Elektrik A.Ş.	-	-	-	106.318	-
Samsun Makine Sanayi A.Ş.	4.646	-	-	-	-
Aybet Beton A.Ş.	101.736	-	-	-	-
Metay İnşaat Sanayii ve Ticaret A.Ş.	-	-	1.231.348	2.500	-
Aksu Other Shareholders	-	722.691	-	-	-
Layne Bowler Pompa Sanayi A.Ş.	115.138	-	-	-	-
Other	338.103	-	-	49.308	-
	<u>741.979</u>	<u>3.544.214</u>	<u>45.931.106</u>	<u>282.050</u>	<u>214.842</u>

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

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Amounts are expressed in Turkish Lira (TL))

3. RELATED PARTY DISCLOSURES (cont'd)

Compensation of key management personnel:

Key management personnel consists of members of Board of Directors and Executive Board members. The compensation of key management personnel includes salaries, bonus, health insurance and transportation. Compensation of key management personnel during the period as follows:

	1 January- 30 June 2016	1 January- 30 June 2015	1 April- 30 June 2016	1 April- 30 June 2015
Salary and other short term benefits	1.547.155	1.482.176	809.521	773.939
Other long-term benefits	231.401	192.106	21.327	(16.954)
	<u>1.778.556</u>	<u>1.674.282</u>	<u>830.848</u>	<u>756.985</u>

4. TANGIBLE AND INTANGIBLE ASSETS

	Property, Plant and Equipment	Intangible Assets
<u>Cost</u>		
Opening balance as at 1 January 2016	1.293.963.369	23.405.213
Additions (*)	113.688.281	82.480
Currency translation differences	3.394.983	-
Closing balance as at 30 June 2016	<u>1.411.046.633</u>	<u>23.487.693</u>
<u>Accumulated Depreciation</u>		
Opening balance as at 1 January 2016	(140.930.582)	(4.828.202)
Charge for the period	(19.148.959)	(527.456)
Currency translation differences	(9.646)	-
Closing balance as at 30 June 2016	<u>(160.089.187)</u>	<u>(5.355.658)</u>
Net book value as at 30 June 2016	<u>1.250.957.446</u>	<u>18.132.035</u>

(*) In current period, TL 14.086.681 of borrowing cost regarding loan used for investments of Ayen AS have been capitalized over property, plant and equipments. Additions during the period consists of construction progress payments, general construction expenses and construction of facility expenses related to Ayen AS and Akbük WEPP II. Akbük II WEPP is approved by EMRA and the power plant started to operate on 12 February 2016.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016**

(Amounts are expressed in Turkish Lira (TL))

4. TANGIBLE AND INTANGIBLE ASSET (cont'd)

	Property, Plant and Equipment	Intangible Assets
<u>Cost</u>		
Opening balance as at 1 January 2015	1.020.555.947	23.289.436
Additions (*)	87.969.178	20.567
Currency translation differences	21.891.805	-
Closing balance as at 30 June 2015	<u>1.130.416.930</u>	<u>23.310.003</u>
<u>Accumulated Depreciation</u>		
Opening balance as at 1 January 2015	(108.139.678)	(3.926.280)
Charge for the period	(15.456.038)	(436.607)
Currency translation differences	(54.816)	-
Closing balance as at 30 June 2015	<u>(123.650.532)</u>	<u>(4.362.887)</u>
Net book value as at 30 June 2015	<u>1.006.766.398</u>	<u>18.947.116</u>

(*) In the current period, TL 9.560.150 of borrowing cost regarding loan used for investments of Ayen AS have been capitalized over property, plant and equipments. Additions during the period consists of construction progress payments, general construction expenses and construction of facility expenses related to Ayen AS and Akbük WEPP II. Additionally, Peshqesit 3 HEPP with installed capacity of 28 MW under Albania project of Fan River started to operate as of 4 May 2015.

Depreciation expense of TL 19.380.734 (30 June 2015: TL 15.580.948) has been charged in cost of sales and TL 295.681 (30 June 2015: TL 311.697) has been charged in general administrative expenses.

5. SERVICE CONCESSION ARRANGEMENTS

	30 June 2016	31 December 2015
Due from Service Concession Arrangements		
Short-term due from service concession arrangements	6.630.380	6.193.298
Invoiced and undue from service concession arrangements (*)	4.557.175	1.957.024
Total short-term due from service concession arrangements	<u>11.187.555</u>	<u>8.150.322</u>
Long-term due from service concession arrangements	103.051.368	107.115.770
Total due from service concession arrangements	<u>114.238.923</u>	<u>115.266.092</u>
Gross due from service concession arrangements	203.708.421	215.961.578
Unearned financial income (-)	(94.026.673)	(102.652.510)
Due from service concession arrangements	4.557.175	1.957.024
Due from service concession arrangements-net	<u>114.238.923</u>	<u>115.266.092</u>

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

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5. SERVICE CONCESSION ARRANGEMENTS (cont'd)

As of 30 June 2016 and 31 December 2015, the payment schedules for gross and net due from service concession arrangements are as follows:

	Gross due from service concession arrangements (USD)		Gross due from service concession arrangements (TL)	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Up to 1 year	7.750.420	7.750.420	22.426.615	22.535.122
1 to 2 years	7.750.420	7.750.420	22.426.615	22.535.121
2 to 3 years	7.750.420	7.750.420	22.426.615	22.535.121
3 to 4 years	7.750.420	7.750.420	22.426.615	22.535.121
More than 4 years	39.397.968	43.273.178	114.001.961	125.821.093
	<u>70.399.648</u>	<u>74.274.858</u>	<u>203.708.421</u>	<u>215.961.578</u>
	Net due from service concession arrangements (USD)		Net due from service concession arrangements (TL)	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Up to 1 year	2.291.395	2.130.037	6.630.380	6.193.298
1 to 2 years	2.629.109	2.452.753	7.607.592	7.131.625
2 to 3 years	3.007.181	2.805.465	8.701.579	8.157.170
3 to 4 years	3.433.646	3.208.897	9.935.598	9.330.189
More than 4 years	26.543.613	28.372.812	76.806.599	82.496.786
	<u>37.904.944</u>	<u>38.969.964</u>	<u>109.681.748</u>	<u>113.309.068</u>

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

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6. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

As of 30 June 2016, there are 19 cases where the Group is litigant and 53 cases where the Group is defendant. Most of the cases are related with the bad debt and employee cases. At the end of each period, the Group evaluates the potential results of the litigations and their financial effects and books a provision accordingly. As of 30 June 2016, there is no provision accounted for the litigations except provision for doubtful receivables.

b) Contingent Assets and Liabilities

	30 June 2016	31 December 2015
Contingent assets		
Letters of guarantee received (*)	11.071.642	8.272.223
Guarantee received behalf of Ayen Enerji (**)	499.120.366	644.414.323
	<u>510.192.008</u>	<u>652.686.546</u>

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

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

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

	30 June 2016	31 December 2015
Contingent Liabilities		
Letters of conveyance given (*)	496.764.047	536.376.321

(*) 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 60.382.170 (31 December 2015: USD 74.641.464) as a conveyance for the loan. However, these conveyances will be effective if payment schedules of the loans have not been met. Moreover, there exists EURO 100.500.000 (TL 322.042.200, 31 December 2015: EURO 100.500.000) of conveyance over receivables of Aksu Temiz Enerji as of 30 June 2016.

	30 June 2016	31 December 2015
Contingent Liabilities		
Commercial enterprise pledge (**)	515.000.000	290.000.000

(**) The Group has given commercial enterprise pledge amounting to TL 140.000.000 as a guarantee for the loan used for construction of Akbük WPP, on 25 June 2009 and TL 150.000.000 as a guarantee for the loan used for Mordoğan WPP and Korkmaz WPP on 30 May 2012, amounting to TL 225.000.000 as guarantee for the loan used for Aksu WPP on 30 April 2016.

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(Amounts are expressed in Turkish Lira (TL))

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

b) Contingent Assets and Liabilities (cont'd)

Contingent Liabilities	30 June 2016	31 December 2015
Mortgages given (***)	14.468.000	14.538.000

(***) Consists of the mortgages given for the long-term borrowings of the Group, there exists TL 14.468.000 (USD 5.000.000) of mortgages over property, plant and equipment.

Contingent Liabilities	30 June 2016	31 December 2015
Letters of guarantee given (****)	44.021.291	62.643.572

(****) Letters of guarantee given consist of TL 20.389.810 in terms of USD, TL 4.133.677 in terms of EURO and TL 19.497.804 in terms of Turkish Lira. Letters of guarantee given comprises that TL 19.892.082 (USD 6.874.510) has been given to the Albania Ministry of Economy for Ayen-AS, TL 2.533.600 has been given to EMRA, TL 497.728 TL (USD 172.010) has been given to General Directorate of Mineral Research and Exploration, TL 21.097.881 consists of advances given to suppliers as guarantees for payables from electricity receiving and system using agreements.

Contingent Liabilities	30 June 2016	31 December 2015
Guarantee given (*****)	160.220.000	212.899.200

(*****). Guarantee arise from joint liability between company and Aksu Temiz Enerji which borrowed bank loan from TSKB amounting TL 160.220.000 (EUR 50.000.000).

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7. COMMITMENTS

Guarantees, pledge and mortgage (“GPM”) position of the Group as of 30 June 2016 and 31 December 2015 is as follows:

	30 June 2016				31 December 2015			
	TL Equivalent	TL	USD	EURO	TL Equivalent	TL	USD	EURO
GPM given on behalf of the legal entity	553.934.563	519.076.753	12.046.520	-	331.883.997	296.857.535	12.046.520	-
Guarantee Letter	24.466.563	4.076.753	7.046.520	-	27.345.997	6.857.535	7.046.520	-
Pledge	515.000.000	515.000.000	-	-	290.000.000	290.000.000	-	-
Mortgage	14.468.000	-	5.000.000	-	14.538.000	-	5.000.000	-
GPM given on behalf of the subsidiaries that are included in full consolidation toplam tutarı	676.538.775	15.421.052	60.382.170	151.790.000	784.573.096	25.980.577	76.574.828	168.663.000
Conveyance	496.764.047	-	60.382.170	100.500.000	536.376.321	-	74.641.464	100.500.000
Guarantee Letter	19.554.728	15.421.052	-	1.290.000	35.297.575	25.980.577	1.933.364	1.163.000
Guarantee	160.220.000	-	-	50.000.000	212.899.200	-	-	67.000.000
GPM given for execution of ordinary commercial activities to collect third parties debt	-	-	-	-	-	-	-	-
Other guarantees given	-	-	-	-	-	-	-	-
i. GPM given on behalf of main shareholder	-	-	-	-	-	-	-	-
Guarantee	-	-	-	-	-	-	-	-
ii. GPM given on behalf of group companies not covered by B and C.	-	-	-	-	-	-	-	-
iii. GPM given on behalf of group companies not covered by C.	-	-	-	-	-	-	-	-
Total	1.230.473.338	534.497.805	72.428.690	151.790.000	1.116.457.093	322.838.112	88.621.348	168.663.000

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Amounts are expressed in Turkish Lira (TL))

8. EXPENSES BY NATURE

	1 January- 30 June 2016	1 January - 30 June 2015	1 April- 30 June 2016	1 April - 30 June 2015
Personnel expenses (*)	(10.412.452)	(8.462.338)	(5.116.800)	(3.757.245)
Depreciation and amortization expenses	(19.676.415)	(15.892.645)	(10.176.292)	(8.383.204)
Transportation expenses	(471.390)	(427.596)	(269.262)	(192.434)
Cost of natural gas	(8.121.846)	(4.681.145)	(4.962.616)	(371.644)
Cost of electricity (**)	(73.730.360)	(60.214.373)	(31.681.576)	(23.716.680)
Plant technical assistance and maintenance	(6.808.395)	(4.982.811)	(4.076.102)	(2.521.905)
Consultancy fees	(908.247)	(859.991)	(403.963)	(348.569)
System usage fee (***)	(5.699.453)	(3.776.615)	(4.347.537)	(2.984.801)
Office expenses	(298.474)	(422.599)	(141.095)	(229.788)
Taxes and duties	(215.490)	(315.132)	(169.361)	(135.676)
Other	(3.756.175)	(4.395.919)	(1.008.979)	(1.968.336)
	<u>(130.098.697)</u>	<u>(104.431.164)</u>	<u>(62.353.583)</u>	<u>(44.610.282)</u>

(*) Personnel expenses of TL 5.453.752 (30 June 2015: TL 4.676.330) has been charged in cost of sales; TL 4.958.700 (30 June 2015: TL 3.786.008) has been charged in general administrative expenses.

(**) Consists of the cost of electricity that Ayen Ostim, Ayen Enerji ve Ayen Elektrik purchased from suppliers other than TEİAŞ and Group Companies..

(***) The Group is also reflected sent to other customers to invoices by organized by EPIAŞ transmission service charge bills TETAŞ and electricity distribution system usage charges by the same amounts. This can be reflected in the amount TETAŞ and other customers has been offset by sales in the accompanying consolidated financial statements , however, it can not be recognized and the amounts paid by the Group are recognized in the cost of sales EPIAŞ.

9. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company is not subject to registered capital system. The approved and issued capital of the Company consists of 17.104.230.000 shares (31 December 2015: 17.104.230.000) with TL 0,01 nominal price each. The mentioned capital is fully paid.

The composition of the Company's paid-in share capital as of 30 June 2016 and 31 December 2015 is as follows:

Shareholders	%	30 June		31 December	
		2016	%	2015	
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.

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(Amounts are expressed in Turkish Lira (TL))

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

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. As of 30 June 2016, the amount of restricted profit reserves is TL 67.942.354 (31 December 2015: TL 62.162.876).

Resources Available for Profit Distribution

As of balance sheet date, period profit of the Group is TL 31.690.472 and retained earnings is TL 1.679.377 according to the statutory records. Total profit available for distribution resources is TL 33.369.407 (31 December 2015: TL 1.679.377).

10. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The detail of income and expenses from investing activities of the Group as of 30 June 2016 and 31 December 2015 is as follows:

	1 January- 30 June 2016	1 January- 30 June 2015	1 April- 30 June 2016	1 April- 30 June 2015
Interest income	1.544.864	1.232.779	755.330	457.863
Exchange difference income / expense - net	(1.603.306)	17.300.576	1.710.038	3.468.488
Other	34.282	68.244	17.312	35.935
	<u>(24.160)</u>	<u>18.601.599</u>	<u>2.482.680</u>	<u>3.962.286</u>

11. FINANCE EXPENSES

	1 January- 30 June 2016	1 January- 30 June 2015	1 April- 30 June 2016	1 April- 30 June 2015
Net foreign exchange loss	(3.026.496)	(37.453.849)	4.901.067	(26.958.385)
Bank loan interests	(15.081.154)	(6.698.071)	(8.547.319)	(2.273.803)
Bond interest loss	(5.224.262)	(4.556.580)	(2.529.723)	(2.303.350)
Deferred finance expenses	(1.175.949)	(1.135.519)	(588.403)	(533.983)
Other finance expenses	(1.002.114)	(3.472.442)	(111.999)	(1.903.108)
	<u>(25.509.975)</u>	<u>(53.316.461)</u>	<u>(6.876.377)</u>	<u>(33.972.629)</u>

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12. EARNINGS PER SHARE

Earning/Loss per share	1 January- 30 June 2016	1 January- 30 June 2015	1 April- 30 June 2016	1 April- 30 June 2015
Average number of outstanding shares	17.104.230.000	17.104.230.000	17.104.230.000	17.104.230.000
Profit/ (loss) for the year attributable to equity holders of the Parent	21.311.127	1.682.699	18.284.276	(4.864.011)
Earnings/ (loss) per basic, 1.000 shares (TL)	1,25	0,10	1,07	(0,28)

13. FINANCIAL INSTRUMENTS

Financial Liabilities:

The detail of borrowings of the Group as of 30 June 2016 and 31 December 2015 is as follows:

Borrowings	30 June 2016	31 December 2015
Short-term financial borrowings	148.240.000	77.920.101
Short-term portion of long-term borrowings	90.977.321	90.141.518
Long-term financial borrowings	942.586.855	949.510.411
	<u>1.181.804.176</u>	<u>1.117.572.030</u>

The accrued interest expense on short-term borrowings is, 12.104.114 TL (31 December 2015: TL 11.869.932).

The detail of borrowings is as follows:

Original Currency	Weighted average effective interest rate (%)	30 June 2016	
		Short-term	Long-term
TL	15,11%	76.246.934	-
USD	5,12%	93.109.611	17.361.638
EURO	3,12%	69.860.776	925.225.217
		<u>239.217.321</u>	<u>942.586.855</u>
Original Currency	Weighted average effective interest rate (%)	31 December 2015	
		Short-term	Long-term
TL	14,76%	31.685.061	-
USD	5,79%	49.610.713	10.176.394
EURO	4,02%	86.765.845	939.334.017
		<u>168.061.619</u>	<u>949.510.411</u>

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13. FINANCIAL INSTRUMENTS (cont'd)

The redemption schedule of the borrowings as of 30 June 2016 and 31 December 2015 is as follows:

	30 June 2016	31 December 2015
To be paid within 1 year	239.217.321	168.061.619
To be paid between 1-2 years	113.327.375	67.788.924
To be paid between 2-3 years	94.236.165	93.946.262
To be paid between 3-4 years	94.236.165	92.932.508
To be paid between 4-5 years	94.236.165	92.932.508
5 and more than 5 years	546.550.985	601.910.209
	<u>1.181.804.176</u>	<u>1.117.572.030</u>

Other Financial Liabilities

	30 June 2016	31 December 2015
Other Long-Term Financial Liabilities		
Bonds Issued (*)	<u>70.257.058</u>	<u>70.259.766</u>

(*) Bonds with 24 months maturity; with quarterly coupon payment and with variable interests and capital payment at the end of the maturity as nominal amount of TL 70.000.000 is issued by the Group as of 24 December 2014.

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14. FOREIGN CURRENCY POSITION

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

The table below analyses foreign currency denominated assets and liabilities and TL equivalents of the Group as of 30 June 2016 and 31 December 2015:

	30 June 2016		
	TL Equivalent	USD	EUR
Trade receivables	16.524.986	2.369.058	3.017.688
Monetary financial assets	23.051.502	26.548	7.169.730
Due from short term service concession arrangements	11.187.555	3.866.310	-
CURRENT ASSETS	50.764.043	6.261.916	10.187.418
Due from long term service concession arrangements	103.051.368	35.613.550	-
NON-CURRENT ASSETS	103.051.368	35.613.550	-
TOTAL ASSETS	153.815.411	41.875.466	10.187.418
Trade payables	45.911.889	109.817	14.228.599
Financial borrowings	162.970.387	32.177.776	21.801.515
SHORT TERM LIABILITIES	208.882.276	32.287.593	36.030.114
Financial borrowings	942.586.855	6.000.014	288.735.868
LONG TERM LIABILITIES	942.586.855	6.000.014	288.735.868
TOTAL LIABILITIES	1.151.469.131	38.287.607	324.765.982
Net Foreign Currency Position	(997.653.720)	3.587.859	(314.578.564)

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14. FOREIGN CURRENCY POSITION (cont'd)

	31 December 2015		
	TL Equivalent	USD	EUR
Trade receivables	5.505.201	1.018.293	800.734
Monetary financial assets	33.993.302	17.928	10.681.387
Due from short-term service concession arrangements	8.150.322	2.803.110	-
Other	21.779	-	6.854
CURRENT ASSETS	47.670.604	3.839.331	11.488.975
Due from long-term service concession arrangements	107.115.770	36.839.927	-
Other	1.307.900	-	411.600
NON-CURRENT ASSETS	108.423.670	36.839.927	411.600
TOTAL ASSETS	156.094.274	40.679.258	11.900.575
Trade payables	10.191.713	588.905	2.668.496
Financial borrowings	136.376.558	17.062.427	27.305.464
CURRENT LIABILITIES	146.568.271	17.651.332	29.973.960
Financial borrowings	949.510.411	3.499.929	295.611.158
NON-CURRENT LIABILITIES	949.510.411	3.499.929	295.611.158
TOTAL LIABILITIES	1.096.078.682	21.151.261	325.585.118
Net Foreign Currency Position	(939.984.408)	19.527.997	(313.684.543)

The Group is mainly exposed to foreign exchange risk through the impact of rate changes in the translation of USD and EUR denominated assets and liabilities to local currency. As of 30 June 2016 and 30 June 2015, had the TL appreciated or depreciated by 10% against USD and EUR with all other variables held constant, the effect over current period consolidated net income and shareholder's equity be as follows:

	30 June 2016	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation in USD against TL		
US Dollar net asset / liability	1.038.183	(1.038.183)
Part of hedged from US Dollar risk (-)		
US Dollar net effect	1.038.183	(1.038.183)
In case 10% appreciation in EURO against TL		
EURO net asset / liability	(100.803.555)	100.803.555
Part of hedged from EURO risk (-)		
EURO net effect	(100.803.555)	100.803.555
TOTAL	(99.765.372)	99.765.372

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14. FOREIGN CURRENCY POSITION (cont'd)

	30 June 2015	
	Profit/Loss	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
In case 10% appreciation in USD against TL		
US Dollar net asset / liability	7.920.269	(7.920.269)
Part of hedged from US Dollar risk (-)		
US Dollar net effect	<u>7.920.269</u>	<u>(7.920.269)</u>
In case 10% appreciation in EURO against TL		
EURO net asset / liability	(87.165.828)	87.165.828
Part of hedged from EURO risk (-)		
EURO net effect	<u>(87.165.828)</u>	<u>87.165.828</u>
TOTAL	(79.245.559)	79.245.559

15. EVENTS AFTER THE REPORTING PERIOD

None.