

**TÜRKİYE KALKINMA
VE YATIRIM BANKASI A.Ş.
Project Financial Statements of
“Geothermal Development Project (Loan
No: 8652-TR)
With Independent Auditors’ Report
As at 31 December 2019**

25 August 2020

This report contains 3 pages of independent auditors’ report and 6 pages of project financial statements and notes to the project financial statements.



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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF
GEOTHERMAL DEVELOPMENT PROJECT (THE "PROJECT"), FINANCED
UNDER INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT ("IBRD") LOAN NO. 8652-TR AS OF AND FOR THE YEAR
ENDED 31 DECEMBER 2019**

To the Board of Directors of Türkiye Kalkınma ve Yatırım Bankası A.Ş.

Report on the Audit of Financial Statements

Opinion

We have audited the special purpose project financial statements of Türkiye Kalkınma ve Yatırım Bankası A.Ş. (the "Bank" or "TKYB"), which comprise the designated account statement and project balance sheet by TKYB and the notes as at and for the year ended 31 December 2019 (together "the project financial statements").

In our opinion, the accompanying project financial statements are prepared in all material respects, in accordance with the cash basis of accounting described in Note 3.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the project financial statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Project Financial Statements

Management is responsible for the preparation of the project financial statements in accordance with the cash basis of accounting described in Note 3, this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the project financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of project financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the project financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Project Financial Statements

Our objectives are to obtain reasonable assurance about whether the project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these project financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the project financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Basis of Accounting and Restriction on Use and Distribution

Without modifying our opinion, we draw attention to Note 3 to the project financial statements, which describes the basis of accounting. The project financial statements are prepared to provide information to International Bank for Reconstruction and Development (IBRD). As a result, the project financial statements may not be suitable for another purpose.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Erdal Tıkmak, SMMM
Partner

25 August 2020
Istanbul, Turkey

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.
GEOTHERMAL DEVELOPMENT PROJECT LOAN NO: 8652-TR
AS AT 31 DECEMBER 2019
(Amounts are expressed in US Dollars, unless otherwise stated)

<u>PROJECT BALANCE SHEET</u>		
ASSETS		
Special Accounts		-
Amounts due from Beneficiary Enterprises		60,000,000
Sanko Enerji San. Ve Tic. A.Ş.	37,365,000	
Sis Enerji Üretim A.Ş.	22,635,000	
Amounts Received from Beneficiary Enterprises		-
TKYB's Account		100,000
TOTAL ASSETS		60,100,000
LIABILITIES		
Amount due to World Bank		60,100,000
Credit Line	59,850,000	
Up-front fee	250,000	
TOTAL LIABILITIES		60,100,000

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.
GEOTHERMAL DEVELOPMENT PROJECT LOAN NO: 8652-TR
AS AT 31 DECEMBER 2019
(Amounts are expressed in US Dollars, unless otherwise stated)

Designated Account Statement	
Opening balance as at 1 July 2018	-
IBRD advances during the year	14,694,540
Total funds available	14,694,540
Refund to IBRD from designated account during the year	-
Loans advanced/expenses paid in period	14,694,540
Closing Balance as at December 31, 2019	-
Unexplained difference	-
Balance per designated account statement	-

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.
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Uses of Funds by Loan Customer

Project Activities	Year to Date	Cumulative to Date
Sanko Enerji San. Ve Tic. A.Ş.	0,00	29,925,000
Sis Enerji Üretim A.Ş.	14,694,540	29,925,000
Total Loan Extended	14,694,540	59,850,000
Up-front Fee	0,00	150,000
Total Uses of Funds	14,694,540	60,000,000

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.
GEOTHERMAL DEVELOPMENT PROJECT LOAN NO: 8652-TR
AS AT 31 DECEMBER 2019

(Amounts are expressed in US Dollars, unless otherwise stated)

Designed Account Detailed Account Statement

	Value Date	Withdrawal from IBRD in USD	Disbursements in USD	Remark
Withdrawal	14 February 2019	4,285,000	--	
Disbursement	14 February 2019	--	4,285,000	SİS ENERJİ
Withdrawal	23 March 2019	3,080,000	--	
Disbursement	23 March 2019	--	3,080,000	SİS ENERJİ
Withdrawal	31 July 2019	7,329,540	--	
Disbursement	31 July 2019	--	7,329,540	SİS ENERJİ

NOTES TO THE PROJECT FINANCIAL STATEMENTS

1- OBJECTIVES AND NATURE OF THE PROJECT

Each of Türkiye Kalkınma ve Yatırım Bankası A.Ş. ("TKYB") and Türkiye Sınai Kalkınma Bankası A.Ş. ("TSKB") signed a Loan Agreement with International Bank for Reconstruction and Development (the "IBRD") for a loan of USD 100,000,000 for TKYB and UDS 150.000.000 for TSKB for financing of Geothermal Development Project ("the Project") on 30 November 2016 under Treasury repayment guarantee.

The primary objective of the Project is to scale up private sector investment in geothermal energy development in the Republic of Turkey. The Project consists of two parts: (i) Part A: Risk Sharing Mechanism ("RSM") for Resource Validation and (ii) Part B: Loan Facility for Resource Development. USD 1,800,000 will be allocated to consulting and technical services regarding the set-up and operation of the Risk Sharing Mechanism (RSM) at the Bank. The remaining USD 38,000,000 will be used for risk sharing during the initial phase of drilling operations that will be carried out by investors.

2- OPERATIONS OF THE PROJECT IMPLEMENTING AGENCY

TKYB was founded in Ankara as Devlet Sanayi ve İşçi Yatırım Bankası in 1975, under the control of the Ministry of Industry. The Bank was founded by the State mainly to promote investment in certain sectors of the country.

With the decision of the "Supreme Planning Board" dated 20 January 1989, the Bank has been merged with the T.C. Turizm Bankası A.Ş.

The name of the bank has been changed as Türkiye Kalkınma Bankası A.Ş. in 1988 following a decision of the Council of Ministers and on October 24, 2018 it has been changed as Türkiye Kalkınma ve Yatırım Bankası A.Ş.

The Bank is subject to the registered capital system. 99.08% of the capital is owned by the Undersecretariat of Treasury of the Turkish Republic and the remaining shares are quoted in the Borsa İstanbul.

The Bank currently provides investment-banking services mainly to the financing of industry, tourism, education, health and energy sectors. Besides supplying loans in medium and long- terms to the above mentioned sectors, the Bank also participates in other activity fields like project assessment, leasing, rehabilitation, equity participation, fund management, banking operations and training activities.

3- MAIN ACCOUNTING POLICIES

The Bank uses the cash basis of accounting to account for project transactions.

Disbursements to the local firms are recorded in local currency and translated to USD with the exchange rate as of the date of the disbursement. The collections from the local firms are translated with the exchange rates prevailing on the collection date.

4- RESTRICTED USE OF FUNDS AND OTHER ASSETS

In accordance with the loan agreement between the Bank and the IBRD, the funds available in the Special Account are restricted to project purposes only.

NOTES TO THE PROJECT FINANCIAL STATEMENTS

**5- INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)
LOAN**

During 2019, IBRD has provided the designated account of the project with a payment of USD 14,694,540 to be used for the payments of loans provided for project sponsors /TKYB clients.