ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

Consolidated Financial Statements As at and for the Year Ended 31 December 2022 With Independent Auditor's Report

28 April 2023

This report includes 6 pages of Independent Auditor's Report on Review of Consolidated Financial Statements and 55 pages of financial statements together with their explanatory notes.

ZORLU YENİLENEBİLİR ENERJİ AŞ

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Independent Auditor's Report

To the Board of Directors of Zorlu Yenilenebilir Enerji Anonim Şirketi

Opinion

We have audited the consolidated financial statements of Zorlu Yenilenebilir Enerji Anonim Şirketi ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of deferred tax asset for unused tax losses

Refer to Note 2.6 and Note 13 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for recoverability of deferred tax asset for unused tax losses.

The key audit matter	**How the matter was addressed in our audit**
The Group has recognized deferred tax asset for unused tax losses amounting to TL 7,419,008 thousand as at 31 December 2022. The recoverability of recognized deferred tax assets is dependent on the extent that it is probable that Group will have taxable profit, against which the deductible temporary differences and tax losses (before latter expire) can be utilised. Thus, significant judgment is required in relation to the recognition and recoverability of deferred tax assets. We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.	We have performed the following audit procedures: - Assessing and challenging the assumptions and judgments exercised by management in respect of the forecasts of future taxable profits by analyzing the assumptions adopted by management; - Considering the historical accuracy of forecasts of future taxable profits made by management by comparing the actual taxable profits for the current year with management's estimates in the forecasts made in the previous year. - Evaluation of the appropriateness and adequacy of the disclosures regarding the deferred asset recognized for unused tax losses in the consolidated financial statements in accordance with IFRS; - Reconciling tax losses and expiry dates to tax statements; and - Assessing whether the Group's disclosures in the consolidated financial statements of the application of judgment in estimating recognized and unrecognized deferred tax asset appropriately reflect the Group's deferred tax position with reference to the requirements of the IFRSs.

Hedge accounting

Refer to Note 2.6 and Note 15 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for hedge accounting.

The key audit matter	**How the matter was addressed in our audit**
As of 31 December 2022, the Group used its investment loans and its Eurobond amounting to USD 643,932 thousand as a hedging instruments to hedge against the exchange rate risk resulting from the highly probable sales income earned in the scope of Renewable Energy Sources Support Mechanism ("YEKDEM"), and implemented cash flow hedge accounting for highly-probable YEKDEM sales as a result of efficiency tests carried out within this scope. The criteria for the application of the hedge accounting include defining, documenting and regularly testing the effectiveness of the hedge accounting transactions. Due the fact that hedge accounting has complicated structure and requires complex calculations, we considered this to be one of the key audit matters.	We have performed the following audit procedures to be responsive to this area: - Documentation and appropriateness of hedging relationships of cash flow hedge transactions have been identified. - The objective of the hedge accounting and its compliance with IAS 39 "Financial Instruments" are considered. Management's assessment of effectiveness, measuring ineffectiveness and appropriateness of accounting records were tested. - Considering the purposes of hedge accounting and compliance with IAS 39 "Financial instruments" standard, the management reviews the effectiveness of the hedging effectiveness test, in case of ineffectiveness, and tests how it is recognized for selected hedging transactions, - Involving specialists to assist in evaluating the appropriateness of hedging models, and - Assessing the adequacy and appropriateness of disclosures in the consolidated financial statements, regarding the hedge accounting.

Revaluation of property, plant and equipment

Refer to Note 2.6 and Note 10 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revaluation of property, plant and equipment.

<table>
<tr><td>The key audit matter

The Group revalued its power plants in line with revaluation model in IAS 16 “Property, plant and equipment”. In this regard, as a result of the revaluations carried out as of 31 December 2022, a revaluation increases in property, plant and equipment amounting to TL 5,381,156 thousand was recognized in the consolidated financial statements.

Within the scope of the Group's revaluation model, the values of the property, plant and equipment were determined by independent valuation institutions.

“Revaluation of property, plant and equipment” was considered to be a key audit matter because the carrying values of these assets are material to the consolidated financial statements as of 31 December 2022 and also because of the significant estimates and judgments required in determining the assumptions to be used to estimate the recoverable amount.</td>
<td>How the matter was addressed in our audit

We have performed the following audit procedures to be responsive to this area:

- Assessing the competence and independence of independent valuation experts who carry out revaluations of property, plant and equipment,

- Involving valuation specialists to evaluate methods used in revaluations for property, plant and equipment.

- Assessing the appropriateness of significant estimates and inputs used in valuation modeling with the help of valuation specialists, including comparing them with current precedents and past values in the market,

- Assessing the appropriateness and adequacy of disclosures in the consolidated financial statements related to revaluation of property, plant and equipment in accordance with IFRS.</td></tr>
</table>

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Şirin Soysal
Partner
28 April 2023
Istanbul, Turkey

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

			Restated(*)
ASSETS	**Notes**	**31 December 2022**	**31 December 2021**
Current assets:			
Cash and cash equivalents	3	1,316,845	1,393,269
Trade receivables		532,446	239,707
- Trade receivables due from related parties	*5, 21*	*509,570*	*88,569*
- Trade receivables due from third parties	*5*	*22,876*	*151,138*
Other receivables		261	788
- Other receivables due from third parties	*6*	*261*	*788*
Inventories	7	128,885	163,286
Prepaid expenses		763,935	1,039,863
- Advances given to related parties	*8,21*	*745,716*	*1,035,901*
- Prepaid expenses to third parties	*8*	*18,219*	*3,962*
Other current assets	9	49,528	69,902
Total current assets		**2,791,900**	**2,906,815**
Non-current assets:			
Other receivables		156	430
- Other receivables due from third parties	*6*	*156*	*430*
Right of use assets	11	392,185	229,902
Property, plant and equipment	10	32,796,479	28,286,418
Derivative financial instruments	15	459,185	-
Intangible assets		27,245	32,415
Prepaid expenses	8	-	312
Total non-current assets		**33,675,250**	**28,549,477**
Total assets		**36,467,150**	**31,456,292**

(*) See note 2.4

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

LIABILITIES	Notes	31 December 2022	Restated(*) 31 December 2021
Current liabilities:			
Short-term financial liabilities		3,290,989	3,343,768
- Short-term loans and borrowings	*4*	*214,359*	*168,634*
- Short-term portion of long-term loans and borrowings	*4*	*2,575,039*	*2,612,210*
- Lease liabilities	*4*	*28,455*	*23,497*
- Short-term issued bonds	*4*	*473,136*	*539,427*
Trade payables		438,601	370,556
- Trade payables due to related parties	*5, 21*	*6,668*	*77,305*
- Trade payables due to third parties	*5*	*431,933*	*293,251*
Derivative financial instruments	15	-	179,926
Other current liabilities	9	37,669	83,219
Total current liabilities		**3,767,259**	**3,977,469**
Long-term financial liabilities		14,376,796	18,123,816
- Long-term loans and borrowings	*4*	*9,124,523*	*12,307,614*
- Lease liabilities	*4*	*214,031*	*155,792*
- Long-term issued bonds	*4*	*5,038,242*	*5,660,410*
Derivative financial instruments	15	-	267,060
Long-term provisions		19,921	12,174
- Long-term provisions related to employee benefits	*12*	*19,921*	*12,174*
Deferred tax liabilities		3,818,904	1,718,712
Total non-current liabilities		**18,215,621**	**20,121,762**
Total liabilities		**21,982,880**	**24,099,231**
EQUITY			
Equity attributable to equity holders of the parent		**14,484,270**	**7,357,061**
Paid-in capital	14	2,695,000	2,695,000
Capital adjustment differences	14	3,201,078	3,201,078
Other comprehensive income not to be reclassified to profit or (loss)		14,197,927	10,484,425
- Actuarial losses	*14*	*(9,321)*	*(4,884)*
- Revaluation fund	*14*	*14,207,248*	*10,489,309*
Other comprehensive expenses reclassified to profit or (loss)		(9,328,647)	(11,143,962)
- Hedge reserves	*14*	*(9,328,647)*	*(11,143,962)*
Retained earnings		3,718,912	2,120,520
Total equity		**14,484,270**	**7,357,061**
Total liabilities and equity		**36,467,150**	**31,456,292**

(*) See note 2.4

The accompanying notes, form an integral part of these consolidated financial statements.

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

	Notes	1 January - 31 December 2022	Restated(*) 1 January - 31 December 2021
Revenue	2.9,16	4,723,704	4,027,008
Cost of sales (-)	2.9,17	(2,456,440)	(1,875,164)
Gross profit		**2,267,264**	**2,151,844**
General administrative expenses (-)	2.9,18	(123,670)	(135,184)
Other operating income	19	106,252	73,644
Other operating expenses (-)	19	(182,621)	(206,935)
Operating profit		**2,067,225**	**1,883,369**
Gain on net monetary position	2.4	3,453,077	3,022,773
Financial income	20	1,445,679	558,761
Financial expenses (-)	20	(4,631,548)	(5,033,193)
Income from continuing operations before tax		**2,334,433**	**431,710**
Tax expense from continuing operations			
- Deferred tax expense	13	(1,323,030)	(655,089)
Net profit/(loss) for the year		**1,011,403**	**(223,379)**
Income/(loss) attributable to:			
- Equity holders of the parent	23	1,011,403	(223,379)
Income/(loss) per share	23	0.38	(0.08)
Items not to be reclassified to profit or loss		**4,300,491**	**5,631,193**
- Actuarial losses		*(5,546)*	*(195)*
- Actuarial losses, tax effect		*1,109*	*39*
- Revaluation fund		*5,381,160*	*7,039,186*
- Revaluation fund, tax effect		*(1,076,232)*	*(1,407,837)*
Items to be reclassified to profit or loss		**1,815,315**	**(3,768,523)**
- Hedge reserves		*2,269,144*	*(4,710,654)*
- Hedge reserves, tax effect		*(453,829)*	*942,131*
Other comprehensive income		**6,115,806**	**1,862,670**
Total comprehensive income		**7,127,209**	**1,639,291**

(*) See note 2.4

The accompanying notes, form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

				Other comprehensive income/(loss) not to be reclassified to profit or loss		Other comprehensive loss that are or may be reclassified to profit or loss			
	Paid-in capital	Capital advance	Capital adjustment differences	Actuarial losses	Revaluation fund	Hedge reserves	Retained earnings	Equity attributed to the parent company	Total equity
1 January 2021	**1,045,000**	**-**	**927**	**(2,115)**	**4,455,076**	**(3,299,389)**	**(1,205,894)**	**993,605**	**993,605**
Adjustment on initial application of IAS 29 (Note 2.4)	-	-	1,449,217	(2,613)	669,703	(4,076,050)	3,282,974	1,323,231	1,323,231
Restated balances at 1 January 2021	**1,045,000**	**-**	**1,450,144**	**(4,728)**	**5,124,779**	**(7,375,439)**	**2,077,080**	**2,316,836**	**2,316,836**
Capital advance	-	1,650,000	1,750,934	-	-	-	-	3,400,934	3,400,934
Transfers	-	-	-	-	(266,819)	-	266,819	-	-
Total comprehensive income	-	-	-	(156)	5,631,349	(3,768,523)	(223,379)	1,639,291	1,639,291
- Loss for the year	-	-	-	-	-	-	*(223,379)*	*(223,379)*	*(223,379)*
- Other comprehensive income	-	-	-	*(156)*	*5,631,349*	*(3,768,523)*	-	*1,862,670*	*1,862,670*
31 December 2021	**1,045,000**	**1,650,000**	**3,201,078**	**(4,884)**	**10,489,309**	**(11,143,962)**	**2,120,520**	**7,357,061**	**7,357,061**
1 January 2022	**2,695,000**	**-**	**927**	**(2,973)**	**10,201,112**	**(6,576,695)**	**(2,114,931)**	**4,202,440**	**4,202,440**
Adjustment on initial application of IAS 29 (Note 2.4)	-	-	3,200,151	(1,911)	288,197	(4,567,267)	4,235,451	3,154,621	3,154,621
Restated balances at 1 January 2022	**2,695,000**	**-**	**3,201,078**	**(4,884)**	**10,489,309**	**(11,143,962)**	**2,120,520**	**7,357,061**	**7,357,061**
Transfers	-	-	-	-	(586,989)	-	586,989	-	-
Total comprehensive income	-	-	-	(4,437)	4,304,928	1,815,315	1,011,403	7,127,209	7,127,209
- Income for the year	-	-	-	-	-	-	*1,011,403*	*1,011,403*	*1,011,403*
- Other comprehensive income	-	-	-	*(4,437)*	*4,304,928*	*1,815,315*	-	*6,115,806*	*6,115,806*
31 December 2022	**2,695,000**	**-**	**3,201,078**	**(9,321)**	**14,207,248**	**(9,328,647)**	**3,718,912**	**14,484,270**	**14,484,270**

The accompanying notes, form an integral part of these consolidated financial statements.

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

	Notes	1 January - 31 December 2022	1 January - 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		1,011,403	(223,379)
Adjustments related to depreciation and amortisation expenses	2.9, 17,18	1,560,996	1,142,209
Adjustments related to tax expense		1,323,030	655,089
Adjustments related to provisions		1,673	1,757
Adjustments related to interest income	19, 20	(133,019)	(80,173)
Adjustments related to interest expenses	19, 20	1,693,503	1,595,948
Adjustments related to unrealized foreign currency translation differences		4,398,843	3,804,032
Loss on monetary position		(5,351,633)	(2,338,241)
(Income)/expense from derivative financial instruments, net	20	(661,439)	57,519
Other adjustments related to net profit/(loss) reconciliation	22	61,059	26,688
Net cash generated from operating activities before changes in operating assets and liabilities		**3,904,416**	**4,641,449**
Changes in trade receivables		(220,261)	932
Changes in trade payables		223,790	(359,711)
Changes in inventories		34,401	(76,682)
Changes in other payables and liabilities		(46,774)	(1,785,745)
Changes in other receivables and assets		(13,475)	(350,787)
Termination benefits paid		(1,582)	(1,722)
Cash flows from operating activites		**3,880,515**	**2,067,734**
CASH FLOWS FROM INVESTING ACTIVITIES		**(394,836)**	**(1,298,557)**
Advances given to related parties		-	(759,572)
Cash outflows from purchase of property, plant and equipment		(404,965)	(591,344)
Cash inflows from sale of property, plant and equipment		7	10
Interest received		10,122	52,349
CASH FLOWS FROM FINANCING ACTIVITIES		**(3,016,298)**	**(110,334)**
Issued bonds	4	-	5,168,064
Proceeds from bank borrowings	4	211,593	285,540
Repayment of bank borrowings	4	(1,678,059)	(4,024,843)
Interest paid	4	(1,336,215)	(1,011,323)
Cash outflows related to payment of lease liabilities		(32,759)	(176,059)
Derivative payments		(145,083)	(175,921)
Other cash outflows	22	(35,775)	(175,792)
Monetary loss on cash and cash equivalents		(484,952)	(177,887)
Effect of currency translation differences on cash and cash equivalents		(60,157)	(23,448)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**469,381**	**658,843**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**1,391,782**	**934,274**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**3**	**1,316,054**	**1,391,782**

The accompanying notes, form an integral part of these consolidated financial statements.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

The consolidated financial statements as at and for the year ended 31 December 2022 were prepared for Zorlu Yenilenebilir Enerji AŞ (the "Company") and its subsidiaries (collectively referred to as the "Group"), which engage in renewable energy generation in Turkey.

Companies and activities in the scope of consolidated financial statements are as follows:

Company	Nature of business	Country
Zorlu Yenilenebilir Enerji AŞ	Power plant installation, operation and other	Turkey
Zorlu Doğal Elektrik Üretimi AŞ ("Zorlu Doğal")	Electricity production	Turkey
Zorlu Jeotermal Enerji Elektrik Üretimi AŞ ("Zorlu Jeotermal")	Electricity production	Turkey
Rotor Elektrik Üretim AŞ ("Rotor")	Electricity production	Turkey

The Company was founded on 27 August 2020 as a wholly-owned subsidiary of Zorlu Enerji Elektrik Üretim AŞ ("Zorlu Enerji"), On 27 August 2020, all of the shares of Zorlu Enerji's above mentioned subsidiaries (Zorlu Doğal, Zorlu Jeotermal and Rotor) were transferred to the Company and they became the wholly-owned subsidiaries of the Company as of that date.

As of 31 December 2022, Zorlu Enerji had a sole ownership of the Company and the ultimate controlling party is Zorlu Family.

The registered office address of the Company is Levent 199, Büyükdere Cad, No:199 34394, Şişli, İstanbul, Turkey.

As of 31 December 2022, the average number of personnel employed was 323 (31 December 2021: 308).

The nature of business of the companies included in the consolidated financial statements are as follows:

Zorlu Doğal Elektrik Üretimi AŞ

Zorlu Doğal was established in 2008 to sell electricity, to develop projects to meet energy, steam and heat needs, to prepare the relevant feasibility and to establish electrical energy production facilities based on all kinds of renewable energy sources including but not to be limited to hydroelectric power plants and geothermal power plants.

Following the privatisation tender of Ankara Doğal Elektrik Üretim ve Ticaret AŞ ("ADÜAŞ") for USD 510 million on 5 March 2008, an agreement on the transfer of operating rights was signed between Zorlu Doğal, ADÜAŞ and the Republic of Turkey Prime Ministry Privatisation Administration ("ÖİB") on 1 September 2008 and Zorlu Doğal took over the assets of ADÜAŞ and the 30-year operating period commenced.

Zorlu Doğal's application to EMRA to extend the term of the pre-license for its Kızıldere 4 geothermal power plant, which is planned to be built in Denizli and Aydın provinces and have a 60 MW of capacity, from 54 months to 72 months was approved on 26 March 2020.

As per the material event disclosures dated 6 July 2022, Zorlu Doğal, a wholly-owned indirect subsidiary of Zorlu Enerji, has applied to EMRA to extend the term of the pre-license for the Tekkehamam 2 Geothermal Power Plant project, which is planned to be developed in Denizli, for 36 months. According to the approval of EPDK dated 22 January 2020, the current term of the pre-license is 30 months.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Below are details of the completed powerplants of Zorlu Doğal:

Region	Type of power plant	Active/ Inactive	Date licence obtained	Licence period	Production capacity (MW)	YEKDEM end date
Denizli (Kızıldere 1)	Geothermal	Active	1 September 2008	29 years	15,0 MW	-
Denizli (Kızıldere 2) (*)	Geothermal	Active	2 May 2013	25 years	80,0 MW	2023
Denizli (Kızıldere 3) (**)	Geothermal	Active	27 April 2016	22 years	165,0 MW	2027
Tokat (Ataköy)	Hydroelectric	Active	1 September 2008	30 years	5,5 MW	-
Eskişehir (Beyköy)	Hydroelectric	Active	1 September 2008	30 years	16,8 MW	-
Kars (Çıldır)	Hydroelectric	Active	1 September 2008	30 years	15,4 MW	-
Rize (İkizdere)	Hydroelectric	Active	1 September 2008	30 years	24,9 MW	-
Erzurum (Kuzgun)	Hydroelectric	Active	1 September 2008	30 years	20,9 MW	-
Tunceli (Mercan)	Hydroelectric	Active	1 September 2008	30 years	20,4 MW	-
Erzincan (Tercan)	Hydroelectric	Active	1 September 2008	30 years	15,0 MW	-
Total					**378,9 MW**	

(*) Kızıldere 2 geothermal power plant was integrated with the Renewable Energy Sources Support Mechanism ("YEKDEM") and sold all electricity generated starting from 2014 within the scope of YEKDEM. YEKDEM is a mechanism established by law which provides fixed feed-in tariffs for electricity generation from renewable energy sources. After the approval of the Energy Market Regulatory Authority ("EMRA"), Kızıldere 2 plant sold the electricity generated in 2022 at the support price of USD 10.5/kWh within the scope of YEKDEM.

(**) For the Kızıldere 3 geothermal power plant developed in the Karataş neighbourhood within the provincial borders of Denizli and Aydın, Zorlu Doğal obtained a generation licence from EMRA which will be valid through 2038. The Kızıldere 3 geothermal power plant project is composed of two units with a total installed capacity of 165 MW. The first and the second units began operating on 19 August 2017 and 15 March 2018, respectively. Kızıldere 3 geothermal power plant is eligible to sell all the electricity generated at the price of USD 11.2/kWh which is given to power plants producing electricity from geothermal energy within the scope of YEKDEM. After the approval of the Energy Market Regulatory Authority ("EMRA"), Kızıldere 3 plant sold the generated electricity in 2022 at the support price of USD 11.2/kWh within the scope of YEKDEM.

As per the material event disclosures dated 30 September 2022, EMRA has approved the application of Zorlu Doğal to amend the generation license of its Kızıldere 2 GPP for increasing the power plant's installed capacity from 80 MWm/80 MWe to 91.995 MWm/80.00 MWe for the purpose of establishing a solar power plant to be integrated to the existing GPP, as a result of which, the facility will operate as a hybrid renewable power plant and generate electricity from both geothermal and solar energy (Main Source: Geothermal+Secondary Source: Solar) and the license has been amended accordingly.

As per the material event disclosures dated 23 December 2021, Zorlu Doğal, will establish a solar power plant to be integrated to its existing Kızıldere 3 GPP (installed capacity: 165 MWm/165 MWe) in Buharkent, Aydın, as a result of which, the facility will operate as a Hybrid Renewable Power Plant and generate electricity from both geothermal and solar energy (Main Source: Geothermal + Auxiliary Source: Solar). Accordingly, the Company applied to EMRA to amend the generation license of the Kızıldere 3 GPP to 189.75 MWm/165 MWe.

As per the material event disclosures dated 13 January 2022 and 17 February 2022, the term of the pre-license for the Kızıldere 4 geothermal power plant project, which is planned to be developed in Denizli and Aydın by Zorlu Doğal has been extended for twenty-three months with the approval of EMRA.

As per the material event disclosures dated 1 July 2022, EMRA has approved the application of Zorlu Doğal to amend the generation license of its Kızıldere 1 GPP for increasing the power plant's installed capacity from 15 MWm/15 MWe to 15.99 MWm/15 MWe for the purpose of establishing a solar power plant to be integrated to the existing GPP, as a result of which, the facility will operate as a hybrid renewable power plant and generate electricity from both geothermal and solar energy (Main Source: Geothermal+Secondary Source: Solar).

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Zorlu Jeotermal Enerji Elektrik Üretimi AŞ

Zorlu Jeotermal was founded in 2008 to develop projects to produce energy, steam and heat, to establish plants by carrying out feasibility studies for electricity energy generation plants based on all renewable energy resources, especially geothermal power plants; and to sell the generated energy. Zorlu Jeotermal took over the Alaşehir geothermal license of Zorlu Petrogas Petrol, Gaz ve Petrokimya Ürünleri İnşaat Sanayi ve Ticaret AŞ on 28 July 2011. Below are details of the completed powerplant of Zorlu Jeotermal:

Region	Type of power plant	Active/ Inactive	Date licence obtained	Licence period	Production capacity (MW)	YEKDEM end date
Alaşehir (*)	Geothermal	Active	28 July 2011	28 years	45 MW	2025

(*) The application to EMRA for the sale of electricity under YEKDEM in 2016 was approved in December 2015, Starting from 2016, Alaşehir 1 plant started selling the electricity generated at a price of USD 11.2/kWh including the support price of USD 0.7/kWh for local content, After the approval of the Energy Market Regulatory Authority ("EMRA"), Alaşehir 1 plant sold the electricity generated in 2022 at a feed-in tariff of USD 10.5/kWh within the scope of YEKDEM.

Zorlu Jeotermal received a pre-license from EMRA on November 2017 for the Alaşehir 2 geothermal power plant project, which is planned to be built in Manisa and have a capacity of 24.9 MW and EMRA issued a license for 22 years, On 17 July 2019 electricity production capacity was amended from 24.9 MW to 18.6 MW in order to manage the resource and the reservoir more effectively.

In addition, on 10 December 2014 Zorlu Jeotermal received approval from EMRA for the pre-license of Alaşehir 3 geothermal power plant, which is planned to be built in Manisa, Alaşehir with 30 MW of installed capacity. Upon completing exploration, Zorlu Jeotermal applied to EMRA to amend the capacity from 30 MW to 50 MW. The application to EMRA was accepted in April 2016 and the EMRA granted Zorlu Jeotermal a pre-license valid for 30 months and entering into force on the decision date. Before the pre-license ended Zorlu Jeotermal applied to EMRA for a time extension and EMRA approved extending the pre-license until 24 March 2021. According to EMRA's decision dated 2 April 2020 and numbered 9276, license and pre-license projects obligation completion periods have been extended by 3 months. On June 2021, Zorlu Jeotermal applied for an additional extention and EMRA approved the application on 27 September 2021.

On 27 October 2016, Zorlu Jeotermal participated in Kütahya Special Provincial Administration's tender for the rights to explore geothermal resources. Zorlu Jeotermal won the tender and paid TL 450 plus VAT. Within the scope of the tender Zorlu Jeotermal is entitled to explore geothermal resources in the Yeniköy geothermal field of 4,950 hectares in Kütahya province, Simav district, Yeniköy. The exploration license was converted to an operating license on 11 November 2020 and its duration is 30 years.

As per the material event disclosures dated 13 January 2022, EMRA has approved the application of Zorlu Jeotermal, to amend the pre-license of its Alaşehir 3 Geothermal Power Plant Project, for reducing the project's installed capacity from 50MWm/50MWe to 10MWm/10MWe for the purpose of effective management of the geothermal resource and reservoir.

As per the material event disclosure dated 16 June 2022, EMRA has approved the application of Zorlu Jeotermal, to amend the generation license of its Alaşehir 1 GPP, which has an installed capacity of 45 MW to increase the plant's stated capacity from 48.5880 MWm/45MWe to 48.7543 MWm/45MWe in line with the plan to install roof-top solar panels with a capacity of 0.1663 MW at the power plant as an additional source.

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

As per the material event disclosure dated 12 April 2021, Aydın Investment Monitoring and Coordination Department has approved the application of Zorlu Jeotermal, to extend the term of the geothermal resource exploration permits for the Nazilli and Diracik geothermal sites located in Aydın for 15 months.

Pursuant to the material event disclosure dated 23 December 2022, Zorlu Jeotermal obtained the necessary approval from the Energy Ministry for the 3.588 MWp solar power plant, which is integrated to the existing 45 MW Alaşehir 1 Geothermal Power Plant in Manisa, Alaşehir and the plant commenced commercial operations as of 22 December 2022.

Rotor Elektrik Üretim AŞ

Rotor was established in 2003 for the purpose of building wind power plants and was acquired by Zorlu Enerji in 2007. Gökçedağ plant has sold electricity at USD 7.3/kWh which is the support price given to wind power plants within the scope of YEKDEM from 2016 until the end of 2020. The 10-year YEKDEM period for Rotor expired at the end of 2020, Hence Rotor began to sell electricity on a merchant basis without the support of feed-in tariff beginning from 1 January 2021.

As per the material event disclosure dated 24 May 2022, within the framework of the Turkish Electricity Transmission Corporation's additional capacity allocation to the region, Rotor Elektrik Üretim AŞ has applied to EMRA to amend the installed capacity indicated in the generation license of its Gökçedağ wind power plant, which operates with a capacity of 135 MWm/135 MWe in Bahçe district of Osmaniye province, from 150.6 MWm/150.6 MWe to 181.6 MWm/181.6 MWe.

As per the material event disclosure dated 3 January 2022, EMRA has approved the application of Rotor to amend the generation license of its existing Gökçedağ WPP for increasing the power plant's installed capacity from 135 MWm/135 MWe to 160.209 MWm/150.6 MWe for the purpose of establishing a solar power plant to be integrated to the existing WPP, as a result of which, the facility will operate as a hybrid renewable power plant and generate electricity from both wind and solar energy (Main Source: Wind+Secondary Source: Solar) and the license has been amended accordingly.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Basis of accounting

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared on historical cost basis except for the following:

- the power plant is measured at fair value
- derivative financial instruments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, and areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.6.

Approval of consolidated financial statements

The consolidated financial statements were approved by the Company's Board of Directors on 24 April 2023.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

Functional and reporting currency

The Group's consolidated financial statements are prepared in the currency of the primary economic environment where the companies operate. The Group has the right to make a significant portion of its sales in USD by applying annually for inclusion in YEKDEM mechanism for certain periods. On the other hand, it is in the Group's discretion to apply for YEKDEM or make its sales in TL at the market price after evaluating market conditions. Accordingly, the Group's financial position and activity results are presented in TL, which is the functional currency of the Group and the reporting currency for its consolidated financial statements.

2.2 Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries on the basis set out in sections below. The financial information of the companies included in the scope of consolidation have been prepared consistently in accordance with the Group accounting policies which are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021 and as at and for the year ended 31 December 2022.

The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when the Company has existing rights that give it the current ability to direct the relevant activities that significantly affect the subsidiary's returns. Power arises from rights and the existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries including the structured entities are the companies controlled by the Group. The Group's control is due to its ability to affect the variable returns through its power over the subsidiaries. Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

Loss of control

If the Group loses control of a subsidiary, it recognises any investment retained in the former subsidiary at its fair value when control is lost and any difference between the fair value and net book value of investment is accounted for as a gain or loss. That fair value shall be regarded as the fair value on initial recognition of a financial asset, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. Additionally, assets and liabilities that were previously recognised as other comprehensive income attributable to that subsidiary are accounted for as if they were disposed of by the Group. This may result in a fact that these amounts previously recognised as other comprehensive income may be classified as profit or loss. The table below sets out all subsidiaries and demonstrates the Company's proportion of ownership interest as at 31 December 2022 and 31 December 2021.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Basis of consolidation (Continued)

Subsidiaries	31 December 2022	31 December 2021
Rotor	100%	100%
Zorlu Doğal	100%	100%
Zorlu Jeotermal	100%	100%

Comparatives and restatement of prior year financial statements

The consolidated financial statements of the Group for the current period is prepared in comparison with the prior year in order to be able to determine the financial position and performance trends. For the purposes of effective comparison, comparative consolidated financial statements can be reclassified when deemed necessary, where descriptions on significant differences are disclosed.

The Group has performed the following reclassification on consolidated profit or loss statement:

- Carbon sales revenues of TL 4,612, which were reported in other income in the Group's consolidated statement of profit or loss as of 31 December 2021 are reclassified to revenue.

2.3 Basis of measurement

The accompanying consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation on Turkish Lira based on the conversion factors derived from the Turkish countrywide consumer price index published by the Turkish Statistical Institute (“TSI”) at the reporting date.

2.4 Accounting in hyperinflationary economies

The financial statements of entities whose functional currency was Turkish Lira have been restated for the changes in the general purchasing power of the Turkish Lira based on International Accounting Standard (“IAS”) No, 29 “Financial Reporting in Hyperinflationary Economies” as at 31 December 2005. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate in Turkey has been 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the TSI. By taking this into consideration, together with the sustained positive trend in quantitative factors, such as the stabilisation in financial and monetary markets, decrease in interest rates and the appreciation of TL against USD and other hard currencies, it was declared that Turkey should be considered a non-hyperinflationary economy under IAS 29 from 1 January 2006. Therefore, IAS 29 has not been applied from 1 January 2006 to 30 June 2022.

Since the cumulative three-year inflation rate has risen to above 100% as of March 2022, based on the Turkish nation-wide consumer price indices announced by the TSI. Turkey should be considered a hyperinflationary economy under IAS 29 from 30 April 2022. Consequently, the financial statements of the entities whose functional currency TL are restated for the changes in the general purchasing power of the Turkish Lira as at 31 December 2022 based on IAS 29. The restatement is calculated by means of conversion factors derived from the Turkish countrywide consumer price index published by the TSI.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Accounting in hyperinflationary economies (Continued)

For the last three years, such indices and conversion factors used to restate the accompanying consolidated financial statements are as follows:

Date	Index	Conversion factor
31 December 2022	1,128.45	1.000
31 December 2021	686.95	1.643
31 December 2020	504.81	2.235

IFRS require the financial statements of an entity with a functional currency that is hyperinflationary to be restated in accordance with IAS 29 requirements whether they are based on a historical cost or a current cost approach and to be applied retrospectively, as if the currency had always been hyperinflationary. The basic principle in IAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the reporting date. Comparative figures for prior period are restated into the same current measuring unit.

The main procedures applied for the restatement above mentioned are as follows:

- Monetary assets and liabilities that are carried at amounts current at the reporting date are not restated because they are already expressed in terms of the monetary unit current at the reporting date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date, and components of shareholders’ equity are restated by applying the relevant conversion factors from the date of the transaction or, if applicable, from the date of their most recent revaluation to the reporting date.
- Property, plant and equipment are restated by applying the change in the index from the date of the transaction or, if applicable, from the date of their most recent revaluation to the reporting date. Depreciation is based on the restated amounts.
- All items in the income statement except for the depreciation charges explained above and deferred tax charges, are restated by applying the monthly conversion factors of the transactions to the reporting date.
- The effects of inflation on the net monetary positions of the Company, are included in the profit or loss statement as “monetary gain/(loss)”.
- All items in the cash flow statement are expressed in terms of the measuring unit current at the reporting date; and all items in the statement of cash flows are, therefore, restated by applying the relevant conversion factors from the date on which the transaction originated.
- All corresponding figures as of and for the period ended 31 December 2022 are restated by applying the change in the index from 31 December 2021 to 31 December 2022.

In the reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, not having been hyperinflationary in the prior period, the entity shall apply the requirements of IAS 29 as if the economy had always been hyperinflationary. Therefore, in relation to non-monetary items measured at historical cost, the entity's opening statement of financial position at the beginning of the earliest period presented in the financial statements shall be restated to reflect the effects of inflation from the date the assets were acquired and the liabilities were incurred or assumed until the end of the reporting period. For non-monetary items carried at the opening statement of financial position at amounts current at dates other than those of acquisition or incurrence, that restatement shall reflect instead the effect of inflation from the dates those carrying amounts were determined until the end of the reporting period.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Accounting in hyperinflationary economies (Continued)

The breakdown of the monetary gain/(loss) and the effect of inflation accounting to other items in profit or loss statement as of 31 December 2022 and 31 December 2021 are as follows:

Monetary gain/(loss) from the restatement of	**31 December 2022**	**31 December 2021**
Paid-in capital	(2,306,818)	(1,352,054)
Property, plant and equipment	5,380,601	3,944,236
Intangible assets	13,173	24,598
Right of use assets	201,482	50,986
Hedge reserve	590,182	425,567
Revaluation fund	(61,072)	12,590
Accumulated losses	(824,283)	(420,573)
Profit or loss items	459,812	337,423
Total	**3,453,077**	**3,022,773**

The Company has applied IAS 29 to its opening statement of financial position as at 1 January 2022 and restated corresponding figures to reflect the effect of inflation from the date the assets were acquired and the liabilities were incurred or assumed until the end of the reporting period. The impact of inflation accounting presented below.

	1 January 2021 (Reported)	**IAS 29 impact**	**1 January 2021 (Restated)**
Paid-in capital	1,045,000	-	1,045,000
Capital adjustment differences	927	1,449,217	1,450,144
Actuarial losses	(2,115)	(2,613)	(4,728)
Revaluation fund	4,455,076	669,703	5,124,779
Hedge reserves	(3,299,389)	(4,076,050)	(7,375,439)
Retained earnings	(1,205,894)	3,282,974	2,077,080
Total equity	**993,605**	**1,323,231**	**2,316,836**

	1 January 2022 (Reported)	**IAS 29 impact**	**1 January 2022 (Restated)**
Paid-in capital	2,695,000	-	2,695,000
Capital adjustment differences	927	3,200,151	3,201,078
Actuarial losses	(2,973)	(1,911)	(4,884)
Revaluation fund	10,201,112	288,197	10,489,309
Hedge reserves	(6,576,695)	(4,567,267)	(11,143,962)
Retained earnings	(2,114,931)	4,235,451	2,120,520
Total equity	**4,202,440**	**3,154,621**	**7,357,061**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Accounting in hyperinflationary economies (continued)

ASSETS	31 December 2021 (Reported)	IAS 29 impact	31 December 2021 (Restated)
Current assets:			
Cash and cash equivalents	848.160	545.109	1.393.269
Trade receivables	145.923	93.784	239.707
- Trade receivables due from related parties	*53.917*	*34.652*	*88.569*
- Trade receivables due from third parties	*92.006*	*59.132*	*151.138*
Other receivables	480	308	788
- Other receivables due from third parties	*480*	*308*	*788*
Inventories	99.401	63.885	163.286
Prepaid expenses	633.022	406.841	1.039.863
- Advances given to related parties	*630.610*	*405.291*	*1.035.901*
- Prepaid expenses to third parties	*2.412*	*1.550*	*3.962*
Other current assets	42.553	27.349	69.902
Total current assets	**1.769.539**	**1.137.276**	**2.906.815**
Non-current assets:			
Other receivables	262	168	430
- Other receivables due from third parties	*262*	*168*	*430*
Right of use assets	139.954	89.948	229.902
Property, plant and equipment	17.219.509	11.066.909	28.286.418
Intangible assets	19.730	12.685	32.415
Prepaid expenses	190	122	312
Total non-current assets	**17.379.645**	**11.169.832**	**28.549.477**
Total assets	**19.149.184**	**12.307.108**	**31.456.292**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Accounting in hyperinflationary economies (continued)

LIABILITIES	**31 December 2021 (Reported)**	**IAS 29 impact**	**31 December 2021 (Restated)**
Current liabilities:			
Short-term financial liabilities	2,035,537	1,308,231	3,343,768
- Short-term loans and borrowings	*102,657*	*65,977*	*168,634*
- Short-term portion of long term loans and borrowings	*1,590,197*	*1,022,013*	*2,612,210*
- Lease liabilities	*14,304*	*9,193*	*23,497*
-Short term issued bonds	*328,379*	*211,048*	*539,427*
Trade payables	225,578	144,978	370,556
- Trade payables due to related parties	*47,060*	*30,245*	*77,305*
- Trade payables due to third parties	*178,518*	*114,733*	*293,251*
Derivative financial liabilities	109,531	70,395	179,926
Other current liabilities	50,657	32,562	83,219
Total current liabilities	**2,421,303**	**1,556,166**	**3,977,469**
		-	
Long-term financial liabilities	11,032,970	7,090,846	18,123,816
- Long-term loans and borrowings	*7,492,326*	*4,815,288*	*12,307,614*
- Lease liabilities	*94,839*	*60,953*	*155,792*
-Long term issued bonds	*3,445,805*	*2,214,605*	*5,660,410*
Derivative financial liabilities	162,574	104,486	267,060
Long-term provisions	7,411	4,763	12,174
- Long-term provisions related to employee benefits	*7,411*	*4,763*	*12,174*
Deferred tax liabilities	1,046,276	672,436	1,718,712
Total non-current liabilities	**12,249,231**	**7,872,531**	**20,121,762**
		-	
Total liabilities	**14,670,534**	**9,428,697**	**24,099,231**
EQUITY			
Equity attributable to equity holders of the parent	**4,478,650**	**2,878,411**	**7,357,061**
Paid-in capital	2,695,000	-	2,695,000
Capital adjustment differences	894,269	2,306,809	3,201,078
Other comprehensive income not to be reclassified to profit or (loss)	6,382,450	4,101,975	10,484,425
- Actuarial losses	*(2,973)*	*(1,911)*	*(4,884)*
- Revaluation fund	*6,385,423*	*4,103,886*	*10,489,309*
Other comprehensive expenses to be reclassified to profit or (loss)	(6,783,947)	(4,360,015)	(11,143,962)
- Hedge reserves	*(6,783,947)*	*(4,360,015)*	*(11,143,962)*
Retained earnings	1,290,878	829,642	2,120,520
Total equity	**4,478,650**	**2,878,411**	**7,357,061**
Total liabilities and equity	**19,149,184**	**12,307,108**	**31,456,292**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Accounting in hyperinflationary economies (continued)

	31 December 2021 (Reported)	IAS 29 impact	31 December 2021 (Restated)
Revenue	2,023,155	2,003,853	4,027,008
Cost of sales (-)	(888,723)	(986,441)	(1,875,164)
Gross profit	**1,134,432**	**1,017,412**	**2,151,844**
General administrative expenses (-)	(67,997)	(67,187)	(135,184)
Other operating income	33,317	40,327	73,644
Other operating expenses (-)	(104,970)	(101,965)	(206,935)
Operating profit	**994,782**	**888,587**	**1,883,369**
Gain on net monetary position	-	3,022,773	3,022,773
Financial income	293,685	265,076	558,761
Financial expenses (-)	(2,576,649)	(2,456,544)	(5,033,193)
Gain/loss from continuing operations before tax	**(1,288,182)**	**1,719,892**	**431,710**
Tax expense from continuing operations			
- Deferred tax expense	125,742	(780,831)	(655,089)
Net loss profit for the year	**(1,162,440)**	**939,061**	**(223,379)**
Loss attributable to:			
- Equity holders of the parent	(1,162,440)	939,061	(223,379)
Gain/(loss) per share	(0,43)	0,35	(0,08)
Items not to be reclassified to profit or loss	**5,998,581**	**(367,388)**	**5,631,193**
- Actuarial losses	*(1,073)*	*878*	*(195)*
- Actuarial losses, tax effect	*215*	*(176)*	*39*
- Revaluation fund	*7,499,300*	*(460,114)*	*7,039,186*
- Revaluation fund, tax effect	*(1,499,861)*	*92,024*	*(1,407,837)*
Items to be reclassified to profit or loss	**(3,484,558)**	**(283,965)**	**(3,768,523)**
- Hedge reserves	*(4,355,698)*	*(354,956)*	*(4,710,654)*
- Hedge reserves, tax effect	*871,140*	*70,991*	*942,131*
Other comprehensive income	**2,514,023**	**(651,353)**	**1,862,670**
Total comprehensive income	**1,351,583**	**287,708**	**1,639,291**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Accounting in hyperinflationary economies (continued)

	31 December 2021 (Reported)	IAS 29 impact	31 December 2021 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year	(1,162,440)	939,061	(223,379)
Adjustments related to depreciation and amortisation expenses	518,131	624,078	1,142,209
Adjustments related to tax (income)/expense	(125,742)	780,831	655,089
Adjustments related to provisions	1,722	35	1,757
Adjustments related to interest income	(42,061)	(38,112)	(80,173)
Adjustments related to interest expenses	801,273	794,675	1,595,948
Adjustments related to unrealized foreign currency translation differences	1,689,211	2,114,821	3,804,032
Gain/loss on monetary position	-	(2,338,241)	(2,338,241)
Expense from derivative financial instruments, net	35,177	22,342	57,519
Other adjustments related to net profit/(loss) reconciliation	2,806	23,882	26,688
Net cash generated from operating activities before changes in operating assets and liabilities	**1,718,077**	**2,923,372**	**4,641,449**
Changes in trade receivables	(23,749)	24,681	932
Changes in trade payables	(102,575)	(257,136)	(359,711)
Changes in inventories	(60,659)	(16,023)	(76,682)
Changes in other payables and liabilities	23,134	(1,808,879)	(1,785,745)
Changes in other receivables and assets	2,105	(352,892)	(350,787)
Termination benefits paid	(850)	(872)	(1,722)
Cash flows from operating activites	**1,555,483**	**512,251**	**2,067,734**
CASH FLOWS FROM INVESTING ACTIVITIES	**(984,525)**	**(314,032)**	**(1,298,557)**
Advances given to related parties	(759,572)	-	(759,572)
Cash outflows from purchase of property, plant and equipment	(254,040)	(337,304)	(591,344)
Cash inflows from sale of property, plant and equipment	5	5	10
Interest received	29,082	23,267	52,349
CASH FLOWS FROM FINANCING ACTIVITIES	**(48,880)**	**(61,454)**	**(110,334)**
Issued bonds	2,468,278	2,699,786	5,168,064
Proceeds from bank borrowings	141,785	143,755	285,540
Repayment of bank borrowings	(1,957,698)	(2,067,145)	(4,024,843)
Derivative payment	(84.325)	(91.596)	(175.921)
Interest paid	(511,271)	(500,052)	(1,011,323)
Cash outflows related to payment of lease liabilities	(13,333)	(162,726)	(176,059)
Other cash outflows	(92,316)	(83,476)	(175,792)
Monetary loss on cash and cash equivalents	-	(177,887)	(177,887)
Effect of currency translation differences on cash and cash equivalents	(92,769)	69,321	(23,448)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**522,078**	**136,765**	**658,843**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**417,946**	**516,328**	**934,274**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**847,255**	**544,527**	**1,391,782**

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 Amendments in International Financial Reporting Standards

The accounting policies that are the basis for the preparation of financial statements for the year ended 31 December 2022 have been applied consistently with those used in the previous year, except for the new and amended IFRSs as of 31 December 2022 summarised below.

The effects of these standards and interpretations on the financial position, consolidated performance and consolidated cash flows of the Company are explained below.

a. Standards, amendments and interpretations applicable as at 31 December 2022:

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2022 are as follows:

- Interest annual improvements to IFRS standards 2018 - 2020 - Amendment to IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 9 financial instruments, IAS 41 agriculture.
- Reference to the conceptual framework - Amendments to IFRS 3 business combinations.
- Property, plant and equipment - proceeds before intended use: Amendments to IAS 16 property, plant and equipment.
- Onerous contracts - cost of fulfilling a contract: Amendments to IAS 37 provisions, contingent liabilities and contingent assets.

The application amendments did not have a significant impact on the consolidated financial statements of the Group.

b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2022:

A number of new standards and amendments to existing standards are not effective at reporting date and earlier application is permitted; however, the Company has not early adopted are as follows:

- Classification of liabilities as current or non-current (Amendments to IAS 1).
- Disclosure of accounting policies (Amendments to IAS 1).
- Definition of accounting estimates (Amendments to IAS 8).
- Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12 income taxes.

The Group is assessing the potential impact of these amendments on its consolidated financial statements.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 Critical accounting estimates, assumptions and judgments

In preparing these financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results could differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial sstatements.

The key assumption concerning the future, other key sources of estimation uncertainty at the reporting date and the significant judgments are set out below:

a) Deferred tax asset on cumulative tax losses

Deferred tax assets on carry forward tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. When accounting for deferred tax assets it is necessary to make critical estimations and evaluations regarding taxable profits in future periods. The Group has carry forward tax losses amounting TL 7,419,008 as of 31 December 2022 (31 December 2021: TL10,008,943). As per the management estimates, the Group has recognised deferred tax assets amounting TL 1,196,403 (31 December 2021: TL 1,742,904) for its TL 5,973,475 (31 December 2021: TL 8,484,360) of carry forward tax losses, which the Group estimates to utilise in the future. Should the estimated profit realize, the above-mentioned recognised deferred tax assets will be expensed in the profit or loss statement. The Group did not recognise deferred tax assets for TL 1,445,533 (31 December 2021: TL 1,524,583) of carry forward tax losses.

b) Non-derivative cash flow hedge

As explained in Note 15, the Group has an investment loan and Eurobond of USD 643,932 thousand (31 December 2021: USD 860,203 thousand investment loans and Eurobond) which are used as a hedging instrument for the USD spot exchange rate risk. The Group is exposed to foreign exchange risk due to its highly probable YEKDEM revenues, and applies cash flow hedge accounting. The estimations in budgets for YEKDEM sales revenues used to test effectiveness include estimations for items such as sales quantities and sales prices.

c) Fair value of cash flow hedge

As explained in Note 15, cash flow hedge accounting was applied in the Group's interest rate swap transactions for the year ended 31 December 2021.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 Critical accounting estimates, assumptions and judgments (Continued)

d) Fair value measurement

When presenting the fair value of its power plants and the integral parts of a power plant which includes machinery, land and buildings, the Group selected the revaluation model from among the applicable methods mentioned in IAS 16. The amounts determined in the valuation studies carried out after deducting the tax effects on Zorlu Doğal, Zorlu Jeotermal and Rotor power plants on 31 December 2022, the power plants were recognized for their revalued amounts in the consolidated financial statements. The fair value of Kızıldere 1 geothermal power plant is determined by using the "market approach and cost method" and fair values of all other power plants are determined by using the "income approach - discounted cash flow analysis".

The revaluation of the power plants was carried out by Aden Gayrimenkul Değerleme ve Danışmanlık AŞ, accredited by the Turkish Capital Markets Board ("CMB").

Within the framework of these valuations, the following basic assumptions have been used:

					Basic assumption used for revaluation work		
Company	**Power Plant**	**Revaluation Period**	**Revaluation work performed by**	**Revaluation method**	**Weighted average cost of capital**	**Electricity sales price (US cent/kWh)(*)**	**Sales Volume (kWh/year)**
Zorlu Doğal	Kızıldere 2 Geothermal Power Plant	31 December 2022	Aden Gayrimenkul	DCF	11	10.5-16 cent	400,367,040
Zorlu Doğal	Kızıldere 3 Geothermal Power Plant	31 December 2022	Aden Gayrimenkul	DCF	11	10.5-16 cent	996,603,300
Zorlu Doğal	Tokat/Ataköy Hydroelectric Power Plant	31 December 2022	Aden Gayrimenkul	DCF	11	10-16 cent	7,634,585
Zorlu Doğal	Eskişehir/Beyköy Hydroelectric Power Plant	31 December 2022	Aden Gayrimenkul	DCF	11	10-16 cent	42,038,539
Zorlu Doğal	Kars/Çıldır Hydroelectric Power Plant	31 December 2022	Aden Gayrimenkul	DCF	11	10-16 cent	15,904,236
Zorlu Doğal	Rize/İkizdere Hydroelectric Power Plant	31 December 2022	Aden Gayrimenkul	DCF	11	10-16 cent	111,902,588
Zorlu Doğal	Erzurum/Kuzgun Hydroelectric Power Plant	31 December 2022	Aden Gayrimenkul	DCF	11	10-16 cent	22,542,218
Zorlu Doğal	Tunceli/Mercan Hydroelectric Power Plant	31 December 2022	Aden Gayrimenkul	DCF	11	10-16 cent	70,409,376
Zorlu Doğal	Erzincan/Tercan Hydroelectric Power Plant	31 December 2022	Aden Gayrimenkul	DCF	11	10-16 cent	36,240,120
Rotor	Gökçedağ Wind Power Plant	31 December 2022	Aden Gayrimenkul	DCF	11	10-16 cent	337,809,690
Zorlu Jeotermal	Alaşehir 1 Geothermal Power Plant	31 December 2022	Aden Gayrimenkul	DCF	11	10.5-16 cent	252,386,550
Zorlu Jeotermal	Alaşehir 1 Hybrid Solar Power Plant	31 December 2022	Aden Gayrimenkul	DCF	11	10.5-16 cent	5,560,270-6,178,078

(*) Represents the minimum and maximum sales price used in the Discounted Cash Flow ("DCF") calculation.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.7 Going concern assumption

The Group has prepared its consolidated financial statements on a going concern basis in a foreseeable future and does not foresee any risk regarding the ability of the Group to continue as a going concern. The Group's gross profit for the period 31 December 2022 is TL 2,267,264 (1 January 2022 - 31 December 2022: TL 2,151,844) and EBITDA is TL 3,704,590 (1 January 2021 - 31 December 2021: TL 3,158,869).

The net profit for the period 31 December 2022 is TL 1,011,403 (1 January 2021 - 31 December 2021: net loss for the period TL 223,379). The Group's retained earnings as of 31 December 2022 is TL 2,707,509 (31 December 2021: TL 2,343,899) and its short-term liabilities exceeds its current assets by TL 975,359 (31 December 2021: TL 1.070,654). The Group's total equity is TL 14,484,270 (1 January - 31 December 2021: TL 7,357,061).

A major portion of the Group's electricity production is eligible for sale at pre-determined prices in USD within the scope of YEKDEM, which has a positive effect on gross profit and helps limit exposure to foreign exchange losses arising from the borrowings of the Group. The Alaşehir geothermal energy power plant owned by Zorlu Jeotermal will sell the electricity generated in the scope of YEKDEM until 31 December 2025 and Kızıldere 2 and Kızıldere 3 geothermal energy power plants owned by Zorlu Doğal, until 31 December 2023 and 31 December 2027, respectively.

2.8 Financial risk management

Risk factors

The Group's activities expose it to a variety of financial risks. These risks are liquidity risk, market risk (exchange rates, interest rates), credit risk and funding risks. Management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a finance department under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of business, the Group aims to maintain flexibility in funding by keeping committed credit lines available. The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.8 Financial risk management (Continued)

The analysis of the financial liabilities according to their maturities as of 31 December 2022 and 2021 are as below:

Derivative and non-derivative financial liabilities (1)(2):

31 December 2022	Carrying value	Total cash outflow due to contract	3 months or less	3-12 months	1-5 years	5 year and more
Financial liabilities other than lease liabilities	17,425,299	23,581,463	1,330,231	2,136,057	16,646,956	3,468,219
Trade payables	438,601	438,601	438,601	-	-	-
Lease liabilities	242,486	800,031	14,186	26,013	160,220	599,612
	18,106,386	**24,820,095**	**1,783,018**	**2,162,070**	**16,807,176**	**4,067,831**

31 December 2021	Carrying value	Total cash outflow due to contract	3 months or less	3-12 months	1-5 Years	5 year and more
Financial liabilities other than lease liabilities	21,288,295	27,722,506	1,309,395	2,100,604	18,079,918	6,232,589
Trade payables	370,556	370,556	370,556	-	-	-
Lease liabilities	179,289	655,055	13,848	15,080	115,713	510,414
Derivative financial instruments	446,986	446,986	99,107	80,820	222,475	44,584
	22,285,126	**29,195,103**	**1,792,906**	**2,196,504**	**18,418,106**	**6,787,587**

(1) Maturity analysis was applied only to financial instruments.
(2) These amounts are contructual undiscounted cash flows. Balances with maturities less than 3 months is equal to their carrying values due to the negligible discount amount.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.8 Financial risk management (Continued)

(b) Market risk

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. To decrease the interest rate risk, the cash equivalents which are not used, are put to the time deposits by the Group.

The table of the interest position of the Group as of 31 December 2022 and 2021 are as below:

	31 December 2022	31 December 2021
Financial instruments with fixed interest rates		
Cash and cash equivalents	401,334	727,200
Financial liabilities	5,725,738	6,368,471
Lease liabilities	242,486	179,289
Financial instruments with floating interest rates		
Financial liabilities (*)	11,699,561	14,919,824

(*) As at 31 December 2022, floating rate borrowings for which the interest rates were fixed amounting to TL 8,591,394 (31 December 2021: TL 10,915,454), are included in floating rate financial borrowings.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated. Based on simulations assuming interest rates of borrowings with floating rates were 100 basis points higher/lower and all other variables held constant, the Group's income before taxation would be TL 31,082 lower/higher as at 31 December 2022 (31 December 2021: income before taxation would be TL 40,044 lower/higher). Floating rate borrowings for which the interest rates were fixed have not been considered in this calculation.

Foreign exchange risk

The sources used by the Group in financing its investments are predominantly denominated in foreign currency. The Group is exposed to foreign exchange risk arising from the translation of amounts denominated in USD and EUR. In order to eliminate this risk, hedging policies are applied using various derivative instruments. In addition, foreign exchange losses arising from borrowings of companies that sell electricity in the scope of YEKDEM have been hedged by the foreign exchange gains arising from the electricity sales indexed mainly to USD.

The details of foreign currency assets and liabilities as of 31 December 2022 and 31 December 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Assets	1,971,831	2,479,100
Liabilities	(17,596,923)	(21,517,768)
Net foreign currency position	**(15,625,092)**	**(19,038,668)**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.8 Financial risk management (Continued)

TL equivalents of assets and liabilities denominated in foreign currency held by the Group at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022				31 December 2021			
	TL equivalent	**USD**	**EUR**	**Other**	**TL equivalent(*)**	**USD**	**EUR**	**Other**
Cash and cash equivalents	1,169,188	62,504	24	-	1,366,114	64,063	17	1
Trade receivables	7,889	230	180	-	7,341	307	33	-
Other current assets	49,038	2,161	433	-	69,744	2,699	506	-
Advances given to related parties	745,716	39,881	-	-	1,035,901	48,593	-	-
Total assets	**1,971,831**	**104,776**	**637**	**-**	**2,479,100**	**115,662**	**556**	**1**
Trade payables	171,624	8,379	750	-	279,940	11,103	1,793	-
Financial liabilities	3,262,534	174,483	-	-	3,269,804	153,382	-	-
Current liabilities	**3,434,158**	**182,862**	**750**	**-**	**3,549,744**	**164,485**	**1,793**	**-**
Financial liabilities	14,162,765	757,436	-	-	17,968,024	842,853	-	-
Non-current liabilities	**14,162,765**	**757,436**	**-**	**-**	**17,968,024**	**842,853**	**-**	**-**
Total liabilities	**17,596,923**	**940,298**	**750**	**-**	**21,517,768**	**1,007,338**	**1,793**	**-**
Net foreign currency position	**(15,625,092)**	**(835,522)**	**(113)**	**-**	**(19,038,668)**	**(891,676)**	**(1,237)**	**1**

(*) Expressed in 31 December 2022 purchasing power.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.8 Financial risk management (Continued)

The Group is mainly exposed to foreign exchange risk as a result of the impact of rate changes in the translation of USD and EUR denominated assets and liabilities to local currency. As of 31 December 2022 and 31 December 2021, had the TL appreciated or depreciated by 10% against the USD and EUR and all other variables held constant, the effect on current period net income and equity would be as follows:

31 December 2022

	Gain/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
+/-10% fluctuation of USD rate				
USD net asset/liability	(1,562,284)	1,562,284	(1,562,284)	1,562,284
Amount of hedged against USD risk (-)	1,204,043	(1,204,043)	-	-
USD net effect	**(358,241)**	**358,241**	**(1,562,284)**	**1,562,284**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(225)	225	(225)	225
EUR net effect	**(225)**	**225**	**(225)**	**225**
Total net effect	**(358,466)**	**358,466**	**(1,562,509)**	**1,562,509**

31 December 2021

	Gain/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
+/-10% fluctuation of USD rate				
USD net asset/liability	(1,900,883)	1,900,883	(1,900,883)	1,900,883
Amount of hedged against USD risk (-)	1,833,788	(1,833,788)	-	-
USD net effect	**(67,095)**	**67,095**	**(1,900,883)**	**1,900,883**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(2,984)	2,984	(2,984)	2,984
EUR net effect	**(2,984)**	**2,984**	**(2,984)**	**2,984**
Total net effect	**(70,079)**	**70,079**	**(1,903,867)**	**1,903,867**

As of 31 December 2022, the Group used its investment loans and Eurobond with a total amount of USD 643,932 thousand (31 December 2021: USD 860,203 thousand investment loans and Eurobond) as hedging instruments to hedge against the exchange rate risk resulting from the highly probable revenues earned in the scope of YEKDEM, and implemented cash flow hedge accounting for the highly-probable YEKDEM revenues as a result of the efficiency tests carried out within this scope.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.8 Financial risk management (Continued)

(c) Funding risk

The Group develops and constructs power plants and the financing needs of these investments are met with liquid assets, shareholder loans and debt financing loans from financial institutions, In order to develop large scale projects such as power plants the Group utilises project finance loans. Currently, all operational projects are funded, however for any potential expansions and new projects there are funding risks, such as not being able to find funds with favourable terms for the project financing loan, and the lack of an optimum balance between assets and funding resources.

d) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group monitors capital on the basis of the ratio of net debt divided by total equity. Net debt is calculated as total borrowings (including borrowings and other payables, as shown in the statement of financial position) less cash and cash equivalents. Total equity is calculated as equity, as shown in the statement of financial position. Additionally, the Group calculates the net debt/ total equity ratio.

Net debt/total equity ratio as of 31 December 2022 and 2021 is as below:

	31 December 2022	**31 December 2021**
Financial liabilities (Note 4)	17,667,785	21,467,584
Less: Cash and cash equivalents (Note 3)	(1,316,845)	(1,393,269)
Net debt	**16,350,940**	**20,074,315**
Total equity	**14,484,270**	**7,357,061**
Net debt/total equity (%)	**1.13**	**2.73**

(e) Credit risk

The Group is affected by credit risks due to its open receivable balances with future collection dates and time deposits. If counterparties fail on the fulfilment of the agreement, the Group is exposed to the risk upon holding the financial instruments. Management covers the risk by limiting the average risk of counterparties (except for related parties) on agreements and by obtaining guarantees if necessary. Since the Group operates in YEKDEM mechanism, credit risk due to open receivables is low.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.8 Financial risk management (Continued)

The exposure of the Group to credit risk as of 31 December 2022 based on different financial instruments is as follows:

	Trade Receivables		Other receivables		Bank deposit	
31 December 2022	**Related party**	**Other**	**Related party**	**Other**	**Related party**	**Other**
Maximum credit risk exposure as of the reporting date	**509,570**	**22,876**	**-**	**417**	**-**	**1,316,845**
- Secured portion of the maximum risk by guarantees	-	-	-	-	-	-
Not due/not impaired Financial asset's carrying value	509,570	19,568	-	417	-	1,316,845
Overdue but not impaired Financial asset's carrying value	-	3.308	-	-	-	-
- Secured portion by guarantees	-	-	-	-	-	-
Net carrying value of Impaired assets	-	-	-	-	-	-
- Overdue (gross)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion by guarantees	-	-	-	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.8 Financial risk management (Continued)

The exposure of the Group to credit risk as of 31 December 2021 based on different financial instruments is as follows:

	Trade Receivables		**Other receivables**		**Bank deposit**	
31 December 2021	**Related party**	**Other**	**Related party**	**Other**	**Related party**	**Other**
Maximum credit risk exposure as of the reporting date	**88,569**	**151,138**	**-**	**1,218**	**-**	**1,393,269**
- Secured portion of the maximum risk by guarantees	-	-	-	-	-	-
Not due/not impaired Financial asset's carrying value	88,569	151,138	-	1,218	-	1,393,269
Overdue but not impaired Financial asset's carrying value	-	-	-	-	-	-
- Secured portion by guarantees	-	-	-	-	-	-
Net carrying value of Impaired assets	-	-	-	-	-	-
- Overdue (gross)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion by guarantees	-	-	-	-	-	-

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.8 Financial risk management (Continued)

Fair value of financial instruments

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best supported by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments:

Financial assets

The fair values of certain financial assets carried at cost, including cash and cash equivalents, are considered to approximate their respective carrying values due to their short-term nature.

As at 31 December 2022 and 2021, the carrying values of trade and other receivables along with the related allowances for uncollectibility are estimated to approximate to their fair values.

Financial liabilities

The fair value of borrowings with fixed and variable interests is obtained by calculating their discounted cash flows using the market interest rate effective at the reporting period.

Fair value estimation:

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for similar assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.8 Financial risk management (Continued)

The fair value of financial instruments not being traded in active markets is determined using valuation techniques. These techniques help make the most use of observable market data when it is as dependable and available as the Company's specific predictions. If all significant inputs necessary in terms of a financial instrument's fair value are observable, this instrument falls in the scope of Level 2.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2022 and 31 December 2021:

Derivative financial instruments	31 December 2022	31 December 2021
Level 1	-	-
Level 2	459,185	(446,986)
Level 3	-	-
	459,185	**(446,986)**

2.9 Other Information

The information used by Group management to evaluate performance and allocate resources comes from the "Renewable Energy" segment in Turkey, which operates as a single line of business. Therefore, separate segment reporting is not presented.

The Board primarily uses EBITDA to assess the performance of the operating entities, EBITDA is not a financial measure defined by IFRS as a measurement of financial performance and may not be comparable to other similarly titled indicators used by other companies. EBITDA is calculated by subtracting general administrative expenses from the Group's gross profit and adding the depreciation and amortisation expenses. EBITDA presentation is summarized as follows:

1 January - 31 December 2022	Zorlu Doğal	Zorlu Jeotermal	Rotor	Zorlu Yenilenebilir	Eliminations	Total
Revenue	3,455,417	487,559	780,883	-	(155)	4,723,704
Cost of sales	(1,607,492)	(206,893)	(642,170)	(31)	146	(2,456,440)
Gross profit	1,847,925	280,666	138,713	(31)	(9)	2,267,264
Operating expenses	(83,815)	(33,802)	(5,382)	(671)	-	(123,670)
Depreciation and amortisation expenses	1,197,143	165,396	198,448	10	-	1,560,996
EBITDA	2,961,253	412,260	331,779	(692)	(9)	3,704,590

1 January - 31 December 2021	Zorlu Doğal	Zorlu Jeotermal	Rotor	Zorlu Yenilenebilir	Eliminations	Total
Revenue	3,173,096	466,664	391,826	-	(4,578)	4,027,008
Cost of sales	(1,392,121)	(199,540)	(288,081)	-	4,578	(1,875,164)
Gross profit	1,780,975	267,124	103,745	-	-	2,151,844
Operating expenses	(85,197)	(31,504)	(15,749)	(2,734)	-	(135,184)
Depreciation and amortisation expenses	907,607	135,323	99,266	13	-	1,142,209
EBITDA	2,603,385	370,943	187,262	(2,721)	-	3,158,869

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Banks	1,316,845	1,393,269
- Time deposits	*401,334*	*727,200*
- Demand deposits	*915,511*	*666,069*
	1,316,845	**1,393,269**

As of 31 December 2022, the average effective interest rates for USD and TL denominated time deposits are 0.03% and 9.94%, respectively (31 December 2021: USD 0.04% and TL 15%) for those with maturity periods of less than three months.

The details of cash and cash equivalents include the following for the purpose of the consolidated statements of cash flows as of 31 December 2022 and 2021:

	31 December 2022	31 December 2021
Cash and cash equivalents	1,316,845	1,393,269
Less: restricted cash	(791)	(1,487)
	1,316,054	**1,391,782**

As of 31 December 2022, the Group's restricted cash amounting TL 791 (31 December 2021: TL 1,487) is related to the purchase and sale of electricity by the Group.

NOTE 4 – FINANCIAL LIABILITIES

	31 December 2022	31 December 2021
Short-term loans and borrowings	214,359	168,634
Short-term portion of long-term loans and borrowings	2,575,039	2,612,210
Lease liabilities	28,455	23,497
Short-term issued bonds	473,136	539,427
Total short-term financial liabilities	**3,290,989**	**3,343,768**
Long-term loans and borrowings	9,124,523	12,307,614
Long-term issued bonds	5,038,242	5,660,410
Lease liabilities	214,031	155,792
Total long-term financial liabilities	**14,376,796**	**18,123,816**
Total financial liabilities	**17,667,785**	**21,467,584**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 4 - FINANCIAL LIABILITIES (Continued)

The details of short-term financial liabilities other than lease liabilities of the Group as at 31 December 2022 and 31 December 2021 are as follows:

		31 December 2022			31 December 2021	
	Original amount	TL equivalent	Weighted average effective interest rate per annum (%)	Original Amount	TL equivalent (**)	Weighted average effective interest rate per annum (%)
USD (*)	174,483	3,262,534	10.18	153.382	3,269,804	7.21
TL	-	-		30,722	50,467	23.72
		3,262,534			**3,320,271**	

The details of long-term financial liabilities other than lease liabilities of the Group as at 31 December 2022 and 31 December 2021 are as follows:

		31 December 2022			31 December 2021	
	Original amount	TL Equivalent	Weighted Average Effective interest rate per annum (%)	Original Amount	TL equivalent (**)	Weighted Average Effective interest rate per annum (%)
USD (*)	757,436	14,162,765	9.85	842,853	17,968,024	7.70
		14,162,765			**17,968,024**	

(*) As at 31 December 2022 interest rate for bank borrowings varies between Libor + 5.9% and 9% (31 December 2021: Libor + 5.9% and 9%).
(**) Expressed on 31 December 2022 purchasing power.

The redemption schedules of financial liabilities with their nominal values other than lease liabilities and financial liabilities due to related parties at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Up to 1 year	1,798,700	1,888,473
1- 2 years	2,232,062	1,806,087
2 - 3 years	2,232,903	2,547,979
3 - 4 years	5,943,359	2,545,812
4 - 5 years	1,897,633	6,776,073
More than 5 years	3,006,591	5,596,480
	17,111,248	**21,160,904**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 4 - FINANCIAL LIABILITIES (Continued)

The movement of loans and bank borrowings other than lease liability and bank borrowings for the period 1 January - 31 December 2022 and 2021 is as follows:

	2022	2021
As of 1 January	**21,288,295**	**14,885,597**
Proceeds from bank borrowings	211,593	285,540
Cash outflow due to repayment of bank borrowings	(1,678,059)	(4,024,843)
Change in exchange differences and interest effect	8,212,763	12,214,135
Prepaid borrowing commissions, net	4,465	(5,880)
Issued bonds	-	5,168,064
Change in borrowings from related parties	-	(3,092,401)
Interest paid	(1,336,215)	(1,011,323)
Losses on net monetary position	(9,277,543)	(3,130,594)
As of 31 December	**17,425,299**	**21,288,295**

As at 31 December 2022, the book value of the bank borrowings with fixed interest rate is TL 5,725,738 (31 December 2021: TL 6,368,471) and fair value is TL 4,947,219 (31 December 2021: TL 5,631,257). It is assumed that the fair value of the borrowings from related parties is approximately equal to their book value. Fair value is calculated by discounting the cash outflows according to the remaining maturities of the financial liabilities with the rates calculated considering the changing country risk premium and market interest rate changes. Guarantees, pledges and mortgages given for financial borrowings are explained in Note 12.

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables:

	31 December 2022	31 December 2021
Trade receivables from related parties (Note 21)	509,570	88,569
Trade receivables from third parties	22,876	151,138
	532,446	**239,707**

As of 31 December 2022, the average maturity period of trade receivables is up to 30 days (31 December 2021: 30 days).

Overdue receivables that doubtful provision has not been accounted of the Group amounts to TL 3,308 as of 31 December 2022 (31 December 2021: None).

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

b) Trade payables:

	31 December 2022	31 December 2021
Trade payables due to third parties	431,933	293,251
Trade payables due to related parties (Note 21)	6,668	77,305
	438,601	**370,556**

As of 31 December 2022, the average maturity period of trade payables is up to 90 days (31 December 2021: 90 days).

NOTE 6 – OTHER RECEIVABLES

a) Short term other receivable

	31 December 2022	31 December 2021
Other receivables from third parties	261	788
	261	**788**

b) Long term other receivable

	31 December 2022	31 December 2021
Other receivables from third parties	156	430
	156	**430**

NOTE 7 – INVENTORIES

	31 December 2022	31 December 2021
Trade goods	65,492	3,755
Direct materials and merchandise	62,235	159,453
Other	1,158	78
	128,885	**163,286**

NOTE 8 - PREPAID EXPENSES

	31 December 2022	31 December 2021
Advances given to related parties (Note 21) (*)	745,716	1,035,901
Prepaid expenses to third parties	18,219	3,962
Short-term prepaid expenses	**763,935**	**1,039,863**

(*) The amount relates to advance payments provided to Zorlu Enerji as the EPC and drilling works contractor for the Alaşehir 2 geothermal, hybrid solar and Tekkehamam projects.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 8 - PREPAID EXPENSES (Continued)

	31 December 2022	31 December 2021
Prepaid expenses to third parties	-	312
Long-term prepaid expenses	**-**	**312**

NOTE 9 - OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2022	31 December 2021
Insurance income accruals (*)	49,038	69,744
Other	490	158
	49,528	**69,902**

(*) Insurance income accruals, the Group's commercial enterprises and components, machine breakage, loss of profit, fire, etc, for insurance policies that cover all risks; related to the claims for damages collected and expected to be collected.

b) Other current liabilities

	31 December 2022	31 December 2021
VAT payable	30,413	64,157
Taxes and funds payable	6,791	12,706
Other	465	6,356
	37,669	**83,219**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Construction work in progress (*)	Total
Cost:								
1 January 2022	**270,582**	**982,217**	**77,770**	**33,723,478**	**5,853**	**108,715**	**1,382,317**	**36,550,932**
Additions (*)	-	2,206	-	117,292	-	12,200	530,800	662,498
Disposals	-	-	-	-	-	(55)	-	(55)
Transfers	-	-	-	133,910	-	-	(133,910)	-
Revaluation effect	45,460	281,586	20,747	5,033,363	-	-	-	5,381,156
31 December 2022	**316,042**	**1,266,009**	**98,517**	**39,008,043**	**5,853**	**120,860**	**1,779,207**	**42,594,531**
Accumulated depreciation:								
1 January 2022	**-**	**265,275**	**14,454**	**7,903,286**	**5,490**	**76,009**	**-**	**8,264,514**
Additions (*)	-	43,684	3,768	1,479,126	75	6,933	-	1,533,586
Disposals	-	-	-	-	-	(48)	-	(48)
31 December 2022	**-**	**308,959**	**18,222**	**9,382,412**	**5,565**	**82,894**	**-**	**9,798,052**
Net book value	**316,042**	**957,050**	**80,295**	**29,625,631**	**288**	**37,966**	**1,779,207**	**32,796,479**

(*) Additions to construction work in progress are mostly purchases related to improvement studies for Alaşehir 1 hybrid and current Alaşehir 1, Kızıldere 2 and Kızıldere 3 geothermal projects. The borrowing costs of TL 257,597 directly related to the investments made as of 31 December 2022 were capitalised on the relevant asset cost.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Construction work in progress (*)	Total
Cost:								
1 January 2021	**208,392**	**775,015**	**60,714**	**26,450,946**	**5,638**	**104,244**	**1,134,245**	**28,739,194**
Additions (*)	4,680	701	-	19,719	215	4,481	742,766	772,562
Disposals	-	-	-	-	-	(10)	-	(10)
Transfers	-	-	-	494,694	-	-	(494,694)	-
Revaluation effect	57,510	206,501	17,056	6,758,119	-	-	-	7,039,186
31 December 2021	**270,582**	**982,217**	**77,770**	**33,723,478**	**5,853**	**108,715**	**1,382,317**	**36,550,932**
Accumulated depreciation:								
1 January 2021	**-**	**235,049**	**11,760**	**6,822,221**	**5,430**	**67,253**	**-**	**7,141,713**
Additions (*)	-	30,226	2,694	1,081,065	60	8,756	-	1,122,801
Disposals	-	-	-	-	-	-	-	-
31 December 2021	**-**	**265,275**	**14,454**	**7,903,286**	**5,490**	**76,009**	**-**	**8,264,514**
Net book value	**270,582**	**716,942**	**63,316**	**25,820,192**	**363**	**32,706**	**1,382,317**	**28,286,418**

(*) Additions to construction work in progress are mostly purchases related to improvement studies for Alaşehir 1 hybrid and current Alaşehir 1 and Kızıldere 3 geothermal projects. The borrowing costs of TL 199,900 directly related to the investments made as of 31 December 2021 were capitalised on the relevant asset cost.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements of the revaluation fund are presented in Note 14.

There is no pledge on property, plant and equipment of the Group as of 31 December 2022 and 31 December 2021.

The breakdown of depreciation expenses is presented in Note 17 and 18.

"Discounted cash flows analysis" was used to determine the fair value of the Group's power plants (Level 3).

Property, plant and equipment	31 December 2022	31 December 2021
Level 1	-	-
Level 2	78,634	-
Level 3	30,900,384	26,871,032
	30,979,018	**26,871,032**

NOTE 11 - RIGHT OF USE ASSETS

Details of right of use assets of the Group as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Land (*)	392,185	229,902
Total right of use assets	**392,185**	**229,902**

(*) The amount is related to the lease agreement with a 30 year validity period on Zorlu Doğal's Sarayköy geothermal field and a 25 year validity period on Rotor - Gökçedağ Wind Energy Power Plant. Both agreements are within the scope of TFRS 16.

The movement of right of use assets during the period is as follows:

	1 January 2022	Additions	31 December 2022
Cost:			
Land	245,028	184,507	429,535
	245,028	**184,507**	**429,535**
Accumulated depreciation:			
Land	15,126	22,224	37,350
	15,126	**22,224**	**37,350**
Net book value	**229,902**		**392,185**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 11- RIGHT OF USE ASSETS (Continued)

	1 January 2021	Additions	31 December 2021
Cost:			
Land	79,035	165,993	245,028
	79,035	**165,993**	**245,028**
Accumulated depreciation:			
Land	4,649	10,477	15,126
	4,649	**10,477**	**15,126**
Net book value	**74,386**		**229,902**

Depreciation expenses are accounted in cost of sales.

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Long-term provisions related to employee benefits

	31 December 2022	31 December 2021
Employment termination benefit liabilities	19,921	12,174
	19,921	**12,174**

As of 31 December 2022 and 2021, the movement of provision for employment termination benefit is as follows:

	2022	2021
As of 1 January	**12,174**	**12,219**
Service cost	1,673	1,757
Interest cost	3,053	1,697
Payments during the period	(1,582)	(1,722)
Actuarial gains	5,546	195
Loss on net monetary position	(943)	(1.972)
As of 31 December	**19,921**	**12,174**

The provision for employment termination benefits is accounted within the framework of the explanations below:

Under Turkish Labor Law, companies incorporated in Turkey are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, who dies or who retires after completing 25 years of service (20 years for women) and reaches retirement age (58 for women and 60 for men).

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

After the legislation change on 23 May 2002, some articles concerning the transition period for the term of service before retirement were removed. The amount payable consists of one month's salary, limited to a maximum of TL 15,371 (31 December 2021: TL 8,285) for each year of service.

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees with certain actuarial assumptions.

The Group developed actuarial valuation methods to make a provision for employment termination benefits, Thus, the financial and actuarial assumptions used in the calculation of long-term provisions for employment termination benefits are as follows:

	2022	**2021**
Discount rate (%)	1.8	4.1
Probability of retirement for personnel (weighted average %)	93.1	92.1

Guarantees received

		31 December 2022		**31 December 2021(*)**	
	Currency	**Original amount**	**TL equivalent**	**Original amount**	**TL equivalent**
Guarantee letters obtained	TL	8,951	8,951	5,259	5,259
Guarantee letters obtained	USD	296	5,535	179	2,323
Guarantee letters obtained	EUR	313	6,240	132	1,938
Guarantee cheques and bonds obtained	TL	426	426	436	436
Guarantee cheques and bonds obtained	USD	86	1,608	45	584
Guarantee cheques and bonds obtained	EUR	12	239	-	-
			22,999		**10,540**

(*) The amounts stated at above has been expressed in thousands of Turkish Lira ("TL)" excluding the effect of purchasing power of 31 December 2022.

The guarantees received are guarantee letters, collateral bills and guarantee cheques received from customers and suppliers for sales related to Group activities.

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Guarantees given

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

		31 December 2022		31 December 2021 (*)	
	Currency	Original amount	TL equivalent	Original amount	TL equivalent
Share pledge	TL	6,028,000	6,028,000	3,960,000	3,960,000
Letters of guarantees given	TL	18,047	18,047	16,120	16,120
Letters of guarantees given	USD	10,000	186,983	10,000	129,775
			6,233,030		**4,105,895**

(*) The amounts stated at above has been expressed in thousands of Turkish Lira ("TL)" excluding the effect of purchasing power of 31 December 2022.

Zorlu Yenilenebilir, Rotor and Zorlu Jeotermal have share pledges amounting to TL 2,695,000, TL 495,000 and TL 1,333,500, respectively as collateral for the Eurobond issuance. Also, Zorlu Doğal has a share pledge amounting to TL 1,504,500 under the project finance loan agreement.

Other than share pledge, the guarantees given consist mainly of the guarantees given to EMRA and other state institutions in relation to electricity transmission and distribution.

On 27 October 2015, a loan agreement amounting to USD 815 million (USD 785 million in cash and USD 30 million guarantee limit) and having a 14-year term was signed on 27 October 2015 between Zorlu Doğal, Akbank TAŞ, Türkiye Garanti Bankası AŞ, Türkiye İş Bankası AŞ and Türkiye Sınai Kalkınma Bankası AŞ for the refinancing of Zorlu Doğal's debts and to finance the investment for the Kızıldere 3 geothermal power plant, which was planned to be constructed in Denizli. In addition to the said loan agreement, an account pledge, share pledge, assignment of receivables and assignment of shareholder receivables agreement were signed. Also, Zorlu Doğal signed a loan agreement amounting to USD 190 million with the European Bank for Reconstruction and Development ("EBRD"), Akbank TAŞ, Türkiye İş Bankası AŞ and Türkiye Sınai Kalkınma Bankası AŞ on 6 April 2017 for the purpose of financing the second unit (65.5 MW) of the Kızıldere 3 Geothermal Energy Plant. In addition to the loan contract, they also signed contracts for an account pledge, a share pledge, the transfer of receivables and stakeholder receivables transfers. Enerji Piyasaları İşletme AŞ's ("EPİAŞ") receivable transfer amount cap in the scope of the transfer of receivables agreement is TL 9,500,000. Since EPİAŞ's receivable transfer amount is the cap, it is not included in the collateral, pledges and mortgages given by the Group note. Zorlu Holding AŞ and Zorlu Enerji are guarantors for Zorlu Doğal's loan amounting to USD 975 million. As at 31 December 2022, the outstanding loan amount after payments and with all adjustments related to reporting is USD 637 million.

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Zorlu Yenilenebilir issued a USD 300 million of 9% senior secured bonds guaranteed on a senior basis by Zorlu Jeotermal and Rotor with a maturity of 1 June 2026. The bond was listed on the Global Exchange Market of Euronext Dublin on 1 June 2021. The proceeds of the issuance were used for repayment of certain existing financial loans as well as existing shareholder loans, funding new investments and for general corporate purposes. On 31 July 2021, offshore account pledge, on 30 September 2021 account pledge and share pledge agreements and on 6 August 2021 assignment of trade receivables agreements were signed by Zorlu Yenilenebilir as the collateral for the Eurobond issuance. As at 31 December 2022, the outstanding bond amount after payments and with all the adjustments related to reporting is USD 300 million. Zorlu Jeotermal and Rotor are the guarantors for the USD 300 million Eurobond issued by Zorlu Yenilenebilir. On 30 July 2021 account pledge, share pledge and on 6 August 2021 assignment of EPİAŞ receivables and assignment of trade receivables agreements were signed by Zorlu Jeotermal and Rotor as the collateral for the Eurobond issuance. EPİAŞ receivable transfer amount cap in the scope of the assignment of EPİAŞ receivables is TL 6,000,000. Since EPİAŞ's receivable transfer amount is the cap, it is not included in the collateral, pledges and mortgages given by the Group note. As at 31 December 2022, the outstanding bond amount after payments and with all adjustments related to reporting is USD 295 million.

NOTE 13 - TAXES

Corporate tax

The Group is subject to the tax legislation and practices in force in Turkey. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant accounting period and is paid in one single installment until the end of the relevant month.

In Turkey, the corporate tax rate applied to the legal tax base to be found by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations and by deducting the exemptions in the tax laws was applied as 20% after January 1, 2021.

However, with Article 11 of "the Law on the Amendment of Some Laws and the Law on Collection Procedure of Public Receivables" which has been published on the Official Gazette numbered 31462 and dated 22 April 2021 and and the Provisional Article 13 which has been added to the Law No. 5520 Corporate Tax, the corporate tax rate has been arranged to be applied as 23% for corporate earnings for the 2022 taxation period. Therefore, the Group used the 23% tax rate in the calculation of the period tax for 2022.

Within the change specified, the tax rate used in the deferred tax calculation as of 31 December 2022 is 20%. (31 December 2021: 23% and 20%, respectively, for the portions of temporary differences that will have tax effects in 2022 and beyond).

Turkish tax legislation does not allow for the submission of tax returns over financial statements prepared by the parent group, which include its affiliates and affiliates, tax considerations reflected in these financial statements have calculated separately for each of the companies in the scope of the consolidation.

According to the Corporate Tax Law, financial losses stated on the tax return can be deducted from the tax base of current institutions, provided that they do not exceed five years. Declarations and related accounting records can be examined by tax offices within five years and tax accounts can be revised.

Dividend payments made to joint stock companies residing in Turkey other than the ones which are not responsible for or exempt from corporate-and income tax and to real persons whether residing in Turkey or not and to non-resident legal entities in Turkey are subject to 15% income tax.

NOTE 13 – TAXES (Continued)

Dividend payments made from joint stock companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, in the case that profit is not distributed or added to the capital, income tax is not calculated.

Dividend earnings of corporations from their participation in the capital of another corporation subject to full obligation are exempt from corporation tax. Furthermore, 75% of the profits arising from the sale of the participation shares included in the assets of the institutions for at least two full years and the founding certificates of the real estates (immovables) that they own for the same period, the dividend shares and the preference rights, are exempt from corporate tax as of 31 December 2017. However, with the amendment made with the Law No. 7061, this rate has been reduced from 75% to 50% in terms of immovables and this rate is used as 50% in tax returns to be prepared as of 2018.

In order to be able to benefit from the exemption, the income must be kept in a passive fund account and not withdrawn from the business for five years. The sales price must be collected until the end of the second calendar year following the year of sale.

There is no practice in Turkey to reach an agreement with the tax administration regarding the taxes to be paid. Corporate tax returns are submitted within four months following the end of the accounting period. The tax inspection authorities may examine the tax returns and the accounting records underlying them during the five years following the accounting period and make a reassessment as a result of their findings.

Income tax withholding

There is a withholding tax liability on dividend distributions, and this withholding liability is declared in the period when the dividend is paid in cash or on account. Dividend payments are subject to a 15% withholding tax until 22 December 2021, except for non-resident companies that generate income through a workplace or their permanent representative in Turkey, and those made to companies residing in Turkey. However, in accordance with the Presidential Decision No. 4936, published in the Official Gazette dated 22 December 2021 and numbered 31697, the dividend withholding tax rate, which was 15% according to the Income Tax Law No. 193 and the Corporate Tax Law No. 5520, was reduced to 10%.

In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double-Tax Agreements are also taken into account. The addition of retained earnings to the capital is not considered as profit distribution, and therefore not subject to withholding tax.

Transfer pricing regulations

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Disguised profit distribution through transfer pricing". Application details are regulated by the Communiqué dated 18 November 2007 on disguised profit distribution via transfer pricing.

If the taxpayer buys or sells goods or services with related parties at a worth or price they have determined in violation of the arm's length principle, the profit is deemed to have been distributed implicitly through transfer pricing in whole or in part. Disguised profit distribution through such transfer pricing is considered a non-deductible expense for corporate tax.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 30 September 2022 unless otherwise stated.)

NOTE 13 – TAXES (Continued)

	31 December 2022	31 December 2021
Deferred tax expense	(1,323,030)	(655,089)
	(1,323,030)	**(655,089)**

The reconciliation of current tax expense and tax income/(expense) calculated using the current tax rate on profit before tax in the profit or loss statements for the accounting periods ending on 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
Income before taxation	**2,334,433**	**431,710**
Effective tax rate	23%	25%
Tax calculated with effective tax rate	(536,920)	(107,928)
Deductions and exemptions	47,965	77,943
Disallowable expenses	(85,019)	(227,296)
Unrecognised tax losses	(223,101)	(301,844)
Loss on monetary position	(485,185)	(172,340)
Effect of tax rate change (*)	(40,207)	71,744
Other	(563)	4,632
Deferred tax expense	**(1,323,030)**	**(655,089)**

(*) In the calculation of deferred tax assets and liabilities arising from temporary differences, the Group has used the tax rate of 20%, which will be effective after 31 December 2022. As a result, the effect of a change in the tax rate of TL (40,207) occurred in the reconciliation of the effective tax rate.

Deferred taxes

The Group calculates its deferred tax assets and liabilities by taking into account the effects of temporary differences that arise as a result of different evaluations of financial statements prepared in accordance with TFRS and Tax Procedure Law.

As of 31 December 2022, the tax rate used in the calculation of deferred tax assets and liabilities is 20% (31 December 2021: 23% and 20%).

	31 December 2022	31 December 2021
Deferred tax liabilities, net	(3,818,904)	(1,718,712)
	(3,818,904)	**(1,718,712)**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 13 – TAXES (Continued)

The breakdowns of cumulative temporary differences and the resulting deferred income tax assets/(liabilities) at 31 December 2022 and 31 December 2021 are as follows:

	Temporary differences		Deferred tax assets/(liabilities)	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Property, plant and equipment	23,961,824	17,170,168	(4,891,145)	(3,513,106)
Carry forward tax losses	(5,973,475)	(8,484,360)	1,196,403	1,742,904
Interest income on borrowings measured at amortised cost	(129,888)	248,867	36,595	(36,629)
Derivative financial instruments	459,185	(446,986)	(91,837)	102,806
Provision for employment termination benefit	(19,921)	(12,174)	3,924	2,434
Insurance income accruals	14,076	36,691	(2,815)	(8,439)
Leasing within IFRS 16	341,168	21,611	(68,234)	(4,093)
Other	8,975	31,412	(1,795)	(4,589)
Deferred tax liabilities, net			**(3,818,904)**	**(1,718,712)**

The movements of deferred tax liabilities as of 31 December 2022 and 2021 are as follows:

	2022	**2021**
As of 1 January	**(1,718,712)**	**(970,151)**
Charged to statement of profit or loss	(1,323,030)	(655,089)
Charged to other comprehensive income/(loss)	(1,528,952)	(465,667)
IAS 29 effect	751,790	372,195
31 December 2022	**(3,818,904)**	**(1,718,712)**

The Group has carry forward tax losses amounting TL 7,419,008 as of 31 December 2022 (31 December 2021: TL10,008,943). As per the management estimates, the Group has recognised deferred tax assets amounting TL 1,196,403 (31 December 2021: TL 1,742,904) for its TL 5,973,475 (31 December 2021: TL 8,484,360) of carry forward tax losses, which the Group estimates to utilise in the future. Should the estimated profit realize, the above-mentioned recognised deferred tax assets will be expensed in the profit or loss statement. The Group did not recognise deferred tax assets for TL 1,445,533 (31 December 2021: TL 1,524,583) of carry forward tax losses.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 14 – EQUITY

a) Share Capital

As of 31 December 2022 and 31 December 2021, the share capital amounts of the Group are as follows:

	31 December 2022	(%)	31 December 2021	(%)
Zorlu Enerji Elektrik Üretim AŞ	2,695,000	100	2,695,000	100
Total paid-in capital	**2,695,000**		**2,695,000**	
Capital adjustment differences	3,201,078		3,201,078	
Total	**5,896,078**		**5,896,078**	

b) Other comprehensive income and expenses that will not be reclassified in profit or loss

The Group's revaluation fund and actuarial losses that aren't reclassified in other comprehensive income and expenses are summarised below.

i. Revaluation fund

When presenting the land, land improvements, buildings, property, machinery and equipment at fair values the Group selected the revaluation model from among the application methods mentioned in IAS 16. The USD amounts determined in the valuation studies carried out after deducting the tax effects on Zorlu Doğal, Zorlu Jeotermal and Rotor's power plants on 31 December 2022 for at their new values in the consolidated financial statements.

The revaluation of the power plants was carried out by Aden Gayrimenkul Değerleme ve Danışmanlık AŞ accredited by the CMB as of 31 December 2022 respectively.

As at 31 December 2022 and 2021, the movements for the revaluation fund are as follows:

1 January 2021	**5,124,779**
Revaluation fund	5,631,349
Transfers	(266,819)
31 December 2021	**10,489,309**
1 January 2022	**10,489,309**
Revaluation fund	4,304,928
Transfers	(586,989)
31 December 2022	**14,207,248**

ii. Actuarial losses

The provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of Group employees. The Group recognised all actuarial gains and losses in other comprehensive income. The actuarial loss recognised under equity in the consolidated statement of financial position as of 31 December 2022 amounted to TL 9,321 (31 December 2021: TL 4,884).

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 14 – EQUITY (Continued)

c) Other comprehensive income and losses that are or may be reclassified to profit or loss

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or nonfinancial liability.

The Group's hedge reserves that will be reclassified in other comprehensive income and expenses are summarised below:

	31 December 2022	31 December 2021
Non-derivative financial instruments	(9,328,647)	(10,915,038)
Derivative financial instruments	-	(228,924)
	(9,328,647)	**(11,143,962)**

NOTE 15 - DERIVATIVES

Non-derivative financial instruments

As explained in Note 2.6, the Group has an investment loan and Eurobond with a total amount of USD 643,932 thousand (31 December 2021: USD 860,203 thousand investment loans and Eurobond) which are used as a hedging instrument for the USD spot exchange rate risk. The Group is exposed to foreign exchange risk due to highly probable YEKDEM revenues, and applies cash flow hedge accounting as a result of the effectiveness tests performed. Alaşehir geothermal power plant of Zorlu Jeotermal will sell electricity in scope of YEKDEM until 2025 and Kızıldere 2 geothermal power plant and Kızıldere 3 geothermal power plant of Zorlu Doğal will sell electricity in scope of YEKDEM until 2023 and 2027, respectively. The maturity dates of the hedging items are considered to be the end of YEKDEM sales. Also the maturity dates of the hedging instruments are considered to be the final payment dates of the investment loans and other payables to Zorlu Enerji which are subject to hedge relationships.

	31 December 2022		31 December 2021	
	Original amount (USD)	**Accounted under equity (TL) (*)**	**Original amount (USD)**	**Accounted under equity (TL) (*)/ (**)**
Hedged amount for foreign currency risk	643,932	(9,328,647)	860,203	(10,915,038)
	643,932	**(9,328,647)**	**860,203**	**(10,915,038)**

(*) The amount was presented net of deferred tax in the "Hedge Reserves" account under equity.
(**) Expressed on 31 December 2022 purchasing power.

Derivative financial instruments

Derivative financial instruments are initially recognised in the statement of financial position at cost and later re-measured at fair value. The derivative instrument of the Group consists of interest rate swap. On the date a derivative contract is entered into, the Group designates certain derivatives as either hedges of the fair value of a recognised asset or liability ("fair value hedge") or hedges of a forecasted transaction or firm commitment ("cash flow hedge").

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 15 - DERIVATIVES (Continued)

Derivative financial instruments (Continued)

Interest rate swap transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting under specific rules and are therefore treated as derivatives held for hedging. Changes in the fair value of derivatives designated as cash flow hedges and qualified as effective are recognised in “Other comprehensive income/(expenses) to be reclassified to profit or loss” under “hedge reserves”, whereas the ineffective portion is recognised in the profit or loss. Amounts recognised under equity are transferred to the profit or loss in the period in which the hedged firm commitment or forecasted transaction affects the profit or loss.

	31 December 2022				
	Contract amount (USD)	**Total contract amount (TL)**	**Fair value asset**	**Carried at fair value through profit or loss**	**Accounted under equity (*)**
Interest rate swap agreements	491,125	9,183,203	459,185	661,439	-
	491,125	**9,183,203**	**459,185**	**661,439**	**-**

	31 December 2021				
	Contract amount (USD)	**Total contract amount (TL)**	**Fair value liability**	**Carried at fair value through profit or loss**	**Accounted under equity (*)**
Interest rate swap agreements held for hedging	738,000	15,732,748	(446,986)	(57,519)	(228,924)
	738,000	**15,732,748**	**(446,986)**	**(57,519)**	**(228,924)**

(*) The amount was presented net of deferred tax in the “Hedge Reserves” account under equity.

The movement of derivative financial instruments is as follows:

	2022	**2021**
1 January	**(446,986)**	**(684,652)**
Credited/(charged) to profit or loss		
- Financial income/(expense) (Note 20)	661,439	(57,519)
Credited/(charged) to other comprehensive income		
- Hedge reserves	174,199	69,350
IAS 29 effect	70,533	225,835
31 December	**459,185**	**(446,986)**

The movement of non-derivative financial instruments is as follows:

	2022	**2021**
1 January	**(10,915,038)**	**(6,939,897)**
Related to other comprehensive income		
- Hedge reserves	(2,211,913)	(3,332,786)
IAS 29 effect	3,798,304	(642,355)
31 December	**(9,328,647)**	**(10,915,038)**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 16 – REVENUE

	1 January - 31 December 2022	1 January - 31 December 2021
Electricity sales	4,653,986	3,974,693
Solar panel sales	32,576	44,739
Carbon sales	37,142	7,576
	4,723,704	**4,027,008**

NOTE 17 – COST OF SALES

	1 January - 31 December 2022	1 January - 31 December 2021
Depreciation and amortisation expenses	1,549,489	1,133,368
Raw materials and supplies and trade goods expenses	594,120	391,395
Personnel expenses	63,046	64,795
System usage fee	60,238	73,535
Operating expense of power stations	60,281	59,937
Insurance expenses	45,324	61,227
Other	83,942	90,907
	2,456,440	**1,875,164**

NOTE 18 – GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	43,601	37,621
Municipality fee	19,148	22,459
Depreciation and amortisation expenses	11,507	8,841
Consulting and outsourcing expenses	12,710	24,990
Rent expenses	10,266	13,917
Office expenses	2,578	2,890
Travelling expenses	2,259	498
Taxes paid	1,791	3,172
Other	19,810	20,796
	123,670	**135,184**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 19 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Interest income	51,239	27,293
Foreign exchange gains from trade activities	21,239	6,477
Insurance income	17,430	15,021
Other income	16,344	24,853
	106,252	**73,644**

The details of other operating expenses are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Non-operation power plant expenses (*)	83,721	57,324
Foreign exchange losses from trade activities	78,255	93,900
Interest expense	7,213	28,910
Other	13,432	26,801
	182,621	**206,935**

(*) Non-operation power plant expenses mainly relate to Kızıldere 1 GPP and land permission fees for Tekkehamam project.

NOTE 20 - FINANCE INCOME AND EXPENSES

Finance income:

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gain	702,460	505,881
Gain on derivative financial instruments	661,439	-
Interest income	81,780	52,880
	1,445,679	**558,761**

Finance expenses:

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange loss	2,906,085	3,287,693
Interest expense	1,686,290	1,567,038
Loss on derivative financial instruments	-	57,519
Commission and other expenses	39,173	120,943
	4,631,548	**5,033,193**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 21 - RELATED PARTY DISCLOSURES

i) <u>Related party balances:</u>

a) Short-term trade receivables from related parties

	31 December 2022	31 December 2021
Zorlu Elektrik Enerjisi İhracat ve Toptan Ticaret AŞ ("Zorlu Elektrik Toptan") (*)	315,110	76,571
Zorlu Enerji (*)	193,816	11,501
Other	644	497
	509,570	**88,569**

(*) The amount relates to electricity sales to Zorlu Elektrik Toptan and Zorlu Enerji.

b) Advances given to related parties

	31 December 2022	31 December 2021
Zorlu Enerji (Note 8) (*)	745,716	1,035,901
	745,716	**1,035,901**

(*) As of 31 December 2022, the advance given to Zorlu Enerji is equal to USD 39,881 thousand with an annual effective interest rate of 7% (31 December 2021: original amount USD 48,593 thousand, interest rate is 7%).

c) Short-term trade payables to related parties

	31 December 2022	31 December 2021
Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ ("Zorlu O&M")	5,894	6,625
Zorlu Yapı Yatırım AŞ	1	69,276
Other	773	1,404
	6,668	**77,305**

ii) The details of major sales and purchase transactions between related parties for the periods between 1 January - 31 December 2022 and 2021 are as follows:

a) Sales to related parties

	1 January - 31 December 2022	1 January - 31 December 2021
Zorlu Elektrik Toptan	676,888	417,635
Zorlu Enerji	458,957	22,067
Other	5,264	5,792
	1,141,109	**445,494**

Sales to related parties are generally electricity sales transactions within the framework of core business.

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

ii) The details of major sales and purchase transactions between related parties for the periods between 1 January - 31 December 2022 and 2021 are as follows (Continued):

b) Purchases from related parties

	1 January - 31 December 2022	1 January - 31 December 2021
Zorlu O&M (*)	60,281	59,937
Zorlu Enerji (**)	115,796	265
Vestel Elektronik Sanayi ve Ticaret AŞ (“Vestel Elektronik”) (**)	61,530	-
Other	3,268	7,543
	240,875	**67,745**

(*) The amount consists of repair and maintenance services obtained for power plants.
(**) The amount consists of purchase from Zorlu Enerji and Vestel Elektronik for solar panel sales.

c) Interest income from related parties

	1 January - 31 December 2022	1 January - 31 December 2021
Zorlu Enerji	71,932	49,994
	71,932	**49,994**

d) Interest expense to related parties

	1 January - 31 December 2022	1 January - 31 December 2021
Zorlu Enerji	1,353	57,313
	1,353	**57,313**

e) Foreign exchange gain from related parties

	1 January - 31 December 2022	1 January - 31 December 2021
Zorlu Enerji	365,177	-
	365,177	**-**

f) Foreign exchange expense to related parties

	1 January - 31 December 2022	1 January - 31 December 2021
Zorlu Enerji	2,810	405,469
Other	-	24,337
	2,810	**429,806**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

ii) The details of major sales and purchase transactions between related parties for the periods between 1 January - 31 December 2022 and 2021 are as follows (Continued):

g) General administrative expense from related parties

	1 January - 31 December 2022	1 January - 31 December 2021
Zorlu Gayrimenkul	7,327	9,194
Mehmet Zorlu Vakfı	2,482	1,908
Other	8,764	14,291
	18,573	**25,393**

h) Other operating income from related parties

	1 January - 31 December 2022	1 January - 31 December 2021
Zorlu Elektrik Toptan	43,122	-
Zorlu Enerji	23,134	-
Zorlu O&M	-	126
Vestel Elektronik	-	4,179
Other	356	2,337
	66,612	**6,642**

i) Other operating expense from related parties

	1 January - 31 December 2022	1 January - 31 December 2021
Zorlu O&M	1,412	1,397
Vestel Elektronik	1,304	-
Other	687	3,946
	3,403	**5,343**

iii) Key management compensations for the periods between 1 January - 31 December 2022 and 2021 are as follows:

For the purpose of these consolidated financial statements, key management compensation consists of payments to Group shareholders and top management (general managers, vice general managers and directors).

	1 January - 31 December 2022	1 January - 31 December 2021
Salaries and benefits	13,563	14,464
	13,563	**14,464**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 December 2022 unless otherwise stated.)

NOTE 22 – SUPPLEMENTARY INFORMATION ON STATEMENT OF CASH FLOW

Supplementary information for the details included in the consolidated statement of cash flow as at 31 December 2022 and 2021 are shown below:

Other adjustments related to net profit reconciliation

	1 January - 31 December 2022	**1 January - 31 December 2021**
Commission amortization	40,354	51,453
Change in insurance accrual	20,705	(24,765)
	61,059	**26,688**

Other cash outflows from financing activities

	1 January - 31 December 2022	**1 January - 31 December 2021**
Change in restricted cash	114	(104)
Commissions paid	(35,889)	(57,333)
Cash (outflows)/inflows due to related parties	-	(118,355)
	(35,775)	**(175,792)**

NOTE 23 - INCOME PER SHARE

Income per share disclosed in the profit or loss are determined by dividing net income by the weighted average number of shares in existence during the year concerned.

	1 January – 31 December 2022	**1 January – 31 December 2021**
Net income for the year	1,011,403	(223,379)
Weighted average value of each of the issued shares	2,695,000	2,695,000
Income per share (TL)	0.38	(0.08)

The nominal value of each issued share as of 31 December 2022 and 2021 is 1 TL.

NOTE 24 - EVENTS AFTER REPORTING PERIOD

Pursuant to the material event disclosure dated 20 January 2023, Zorlu Jeotermal obtained the necessary approval from the Ministry of Energy for the second 0.1663 MWp unit (Rooftop solar PV system) of the solar power plant, which is integrated to the existing 48.7543 MWm/45MWe Alaşehir Geothermal Power Plant in Manisa, Alaşehir and the unit started commercial operations as of 20 January 2023.

Pursuant to the material event disclosure dated 23 January 2023, Zorlu Jeotermal has applied to Energy Market Regulatory Authority for a 10 MWm/10 MWe pre-license for the Alkan-2 Geothermal Power Plant Project, which is planned to be developed in Alaşehir, Manisa.

NOTE 24 - EVENTS AFTER REPORTING PERIOD (Continued)

Due to the negativities caused by the earthquakes which struck Kahramanmaraş on 6 February 2023, affecting many of our provinces and shaking our whole country, a three-month statement of emergency has been declared in the provinces of Adana, Adıyaman, Diyarbakır, Gaziantep, Hatay, Kahramanmaraş, Kilis, Malatya, Osmaniye and Şanlıurfa in accordance with the Official Gazette dated 8 February 2023 and numbered 32098. Developments regarding the natural disaster in question are being closely monitored and fact finding studies are continuing.

Due to the "Law on the Restructuring of Certain Receivables and the Amendment of Certain Laws" published in the Official Gazette dated 12 March 2023 and numbered 32130, and without being associated with the period's income, the imposition of a one-off additional tax of 10 percent is stipulated on the exemption- and reduction amounts and tax bases subject to reduced corporate tax in accordance with the Law No. 5520 and regulations present in other Laws, provived that it is shown in the corporate tax return for 2022. Some exceptions and discounts listed in the Law No. 7440 are outside the scope of the additional tax.Those who have corporate tax liability in the provinces and districts affected by the Kahramanmaraş earthquake will be exempt from additional tax. This issue is considered as a non-adjusting event after the reporting period within the scope of TAS 10 "Events After the Reporting Period" standard, and the determination of the additional tax amount to be accrued continues. In case of being in question, these taxes will be reflected as an expense to the financial statements of 2023.

Pursuant to the material event disclosure dated 23 March 2023, EMRA has approved the application of Zorlu Doğal Elektrik Üretimi AŞ, an indirect wholly-owned subsidiary of Zorlu Enerji, to establish a 24.75 MWp solar power plant to be integrated to its Kızıldere 3 GPP (165 MWm/165 MWe) in Buharkent, Aydın, as a result of which, the facility will operate as a hybrid renewable power plant and generate electricity from both geothermal and solar energy (Main Source: Geothermal+Auxiliary Source: Solar) and accordingly, the existing generation license of Kızıldere 3 GPP is amended to 189.75 MWm/165 MWe.

The amendment in "the Social Security and General Health Insurance Law No. 7438 and the Decree Law No. 375", which includes the regulation on persons who meet the conditions other than the age for retirement (EYT), entered into force after being published in the Official Gazette dated 3 March 2023 and numbered 32121. This matter is considered as a non-adjusting event after the reporting period within the scope of TAS 10 "Events After the Reporting Period". The impact assessment on the Company's (Group's) operations and (consolidated) financial position are continuing.