

**ZORLU YENİLENEBİLİR ENERJİ AŞ
AND ITS SUBSIDIARIES**

**Condensed Consolidated Interim Financial Statements
As at and for the Six-month Period Ended
30 June 2023
With Independent Auditor's Report on Review of
Condensed Consolidated Interim
Financial Statements**

28 August 2023

This report includes 2 pages of Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Statements and 43 pages of interim financial statements together with their explanatory notes

ZORLU YENİLENEBİLİR ENERJİ AŞ

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Independent Auditor’s Report on Review of Condensed Consolidated Interim Financial Statements

To the Board of Directors of Zorlu Yenilenebilir Enerji Anonim Şirketi

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Zorlu Yenilenebilir Enerji Anonim Şirketi (“the Company”) and its subsidiaries (the “Group”) as at 30 June 2023, condensed consolidated statement of profit or loss and condensed consolidated statement other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the condensed consolidated interim financial statements (“the condensed consolidated interim financial statements”), Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, ‘Interim Financial Reporting’, Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2023 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ



Şirin Soysal, SMMM

Partner

28 August 2023

Istanbul, Turkey

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ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

ASSETS	Notes	30 June 2023	31 December 2022
Current assets:			
Cash and cash equivalents	3	1,037,559	1,577,238
Trade receivables		894,388	637,733
- Trade receivables due from related parties	5, 18	605,440	610,333
- Trade receivables due from third parties	5	288,948	27,400
Other receivables		273	313
- Other receivables due from third parties		273	313
Inventories		75,662	154,371
Prepaid expenses		936,402	914,996
- Advances given to related parties	6, 18	908,945	893,173
- Prepaid expenses to third parties	6	27,457	21,823
Other current assets	7	72,906	59,322
Total current assets		3,017,190	3,343,973
Non-current assets:			
Other receivables		156	187
- Other receivables due from third parties		156	187
Right of use assets	9	463,004	469,702
Property, plant and equipment	8	38,920,128	39,281,663
Derivative financial instruments	12	668,167	549,984
Intangible assets		31,039	32,942
Prepaid expenses		504	-
- Prepaid expenses to third parties	6	504	-
Deferred tax assets		190,423	-
Total non-current assets		40,273,421	40,334,478
Total assets		43,290,611	43,678,451

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

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

LIABILITIES	Notes	30 June 2023	31 December 2022
Current liabilities:			
Short-term financial liabilities		5,561,637	3,941,750
- Short-term loans and borrowings	4	223,925	256,746
- Short-term portion of long-term loans and borrowings	4	3,769,590	3,084,228
- Lease liabilities	4	30,868	34,082
- Short-term issued bonds	4	1,537,254	566,694
Trade payables		777,194	525,284
- Trade payables due to related parties	5, 18	173,002	7,987
- Trade payables due to third parties	5	604,192	517,297
Other payables		39	47
- Other payables due to third parties		39	47
Payables related to employee benefits		5,490	4,319
Other current liabilities	7	58,911	40,804
Total current liabilities		6,403,271	4,512,204
Non-current liabilities:			
Long-term financial liabilities		17,754,948	17,219,668
- Long-term loans and borrowings	4	11,437,116	10,928,809
- Lease liabilities	4	211,584	256,354
- Long-term issued bonds	4	6,106,248	6,034,505
Long-term provisions		30,728	23,860
- Long-term provisions related to employee benefits	10	30,728	23,860
Deferred tax liabilities		4,367,674	4,572,959
Total non-current liabilities		22,153,350	21,816,487
Total liabilities		28,556,621	26,328,691
EQUITY			
Equity attributable to equity holders of the parent		14,733,990	17,349,760
Paid-in capital	11	2,695,000	2,695,000
Capital adjustment differences	11	4,366,969	4,366,969
Other comprehensive income not to be reclassified to profit or (loss)		16,466,824	17,005,426
- Actuarial losses	11	(16,538)	(11,167)
- Revaluation fund	11	16,483,362	17,016,593
Other comprehensive expenses reclassified to profit or (loss)		(11,455,382)	(11,173,297)
- Hedge reserves	11	(11,455,382)	(11,173,297)
Retained earnings		2,660,579	4,455,662
Total equity		14,733,990	17,349,760
Total liabilities and equity		43,290,611	43,678,451

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

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

	Notes	1 January - 30 June 2023	1 January - 30 June 2022
Revenue	2.9,13	2,371,233	2,890,940
Cost of sales (-)	2.9,14	(1,693,146)	(1,465,023)
Gross profit		678,087	1,425,917
General administrative expenses (-)	2.9,15	(87,607)	(79,354)
Other operating income	16	92,178	50,919
Other operating expenses (-)	16	(214,000)	(107,974)
Operating profit		468,658	1,289,508
Gain on net monetary position		1,323,880	2,873,562
Financial income	17	635,470	948,975
Financial expenses (-)	17	(4,570,233)	(3,043,101)
Income/(loss) from continuing operations before tax		(2,142,225)	2,068,944
Tax expense from continuing operations			
- Deferred tax expense		(186,089)	(1,135,326)
Net income/(loss) for the period		(2,328,314)	933,618
Income/(loss) attributable to:			
- Equity holders of the parent		(2,328,314)	933,618
Income/(loss) per share		(0.86)	0.35
Items not to be reclassified to profit or loss		(5,371)	(653,004)
- Actuarial losses		(6,714)	(1,563)
- Actuarial losses, tax effect		1,343	313
- Revaluation fund		-	(814,692)
- Revaluation fund, tax effect		-	162,938
Items to be reclassified to profit or loss		(282,085)	1,573,338
- Hedge reserves		(352,606)	1,966,673
- Hedge reserves, tax effect		70,521	(393,335)
Other comprehensive income/(loss)		(287,456)	920,334
Total comprehensive income/(loss)		(2,615,770)	1,853,952

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

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

			Other comprehensive income/(loss) not to be reclassified to profit or loss			Other comprehensive income/(loss) that are or may be reclassified to profit or loss			Total equity
	Paid-in capital	Capital adjustment differences	Actuarial losses	Revaluation fund	Hedge reserves	Retained earnings	Equity attributed to the parent company		
1 January 2022	2,695,000	4,366,969	(5,849)	12,563,467	(13,347,572)	2,540,137	8,812,152	8,812,152	
Transfers	-	-	-	(352,430)	-	352,430	-	-	
Total comprehensive income	-	-	(1,250)	(651,754)	1,573,338	933,618	1,853,952	1,853,952	
- <i>Income for the period</i>	-	-	-	-	-	933,618	933,618	933,618	
- <i>Other comprehensive income</i>	-	-	(1,250)	(651,754)	1,573,338	-	920,334	920,334	
30 June 2022	2,695,000	4,366,969	(7,099)	11,559,283	(11,774,234)	3,826,185	10,666,104	10,666,104	
1 January 2023	2,695,000	4,366,969	(11,167)	17,016,593	(11,173,297)	4,455,662	17,349,760	17,349,760	
Transfers	-	-	-	(533,231)	-	533,231	-	-	
Total comprehensive loss	-	-	(5,371)	-	(282,085)	(2,328,314)	(2,615,770)	(2,615,770)	
- <i>Loss for the period</i>	-	-	-	-	-	(2,328,314)	(2,328,314)	(2,328,314)	
- <i>Other comprehensive loss</i>	-	-	(5,371)	-	(282,085)	-	(287,456)	(287,456)	
30 June 2023	2,695,000	4,366,969	(16,538)	16,483,362	(11,455,382)	2,660,579	14,733,990	14,733,990	

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

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

	Notes	1 January - 30 June 2023	1 January - 30 June 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the period		(2,328,314)	933,618
Adjustments related to depreciation and amortisation expenses	2.9, 14,15	1,155,447	933,042
Adjustments related to tax expense		186,089	1,135,326
Adjustments related to provisions		1,690	859
Adjustments related to interest income	16, 17	(175,968)	(67,701)
Adjustments related to interest expenses	16, 17	1,083,977	976,048
Adjustments related to unrealized foreign currency translation differences		4,139,083	4,266,358
Loss on monetary position		(1,946,380)	(5,459,411)
Income from derivative financial instruments, net	12,17	(220,141)	(320,294)
Other adjustments related to net profit/(loss) reconciliation	19	23,722	27,963
Net cash generated from operating activities		1,919,205	2,425,808
before changes in operating assets and liabilities			
Changes in trade receivables		(179,509)	(220,230)
Changes in trade payables		103,281	24,267
Changes in inventories		78,709	131,367
Changes in other payables and liabilities		19,270	15,042
Changes in other receivables and assets		(9,331)	179,900
Termination benefits paid		(3,943)	(713)
Cash flows from operating activities		1,927,682	2,555,441
CASH FLOWS FROM INVESTING ACTIVITIES			
		(444,754)	(203,961)
Cash outflows from purchase of property, plant and equipment		(450,946)	(239,678)
Cash inflows from sale of property, plant and equipment		1,712	-
Interest received		4,480	35,717
CASH FLOWS FROM FINANCING ACTIVITIES			
		(1,762,102)	(2,034,260)
Proceeds from bank borrowings	4	-	1,668
Repayment of bank borrowings	4	(922,040)	(897,343)
Interest paid	4	(866,785)	(915,043)
Cash outflows related to payment of lease liabilities		(19,632)	(14,880)
Cash outflows from derivative instruments		-	(115,920)
Cash inflow from derivative instruments		62,583	-
Other cash outflows	19	(16,228)	(92,742)
Monetary loss on cash and cash equivalents		(69,958)	(268,712)
Effect of currency translation differences on cash and cash equivalents		(190,435)	(175,118)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(279,174)	317,220
CASH AND CASH EQUIVALENTS			
AT THE BEGINNING OF THE PERIOD		1,576,291	1,666,993
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	1,036,724	1,540,383

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

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

The condensed consolidated interim financial statements as at and for the period ended 30 June 2023 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 condensed consolidated interim 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 30 June 2023, 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, Istanbul, Turkey.

As of 30 June 2023, the average number of personnel employed was 339 (31 December 2022: 323).

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.

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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.

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 ending 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 sells the electricity generated in 2023 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 was integrated with the Renewable Energy Sources Support Mechanism (“YEKDEM”) and sold all electricity generated starting from 2018 within the scope of YEKDEM. After the approval of the Energy Market Regulatory Authority (“EMRA”), Kızıldere 3 plant sells the generated electricity in 2023 at the support price of USD 10.5/kWh within the scope of YEKDEM.

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 72 months to 101 months 18 days was approved on 3 February 2022 starting from 4 June 2015.

As per the material event disclosure 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. According to the approval of EMRA dated 3 November 2022, the current term of the pre-license is 57 months starting from 9 January 2020.

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

As per the material event disclosure dated 30 September 2022, EMRA has approved the application of Zorlu Dođal to amend the generation license of its Kızıldere 2 Geothermal Power Plant (“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 disclosure 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 Dođal has been extended for twenty-three months with the approval of EMRA.

As per the material event disclosure dated 1 July 2022, EMRA has approved the application of Zorlu Dođal 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).

As per the material event disclosure dated 23 March 2023, EMRA has approved the application of Zorlu Dođal, 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.

As per the material event disclosure dated 24 April 2023, Zorlu Dođal has applied to EMRA to amend the generation license of its Kızıldere 3 GPP located in Buharkent, Aydın to increase the plant's stated capacity from 189.75 MWm/165 MWe to 222.35 MWm/165 MWe in order to establish a Hybrid Renewable Power Plant (Main Source: Geothermal+Auxiliary Source: Solar) via addition of solar power.

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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 ending 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 sells the electricity generated in 2023 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. As of October 2022, Alaşehir 2 geothermal power plant project is officially named as Alkan geothermal power plant in pre-license from EMRA.

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 extension and EMRA approved the application on 27 September 2021.

As per the material event disclosure dated 13 January 2022, EMRA has approved the application of Zorlu Jeotermal, to amend the pre-license of its Alaşehir 3 GPP 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.

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

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(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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 TRL 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 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.

As per the material event disclosure dated 13 August 2020, Zorlu Geothermal agrees to pay 175,000 TRL+VAT for the geothermal resource exploration license no AR:30 and 155,000 TRL+VAT for the geothermal resource exploration license no AR:31 in the tender held by the Ağrı Special Provincial Administration for geothermal resource exploration license fields. and won the tender by undertaking. The duration of the relevant exploration licenses is 3 years.

As per 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 GPP in Manisa, Alaşehir and the plant commenced commercial operations as of 22 December 2022.

As per 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 GPP in Manisa, Alaşehir and the unit started commercial operations as of 20 January 2023.

As per 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 GPP Project, which is planned to be developed in Alaşehir, Manisa.

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.

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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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 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. According to 31 MW wind extension capacity Energy Information Administration process following. After approval of the capacity license will be 206.809 MWm/150.6 MWe.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Basis of accounting

These condensed consolidated interim financial statements as at and for the six-month period ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2022 ("last annual financial statements"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements. The preparation of condensed consolidated interim 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 condensed consolidated interim financial statements, are disclosed in Note 2.6.

Approval of condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the Company's Board of Directors on 28 August 2023.

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

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

2.1 Basis of presentation (Continued)

Functional and reporting currency

The Group's condensed consolidated interim 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 TRL at the market price after evaluating market conditions. Accordingly, the Group's financial position and activity results are presented in TRL, which is the functional currency of the Group and the reporting currency for its consolidated financial statements.

2.2 Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries on the basis set out in sections below. The condensed interim 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 2022 and as at and for the six-month period ended 30 June 2023.

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.

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

2.2 Basis of consolidation (Continued)

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.

Subsidiaries	30 June 2023	31 December 2022
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 condensed consolidated interim profit or loss statement:

- Renewable energy source cost (YEK cost) amounts to TRL 153,321, which were reported in cost of sales in the Group's condensed consolidated interim statement of profit or loss as of 30 June 2022 are net off from 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.

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

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

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 TRL 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 TRL are restated for the changes in the general purchasing power of the Turkish Lira as at 30 June 2023 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.

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
30 June 2023	1,351.59	1.000
31 December 2022	1,128.45	1.197
30 June 2022	977.90	1.382

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.

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

2.4 Accounting in hyperinflationary economies (Continued)

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 balance sheet figures as of and for the period ended 31 December 2023 are restated by applying the change in the index from 31 December 2022 to 30 June 2023.

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.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED INTERIM 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 period ended 30 June 2023 have been applied consistently with those used in the previous year, except for the new and amended IFRS as of 30 June 2023 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 30 June 2023:

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2023 are as follows:

- Disclosure initiative: accounting policies – Amendments to IAS 1 presentation of financial statements,
- Definition of accounting estimates – Amendments to IAS 8 accounting policies, changes in accounting estimates and errors,
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 income taxes.

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 30 June 2023:

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).

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

2.6 Critical accounting estimates, assumptions and judgments

In preparing these interim 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 statements.

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

2.6 Critical accounting estimates, assumptions and judgments (Continued)

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 TRL 10,809,110 as of 30 June 2023 (31 December 2022: TRL 8,886,045). As per the management estimates, the Group has recognised deferred tax liabilities amounting TRL 1,726,337 (31 December 2022: TRL 1,432,980) for its TRL 8,631,686 (31 December 2022: TRL 7,154,672) 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 TRL 2,177,424 (31 December 2022: TRL 1,731,373) of carry forward tax losses.

b) Non-derivative cash flow hedge

As explained in Note 12, the Group has a loan amounting USD 556,386 thousand (31 December 2022: USD 643,932 thousand loan) 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.

2.7 Going concern assumption

The Group has prepared its condensed consolidated interim 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 30 June 2023 is TRL 678,087 (1 January 2022 – 30 June 2022: TRL 1,425,917) and EBITDA is TRL 1,745,927 (1 January 2022 – 30 June 2022: TRL 2,279,605).

The net loss for the period 30 June 2023 is TRL 2,328,314 (1 January 2022 – 30 June 2022: net profit for the period TRL 933,618). The Group's retained earnings as of 30 June 2023 is TRL 2,660,579 (31 December 2022: TRL 4,455,662) and its short-term liabilities exceeds its current assets by TRL 3,386,081 (31 December 2022: TRL 1,168,231). The Group's total equity is TRL 14,733,990 (1 January - 31 December 2022: TRL 17,349,760).

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

2.7 Going concern assumption (Continued)

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

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 30 June 2023 and 31 December 2022 are as follows:

	1 January - 30 June 2023	1 January - 31 December 2022
Assets	1,892,521	2,361,740
Liabilities	(23,520,570)	(21,076,543)
Net foreign currency position	(21,628,049)	(18,714,803)

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

2.8 Financial risk management (Continued)

TRL equivalents of assets and liabilities denominated in foreign currency held by the Group at 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023				31 December 2022			
	TRL equivalent	USD	EUR	Other	TRL equivalent (*)	USD	EUR	Other
Cash and cash equivalents	858,662	33,220	29	-	1,400,383	62,504	24	-
Trade receivables	55,860	2,004	146	-	9,449	230	180	-
Other current assets	69,054	2,198	437	-	58,735	2,161	433	-
Advances given to related parties	908,945	35,199	-	-	893,173	39,881	-	-
Total assets	1,892,521	72,621	612	-	2,361,740	104,776	637	-
Trade payables	446,437	16,065	1,122	-	205,561	8,379	750	-
Financial liabilities	5,530,769	214,179	-	-	3,907,668	174,483	-	-
Current liabilities	5,977,206	230,244	1,122	-	4,113,229	182,862	750	-
Financial liabilities	17,543,364	679,367	-	-	16,963,314	757,436	-	-
Non-current liabilities	17,543,364	679,367	-	-	16,963,314	757,436	-	-
Total liabilities	23,520,570	909,611	1,122	-	21,076,543	940,298	750	-
Net foreign currency position	(21,628,049)	(836,990)	(510)	-	(18,714,803)	(835,522)	(113)	-

(*) Expressed in 30 June 2023 purchasing power.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED INTERIM 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 30 June 2023 and 31 December 2022, had the TRL 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:

30 June 2023

	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	(2,161,368)	2,161,368	(2,161,368)	2,161,368
Amount of hedged against USD risk (-)	1,436,761	(1,436,761)	-	-
USD net effect	(724,607)	724,607	(2,161,368)	2,161,368

+/-10% fluctuation of EUR rate

EUR net asset/liability	(1,437)	1,437	(1,437)	1,437
EUR net effect	(1,437)	1,437	(1,437)	1,437
Total net effect	(726,044)	726,044	(2,162,805)	2,162,805

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	(1,871,211)	1,871,211	(1,871,211)	1,871,211
Amount of hedged against USD risk (-)	1,442,131	(1,442,131)	-	-
USD net effect	(429,080)	429,080	(1,871,211)	1,871,211
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(269)	269	(269)	269
EUR net effect	(269)	269	(269)	269
Total net effect	(429,349)	429,349	(1,871,480)	1,871,480

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

2.8 Financial risk management (Continued)

As of 30 June 2023, the Group used its loans with a total amount of USD 556,386 thousand (31 December 2022: USD 643,932 thousand loans) 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.

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 30 June 2023 and 31 December 2022, 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.

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

2.8 Financial risk management (Continued)

Fair value estimation:

The table below analysis 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).

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 30 June 2023 and 31 December 2022:

Derivative financial instruments	30 June 2023	31 December 2022
Level 1	-	-
Level 2	668,167	549,984
Level 3	-	-
	668,167	549,984

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.

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

2.9 Other Information (Continued)

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 - 30 June 2023	Zorlu Doğal	Zorlu Jeotermal	Rotor	Zorlu Yenilenebilir	Eliminations	Total
Revenue	1,745,338	284,807	343,068	-	(1,980)	2,371,233
Cost of sales	(1,154,492)	(177,465)	(363,169)	-	1,980	(1,693,146)
Gross profit	590,846	107,342	(20,101)	-	-	678,087
Operating expenses	(61,897)	(18,560)	(6,564)	(586)	-	(87,607)
Depreciation and amortisation expenses	809,805	121,347	224,291	4	-	1,155,447
EBITDA	1,338,754	210,129	197,626	(582)	-	1,745,927

1 January - 30 June 2022	Zorlu Doğal	Zorlu Jeotermal	Rotor	Zorlu Yenilenebilir	Eliminations	Total
Revenue	2,133,697	308,949	448,416	-	(122)	2,890,940
Cost of sales	(971,424)	(153,489)	(340,232)	-	122	(1,465,023)
Gross profit	1,162,273	155,460	108,184	-	-	1,425,917
Operating expenses	(53,950)	(21,129)	(3,891)	(384)	-	(79,354)
Depreciation and amortisation expenses	713,309	99,146	120,581	6	-	933,042
EBITDA	1,821,632	233,477	224,874	(378)	-	2,279,605

NOTE 3 - CASH AND CASH EQUIVALENTS

	30 June 2023	31 December 2022
Banks	1,037,559	1,577,238
- Time deposits	502,451	480,694
- Demand deposits	535,108	1,096,544
	1,037,559	1,577,238

As of 30 June 2023, the average effective interest rates for USD and TRL denominated time deposits are 0.26% and 11.31%, respectively (31 December 2022: USD 0.03% and TRL 9.94%) for those with maturity periods of less than three months.

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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The details of cash and cash equivalents include the following for the purpose of the consolidated statements of cash flows as of 30 June 2023 and 2022:

	30 June 2023	30 June 2022
Cash and cash equivalents	1,037,559	1,605,277
Less: restricted cash	(835)	(64,894)
	1,036,724	1,540,383

As of 30 June 2023, the Group's restricted cash amounting TRL 835 (30 June 2022: TRL 64,894) is related to the purchase and sale of electricity by the Group.

NOTE 4 - FINANCIAL LIABILITIES

	30 June 2023	31 December 2022
Short-term loans and borrowings	223,925	256,746
Short-term portion of long-term loans and borrowings	3,769,590	3,084,228
Lease liabilities	30,868	34,082
Short-term issued bonds	1,537,254	566,694
Total short-term financial liabilities	5,561,637	3,941,750
Long-term loans and borrowings	11,437,116	10,928,809
Long-term issued bonds	6,106,248	6,034,505
Lease liabilities	211,584	256,354
Total long-term financial liabilities	17,754,948	17,219,668
Total financial liabilities	23,316,585	21,161,418

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NOTE 4 - FINANCIAL LIABILITIES (Continued)

The details of short-term financial liabilities other than lease liabilities of the Group as at 30 June 2023 and 31 December 2022 are as follows:

	<u>30 June</u> <u>2023</u>			<u>31 December</u> <u>2022</u>		
	Original amount	TRL equivalent	Weighted average effective interest rate per annum (%)	Original amount	TRL equivalent (**)	Weighted average effective interest rate per annum (%)
USD (*)	214,179	5,530,769	10.14	174,483	3,907,668	10.18

The details of long-term financial liabilities other than lease liabilities of the Group as at 30 June 2023 and 31 December 2022 are as follows:

	<u>30 June</u> <u>2023</u>			<u>31 December</u> <u>2022</u>		
	Original amount	TRL equivalent	Weighted average effective interest rate per annum (%)	Original amount	TRL equivalent (**)	Weighted average effective interest rate per annum (%)
USD (*)	679,367	17,543,364	9.84	757,436	16,963,314	9.76

(*) As at 30 June 2023 interest rate for bank borrowings varies between 9% and Libor + 6.2% (31 December 2022: 9% and Libor+5.9%).

(**) Expressed on 30 June 2023 purchasing power.

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NOTE 4 - FINANCIAL LIABILITIES (Continued)

The redemption schedules of financial liabilities with their nominal values other than lease liabilities and financial liabilities due to related parties at 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Up to 1 year	3,408,144	2,154,375
1- 2 years	2,972,238	2,673,431
2 - 3 years	8,036,902	2,674,438
3 - 4 years	2,569,076	7,118,600
4 - 5 years	2,672,338	2,272,871
More than 5 years	2,817,722	3,601,115
	22,476,420	20,494,830

The movement of loans and bank borrowings other than lease liability and bank borrowings for the period 1 January - 30 June 2023 and 2022 is as follows:

	2023	2022
As of 1 January	20,870,982	25,497,848
Cash outflow due to		
repayment of bank borrowings	(922,040)	(897,343)
Proceeds from bank borrowings	-	1,668
Change in exchange differences and		
interest effect	7,534,741	6,502,303
Prepaid borrowing commissions, net	17,858	(16,148)
Interest paid	(866,785)	(915,043)
Gain on net monetary position	(3,560,623)	(8,021,326)
As of 30 June	23,074,133	22,151,959

Guarantees, pledges and mortgages given for financial borrowings are explained in Note 10.

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables:

	30 June 2023	31 December 2022
Trade receivables from		
related parties (Note 18)	605,440	610,333
Trade receivables from third parties	288,948	27,400
	894,388	637,733

As of 30 June 2023, the average maturity period of trade receivables is up to 30 days (31 December 2022: 30 days).

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NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

b) Trade payables:

	30 June 2023	31 December 2022
Trade payables due to third parties	604,192	517,297
Trade payables due to related parties (Note 18)	173,002	7,987
	777,194	525,284

As of 30 June 2023, the average maturity period of trade payables is up to 90 days (31 December 2022: 90 days).

NOTE 6 - PREPAID EXPENSES

	30 June 2023	31 December 2022
Advances given to related parties (Note 18) (*)	908,945	893,173
Prepaid expenses to third parties	27,457	21,823
Short-term prepaid expenses	936,402	914,996

(*) 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.

	30 June 2023	31 December 2022
Prepaid expenses to third parties	504	-
Long-term prepaid expenses	504	-

NOTE 7 - OTHER ASSETS AND LIABILITIES

a) Other current assets

	30 June 2023	31 December 2022
Insurance income accruals (*)	69,054	58,735
Other	3,852	587
	72,906	59,322

(*) 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

	30 June 2023	31 December 2022
VAT payable	56,275	36,427
Taxes and funds payable	2,629	3,979
Other	7	398
	58,911	40,804

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NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

As of 30 June 2023, the cost and accumulated depreciation of the Group's tangible assets amount to TRL 51,802,446 (31 December 2022: TRL 51,017,219) and TRL 12,882,318 (31 December 2022: TRL 11,735,556). Depreciation expense for tangible fixed assets for the first six months of 2023 is TRL 1,146,762 (30 June 2022: TRL 921,818).

The movements of the revaluation fund are presented in Note 11.

There is no pledge on property, plant and equipment of the Group as of 30 June 2023 and 31 December 2022.

The breakdown of depreciation expenses is presented in Note 14 and 15.

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

Property, plant and equipment	30 June 2023	31 December 2022
Level 1	-	-
Level 2	91,044	94,183
Level 3	35,937,688	37,064,544
	36,028,732	37,158,727

NOTE 9 - RIGHT OF USE ASSETS

Details of right of use assets of the Group as of 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Land (*)	463,004	469,702
	463,004	469,702

(*) 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 IFRS 16.

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NOTE 9 - RIGHT OF USE ASSETS (Continued)

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

	1 January 2023	Additions	30 June 2023
Cost:			
Land	508,330	-	508,330
	508,330	-	508,330

	1 January 2023	Additions	30 June 2023
Accumulated depreciation:			
Land	38,628	6,698	45,326
	38,628	6,698	45,326
Net book value	469,702		463,004

	1 January 2022	Additions	30 June 2022
Cost:			
Land	287,911	-	287,911
	287,911	-	287,911

	1 January 2022	Additions	30 June 2022
Accumulated depreciation:			
Land	12,547	8,091	20,638
	12,547	8,091	20,638
Net book value	275,364		267,273

Depreciation expenses are accounted in cost of sales.

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NOTE 10 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Long-term provisions related to employee benefits

	30 June 2023	31 December 2022
Employment termination benefit liabilities	30,728	23,860
	30,728	23,860

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).

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 TRL 19,983 (31 December 2022: TRL 15,371) 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:

	2023	2022
Discount rate (%)	1.8	1.8
Probability of retirement for personnel (weighted average %)	91.6	93.1

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NOTE 10 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Guarantees received

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

Guarantees given

Zorlu Yenilenebilir, Rotor and Zorlu Jeotermal have share pledges amounting to TRL 2,695,000, TRL 495,000 and TRL 1,333,500, respectively as collateral for the Eurobond issuance. Also, Zorlu Doğal has a share pledge amounting to TRL 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 GPP, 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 GPP. 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 ("EPIAŞ") receivable transfer amount cap in the scope of the transfer of receivables agreement is TRL 9,500,000. Since EPIAŞ'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 30 June 2023, the outstanding loan amount after payments and with all adjustments related to reporting is USD 598 million.

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NOTE 10 - 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 30 June 2023, 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 EPIAŞ receivables and assignment of trade receivables agreements were signed by Zorlu Jeotermal and Rotor as the collateral for the Eurobond issuance. EPIAŞ receivable transfer amount cap in the scope of the assignment of EPIAŞ receivables is TRL 6,000,000. Since EPIAŞ's receivable transfer amount is the cap, it is not included in the collateral, pledges and mortgages given by the Group note. As at 30 June 2023, the outstanding bond amount after payments and with all adjustments related to reporting is USD 296 million.

NOTE 11 – EQUITY

a) Share Capital

As of 30 June 2023 and 31 December 2022, the share capital amounts of the Group are as follows:

	30 June 2023	(%)	31 December 2022	(%)
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	4,366,969		4,366,969	
Total	7,061,969		7,061,969	

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NOTE 11 – EQUITY (Continued)

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.

As at 30 June 2023 and 2022, the movements for the revaluation fund are as follows:

1 January 2022	12,563,467
Revaluation fund	(651,754)
Transfers	(352,430)
30 June 2022	11,559,283
1 January 2023	17,016,593
Transfers	(533,231)
30 June 2023	16,483,362

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 30 June 2023 amounted to TRL 16,538 (31 December 2022: TRL 11,167).

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.

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NOTE 11 – EQUITY (Continued)

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

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

	30 June 2023	31 December 2022
Non-derivative financial instruments	(11,455,382)	(11,173,297)
	(11,455,382)	(11,173,297)

NOTE 12 - DERIVATIVES

Non-derivative financial instruments

As explained in Note 2.6, the Group has a loan with a total amount of USD 556,386 thousand (31 December 2022: USD 643,932 thousand loan) 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 loans which are subject to hedge relationships.

	30 June 2023		31 December 2022	
	Original amount (USD)	Accounted under equity (TRL) (*)	Original amount (USD)	Accounted under equity (TRL) (*)/(**)
Hedged amount for foreign currency risk	556,386	(11,455,382)	643,932	(11,173,297)

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

(**) Expressed on 30 June 2023 purchasing power.

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NOTE 12 – DERIVATIVES (Continued)

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”).

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.

30 June 2023				
	Contract amount (USD)	Total contract amount (TRL)	Fair value asset	Carried at fair value through profit or loss
Interest rate swap agreements	491,125	12,682,370	668,167	220,141
	491,125	12,682,370	668,167	220,141
31 December 2022				
	Contract amount (USD)	Total contract amount (TRL)	Fair value asset	Carried at fair value through profit or loss
Interest rate swap agreements	491,125	10,999,092	549,984	667,250
	491,125	10,999,092	549,984	667,250

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 12 – DERIVATIVES (Continued)

The movement of derivative financial instruments is as follows:

	2023	2022
1 January	549,984	(535,373)
Credited/(charged) to profit or loss		
- Financial income (Note 17)	220,141	320,294
Credited/(charged) to other comprehensive income		
- Hedge reserves	-	212,914
IAS 29 effect	(101,958)	194,059
30 June	668,167	191,894

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

	2023	2022
1 January	(11,173,297)	(13,073,380)
Related to other comprehensive income		
- Hedge reserves	(2,150,199)	(1,775,370)
IAS 29 effect	1,868,114	3,074,516
30 June	(11,455,382)	(11,774,234)

NOTE 13 – REVENUE

	1 January - 30 June 2023	1 January - 30 June 2022
Electricity sales	2,336,387	2,843,993
Carbon sales	23,168	26,966
Solar panel sales	11,678	19,981
	2,371,233	2,890,940

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NOTE 14 – COST OF SALES

	1 January - 30 June 2023	1 January - 30 June 2022
Depreciation and amortisation expenses	1,154,581	925,331
Raw materials and supplies and trade goods expenses	220,732	357,306
System usage fee	110,054	51,601
Operating expense of power stations	68,128	43,961
Personnel expenses	50,948	32,386
Insurance expenses	29,796	26,892
Other	58,907	27,546
	1,693,146	1,465,023

NOTE 15 – GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 June 2023	1 January - 30 June 2022
Personnel expenses	40,157	29,728
Municipality fee	15,403	14,123
Consulting and outsourcing expenses	10,268	6,373
Rent expenses	7,919	6,550
Taxes paid	2,438	976
Office expenses	2,222	1,286
Travelling expenses	1,016	1,440
Depreciation and amortisation expenses	866	7,711
Other	7,318	11,167
	87,607	79.354

NOTE 16 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income are as follows:

	1 January - 30 June 2023	1 January - 30 June 2022
Interest income	55,287	18,453
Foreign exchange gains from trade activities	21,859	9,888
Insurance income	9,229	2,271
Other income	5,803	20,307
	92,178	50,919

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NOTE 16 - OTHER OPERATING INCOME AND EXPENSES (Continued)

The details of other operating expenses are as follows:

	1 January - 30 June 2023	1 January - 30 June 2022
Foreign exchange losses from trade activities	147,751	45,094
Non-operation power plant expenses (*)	61,668	45,909
Interest expense	878	8,566
Other	3,703	8,405
	214,000	107,974

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

NOTE 17 - FINANCE INCOME AND EXPENSES

Finance income:

	1 January - 30 June 2023	1 January - 30 June 2022
Foreign exchange gain	294,648	579,433
Gain on derivative financial instruments	220,141	320,294
Interest income	120,681	49,248
	635,470	948,975

Finance expenses:

	1 January - 30 June 2023	1 January - 30 June 2022
Foreign exchange loss	3,458,619	2,049,946
Interest expense	1,083,099	967,482
Commission and other expenses	28,515	25,673
	4,570,233	3,043,101

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

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NOTE 18 - RELATED PARTY DISCLOSURES

i) **Related party balances:**

a) **Short-term trade receivables from related parties**

	30 June 2023	31 December 2022
Zorlu Elektrik Enerjisi İhracat ve Toptan Ticaret AŞ ("Zorlu Elektrik Toptan") (*)	354,856	377,420
Zorlu Enerji (*)	232,604	232,141
Other	17,980	772
	605,440	610,333

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

b) **Advances given to related parties**

	30 June 2023	31 December 2022
Zorlu Enerji (Note 6) (*)	908,945	893,173
	908,945	893,173

(*) As of 30 June 2023, the advance given to Zorlu Enerji is equal to USD 35,199 thousand with an annual effective interest rate of 7% (31 December 2022: original amount USD 39,881 thousand, interest rate is 7%).

c) **Short-term trade payables to related parties**

	30 June 2023	31 December 2022
Zorlu Enerji	155,982	-
Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ ("Zorlu O&M")	8,978	7,059
Other	8,042	928
	173,002	7,987

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

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NOTE 18 - RELATED PARTY DISCLOSURES (Continued)

ii) The details of major sales and purchase transactions between related parties for the periods between 1 January - 30 June 2023 and 2022 are as follows:

a) Sales to related parties

	1 January - 30 June 2023	1 January - 30 June 2022
Zorlu Elektrik Toptan	347,363	419,545
Zorlu Enerji	159,726	233,513
Other	-	765
	507,089	653,823

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

b) Purchases from related parties

	1 January - 30 June 2023	1 January - 30 June 2022
Zorlu O&M (*)	37,471	34,432
Zorlu Elektrik Toptan	1,800	-
Zorlu Enerji (**)	1,031	-
Vestel Elektronik (**)	-	80,081
Other	4,099	433
	44,401	114,946

(*) 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 - 30 June 2023	1 January - 30 June 2022
Zorlu Enerji	53,618	44,271
	53,618	44,271

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NOTE 18 - RELATED PARTY DISCLOSURES (Continued)

d) Interest expense to related parties

	1 January - 30 June 2023	1 January - 30 June 2022
Zorlu Enerji	-	820
	-	820

e) Foreign exchange gain from related parties

	1 January - 30 June 2023	1 January - 30 June 2022
Zorlu Enerji	93,610	307,258
Other	-	21
	93,610	307,279

f) General administrative expense from related parties

	1 January - 30 June 2023	1 January - 30 June 2022
Zorlu Gayrimenkul	6,563	5,615
Mehmet Zorlu Vakfi	4,493	2,042
Zorlu Yapı Yatırım AŞ	2,143	-
Zorlu Tesis	1,364	733
Zorlu Holding	796	124
Other	1,382	8,243
	16,741	16,757

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NOTE 18 - RELATED PARTY DISCLOSURES (Continued)

g) Other operating income from related parties

	1 January - 30 June 2023	1 January - 30 June 2022
Zorlu Elektrik Toptan	38,930	19,935
Zorlu Enerji	29,063	11,001
Other	8	83
	68,001	31,019

h) Other operating expense from related parties

	1 January - 30 June 2023	1 January - 30 June 2022
Zorlu Enerji	36,988	2,760
ZES Solar	7,571	-
Other	3,265	2,932
	47,824	5,692

iii) Key management compensations for the periods between 1 January - 30 June 2023 and 2022 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 - 30 June 2023	1 January - 30 June 2022
Salaries and benefits	10,997	7,504
	10,997	7,504

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NOTE 19 – SUPPLEMENTARY INFORMATION ON STATEMENT OF CASH FLOW

Supplementary information for the details included in the consolidated statement of cash flow as at 30 June 2023 and 2022 are shown below:

Other adjustments related to net profit/(loss) reconciliation

	1 January - 30 June 2023	1 January - 30 June 2022
Commission amortization	34,042	13,481
Change in insurance accrual	(10,320)	14,482
	23,722	27,963

Other cash outflows from financing activities

	1 January - 30 June 2023	1 January - 30 June 2022
Commissions paid	(16,184)	(29,629)
Change in restricted cash	(44)	(63,113)
	(16,228)	(92,742)

NOTE 20 - EVENTS AFTER REPORTING PERIOD

Article 32 of the Corporate Tax Law No. 5520, which regulates the corporate tax rate is amended with "Law on the Amendment of Additional Motor Vehicles Tax for Compensation of Economic Losses Caused by the Earthquakes Occurring on 6 February 2023 and Amendments to Some Laws and the Decree Law No. 375", which includes the regulation on increase in corporate tax rate from %20 to %25 for the institutions other than banks and financial institutions and from 25% to 30% for banks and financial institutions, entered into force after being published in the Official Gazette dated 15 July 2023 and numbered 32249. With the same article (article 21) of the aforementioned law, it is ensured that the corporate tax rate, which was applied with a reduction by 1% to the earnings of the exporting companies exclusively from exports, is applied with a reduction by 5% in order to promote export.

This amendment will be effective for the earnings of the corporations in 2023 and for the following tax periods, starting from the declarations that must be submitted after 1 October 2023. It will be effective in the tax calculation of the profits of the institutions subject to the special accounting period, obtained in the special accounting period starting in the 2023 calendar year and in the following taxation periods. This matter is considered as a non-adjusting event after the reporting period within the scope of IAS 10 "Events After the Reporting Period".