

**ZORLU YENİLENEBİLİR ENERJİ AŞ AND
ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2021
WITH INDEPENDENT AUDITOR'S REPORT**



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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 2021, 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 2021, 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*Error! Reference source not found.*

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 2.4 and Note 19 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.

| <u>The key audit matter</u> | <u>How the matter was addressed in our audit</u> |
|---|--|
| <p>The Group has recognized deferred tax asset for unused tax losses amounting to TL 1,061,002 thousand as at 31 December 2021.</p> <p>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.</p> <p>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.</p> | <p>We have performed the following audit procedures:</p> <ul style="list-style-type: none">- 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 2.4 and Note 14 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for hedge accounting.

| <u>The key audit matter</u> | <u>How the matter was addressed in our audit</u> |
|--|--|
| <p>As of 31 December 2021, the Group used its investment loans and its Eurobond amounting to USD 860,203 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.</p> <p>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.</p> | <p>We have performed the following audit procedures to be responsive to this area:</p> <ul style="list-style-type: none">- 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 2.3, Note 2.4 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.

| <u>The key audit matter</u> | <u>How the matter was addressed in our audit</u> |
|--|---|
| <p>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 2021, a revaluation increases in property, plant and equipment amounting to TL 7,499,300 thousand was recognized in the consolidated financial statements.</p> <p>Within the scope of the Group's revaluation model, the values of the property, plant and equipment were determined by independent valuation institutions.</p> <p>"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 2021 and also because of the significant estimates and judgments required in determining the assumptions to be used to estimate the recoverable amount.</p> | <p>We have performed the following audit procedures to be responsive to this area:</p> <ul style="list-style-type: none">- 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. |



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
4 March 2022
Istanbul, Turkey

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ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Amounts expressed in thousand Turkish lira ("TL"), unless otherwise indicated.)

| | Notes | 31 December 2021 | 31 December 2020 |
|--|-------|-------------------|-------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 3 | 848,160 | 418,747 |
| Trade receivables | | 145,923 | 108,520 |
| - Trade receivables from related parties | 5, 20 | 53,917 | 9,768 |
| - Trade receivables from third parties | 5 | 92,006 | 98,752 |
| Other receivables | | 480 | 153 |
| - Other receivables from third parties | 6 | 480 | 153 |
| Inventories | 7 | 99,401 | 38,742 |
| Prepaid expenses | | 633,022 | 26,015 |
| - Advances given to related parties | 8, 20 | 630,610 | - |
| - Prepaid expenses to third parties | 8 | 2,412 | 26,015 |
| Other current assets | 9 | 42,553 | 20,495 |
| Total current assets | | 1,769,539 | 612,672 |
| Non-current assets: | | | |
| Other receivables | 6 | 262 | 172 |
| - Other receivables from third parties | | 262 | 172 |
| Right of use assets | 11 | 103,292 | 26,240 |
| Property, plant and equipment | 10 | 16,914,623 | 9,516,582 |
| Intangible assets | | 11,878 | 5,736 |
| Prepaid expenses | 8 | 190 | 195 |
| Total non-current assets | | 17,030,245 | 9,548,925 |
| Total assets | | 18,799,784 | 10,161,597 |

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

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Amounts expressed in thousand Turkish lira ("TL"), unless otherwise indicated.)

| LIABILITIES | Notes | 31 December 2021 | 31 December 2020 |
|--|-------|-------------------|-------------------|
| Current liabilities: | | | |
| Short-term financial liabilities | 4 | 2,035,537 | 1,259,446 |
| - <i>Short-term liabilities</i> | 4 | 102,657 | 173,918 |
| - <i>Short-term portion of long-term liabilities</i> | 4 | 1,590,197 | 1,076,555 |
| - <i>Lease liabilities</i> | 4 | 14,304 | 8,376 |
| - <i>Short-term financial liabilities due to related parties</i> | 4, 20 | - | 597 |
| - <i>Short-term issued bonds</i> | 4 | 328,379 | - |
| Trade payables | | 225,578 | 264,207 |
| - <i>Trade payables due to related parties</i> | 5, 20 | 47,060 | 35,804 |
| - <i>Trade payables due to third parties</i> | 5 | 178,518 | 228,403 |
| Derivative financial liabilities | 14 | 109,531 | 72,305 |
| Other current liabilities | 9 | 50,657 | 27,523 |
| Total current liabilities | | 2,421,303 | 1,623,481 |
| Long-term financial liabilities | 4 | 11,032,970 | 6,886,563 |
| - <i>Long-term liabilities</i> | 4 | 7,492,326 | 5,408,571 |
| - <i>Lease liabilities</i> | 4 | 94,839 | 15,550 |
| - <i>Long-term financial liabilities due to related parties</i> | 4, 20 | - | 1,462,442 |
| - <i>Long-term issued bonds</i> | 4 | 3,445,805 | - |
| Derivative financial liabilities | 14 | 162,574 | 233,973 |
| Long-term provisions | | 7,411 | 5,466 |
| - <i>Long-term provisions related to employee benefits</i> | 12 | 7,411 | 5,466 |
| Deferred tax liabilities | 19 | 973,086 | 418,509 |
| Total non-current liabilities | | 12,176,041 | 7,544,511 |
| Total liabilities | | 14,597,344 | 9,167,992 |
| EQUITY | | | |
| Equity attributable to equity holders of the parent | | 4,202,440 | 993,605 |
| Paid-in capital | 13 | 2,695,000 | 1,045,000 |
| Capital adjustment differences | | 927 | 927 |
| Other comprehensive income/(expenses) not to be reclassified to profit or (loss) | | 10,198,139 | 4,452,961 |
| - <i>Actuarial losses</i> | 13 | (2,973) | (2,115) |
| - <i>Revaluation fund</i> | 13 | 10,201,112 | 4,455,076 |
| Other comprehensive income/(expenses) to be reclassified to profit or (loss) | | (6,576,695) | (3,299,389) |
| - <i>Hedge reserves</i> | 13 | (6,576,695) | (3,299,389) |
| Accumulated losses | | (952,491) | (708,164) |
| Loss for the year | | (1,162,440) | (497,730) |
| Total equity | | 4,202,440 | 993,605 |
| Total liabilities and equity | | 18,799,784 | 10,161,597 |

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 2021

(Amounts expressed in thousand Turkish lira ("TL"), unless otherwise indicated.)

| | Notes | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|---|-------|---------------------------------|---------------------------------|
| Revenue | 15 | 2,019,482 | 1,492,912 |
| Cost of sales (-) | 15 | (888,723) | (718,055) |
| Gross profit | | 1,130,759 | 774,857 |
| General administrative expenses (-) | | (67,997) | (46,771) |
| Other operating income | 17 | 36,990 | 9,941 |
| Other operating expenses (-) | 17 | (104,970) | (23,641) |
| Operating profit | | 994,782 | 714,386 |
| Financial income | 18 | 293,685 | 115,210 |
| Financial expenses (-) | 18 | (2,576,649) | (1,270,556) |
| Loss from continuing operations before tax | | (1,288,182) | (440,960) |
| Tax income/ (expense) from continuing operations | | | |
| - Deferred tax income/ (expense) | 19 | 125,742 | (56,770) |
| Loss for the year | | (1,162,440) | (497,730) |
| Loss attributable to: | | | |
| - Equity holders of the parent | 23 | (1,162,440) | (497,730) |
| Loss per share | | (62.16) | (47.63) |
| Items not to be reclassified to profit or loss | | 5,998,581 | 1,799,561 |
| - Actuarial losses | 12 | (1,073) | (149) |
| - Actuarial losses, tax effect | | 215 | 30 |
| - Revaluation fund | 10 | 7,499,300 | 2,249,600 |
| - Revaluation fund, tax effect | | (1,499,861) | (449,920) |
| Items to be reclassified to profit or loss | | (3,277,306) | (975,306) |
| - Hedge reserves | | (4,096,633) | (1,219,133) |
| - Hedge reserves, tax effect | | 819,327 | 243,827 |
| Other comprehensive income | | 2,721,275 | 824,255 |
| Total comprehensive income | | 1,558,835 | 326,525 |

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

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousand Turkish lira ("TL"), unless otherwise indicated.)

| | Paid-in capital | Capital adjustment differences | Actuarial losses | Revaluation fund | Hedge reserves | Accumulated losses | Net profit/(loss) for the year | Equity attributed to the parent company | Total equity |
|------------------------------|------------------|--------------------------------|------------------|-------------------|--------------------|--------------------|--------------------------------|---|--------------------|
| 1 January 2020 | 1,045,000 | 927 | (1,996) | 2,858,092 | (2,324,083) | (816,448) | (94,412) | 667,080 | 667,080 |
| Transfers | - | - | - | (202,696) | - | 108,284 | 94,412 | - | - |
| Total comprehensive income | - | - | (119) | 1,799,680 | (975,306) | - | (497,730) | 326,525 | 326,525 |
| - Loss for the year | - | - | - | - | - | - | (497,730) | (497,730) | (497,730) |
| - Other comprehensive income | - | - | (119) | 1,799,680 | (975,306) | - | - | 824,255 | 824,255 |
| 31 December 2020 | 1,045,000 | 927 | (2,115) | 4,455,076 | (3,299,389) | (708,164) | (497,730) | 993,605 | 993,605 |
| 1 January 2021 | 1,045,000 | 927 | (2,115) | 4,455,076 | (3,299,389) | (708,164) | (497,730) | 993,605 | 993,605 |
| Capital increase | 1,650,000 | - | - | - | - | - | - | 1,650,000 | 1,650,000 |
| Transfers | - | - | - | (253,403) | - | (244,327) | 497,730 | - | - |
| Total comprehensive loss | - | - | (858) | 5,999,439 | (3,277,306) | - | (1,162,440) | 1,558,835 | 1,558,835 |
| - Loss for the year | - | - | - | - | - | - | (1,162,440) | (1,162,440) | (1,162,440) |
| - Other comprehensive loss | - | - | (858) | 5,999,439 | (3,277,306) | - | - | 2,721,275 | 2,721,275 |
| 31 December 2021 | 2,695,000 | 927 | (2,973) | 10,201,112 | (6,576,695) | (952,491) | (1,162,440) | 4,202,440 | 4,202,440 |

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 2021

(Amounts expressed in thousand Turkish lira ("TL"), unless otherwise indicated.)

| | Notes | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|--|----------|---------------------------------|---------------------------------|
| Net loss for the period | | (1,162,440) | (497,730) |
| Adjustments related to | | | |
| depreciation and amortisation expenses | 2,6, 16 | 518,131 | 443,388 |
| Adjustments related to tax (income)/ expense | 19 | (125,742) | 56,770 |
| Adjustments related to provisions | 12 | 1,722 | 1,006 |
| Adjustments related to interest income | 17, 18 | (42,061) | (1,229) |
| Adjustments related to interest expenses | 17, 18 | 801,273 | 594,117 |
| Adjustments related to unrealized foreign currency | | | |
| translation differences | | 1,689,211 | 565,117 |
| Adjustments related to loss on derivative financial instruments, net | 14, 18 | 35,177 | 19,283 |
| Other adjustments related to net profit/ (loss) | | | |
| reconciliation | 24 | 2,806 | (5,217) |
| NET CASH GENERATED FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES | | 1,718,077 | 1,175,505 |
| Changes in trade receivables | | (23,749) | (10,746) |
| Changes in trade payables | | (102,575) | 142,795 |
| Changes in inventories | | (60,659) | (8,752) |
| Changes in other payables and liabilities | | 23,134 | 14,229 |
| Changes in other receivables and assets related to operations | | 2,105 | 4,407 |
| Termination benefits paid | 12 | (850) | (275) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | 1,555,483 | 1,317,163 |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | (984,525) | (196,528) |
| Advances given to related party | | (759,572) | - |
| Purchase of property, plant and equipment and intangible assets | | (254,040) | (197,738) |
| Proceeds from sale of property, plant and equipment | 10 | 5 | - |
| Interest received | 18 | 29,082 | 1,210 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | (48,880) | (923,050) |
| Proceeds from the issue of bonds | 4 | 2,468,278 | - |
| Proceeds from bank borrowings | 4 | 141,785 | 186,113 |
| Repayment of bank borrowings | 4 | (1,957,698) | (584,079) |
| Interest paid | 4 | (595,596) | (552,578) |
| Payments of lease liabilities | | (13,333) | (8,379) |
| Other cash (outflows) / inflows | 24 | (92,316) | 35,873 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 522,078 | 197,585 |
| Effect of currency translation differences on cash and cash equivalents | | (92,769) | (27,644) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 3 | 417,946 | 248,005 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 3 | 847,255 | 417,946 |

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

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousand Turkish lira (“TL”), unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

The consolidated financial statements as at and for the year ended 31 December 2021 was 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 2021, Zorlu Enerji had a sole ownership of the Company and the ultimate controlling party is Zorlu Holding.

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

As of 31 December 2021, the average number of personnel employed was 308 (31 December 2020: 315).

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 according to all kinds of renewable energy sources including but not to be limited to hydroelectric power plants and geothermal power plants.

As a result of the privatisation tender of Ankara Doğal Elektrik Üretim ve Ticaret AŞ (“ADÜAŞ”) with a consideration of for USD 510 million on 5 March 2008, an agreement on the transfer of operation rights was signed on 1 September 2008 between Zorlu Doğal, ADÜAŞ and the Republic of Turkey.

Prime Ministry Privatisation Authority (“ÖİB”), and Zorlu Doğal took over the assets of ADÜAŞ and began a 30 year operating period.

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousand Turkish lira (“TL”), unless otherwise indicated.)

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 power (MW) | YEKDEM ending date |
|------------------------------|---------------------|------------------|-----------------------|----------------|-----------------------|--------------------|
| Denizli (Kızıldere I) | Geothermal | Active | 1 September 2008 | 29 years | 15,0 MW | - |
| Denizli (Kızıldere II) (*) | Geothermal | Active | 2 May 2013 | 25 years | 80,0 MW | 2023 |
| Denizli (Kızıldere III) (**) | 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 II 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 law which provides fixed feed-in tariffs for electricity generation from renewable energy sources. An application to Energy Market Regulatory Authority (“EMRA”), to sell electricity in the scope of YEKDEM in 2020 was approved in November 2019. In this respect, Kızıldere II plant sold the electricity generated in 2020 at the support price of USD 10,5/kWh on source basis, based on the geothermal energy within the scope of YEKDEM and sold the electricity with the same price in 2021.

(**) For the Kızıldere III geothermal power plant project 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 III geothermal power plant project is composed of two units with a total installed capacity of 165 MW. The second unit began operating on 15 March 2018, Kızıldere III geothermal power plant is eligible to sell all the generated electricity at the price of USD 11,2/kWh which is given to power plants utilising geothermal energy within the scope of YEKDEM. The application to EMRA, to sell electricity in the scope of YEKDEM in 2020 was approved in 2019. In this respect, Kızıldere III plant sold the electricity generated in 2020 at the total price of USD 11,2/kWh and sold the electricity with the same price in 2021.

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

On 22 January 2020, EMRA approved a pre-licence application for the Tekkehamam II geothermal energy power plant project planned to be built in Sarayköy, Denizli with installed power of 35 MW, and issued a pre-licence valid for 30 months for the Project.

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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 power (MW) | YEKDEM ending date |
|--------------|---------------------|------------------|-----------------------|----------------|-----------------------|--------------------|
| Alaşehir (*) | Geothermal | Active | 28 July 2011 | 28 years | 45 MW | 2025 |

(*) The application to EMRA for the sale of electricity in the scope of YEKDEM in 2016 was approved in December 2015. Starting from 2016 Alaşehir I plant started selling the electricity generated at a price of USD 11,2/kWh. The application to EMRA respecting the sale of electricity in 2020 in the scope of YEKDEM has been accepted. Moreover, Alaşehir I plant sold the electricity generated in 2020 at the same price of USD 11,2/kWh in the scope of YEKDEM and sold the electricity with the price of USD 10,5/kWh in 2021.

Zorlu Jeotermal received a pre-license from EMRA on November 2017 for Alaşehir II geothermal power plant project which will be located and planned to be built in Manisa and having 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 resources and the reservoir efficiently.

In addition, on 10 December 2014 Zorlu Jeotermal received approval from EMRA for the pre-license of Alaşehir III geothermal power plant which is planned to be built in Manisa, Alaşehir having 30 MW of planned capacity. Upon completing exploration, Zorlu Jeotermal applied to EMRA to amend the capacity from 30 MW to 50 MW. The application to the 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 of the regulatory board 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.

On 27 October 2016, Zorlu Jeotermal participated in Kütahya Special Provincial Administration's tender for the rights to search for geothermal resources, Zorlu Jeotermal won the tender and paid TL 450 plus VAT. Within the scope of the tender Zorlu Jeotermal is entitled to search for 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.

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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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.

Details of the completed powerplant of Rotor as shown below:

| Region | Type of power plant | Active/ Inactive | Date licence obtained | Licence period | Production power (MW) | YEKDEM ending date |
|-------------------------------|---------------------|------------------|-----------------------|----------------|-----------------------|--------------------|
| Osmaniye - Bahçe (“Gökçedağ”) | Wind | Active | 19 December 2003 | 49 years | 135 MW | 2020 |

Gökçedağ plant has sold electricity at USD 7,3/kWh support price based on source given to wind energy generation plants within the scope of YEKDEM since 2016. Moreover, the application to EMRA dated October 2019, to sell electricity in 2020 in the scope of YEKDEM was approved. Therefore, Gökçedağ wind plant sold the electricity generated in 2020 at a price of USD 7,3/kWh. 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.

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 2.4.

As part of institutionalisation efforts to maintain the operational integrity of the Company in the renewable energy field, shares representing the entire capital of Zorlu Doğal, Rotor and Zorlu Jeotermal were taken over on 27 August 2020 by the Company, a wholly owned subsidiary of Zorlu Enerji, which was established on 27 August 2020 with a capital of TL 1,045,000. When preparing the consolidated financial statements as of 31 December 2021 and 2020 of the Group, all assets, liabilities, equity, income and expense accounts and cash flows of Zorlu Doğal, Rotor and Zorlu Jeotermal, are consolidated on a line-by-line basis.

Approval of consolidated financial statements

The consolidated financial statements were approved by the Company’s Board of Directors on 4 March 2022. The General Assembly of the Company has the right to amend and relevant regulatory bodies have the right to request the amendment of these consolidated financial statements.

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousand Turkish lira (“TL”), unless otherwise indicated.)

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 in the scope of YEKDEM 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.

2.1.2 Amendments in International Financial Reporting Standards

The accounting policies that are the basis for the preparation of consolidated financial statements as of and for the year ended 31 December 2021 have been applied consistently with those used in the previous year, except for the new and amended IFRSs as of 31 December 2021 summarised below. The effects of these standards and interpretations on the consolidated financial position, consolidated performance and consolidated cash flows of the Group are explained below.

a. Standards, amendments and interpretations applicable as at 31 December 2021:

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2021 are as follows:

- Interest rate benchmark reform - phase 2 - amendments to IFRS 9 financial instruments, IAS 39 financial instruments: recognition and measurement, IFRS 7 financial instruments: disclosures, IFRS 4 insurance contracts and IFRS 16 leases

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

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousand Turkish lira (“TL”), unless otherwise indicated.)

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

2.1 Basis of presentation (Continued)

b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2021:

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

- COVID -19 - Related rent concessions beyond 31 December 2021 (the 2021 amendment),
- Reference to the conceptual framework (amendments to IFRS 3),
- Property, plant and equipment - proceeds before intended use (amendments to IAS 16),
- Onerous contracts - cost of fulfilling a contract (amendments to IAS 37),
- Classification of liabilities as current or non - current (amendments to IAS 1),
- Disclosure of accounting policies (amendments to IAS 1 and IFRS practice statement 2),
- 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.

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 2020.

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.

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in thousand Turkish lira (“TL”), unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED 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.

The table below sets out all subsidiaries and demonstrates the Company’s proportion of ownership interest as at 31 December 2021 and 2020.

| Subsidiaries | 31 December 2021 | 31 December 2020 |
|---------------------|-------------------------|-------------------------|
| Rotor | 100,00 | 100,00 |
| Zorlu Doğal | 100,00 | 100,00 |
| Zorlu Jeotermal | 100,00 | 100,00 |

2.3 Summary of significant accounting policies

Related parties

If one of the below criteria exists the party is regarded as related with the Group:

- a) Directly, or indirectly through one or more intermediaries, the party:
 - i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries),
 - ii) has an interest in the Group that gives it significant influence over the Group, or
 - iii) has joint control over the Group,
- b) The party is an associate of the Group,
- c) The party is a joint venture in which the Group is a venture,
- d) The party is member of the key management personnel of the Group or its parent,
- e) The party is a close family member of any individual referred to in (a) or (d),
- f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or in which significant voting power directly or indirectly resides with any individual referred to in (d) or (e) or
- g) The party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group,

A number of transactions are entered into with related parties in the normal course of business.

Segment reporting

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.

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

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(Amounts expressed in thousand Turkish lira (“TL”), unless otherwise indicated.)

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

2.3 Summary of significant accounting policies (Continued)

Property, plant and equipment

The Group revalued its power plants in line with IAS 16 “Property, plant and equipment”, and presented their fair values in its consolidated financial statements. While machineries in power plants were presented at revalued amounts, the Group considered land and buildings to be integral parts of a power plant, and value increases identified were distributed among machinery, land and buildings, proportionally. The Group has a policy to revalue its property, plant and equipments in consideration of market and economic conditions. Most recent valuations were carried out in 2021.

Motor vehicles and furniture and fixtures are carried at cost less accumulated depreciation and impairment losses, if any. The carrying amount of the property, plant and equipments subject to valuation is adjusted to the revalued amount. At the date of the revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the assets.

Increase in tangible assets due to revaluation is credited after offsetting the deferred tax effect on the revaluation fund account under shareholders’ equity on the statement of financial position. The difference between amortisation (reflected in profit or loss) calculated by the carried amounts of revalued assets and amortisation calculated using the acquisition costs of these assets is transferred to accumulated deficit from the revaluation fund after netting the deferred tax effect on a yearly basis. The same method is applicable for tangible asset disposal.

Land is not depreciated as it is deemed to have an indefinite life, Depreciation is calculated on carrying value of property, plant and equipment less their estimated residual values using the straight-line method based on the estimated useful lives of the assets.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

As of 31 December 2021, the remaining useful lives for the Group's powerplants are as follows:

| Energy centrals | Remaining useful lives |
|------------------------|-------------------------------|
| Alaşehir I JES | 19 years |
| Gökçedağ RES | 14 years |
| Kızıldere I JES | 17 years |
| Kızıldere II JES | 17 years |
| Kızıldere III JES | 17 years |
| Tokat HES | 17 years |
| Eskişehir HES | 17 years |
| Kars HES | 17 years |
| Erzurum HES | 17 years |
| Rize HES | 17 years |
| Tunceli HES | 17 years |
| Erzincan HES | 17 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

2.3 Summary of significant accounting policies (Continued)

Expenditures for the repair of property, plant and equipment are normally charged as expenses. They are, however, capitalised if they result in an enlargement or substantial improvement of the assets and depreciation is allocated over the remaining useful life of the related fixed assets.

Gains or losses on disposals of property, plant and equipment which are calculated as the difference between net carrying value and collections are included in the related income and expense accounts, as appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Revenue recognition

The Group recognises revenue in accordance with IFRS 15 “Revenue from contracts with customers” when the goods or services are transferred to the customer and when a performance obligation is fulfilled based on the following main principles:

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of transaction price in the contract,
- Allocation of price to performance obligations,
- Recognition of revenue when performance obligations are fulfilled,

The Group recognised revenue from its customers only when all of the following criteria were met:

- The parties to the contract approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to performing their respective obligations,
- Group can identify each party’s rights regarding the goods or services to be transferred,
- Group can identify the payment terms for the goods or services to be transferred
- The contract has commercial substance,
- It is probable the Group will collect the consideration to which it is entitled in exchange for the goods or services transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer’s ability and intention to pay that amount of consideration when it is due.

At the beginning of an agreement the Group evaluates the services committed to the client in the agreement and defines each commitment to transfer services as a separate performance obligation. In addition, at the beginning of the agreement the Group identifies whether they will meet each obligation over time.

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

2.3 Summary of significant accounting policies (Continued)

The Group considers agreement provisions and commercial customs in order to determine transaction price. Transaction price is the price which the Group expects to earn in return for services it committed to provide to a customer, excluding amounts (e.g, some sales taxes) collected on behalf of third parties. The Group allocates a transaction price to each performance obligation (or different good or service) in an amount that shows how much the customer expects to have a right to in return for the transfer of goods or services committed to the client. In this allocation, the Group allocates the transaction price to each performance obligation specified in the agreement over a relative sales price in this allocation, the Group determines the individual selling price of different goods or services that form the basis of each performance obligation at the beginning of the agreement and the transaction price is proportional to these individual sales prices.

Sales are the revenue generated from electricity produced by the Group through its power plants. Since electricity is a service provided in a stream that the customer receives and consumes simultaneously, it is recognised as one performance obligation at a point of time.

The Group is eligible to make sales for majority of its power plants under YEKDEM scheme with predetermined USD rates (by applying for the following year) or make sales with market prices in TL.

Impairment of non-financial assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets at each reporting date to determine whether there is any indication of impairment. When there is such an indication, the recoverable amount of that asset is estimated. For intangible assets that are not suitable for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, and the recoverable amount is the higher of an asset's net selling price and value in use. Impairment losses are recognised in the statement of profit or loss.

Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur after the period the impairment loss was recorded.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which (at least a period of one year) are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are mostly ready for their intended use or sale.

All other borrowing costs are accounted in the consolidated statement of profit or loss when they occur.

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(Amounts expressed in thousand Turkish lira ("TL"), unless otherwise indicated.)

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

2.3 Summary of significant accounting policies (Continued)

Provisions, contingent liabilities, contingent assets

Provisions are recognised when the Group has a current legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of an amount can be made. Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in consolidated financial statements and are treated as contingent assets or liabilities.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits. Contingent assets are not recognised in the consolidated financial statements since this may result in the recognition of income that may never be realized. A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the consolidated financial statements of the period in which the change occurs.

Employment termination benefits

As per the existing labor law in Turkey, the Company and the subsidiaries are obliged to pay certain amounts to its employees, have completed one year of employment that left due to pension, the military or leaving death. Provision for employment termination benefits represents the present value of the estimated future probable obligation of the Group in case of retirement of employees. Provision for employment termination benefits is calculated as if all employees are subject to such payment and reflected on the accrual basis in the consolidated financial statements. The provision has been calculated based on the severance pay ceiling announced by the Government, As of 31 December 2021, the maximum amount of severance pay is TL 8,285 (31 December 2020: TL 7,117). As explained in Note 12, the Group management has used some estimations in the calculation of provision for severance pay. The Group recognizes actuarial gains and losses in the other comprehensive income.

Taxes

Taxes include current period taxes and deferred taxes. The current year tax liability consists of tax liability on period income calculated based on currently enacted tax rates or substantively enacted as at the reporting date and according to tax legislation in force and includes adjustments related to previous years' tax liabilities.

Deferred tax is provided, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes and tax bases of assets and liabilities comprise the amounts that will impact taxable income in future periods based on tax legislation. Currently enacted tax rates, those expected to be effective during the periods when the deferred income tax assets will be utilised or deferred income tax liabilities will be settled, are used to determine deferred income tax.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

2.3 Summary of significant accounting policies (Continued)

Taxes (continued)

Deferred tax assets and liabilities are recognised to the extent that they will impact taxes to be paid in the periods in which temporary differences will disappear. Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. The carrying value of deferred tax assets is decreased to the extent necessary, if future taxable profits are not expected to be available to utilise deferred tax assets partially or fully.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is calculated by subtracting the necessary predicted sale cost to realise the sale from predicted sale price in ordinary workflow. Inventories comprise the electrical equipment and material related to the Group's electricity generation and are accounted as expenses when used. Unit cost for inventory is calculated using the average cost method (Note 7).

Financial assets and liabilities

Classification and measurement

The Group classifies the financial assets as three groups such as subsequently measured at amortised cost, fair value through profit or loss and fair value through other comprehensive income. The classification is made on the basis of the entity's business model for managing the financial assets/liabilities and contractual cash flow characteristics of the financial asset/liability. The Group classifies its financial assets and liabilities at the date which they are purchased.

| Financial assets | Classification in accordance with IFRS 9 |
|----------------------------------|---|
| Cash and cash equivalents | Amortized cost |
| Trade receivables | Amortized cost |
| Derivative financial instruments | Fair value through other comprehensive income |
| Derivative financial instruments | Fair value through profit or loss |
| Other receivables | Amortized cost |

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

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

2.3 Summary of significant accounting policies (Continued)

Financial assets and liabilities (Continued)

Classification and measurement (Continued)

| Financial liabilities | Classification in accordance with IFRS 9 |
|----------------------------------|---|
| Derivative financial instruments | Fair value through other comprehensive income |
| Derivative financial instruments | Fair value through profit or loss |
| Borrowings | Amortized cost |
| Trade payables | Amortized cost |

Financial assets and liabilities carried at amortised cost

“Financial assets measured at amortised cost” are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount, not have an active market and non-derivatives financial assets. “Cash and cash equivalents”, “trade receivables” and “other receivables” are classified as financial assets measured at amortised cost using the effective interest method. “Borrowings” and “trade payables” are classified as financial liabilities measured at amortised cost using the effective interest method. Gains or losses arising from the valuation of financial assets and financial liabilities at amortised cost are recognized in profit or loss.

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments without a significant risk of change in value, and of which maturity at the time of purchase is three months or less. Cash and cash equivalents used in cash flow statements comprise cash and cash equivalents with short-term maturities of less than three months, excluding accrued interest income and restricted deposits. The Group’s cash and cash equivalents are evaluated using the credit risk model and within the framework of materiality.

- **Trade receivables**

Short-term trade receivables without a significant financing component is initially measured at the transaction price. In a situation indicating that the Group will not be able to collect all amounts due, a provision for impairment is established for the trade receivables. The amount of such provision is the difference between the book value of the receivable and the collectible amount. The collectible amount is the current value of the expected cash flow, including amounts to be collected from guarantees and collateral, which is discounted based on the original effective interest rate of the initial receivable.

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

2.3 Summary of significant accounting policies (Continued)

Financial assets and liabilities (Continued)

When calculating the impairment of trade receivables, which are recognised based on the amortised cost in financial statements and do not include an important financing component (with maturity periods less than one year). The Group has chosen the “simplified approach” in IFRS 9, In accordance with the simplified approach, the Group measures the loss allowances of the trade receivables for an amount equal to “lifetime expected credit losses”, except for credit losses where trade receivables are already impaired for a specific reason. The Group uses a provision matrix in the calculation of expected credit losses. The allowance rate is calculated based on the number of days of the trade receivables are overdue and the rates are revised each reporting period if necessary. Since the change in expected credit loss provisions is not material, it is not accounted in the consolidated statement of profit or loss. For each reporting period, the allowance is reassessed.

- **Trade payables**

Short-term trade payables are valued at the invoice amount due to the insignificance of the interest accrual effect.

- **Financial borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The long-term portion of the borrowing of the Group can be included in the short-term liabilities unless the necessary covenants that cause the recall of a borrowing provided by a financial institution (event of default exercises), are not met before the reporting date. Borrowings are derecognized when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

When the financial liabilities are modified and after the modification, financial liabilities do not meet the derecognition criterias, any costs or fees regarding these liabilities is deducted from the carrying amount of the liability and amortised during the terms of the modified loan agreement.

Financial assets and liabilities at fair value through profit or loss

The financial assets of the Group which are carried at fair value include derivative instruments that are not subject to hedge accounting. Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Gains or losses arising from the valuation of these kinds of assets are recognized in the consolidated statement of profit or loss. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative.

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(Amounts expressed in thousand Turkish lira (“TL”), unless otherwise indicated.)

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

2.3 Summary of significant accounting policies (Continued)

Financial assets and liabilities (Continued)

Financial assets and liabilities at fair value through other comprehensive income

The financial assets of the Group which are carried at fair value include derivative instruments that are subject to hedge accounting. Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Gains and losses arising from the valuation of these kinds of assets are accounted as other comprehensive income/expense in the consolidated statement of comprehensive income related to a cash flow hedge. Derivative instruments which are accounted in other comprehensive income include interest rate swap transactions. Derivative instruments are recognised as assets when the fair value of the instrument is positive, and as liabilities when the fair value of the instrument is negative.

- **Cash flow hedge**

Hedges for exposure to variabilities in cash flows that can be attributed to particular risks associated with recognised assets or liabilities or highly probable forecast transactions, and that could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair values of derivatives that are designated as cash flow hedges and qualified as effective, are recognised in equity as “hedge reserves”. The ineffective portion is recognised as profit or loss for the period. Where the forecasted transaction or firm commitment results in the recognition of an asset or a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated statement of profit or loss in the period in which the hedged firm commitment or forecasted transaction affects the consolidated statement of profit or loss.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the consolidated statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Group uses its financial liabilities in USD as instruments to hedge against the exchange risk it is subject to for the highly probable revenues in USD in the scope of YEKDEM and has implemented cash flow hedge accounting. The Group also applies cash flow hedge accounting for its interest rate swap transactions as a result of the effectiveness tests (Note 14).

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

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

2.3 Summary of significant accounting policies (Continued)

Leases (Continued)

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

2.3 Summary of significant accounting policies (Continued)

Earnings/(loss) per share

Earnings per share is determined by dividing net profit by the weighted average number of shares that have been outstanding during the related year. In Turkey, companies can increase their share capital with a pro-rata distribution of shares (“bonus shares”) from retained earnings and allowable reserves to existing shareholders. For the purpose of earnings/(loss) per share computations, the weighted average number of shares outstanding during the year has been adjusted for bonus shares issued without a corresponding change in resources by making them retrospective effect for the year in which they were issued and each earlier year.

Financial income and financial expenses

The Group’s finance income and finance costs include:

- Interest income;
- Interest expense;
- Transaction cost;
- Gains and losses on hedging instruments recognized in profit or loss;
- Foreign currency gains or losses on financial assets and financial liabilities,

Interest income or expense is recognized using the effective interest method,

The “effective interest rate” is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset, If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that cannot be matched with acquisition, construction or production of an asset are recognized in profit or loss by using effective interest rate.

Interest and foreign exchange gains and losses arising from trading transactions are recognized in other operating income and expense.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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

2.4 Critical accounting estimates, assumptions and judgments

Preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. 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 carryforward 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 carried forward tax losses amounting to TL 6,092,998 as of 31 December 2021 (31 December 2020: TL 2,433,672). As per the management estimates, the Group has recognised deferred tax assets of TL 1,061,002 (31 December 2020: TL 429,034) for its TL 5,164,900 (31 December 2020: TL 2,145,172) of carry forward tax losses, which the Group estimates to utilise in the future (Note 19). Should the estimated profit does 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 928,098 of carry forward tax losses (31 December 2020: TL 288,500).

The Group's key estimations in the business plans are the future exchange rates, total electricity sales volumes and electricity prices.

If the exchange rates used in the business plans as of 31 December 2021 increase or decrease by 10%, assuming all other variables remain the same, the deferred tax assets recognised in the consolidated financial statements will decrease or increase by TL 6,466. If the sales volume increases or decreases by 10%, assuming all other variables stay the same, the deferred tax assets recognised in the consolidated financial statements will increase or decrease by TL 8,295. If electricity prices increase or decrease by 10%, assuming all other variables stay the same, the deferred tax assets recognised in the consolidated financial statements will increase or decrease by TL 1,093.

b) *Non-derivative cash flow hedge*

As explained in Note 14, the Group has an investment loan of USD 705,803 thousand and USD 154,400 thousand eurobond (31 December 2020: USD 865,722 thousand investment loan and other payables to Zorlu Enerji amounting to USD 90,000 thousand) as a hedging instruments for the USD spot exchange rate risk the Group is exposed to due to highly probable YEKDEM sales income, and applies cash flow hedge accounting as a result of the effectiveness tests performed. The estimations in budgets for YEKDEM sales income used to test effectiveness include estimations for items such as sales quantities and sales prices. Based on the sensitivity analysis of the estimations for 2021 and 2020 used in effectiveness tests, the Group concluded that a 5% increase/decrease in forecasted revenue would not have any significant effect on the conclusion of effectiveness tests.

c) *Fair value of cash flow hedge*

As explained in Note 14, cash flow hedge accounting was applied in the Group's interest rate swap transactions. In the interest rate estimations used in the cash flow hedge accounting models of 31 December 2021 and 2020, a 1% increase does not have a significant impact on the fair values of interest rate swap transactions recognised in the consolidated statement of financial position.

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

2.4 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 machinery, land and buildings, the Group selected the revaluation model from among the application methods mentioned in IAS 16. The amounts determined in the valuation studies carried out after deducting the tax effects on the Zorlu Doğal, Zorlu Jeotermal and Rotor power plants on 31 December 2021 were recognized for at their revalued amounts in the consolidated financial statements.

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:

| Company | Power Plant | Revaluation Period | Revaluation work performed by | Revaluation method | Basic assumption used for revaluation work | | |
|-----------------|--|--------------------|-------------------------------|--------------------|--|--|-------------------------------|
| | | | | | Weighted average cost of capital | Electricity sales price (US cent/kWh)(*) | Sales Volume (kWh/year) |
| Zorlu Doğal | Kızıldere II Geothermal Power Plant | 31.12.2021 | Aden Gayrimenkul | DCF | 9,25 | 6,5 - 10,5 cent | 448,687,200 |
| Zorlu Doğal | Kızıldere III Geothermal Power Plant | 31.12.2021 | Aden Gayrimenkul | DCF | 9,25 | 6,5 - 11,2 cent | 1,025,077,680 - 1,067,789,250 |
| Zorlu Doğal | Tokat/Ataköy Hydroelectric Power Plant | 31.12.2021 | Aden Gayrimenkul | DCF | 9,25 | 6,5 - 8,5 cent | 7,873,166 |
| Zorlu Doğal | Eskişehir/Beyköy Hydroelectric Power Plant | 31.12.2021 | Aden Gayrimenkul | DCF | 9,25 | 6,5 - 8,5 cent | 43,488,144 |
| Zorlu Doğal | Kars/Çıldır Hydroelectric Power Plant | 31.12.2021 | Aden Gayrimenkul | DCF | 9,25 | 6,5 - 8,5 cent | 15,904,236 |
| Zorlu Doğal | Rize/İkizdere Hydroelectric Power Plant | 31.12.2021 | Aden Gayrimenkul | DCF | 9,25 | 6,5 - 8,5 cent | 109,750,615 |
| Zorlu Doğal | Erzurum/Kuzgun Hydroelectric Power Plant | 31.12.2021 | Aden Gayrimenkul | DCF | 9,25 | 6,5 - 8,5 cent | 22,542,218 |
| Zorlu Doğal | Tunceli/Mercan Hydroelectric Power Plant | 31.12.2021 | Aden Gayrimenkul | DCF | 9,25 | 6,5 - 8,5 cent | 72,169,610 |
| Zorlu Doğal | Erzincan/Tercan Hydroelectric Power Plant | 31.12.2021 | Aden Gayrimenkul | DCF | 9,25 | 6,5 - 8,5 cent | 36,240,120 |
| Rotor | Gökçeadağ Wind Power Plant | 31.12.2021 | Aden Gayrimenkul | DCF | 9,25 | 6,5 - 8,5 cent | 349,458,300 |
| Zorlu Jeotermal | Alaşehir I Geothermal Power Plant | 31.12.2021 | Aden Gayrimenkul | DCF | 9,25 | 6,5 - 10,5 cent | 256,269,420 - 264,035,160 |

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

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

2.4 Critical accounting estimates, assumptions and judgments (Continued)

If the future electricity prices used in the models increase or decrease by 10%, based on the assumption that all other variables are fixed, the property, plant and equipment recognised in consolidated financial statements will increase or decrease by TL 1,009,663. If the future sales volumes used in the models increase or decrease by 10%, based on the assumption that all other variables are fixed the property, plant and equipment recognised in consolidated financial statements will increase by TL 1,576,526 or decrease by TL 1,578,397, respectively. If the weighted capital cost rate used in the models increase or decrease by 10%, based on the assumption that all other variables are fixed, property, plant and equipment recognised in consolidated financial statements will decrease by TL 770,308 or increase by TL 838,308, respectively.

2.5 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 year ended 31 December 2021 is TL 1,130,759 (1 January 2020 - 31 December 2020: TL 774,857) and the EBITDA is TL 1,580,893 (1 January 2020 - 31 December 2020: TL 1,171,474).

The net loss for the year ended 31 December 2021 is TL 1,162,440 (net loss for 1 January - 31 December 2020: TL 497,730), The Group's accumulated losses as of 31 December 2021 are TL 952,491 (31 December 2020: TL 708,164) and its short-term liabilities exceeded its current assets by TL 651,764 (31 December 2020: short-term liabilities exceeded current assets by TL 1,010,809), The Group's total equity is TL 4,202,440 (1 January-31 December 2020: TL 993,605).

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 limiting exposure on the foreign exchange losses arising from borrowings of the Group. The Alaşehir geothermal energy power plant owned by Zorlu Jeotermal will sell electricity in the scope of YEKDEM until 31 December 2025, and the Kızıldere II and Kızıldere III geothermal energy power plants owned by Zorlu Doğal, until 31 December 2023 and 31 December 2027, respectively.

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

2.6 Other information

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 definition includes 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 2021 | Zorlu Doğal | Zorlu Jeotermal | Rotor | Zorlu Yenilenebilir | Eliminations | Total |
|---|------------------------|----------------------------|--------------|--------------------------------|---------------------|--------------|
| Revenue | 1,596,673 | 233,309 | 191,633 | - | (2,133) | 2,019,482 |
| Cost of sales | (668,546) | (88,580) | (133,730) | - | 2,133 | (888,723) |
| Gross profit | 928,127 | 144,729 | 57,903 | - | - | 1,130,759 |
| General administrative expenses | (42,759) | (16,124) | (7,888) | (1,226) | - | (67,997) |
| Depreciation and amortisation expenses | 419,975 | 56,963 | 41,185 | 8 | - | 518,131 |
| EBITDA | 1,305,343 | 185,568 | 91,200 | (1,218) | - | 1,580,893 |

| 1 January - 31 December 2020 | Zorlu Doğal | Zorlu Jeotermal | Rotor | Zorlu Yenilenebilir | Eliminations | Total |
|---|------------------------|----------------------------|--------------|--------------------------------|---------------------|--------------|
| Revenue | 1,077,013 | 206,242 | 212,641 | - | (2,984) | 1,492,912 |
| Cost of sales | (495,674) | (73,318) | (152,047) | - | 2,984 | (718,055) |
| Gross profit | 581,339 | 132,924 | 60,594 | - | - | 774,857 |
| General administrative expenses | (34,674) | (8,139) | (3,328) | (630) | - | (46,771) |
| Depreciation and amortisation expenses | 354,727 | 46,379 | 42,282 | - | - | 443,388 |
| EBITDA | 901,392 | 171,164 | 99,548 | (630) | - | 1,171,474 |

NOTE 3 - CASH AND CASH EQUIVALENTS

| | 31 December 2021 | 31 December 2020 |
|-------------------|-------------------------|-------------------------|
| Banks | 848,160 | 418,747 |
| - Time deposits | 442,687 | 233,634 |
| - Demand deposits | 405,473 | 185,113 |
| | 848,160 | 418,747 |

As of 31 December 2021, the average effective interest rate for USD and TL denominated time deposits is 0,04% and 15,00%, respectively (31 December 2020: USD 0,05% and TL 9,17%) for those with maturity periods of less than three months.

The credit risk of banks with which the Group has deposits is evaluated based on independent data and no significant credit risk is expected.

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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 31 December 2021 and 2020:

| | 31 December 2021 | 31 December 2020 |
|---------------------------|------------------|------------------|
| Cash and cash equivalents | 848,160 | 418,747 |
| Less: restricted cash | (905) | (801) |
| | 847,255 | 417,946 |

As of 31 December 2021, the Group's restricted cash amounting to TL 905 (31 December 2020: TL 801) is related to the purchase and sale of electricity by the Group.

NOTE 4 – FINANCIAL LIABILITIES

| | 31 December 2021 | 31 December 2020 |
|--|-------------------|------------------|
| Short-term loans and borrowings | 102,657 | 173,918 |
| Short-term portion of long-term loans and borrowings | 1,590,197 | 1,076,555 |
| Lease liabilities | 14,304 | 8,376 |
| Short-term issued bonds | 328,379 | - |
| Short-term financial liabilities due to related parties (Note 20) | - | 597 |
| Total short-term financial liabilities | 2,035,537 | 1,259,446 |
| Long-term loans and borrowings | 7,492,326 | 5,408,571 |
| Long-term issued bonds | 3,445,805 | - |
| Lease liabilities | 94,839 | 15,550 |
| Long-term financial liabilities due to related parties (Note 20) | - | 1,462,442 |
| Total long-term financial liabilities | 11,032,970 | 6,886,563 |
| Total financial liabilities | 13,068,507 | 8,146,009 |

The details of short-term financial liabilities other than lease liabilities of the Group as at 31 December 2021 and 31 December 2020 are as follows:

| | <u>31 December 2021</u> | | | <u>31 December 2020</u> | | |
|---------|-------------------------|------------------|--|-------------------------|------------------|--|
| | Original amount | TL equivalent | Weighted average effective interest rate per annum (%) | Original Amount | TL equivalent | Weighted Average Effective interest rate per annum (%) |
| USD (*) | 153,382 | 1,990,511 | 7,21 | 148,778 | 1,092,104 | 6,93 |
| EUR | - | - | - | 9,432 | 84,964 | 4,85 |
| TL | 30,722 | 30,722 | 23,72 | 74,002 | 74,002 | 26,45 |
| | | 2,021,233 | | | 1,251,070 | |

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NOTE 4 - FINANCIAL LIABILITIES (Continued)

The details of long-term financial liabilities other than lease liabilities of the Group as at 31 December 2021 and 31 December 2020 are as follows:

| | 31 December 2021 | | | 31 December 2020 | | |
|----------|------------------|-------------------|--|------------------|------------------|--|
| | Original amount | TL equivalent | Weighted average effective interest rate per annum (%) | Original Amount | TL equivalent | Weighted average effective interest rate per annum (%) |
| USD (*) | 842,853 | 10,938,131 | 7,70 | 886,889 | 6,510,209 | 7,29 |
| EUR (**) | - | - | - | 39,197 | 353,083 | 4,94 |
| TL | - | - | - | 7,721 | 7,721 | 20 |
| | | 10,938,131 | | | 6,871,013 | |

(*) As at 31 December 2021 interest rate for bank borrowings varies between Libor + 5.90% and 9% (31 December 2020: Libor + 3.23% and 7.25%).

(**) As at 31 December 2020, variable interest rate for bank borrowings varies between Euribor + 0.60% and 5.25%.

The redemption schedules of financial liabilities with their nominal values other than lease liabilities and financial liabilities due to related parties at 31 December 2021 and 31 December 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|-------------------|-------------------|------------------|
| Up to 1 year | 1,149,618 | 950,004 |
| 1- 2 years | 1,099,465 | 843,580 |
| 2 - 3 years | 1,551,096 | 719,610 |
| 3 - 4 years | 1,549,777 | 649,020 |
| 4 - 5 years | 4,124,971 | 697,387 |
| More than 5 years | 3,406,887 | 2,799,754 |
| | 12,881,814 | 6,659,355 |

The movement of loans and borrowings other than lease liabilities for the period 1 January - 31 December 2021 and 2020 is as follows:

| | 2021 | 2020 |
|--|-------------------|------------------|
| As of 1 January | 8,122,083 | 6,757,193 |
| Proceeds from bank borrowings | 141,785 | 186,113 |
| Proceeds from issued bonds (*) | 2,468,278 | - |
| Cash outflow due to repayment of bank borrowings | (1,957,698) | (584,079) |
| Change in exchange differences and interest effect | 6,497,582 | 2,269,920 |
| Change in borrowings from related parties | (1,713,762) | 45,735 |
| Prepaid borrowing commissions, net | (3,308) | (221) |
| Interest paid | (595,596) | (552,578) |
| As of 31 December | 12,959,364 | 8,122,083 |

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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NOTE 4 - FINANCIAL LIABILITIES (Continued)

(*) Zorlu Yenilenebilir Enerji issued USD 300 million senior secured bonds with 9% coupon rate and semi-annual interest payment guaranteed on a senior basis by Zorlu Jeotermal and Rotor with maturity due 1 June 2026. The bonds are listed on the Global Exchange Market of Euronext Dublin on 1 June 2021. The proceeds of the issuance will be used for repayment of certain existing financial indebtedness as well as existing shareholder loans, funding new investments and general corporate purposes.

The book value of the bank borrowings and bonds with fixed interest rates is TL 3,876,841 as at 31 December 2021 (31 December 2020: TL 686,495) and fair value is TL 3,428,058 as at 31 December 2021 (31 December 2020: TL 707,154).

There are no financial liabilities due to related parties with fixed interest rates as at 31 December 2021 (31 December 2020: the book value amounts to TL 665,000 and fair value amounts to TL 688,563).

| | Book value | | Fair value | |
|--|------------------|------------------|------------------|------------------|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Level 1 | | | | |
| Issued bonds | 3,774,184 | - | 3,323,832 | - |
| Level 2 | | | | |
| Loans and borrowings | 102,657 | 686,495 | 104,226 | 707,154 |
| Financial liabilities due to related parties | - | 665,000 | - | 688,563 |
| | 3,876,841 | 1,351,495 | 3,428,058 | 1,395,717 |

Fair value is calculated by discounting the cash outflows according to the remaining maturity periods of the financial liabilities with rates calculated considering the changing country risk premium and market interest rate changes. It is assumed that the fair value of the bank borrowings and borrowings from related parties with floating interest rates is approximately equal to their book value.

The fair value of the long-term financial liabilities is equal to the cash flows discounted with the current debt ratio. The fair value of short-term financial liabilities with floating interest rate is approximately equal to their carrying amounts, as the impact of discounting is not significant.

Guarantees, pledges and mortgages given for financial borrowings are explained in Note 12.

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NOTE 5 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables:

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| Trade receivables from third parties | 92,006 | 98,752 |
| Trade receivables from related parties (Note 20) | 53,917 | 9,768 |
| | 145,923 | 108,520 |

As of 31 December 2021, the average maturity period of trade receivables is up to 30 days (31 December 2020: 30 days).

The Group does not have any overdue receivables that doubtful provision has not been accounted as of 31 December 2021 and 2020.

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in Note 21.

b) Trade payables:

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Trade payables due to third parties | 178,518 | 228,403 |
| Trade payables due to related parties (Note 20) | 47,060 | 35,804 |
| | 225,578 | 264,207 |

As of 31 December 2021 the average maturity period of trade payables is up to 90 days (31 December 2020: 90 days).

NOTE 6 - OTHER RECEIVABLES

| | 31 December 2021 | 31 December 2020 |
|--------------------------------------|-------------------------|-------------------------|
| Other receivables from third parties | 480 | 153 |
| Short-term other receivables | 480 | 153 |
| | 31 December 2021 | 31 December 2020 |
| Other receivables from third parties | 262 | 172 |
| Long-term other receivables | 262 | 172 |

NOTE 7 - INVENTORIES

| | 31 December 2021 | 31 December 2020 |
|--------------------------------------|------------------|------------------|
| Direct materials and merchandise (*) | 99,401 | 38,742 |
| | 99,401 | 38,742 |

(*) The amount consists of PV panels, materials and spare parts.

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NOTE 8 - PREPAID EXPENSES

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Advances given to related parties (Note 20) (*) | 630,610 | - |
| Prepaid expenses to third parties | 2,412 | 26,015 |
| Short-term prepaid expenses | 633,022 | 26,015 |

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

| | 31 December 2021 | 31 December 2020 |
|-----------------------------------|------------------|------------------|
| Prepaid expenses to third parties | 190 | 195 |
| Long-term prepaid expenses | 190 | 195 |

NOTE 9 - OTHER ASSETS AND LIABILITIES

a) Other current assets

| | 31 December 2021 | 31 December 2020 |
|-------------------------------|------------------|------------------|
| Insurance income accruals (*) | 42,457 | 20,121 |
| Other | 96 | 374 |
| | 42,553 | 20,495 |

(*) 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 2021 | 31 December 2020 |
|-------------------------|------------------|------------------|
| Taxes and funds payable | 46,791 | 24,477 |
| Other | 3,866 | 3,046 |
| | 50,657 | 27,523 |

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

| | 1 January 2021 | Additions | Disposals | Transfers | Revaluation | 31 December 2021 |
|-----------------------------------|-------------------|----------------|-------------|-------------|------------------|-------------------|
| Cost: | | | | | | |
| Land | 93,225 | 1,625 | - | - | 74,153 | 169,003 |
| Land improvements | 299,771 | 345 | - | - | 207,527 | 507,643 |
| Buildings | 25,767 | - | - | - | 17,791 | 43,558 |
| Machinery and equipment | 10,591,798 | 11,686 | - | 220,343 | 7,199,829 | 18,023,656 |
| Motor vehicles | 1,211 | 110 | (29) | - | - | 1,292 |
| Furniture and fixtures | 25,848 | 1,518 | (5) | - | - | 27,361 |
| Construction work in progress (*) | 368,798 | 393,958 | - | (220,377) | - | 542,379 |
| | 11,406,418 | 409,242 | (34) | (34) | 7,499,300 | 19,314,892 |
| Accumulated depreciation: | | | | | | |
| Land improvements | 58,217 | 12,988 | - | - | - | 71,205 |
| Buildings | 3,867 | 1,146 | - | - | - | 5,013 |
| Machinery and equipment | 1,810,927 | 493,181 | - | - | - | 2,304,108 |
| Motor vehicles | 1,072 | 24 | (29) | - | - | 1,067 |
| Furniture and fixtures | 15,753 | 3,123 | - | - | - | 18,876 |
| | 1,889,836 | 510,462 | (29) | - | - | 2,400,269 |
| Net book value | 9,516,582 | | | | | 16,914,623 |

(*) Additions to construction work in progress are mostly purchases related to improvement studies for Alaşehir II, Alaşehir I hybrid and current Kızıldere III geothermal project. The borrowing costs of TL 164,287 directly related to the investments made as of 31 December 2021 were capitalised on the relevant asset cost.

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

| | 1 January 2020 | Additions | Disposals | Transfers | Revaluation | 31 December 2020 |
|-----------------------------------|------------------|----------------|-------------|------------|------------------|-------------------|
| Cost: | | | | | | |
| Land | 71,641 | 1,123 | - | - | 20,461 | 93,225 |
| Land improvements | 269,840 | 106 | - | - | 29,825 | 299,771 |
| Buildings | 21,391 | 313 | - | - | 4,063 | 25,767 |
| Machinery and equipment | 8,083,120 | 24,870 | - | 288,557 | 2,195,251 | 10,591,798 |
| Motor vehicles | 1,281 | - | (70) | - | - | 1,211 |
| Furniture and fixtures | 25,394 | 459 | (5) | - | - | 25,848 |
| Construction work in progress (*) | 390,413 | 266,950 | - | (288,565) | - | 368,798 |
| | 8,863,080 | 293,821 | (75) | (8) | 2,249,600 | 11,406,418 |
| Accumulated depreciation: | | | | | | |
| Land improvements | 46,539 | 11,678 | - | - | - | 58,217 |
| Buildings | 2,852 | 1,015 | - | - | - | 3,867 |
| Machinery and equipment | 1,384,482 | 426,445 | - | - | - | 1,810,927 |
| Motor vehicles | 1,067 | 75 | (70) | - | - | 1,072 |
| Furniture and fixtures | 12,469 | 3,289 | (5) | - | - | 15,753 |
| | 1,447,409 | 442,502 | (75) | - | - | 1,889,836 |
| Net book value | 7,415,671 | | | | | 9,516,582 |

(*) Additions to construction work in progress are mostly purchases related to improvement studies for Alaşehir II and current Kızıldere III geothermal project. The borrowing costs of TL 82,166 directly related to the investments made as of 31 December 2020 were capitalised on the relevant asset cost.

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements of the revaluation fund are presented in Note 13.

There is no pledge on property, plant and equipment of the Group as of 31 December 2021 (31 December 2020: TL 2,093,983).

If the Group had not adopted the revaluation model in accordance with IAS 16, the net book values of the property, plant and equipment as of 31 December 2021 and 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|-------------------------|------------------|------------------|
| Land | 37,556 | 35,931 |
| Land improvements | 99,449 | 112,092 |
| Buildings | 8,890 | 10,036 |
| Machinery and equipment | 2,770,514 | 3,031,666 |

The breakdown of depreciation expenses is presented in Note 16.

“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 2021 | 31 December 2020 |
|-------------------------------|-------------------|------------------|
| Level 1 | - | - |
| Level 2 | - | - |
| Level 3 | 16,363,534 | 9,137,550 |
| | 16,363,534 | 9,137,550 |

NOTE 11 - RIGHT OF USE ASSETS

Details of right of use by asset group as of 31 December 2021 and 31 December 2020 are as follows:

| | 31 December 2021 | 31 December 2020 |
|----------------------------------|------------------|------------------|
| Land (*) | 103,292 | 26,240 |
| Total right of use assets | 103,292 | 26,240 |

(*) Land, which is accounted under right of use assets, is related to land rented for Gökçedağ powerplant of Rotor and land rented for Tekkehamam powerplant of Zorlu Doğal.

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NOTE 11 - RIGHT OF USE ASSETS (Continued)

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

| | 1 January 2021 | Additions | 31 December 2021 |
|----------------------------------|----------------|---------------|------------------|
| Cost: | | | |
| Land | 27,880 | 81,744 | 109,624 |
| | 27,880 | 81,744 | 109,624 |
| Accumulated depreciation: | | | |
| Land | 1,640 | 4,692 | 6,332 |
| | 1,640 | 4,692 | 6,332 |
| Net book value | 26,240 | | 103,292 |

| | 1 January 2020 | Additions | 31 December 2020 |
|----------------------------------|----------------|------------|------------------|
| Cost: | | | |
| Land | 27,880 | - | 27,880 |
| | 27,880 | - | 27,880 |
| Accumulated depreciation: | | | |
| Land | 820 | 820 | 1,640 |
| | 820 | 820 | 1,640 |
| Net book value | 27,060 | | 26,240 |

Depreciation expenses are accounted in cost of sales.

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Long-term provisions related to employee benefits

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| Employment termination benefit liabilities | 7,411 | 5,466 |
| | 7,411 | 5,466 |

ZORLU YENİLENEBİLİR ENERJİ AŞ AND ITS SUBSIDIARIES

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

As of 31 December 2021 and 2020, the movement of provision for employment termination benefit is as follows:

| | 2021 | 2020 |
|----------------------------|--------------|--------------|
| As of 1 January | 5,466 | 4,586 |
| Service cost | 826 | 438 |
| Interest cost | 896 | 568 |
| Payments during the period | (850) | (275) |
| Actuarial losses | 1,073 | 149 |
| As of 31 December | 7,411 | 5,466 |

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 TL 8,285 (31 December 2020: TL 7,117) 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:

| | 2021 | 2020 |
|---|-------|-------|
| Discount rate (%) | 4,11 | 4,15 |
| Probability of retirement for personnel (weighted average %) | 92,10 | 88,56 |

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

Guarantees received

| | Original currency | 31 December 2021 | | 31 December 2020 | |
|----------------------|----------------------|--------------------|------------------|--------------------|------------------|
| | | Original amount | TL equivalent | Original Amount | TL Equivalent |
| Letters of guarantee | TL | 5,259 | 5,259 | 4,894 | 4,894 |
| Letters of guarantee | USD | 179 | 2,323 | 746 | 5,476 |
| Letters of guarantee | EUR | 132 | 1,938 | 890 | 8,017 |
| Guarantee cheques | TL | 436 | 436 | 436 | 436 |
| Guarantee cheques | USD | 45 | 584 | 114 | 837 |
| | | | 10,540 | | 19,660 |

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

Guarantees given

| | Original currency | 31 December 2021 | | 31 December 2020 | |
|----------------------|----------------------|--------------------|------------------|--------------------|------------------|
| | | Original amount | TL equivalent | Original amount | TL equivalent |
| Commercial pledge | TL | - | - | 1,562,525 | 1,562,525 |
| Share pledge (*) | TL | 3,960,000 | 3,960,000 | 1,045,000 | 1,045,000 |
| Letters of guarantee | TL | 16,120 | 16,120 | 17,965 | 17,965 |
| Pledge on property | EUR | - | - | 130,000 | 1,171,027 |
| Pledge on property | USD | - | - | 125,735 | 922,956 |
| Letters of guarantee | USD | 10,000 | 129,775 | 10,000 | 73,405 |
| | | | 4,105,895 | | 4,792,878 |

(*) Zorlu Yenilenebilir, Rotor and Zorlu Jeotermal have share pledge amount to TL 2,695,000, TL 300,000 and TL 405,000 as the collateral for the eurobond issuance. Also Zorlu Dođal has share pledge amounts to TL 560,000 under the project finance loan agreement.

The guarantees given consist mainly of the guarantees given to EMRA and other state institutions in relation to electricity transmission and distribution.

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

Collateral/Pledges/Mortgages Given by the Group

As of 31 December 2021 and 31 December 2020, the Group's collateral/pledge/mortgage ("CPM") position is as follows:

| | Original currency | 31 December 2021 | | 31 December 2020 | |
|---|----------------------|--------------------|------------------|--------------------|------------------|
| | | Original amount | TL equivalent | Original amount | TL equivalent |
| CPM's given by the Company | | | | | |
| A.Total amount of CPM given for the Group's own legal personality | TL | 3,271,120 | 3,271,120 | 2,625,490 | 2,625,490 |
| | EUR | - | - | 130,000 | 1,171,027 |
| | USD | 10,000 | 129,775 | 135,735 | 996,361 |
| B.Total amount of CPM given for fully consolidated companies | TL | 705,000 | 705,000 | - | - |
| C.Total amount of CPM given on behalf of third parties for continuity of their economic activities | | - | - | - | - |
| D.Total amount of Other CPM given | | | | | |
| i. Total amount of CPM given or the parent company of the Company | | - | - | - | - |
| ii. Total amount of CPM given for other group companies which are not in scope of B and C | | - | - | - | - |
| iii. Total amount of CPM given for third parties which are not in scope of C | | - | - | - | - |
| Total CPM | | | 4,105,895 | | 4,792,878 |

The ratio of other CPM's given by the Group to its equity is 0% as of 31 December 2021 (31 December 2020: 0%). Details regarding the guarantees, pledges and mortgages given by the Group within the scope of the project financing loans and on behalf of their legal entities are presented below:

Zorlu Doğal:

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 in the Kızıldere III geothermal power plant, which is 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 III 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 ("EPIAŞ") receivable transfer amount cap in the scope of the transfer of receivables agreement is TL 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. The bank loans in respect of Tranche C has been prepaid early on 8 June 2021 with the proceeds of the Eurobond issuance. As at 31 December 2021, the outstanding loan amount after payments and with all adjustments related to reporting is amounting USD 705 million and TL 31 million.

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

Zorlu Jeotermal:

The outstanding project financing loan of Zorlu Jeotermal amounts to USD 79 million has been paid early on 13 July 2021 with the proceeds of Eurobond issuance. On 16 July 2021, assignment of EPIAŞ receivables, assignments of receivables, account pledge, share pledge, assignment of receivables under the subordinated loan agreement, guarantees and on 29 July 2021, mortgage agreement and commercial enterprise pledge for the project financing of Zorlu Jeotermal have been released after the bank loan has been prepaid early.

Zorlu Jeotermal is the guarantor for the USD 300 million of 9% bonds 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 are signed by Zorlu Jeotermal as the collateral for the eurobond issuance. EPIAŞ receivable transfer amount cap in the scope of the assignment of EPIAŞ receivables is TL 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.

Rotor:

The bank loan amounts to EUR 26 million has been prepaid early on 15 June 2021 with the proceeds of the Eurobond issuance, On 14 July 2021, mortgage agreement, commercial enterprise pledge, share pledge, account pledge, assignment of receivables and assignment of insurance receivables agreements and guarantees for the project financing of Rotor have been released after the bank loan has been paid early.

Rotor Elektrik Üretim is the guarantor for the USD 300 million of 9% bonds 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 are signed by Rotor as the collateral for the Eurobond issuance. EPIAŞ receivable transfer amount cap in the scope of the assignment of EPIAŞ receivables is TL 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.

Zorlu Yenilenebilir:

Zorlu Yenilenebilir issued USD 300 million of 9% senior secured bonds guaranteed on a senior basis by Zorlu Jeotermal and Rotor with maturity due 1 June 2026. The bonds are listed on the Global Exchange Market of Euronext Dublin on 1 June 2021. The proceeds of the issuance is used for repayment of certain existing financial indebtedness as well as existing shareholder loans, funding new investments and general corporate purposes. On 31 July 2021, offshore account pledge, on 30 July 2021 account pledge, share pledge agreements and on 6 August 2021 assignment of trade receivables agreements are signed by Zorlu Yenilenebilir as the collateral for the Eurobond issuance. As at 31 December 2021, the outstanding bond amount after payments and with all adjustments related to reporting is amounting USD 291 million.

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NOTE 13 - EQUITY

a) Share Capital

As of 31 December 2021 and 31 December 2020, the share capital amounts of the Group are as follows:

| | 31 December 2021 | (%) | 31 December 2020 | (%) |
|-------------------------------------|------------------|-----|------------------|-----|
| Zorlu Enerji Elektrik Üretim AŞ (*) | 2,695,000 | 100 | 1,045,000 | 100 |
| Total paid-in capital | 2,695,000 | | 1,045,000 | |

(*) Zorlu Enerji has 100% shares of the Company, The Company's share capital increased from TL 1,045,000 to TL 2,695,000. The new share capital is registered on 19 July 2021.

Paid - in capital of Zorlu Jeotermal has been increased from TL 185,000 to TL 405,000 with a resolution of the Extraordinary General Assembly dated 28 January 2021. The new share capital is registered on 1 February 2021. Additionally, paid - in capital of Zorlu Jeotermal has been increased from TL 405,000 to TL 1,333,500 with a resolution of the General Assembly dated 5 November 2021. The new share capital is registered on 10 November 2021.

Paid - in capital of Zorlu Doğal has been increased from TL 560,000 to TL 1,504,500 with a resolution of the General Assembly dated 11 November 2021. The new share capital is registered on 16 November 2021.

Paid - in capital of Rotor has been increased from TL 300,000 to TL 495,000 with a resolution of the General Assembly dated 5 November 2021. The new share capital is registered on 12 November 2021.

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

The Group's revaluation fund and actuarial losses that are not 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 2021 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 2021 and 2020.

As at 31 December 2021 and 2020, the movements for the revaluation fund are as follows:

| | |
|-------------------------|-------------------|
| 1 January 2020 | 2,858,092 |
| Revaluation fund | 1,799,680 |
| Transfers | (202,696) |
| 31 December 2020 | 4,455,076 |
| 1 January 2021 | 4,455,076 |
| Revaluation fund | 5,999,439 |
| Transfers | (253,403) |
| 31 December 2021 | 10,201,112 |

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NOTE 13 – EQUITY (Continued)

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 2021 amounted to TL 2,973 (31 December 2020: TL 2,115).

c) Other comprehensive income and expenses 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 non-financial liability.

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

| | 31 December 2021 | 31 December 2020 |
|--------------------------------------|--------------------|--------------------|
| Non-derivative financial instruments | (6,437,336) | (3,104,550) |
| Derivative financial instruments | (139,359) | (194,839) |
| | (6,576,695) | (3,299,389) |

NOTE 14 - DERIVATIVES

Non-derivative financial instruments

As explained in Note 2.4, the Group uses an investment loan amounting to USD 705,803 thousand and eurobond amounting to USD 154,400 thousand (31 December 2020: USD 865,722 thousand investment loan and other payables to Zorlu Enerji amounting to USD 90,000 thousand) as a hedging instrument against the USD spot exchange rate risk. The Group is exposed to due to highly probable YEKDEM sales income, and applies cash flow hedge accounting as a result of the effectiveness tests performed.

Alaşehir JES plant of Zorlu Jeotermal will sell electricity in scope of YEKDEM until 2025 and Kızıldere II JES plant and Kızıldere III JES 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 loan and bond which are subject to hedge relationships, Hedge ratios are 96% and between 66%-90%, for the years ending 31 December 2021 and 2020, respectively, These hedge ratios indicate the portion of YEKDEM sales income included in the effectiveness tests. As of 31 December 2021, prospective effectiveness ratio is 103% (31 December 2020: 101%-102%). As of 31 December 2021, retrospective effectiveness ratio is 102% (31 December 2020: between 100%-102%).

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NOTE 14 – DERIVATIVES (Continued)

| | <u>31 December 2021</u> | | <u>31 December 2020</u> | |
|---|-------------------------|---------------------------------|-------------------------|---------------------------------|
| | Original amount | Accounted under equity (TL) (*) | Original amount | Accounted under equity (TL) (*) |
| Hedged amount for foreign currency risk | 860,203 | (6,437,336) | 955,722 | (3,104,550) |
| | 860,203 | (6,437,336) | 955,722 | (3,104,550) |

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

Movement of hedge reserves in equity regarding non-derivative financial instruments during the period is as follows:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| As of 1 January | 3,104,550 | 2,249,573 |
| Credited to other comprehensive income - hedge reserves | 3,332,786 | 854,977 |
| As of 31 December | 6,437,336 | 3,104,550 |

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.

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NOTE 14 - DERIVATIVES (Continued)

| | 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 | 9,577,395 | (272,105) | (35,177) | (139,359) |
| | 738,000 | 9,577,395 | (272,105) | (35,177) | (139,359) |
| | 31 December 2020 | | | | |
| | 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 | 575,235 | 4,222,513 | (306,278) | (19,283) | (194,839) |
| | 575,235 | 4,222,513 | (306,278) | (19,283) | (194,839) |

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

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NOTE 14 – DERIVATIVES (Continued)

Movement of derivative financial instruments is as follows:

| | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| As of 1 January | (306,278) | (136,583) |
| Charged to income statement | | |
| - Financial expense (Note 18) | (35,177) | (19,283) |
| Credited to other comprehensive income | | |
| - Hedging reserves | 69,350 | (150,412) |
| As of 31 December | (272,105) | (306,278) |

NOTE 15 - REVENUE AND COST OF SALES

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|-----------------------------|---------------------------------|---------------------------------|
| Electricity and other sales | 2,019,482 | 1,492,912 |
| Revenue | 2,019,482 | 1,492,912 |
| Cost of sales (-) | (888,723) | (718,055) |
| Gross profit | 1,130,759 | 774,857 |

NOTE 16 - EXPENSES BY NATURE

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|--|---------------------------------|---------------------------------|
| Depreciation expenses (*) | 518,131 | 443,388 |
| Raw materials and supplies and trade goods expenses | 201,751 | 110,601 |
| Personnel expenses (**) | 47,321 | 37,254 |
| System usage fee | 36,440 | 41,042 |
| Insurance expenses | 30,719 | 18,151 |
| Operating expense of power stations | 29,924 | 45,709 |
| Other | 92,434 | 68,681 |
| | 956,720 | 764,826 |

(*) As of 31 December 2021, depreciation expenses are charged to cost of sales and general administrative expenses amount to TL 513,196 and TL 4,935, respectively (31 December 2020: cost of sales TL 442,591 and general administrative expenses TL 797).

(**) As of 31 December 2021, personnel expenses are charged to cost of sales and general administrative expenses amount to TL 30,173 and TL 17,148, respectively (31 December 2020: cost of sales TL 23,772 and general administrative expenses TL 13,482).

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NOTE 17 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income are as follows:

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|--|---------------------------------|---------------------------------|
| Interest income | 12,979 | 19 |
| Insurance income | 7,463 | 4,039 |
| Income from carbon sales | 3,851 | 903 |
| Foreign exchange gains from trade activities | 675 | 1,658 |
| Other income | 12,022 | 3,322 |
| | 36,990 | 9,941 |

The details of other operating expenses are as follows:

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|---|---------------------------------|---------------------------------|
| Foreign exchange losses from trade activities | 49,025 | 508 |
| Non-operation power plant expenses (*) | 27,347 | - |
| Interest expense | 14,921 | 11,433 |
| Other | 13,677 | 11,700 |
| | 104,970 | 23,641 |

(*) The cost relates to expenses in Kızıldere I and also land permission and use fees for Tekkehamam project.

NOTE 18 - FINANCE INCOME AND EXPENSES

Finance income:

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|-----------------------|---------------------------------|---------------------------------|
| Foreign exchange gain | 264,603 | 114,000 |
| Interest income | 29,082 | 1,210 |
| | 293,685 | 115,210 |

Finance expenses:

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|--|---------------------------------|---------------------------------|
| Foreign exchange loss | 1,695,100 | 652,522 |
| Interest expense | 786,352 | 582,684 |
| Commission and other expenses | 60,020 | 16,067 |
| Loss on derivative financial instruments | 35,177 | 19,283 |
| | 2,576,649 | 1,270,556 |

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NOTE 19 - TAXES

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 corporate income of the companies in Turkey and by deducting the exemptions in the tax laws was applied as 20% after 1 January 2021. However, according to “The Law On Collection Procedure of Public Receivables” which has been published on the Official Gazette numbered 31462 and dated 22 April 2021. Article 11 of “the Law on the Amendment of Some Laws” and the provisional article 13 which has been added to the Law No 5520 Corporate Tax, the income tax rate is applied as 25% for the corporate income related to the 2021 taxation period and 23% will be applied for the corporate income related to the 2022 taxation period. This change is applicable for the taxation of corporate income for the taxable periods beginning from 1 January 2021, beginning with the declarations that must be submitted as of 1 July 2021.

Corporations are required to pay advance corporate tax on their corporate income quarterly, at the rate of 25%, Advance tax is declared by the 14th and paid by the 17th of the second month following each calendar quarter end, Advance tax paid by corporations is credited against the annual corporate tax liability, If, despite offsetting, an amount of advance tax remains, it may be refunded or offset against other liabilities to the government,

The details of taxation on income for the periods ending 31 December 2021 and 2020 are as follows:

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|--------------------------------|---|---|
| Deferred tax income/ (expense) | 125,742 | (56,770) |
| | 125,742 | (56,770) |

The reconciliation of the tax income/ (expense) calculated using the current tax rate based on loss before tax and the current period tax expenses on the consolidated statement of profit or loss for the years ended 31 December 2021 and 2020 is as follows:

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|--|---|---|
| Loss before taxation | (1.288.182) | (440.960) |
| Effective tax rate | 25% | 22% |
| Tax calculated with effective tax rate | 322,046 | 97,011 |
| Deductions and exemptions | 42,476 | 1,012 |
| Disallowable expenses | (112,047) | (47,240) |
| Unrecognised tax losses | (161,642) | (100,375) |
| Effect of tax rate change | 33,276 | (5,898) |
| Other | 1,633 | (1,280) |
| Deferred tax income/ (expense) | 125,742 | (56,770) |

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NOTE 19 - TAXES (Continued)

Deferred taxes

The Group recognises deferred taxes based on all temporary differences arising between their financial statements as reported for IFRS and its statutory tax financial statements. As of 31 December 2021, 20% and 23% tax rate are used for the calculation of deferred tax assets and liabilities for companies established in Turkey depending on the estimation of on which years temporary differences will reverse (31 December 2020: 20%).

| | 31 December 2021 | 31 December 2020 |
|--|-------------------------|-------------------------|
| Deferred tax assets | 1,125,068 | 491,382 |
| Deferred tax liabilities | (2,098,154) | (909,891) |
| Deferred tax assets/(liabilities) - net | (973,086) | (418,509) |

| | 31 December 2021 | 31 December 2020 |
|---------------------------------|-------------------------|-------------------------|
| Deferred tax liabilities | 973,086 | 418,509 |
| Deferred tax liabilities | 973,086 | 418,509 |

The breakdowns of cumulative temporary differences and the resulting deferred tax assets/(liabilities) at 31 December 2021 and 31 December 2020 are as follows:

| | Temporary differences | | Deferred tax assets/(liabilities) | |
|---|-----------------------|------------------|-----------------------------------|------------------|
| | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
| Carryforward tax losses | (5,164,900) | (2,145,172) | 1,061,002 | 429,034 |
| Derivative financial instruments | (272,105) | (306,278) | 62,584 | 61,255 |
| Borrowings | 150,237 | 110,176 | (21,758) | (22,035) |
| Property, plant and equipment and intangible assets | 10,363,729 | 4,417,220 | (2,072,746) | (883,444) |
| Provision for employment termination benefit | (7,411) | (5,466) | 1,482 | 1,093 |
| Insurance income accruals | 22,336 | 12,242 | (5,137) | (2,448) |
| Other | (6,288) | 9,821 | 1,487 | (1,964) |
| Deferred tax assets/(liabilities) - net | | | (973,086) | (418,509) |

The movements of deferred tax liabilities as of 31 December 2021 and 2020 are as follows:

| | 2021 | 2020 |
|--|------------------|------------------|
| As of 1 January | (418,509) | (155,676) |
| Charged to statement of income | 125,742 | (56,770) |
| Charged to other comprehensive income/(loss) | (680,319) | (206,063) |
| 31 December 2021 | (973,086) | (418,509) |

The Group has carry forward tax losses amounting to TL 6,092,998 as of 31 December 2021 (31 December 2020: TL 2,433,672). As per assessments, the Group has recognised deferred tax assets of TL 1,061,002 (31 December 2020: TL 429,034) for its TL 5,164,900 (31 December 2020: TL 2,145,172) of carry forward tax losses, which the Group is considering offsetting in the future.

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NOTE 19 - TAXES (Continued)

The expiration dates of recognised carryforward tax losses are as follows:

| Due date | 31 December 2021 | 31 December 2020 |
|-----------------|-------------------------|-------------------------|
| 2021 | - | 19,805 |
| 2022 | 162,507 | 158,583 |
| 2023 | 1,068,630 | 1,045,463 |
| 2024 | 239,381 | 239,381 |
| 2025 | 680,381 | 681,940 |
| 2026 | 3,014,001 | - |
| | 5,164,900 | 2,145,172 |

The Group did not recognise deferred tax assets for the TL 928,098 of carry forward tax losses (31 December 2020: TL 288,500), The expiration dates of the Group's unrecognised carry forward tax losses are as follows:

| Due date | 31 December 2021 | 31 December 2020 |
|-----------------|-------------------------|-------------------------|
| 2021 | 281,213 | 261,408 |
| 2022 | - | 3,925 |
| 2023 | - | 23,167 |
| 2025 | 318 | - |
| 2026 | 646,567 | - |
| | 928,098 | 288,500 |

The analysis of deferred tax assets and liabilities is as follows:

| | 31 December 2021 | 31 December 2020 |
|---|-------------------------|-------------------------|
| Deferred tax assets: | | |
| - will be used less than 12 months | 62,570 | 18,422 |
| - will be used more than 12 months | 1,063,985 | 472,960 |
| | 1,126,555 | 491,382 |
| Deferred tax liabilities: | | |
| - will occur in less than 12 months | (150,374) | (65,569) |
| - will occur over 12 months | (1,949,267) | (844,322) |
| | (2,099,641) | (909,891) |
| Deferred tax assets/(liabilities), net | (973,086) | (418,509) |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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NOTE 20 - RELATED PARTY DISCLOSURES

i) **Related party balances:**

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

| | 31 December 2021 | 31 December 2020 |
|--|-------------------------|-------------------------|
| Zorlu Elektrik Enerjisi İhracat ve Toptan Ticaret AŞ (“Zorlu Elektrik Toptan”) (*) | 46,613 | 7,847 |
| Zorlu Enerji | 7,001 | - |
| Other | 303 | 1,921 |
| | 53,917 | 9,768 |

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

b) **Advances given to related parties**

| | 31 December 2021 | 31 December 2020 |
|---------------------------|-------------------------|-------------------------|
| Zorlu Enerji (Note 8) (*) | 630,610 | - |
| | 630,610 | - |

(*) As of 31 December 2021, the advance given to Zorlu Enerji is equal to USD 48,593 thousand with an annual effective interest rate of 7% (31 December 2020: None).

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

| | 31 December 2021 | 31 December 2020 |
|---|-------------------------|-------------------------|
| Zorlu Yapı Yatırım AŞ | 42,172 | - |
| Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ (“Zorlu O&M”) | 4,033 | 7,279 |
| Zorlu Elektrik Toptan | - | 7,730 |
| Zorlu Enerji | - | 16,859 |
| Zorlu Trade | - | 3,205 |
| Other | 855 | 731 |
| | 47,060 | 35,804 |

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NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

d) Short-term financial liabilities due to related parties

| | 31 December 2021 | 31 December 2020 |
|--------------|------------------|------------------|
| Zorlu Enerji | - | 597 |
| | - | 597 |

e) Long-term financial liabilities due to related parties

| | 31 December 2021 | 31 December 2020 |
|------------------|------------------|------------------|
| Zorlu Enerji (*) | - | 1,462,442 |
| | - | 1,462,442 |

(*) As of 31 December 2021, there is no financial natured debt owed to Zorlu Enerji (31 December 2020: USD 169,881 thousand, EUR 23,058 thousand and TL 7,730, interest rates are 9,53%, 5% and 20%, respectively).

ii) The details of major sales and purchase transactions between related parties for the periods between 1 January - 31 December 2021 and 2020 are as follows:

a) Sales to related parties

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|-----------------------|---------------------------------|---------------------------------|
| Zorlu Elektrik Toptan | 212,121 | 100,847 |
| Zorlu Enerji | 11,625 | - |
| Zorlu Trade | 2,716 | 14,501 |
| | 226,462 | 115,348 |

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

b) Purchases from related parties

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|---|---------------------------------|---------------------------------|
| Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ (“Zorlu O&M”) (*) | (29,924) | (45,709) |
| Zorlu Trade | (3,157) | (15,370) |
| Zorlu Enerji | (146) | (10,481) |
| Other | (130) | (3,023) |
| | (33,357) | (74,583) |

(*) The amount consists of repair and maintenance services obtained for power plants.

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NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

c) Finance income/(expense) from related parties

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|------------------|---------------------------------|---------------------------------|
| Zorlu Enerji (*) | (174,659) | (284,863) |
| Other | (13,435) | (5,047) |
| | (188,094) | (289,910) |

(*) Finance expenses and income from Zorlu Enerji consist of foreign currency income/ (expense) and interest income/ (expenses) arising from financing loans and receivables both in financing income/ (expense) accounts in financial statements. The borrowing costs of TL 126,829 directly related to the investments made as of 31 December 2021 (31 December 2020: TL 82,166) were capitalised on the relevant asset cost.

iii) Key management compensations for the periods between 1 January - 31 December 2021 and 2020 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 2021 | 1 January - 31 December 2020 |
|-----------------------|---------------------------------|---------------------------------|
| Salaries and benefits | 6,596 | 3,538 |
| | 6,596 | 3,538 |

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group’s activities expose it to a variety of financial risks. These risks are liquidity risk, market risk (interest rates, exchange rates), funding risk, capital risk management and credit risk.

Management’s program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance, The Group uses derivative financial instruments to hedge against 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 against financial risks in close co-operation with the Group’s operating units.

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(a) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate number of committed credit facilities and the ability to close out market positions, Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The following tables detail the Group’s remaining contractual maturity periods 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.

The analysis of the financial liabilities according to their maturity periods as of 31 December 2021 and 2020 is below:

Derivative and non-derivative financial liabilities:

| | Carrying value | Total cash outflow due to contract | 3 months or less | 3 - 12 months | 1 - 5 years | 5 year and more |
|---|-------------------|---|---------------------|------------------|-------------------|-----------------------|
| 2021 | | | | | | |
| Financial liabilities | 12,959,364 | 16,876,224 | 797,101 | 1,278,754 | 11,006,247 | 3,794,122 |
| Trade payables | 225,578 | 225,578 | 225,578 | - | - | - |
| Lease liabilities | 109,143 | 398,768 | 8,430 | 9,180 | 70,441 | 310,717 |
| Derivative financial liabilities for hedging | 272,105 | 272,105 | 60,332 | 49,199 | 135,433 | 27,141 |
| | 13,566,190 | 17,772,675 | 1,091,441 | 1,337,133 | 11,212,121 | 4,131,980 |

| | Carrying value | Total cash outflow due to contract | 3 months or less | 3 - 12 months | 1 - 5 years | 5 year and more |
|---|-------------------|---|------------------------|------------------|------------------|-----------------------|
| 2020 | | | | | | |
| Financial liabilities | 8,122,083 | 10,120,607 | 448,590 | 853,336 | 5,616,442 | 3,202,239 |
| Trade payables | 264,207 | 264,207 | 264,207 | - | - | - |
| Lease liabilities | 23,926 | 138,499 | 1,082 | 8,246 | 17,313 | 111,858 |
| Derivative financial liabilities for hedging | 306,278 | 306,278 | 36,763 | 35,542 | 190,297 | 43,676 |
| | 8,716,494 | 10,829,591 | 750,642 | 897,124 | 5,824,052 | 3,357,773 |

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk

Interest rate risk

The Group is exposed to interest risk in national and international markets due to the funding of its investments with various financing sources, Considering that corporate investments are financed using non-capital resources, an increase in interest rates seems to be an important risk factor.

The table of the interest rate position of the Group as of 31 December 2021 and 2020 is below:

| | 31 December 2021 | 31 December 2020 |
|---|-------------------------|-------------------------|
| Financial instruments with fixed interest rates | | |
| Cash and cash equivalents | 442,687 | 233,634 |
| Other receivables | 742 | 325 |
| Financial liabilities (*) | 3,876,841 | 1,351,495 |
| Lease liabilities | 109,143 | 23,926 |
| Financial instruments with floating interest rates | | |
| Financial liabilities | 9,082,523 | 6,770,588 |

(*) As at 31 December 2021, floating rate borrowings which the interest rates were fixed amounting TL 6,644,841 (31 December 2020: TL 2,873,394), are considered in floating rate financial borrowings.

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

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 loss before taxation would be TL 24,377 higher/lower as at 31 December 2021 (31 December 2020: loss before taxation would be TL 38,972 higher/lower). Floating rate borrowings which the interest rates were fixed were not 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, protection policies are applied to use 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 sales indexed mainly to USD.

The details of foreign currency assets and liabilities as of 31 December 2021 and 2020 are as follows:

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|--------------------------------------|---------------------------------|---------------------------------|
| Assets | 1,509,165 | 436,496 |
| Liabilities | (13,099,057) | (8,225,144) |
| Net foreign currency position | (11,589,892) | (7,788,648) |

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

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

| | | 31 December 2021 | | | |
|-----------|---|---|------------------|----------------|----------|
| | | TL equivalent (functional currency) | USD | EUR | Other |
| 1 | Trade receivables | 4,469 | 307 | 33 | - |
| 2a, | Monetary financial assets | 831,629 | 64,063 | 17 | 1 |
| 2b, | Non-monetary financial assets | 630,610 | 48,593 | - | - |
| 3 | Other | 42,457 | 2,699 | 506 | - |
| 4 | Current assets (1+2+3) | 1,509,165 | 115,662 | 556 | 1 |
| 5 | Trade receivables | - | - | - | - |
| 6a, | Monetary financial assets | - | - | - | - |
| 6b, | Non-monetary financial assets | - | - | - | - |
| 7 | Other | - | - | - | - |
| 8 | Non-current assets (5+6+7) | - | - | - | - |
| 9 | Total assets (4+8) | 1,509,165 | 115,662 | 556 | 1 |
| 10 | Trade payables | 170,415 | 11,103 | 1,793 | - |
| 11 | Financial liabilities | 1,990,511 | 153,382 | - | - |
| 12a, | Other monetary liabilities | - | - | - | - |
| 12b, | Other non-monetary liabilities | - | - | - | - |
| 13 | Short-term liabilities (10+11+12) | 2,160,926 | 164,485 | 1,793 | - |
| 14 | Trade payables | - | - | - | - |
| 15 | Financial liabilities | 10,938,131 | 842,853 | - | - |
| 16a, | Other monetary liabilities | - | - | - | - |
| 16b, | Other non-monetary liabilities | - | - | - | - |
| 17 | Long-term liabilities (14+15+16) | 10,938,131 | 842,853 | - | - |
| 18 | Total liabilities (13+17) | 13,099,057 | 1,007,338 | 1,793 | - |
| 19 | Net Asset/(Liability) Position Of Off Statement of Financial Position Derivative Instruments (19a-19b) | - | - | - | - |
| 19a, | Off Statement of Financial Position Foreign Currency Derivative Assets | - | - | - | - |
| 19b, | Off Statement of Financial Position Foreign Currency Derivative Liabilities | - | - | - | - |
| 20 | Net Foreign Currency Asset/(Liability) Position (9-18+19) | (11,589,892) | (891,676) | (1,237) | 1 |
| 21 | Net Foreign Currency Asset/(Liability) Position of Monetary Items (1+2a+5+6a-10-11-12a-14-15-16a) | (12,262,959) | (942,968) | (1,743) | 1 |
| 22 | Total Fair Value of Financial Instruments Used for Foreign Currency Hedging | - | - | - | - |
| 23 | Export | - | - | - | - |
| 24 | Import | 195,986 | 15,102 | - | - |

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

TL equivalents of assets and liabilities denominated in foreign currency held by the Group at 31 December 2020 are as follows:

| | | 31 December 2020 | | | |
|-----------|---|---|--------------------|-----------------|----------|
| | | TL equivalent (functional currency) | USD | EUR | Other |
| 1 | Trade receivables | 381 | 9 | 35 | - |
| 2a, | Monetary financial assets | 410,455 | 55,892 | 20 | 1 |
| 2b, | Non-monetary financial assets | - | - | - | - |
| 3 | Other | 25,660 | 3,230 | 216 | - |
| 4 | Current assets (1+2+3) | 436,496 | 59,131 | 271 | 1 |
| 5 | Trade receivables | - | - | - | - |
| 6a, | Monetary financial assets | - | - | - | - |
| 6b, | Non-monetary financial assets | - | - | - | - |
| 7 | Other | - | - | - | - |
| 8 | Non-current assets (5+6+7) | - | - | - | - |
| 9 | Total assets (4+8) | 436,496 | 59,131 | 271 | 1 |
| 10 | Trade payables | 184,784 | 22,941 | 1,819 | - |
| 11 | Financial liabilities | 1,177,068 | 148,778 | 9,432 | - |
| 12a, | Other monetary liabilities | - | - | - | - |
| 12b, | Other non-monetary liabilities | - | - | - | - |
| 13 | Short-term liabilities (10+11+12) | 1,361,852 | 171,719 | 11,251 | - |
| 14 | Trade payables | - | - | - | - |
| 15 | Financial liabilities | 6,863,292 | 886,889 | 39,197 | - |
| 16a, | Other monetary liabilities | - | - | - | - |
| 16b, | Other non-monetary liabilities | - | - | - | - |
| 17 | Long-term liabilities (14+15+16) | 6,863,292 | 886,889 | 39,197 | - |
| 18 | Total liabilities (13+17) | 8,225,144 | 1,058,608 | 50,448 | - |
| 19 | Net Asset/(Liability) Position Of Off Statement of Financial Position Derivative Instruments (19a-19b) | - | - | - | - |
| 19a, | Off Statement of Financial Position Foreign Currency Derivative Assets | - | - | - | - |
| 19b, | Off Statement of Financial Position Foreign Currency Derivative Liabilities | - | - | - | - |
| 20 | Net Foreign Currency Asset/(Liability) Position (9-18+19) | (7,788,648) | (999,477) | (50,177) | 1 |
| 21 | Net Foreign Currency Asset/(Liability) Position of Monetary Items (1+2a+5+6a-10-11-12a-14-15-16a) | (7,814,308) | (1,002,707) | (50,393) | 1 |
| 22 | Total Fair Value of Financial Instruments Used for Foreign Currency Hedging | - | - | - | - |
| 23 | Export | - | - | - | - |
| 24 | Import | 34,713 | 4,729 | - | - |

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (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 2021 and 2020, 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 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 | (1,157,173) | 1,157,173 | (1,157,173) | 1,157,173 |
| Amount of hedged against USD risk (-) | 1,116,328 | (1,116,328) | - | - |
| USD net effect | (40,845) | 40,845 | (1,157,173) | 1,157,173 |
| +/-10% fluctuation of EUR rate | | | | |
| EUR net asset/liability | (1,816) | 1,816 | (1,816) | 1,816 |
| EUR net effect | (1,816) | 1,816 | (1,816) | 1,816 |
| Total net effect | (42,661) | 42,661 | (1,158,989) | 1,158,989 |

31 December 2020

| | Gain/(Loss) | | Equity | |
|------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| +/-10% fluctuation of USD | | | | |
| USD net asset/liability | (733,666) | 733,666 | (733,666) | 733,666 |
| Amount hedged against USD risk (-) | 701,548 | (701,548) | - | - |
| USD net effect | (32,118) | 32,118 | (733,666) | 733,666 |
| +/-10% fluctuation of EUR | | | | |
| EUR net asset/liability | (45,199) | 45,199 | (45,199) | 45,199 |
| EUR net effect | (45,199) | 45,199 | (45,199) | 45,199 |
| Total net effect | (77,317) | 77,317 | (778,865) | 778,865 |

As of 31 December 2021, the Group used its investment loans of USD 705,803 thousand and eurobond amounting to USD 154,400 thousand (31 December 2020: USD 865,722 thousand investment loan and other payables to Zorlu Enerji amounting to USD 90,000 thousand) as a hedging instruments to hedge against the exchange rate risk resulting from the highly probable sales income earned in the scope of YEKDEM, and implemented cash flow hedge accounting for highly-probable YEKDEM sales as a result of efficiency tests carried out within this scope.

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NOTE 21 - FINANCIAL INSTRUMENTS AND 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 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 it is able to continue as a going concern, while maximising returns to stakeholders through the optimisation of the debt and equity balance.

The net debt/total equity ratio as of 31 December 2021 and 2020 is as below:

| | 31 December 2021 | 31 December 2020 |
|--|-------------------|------------------|
| Financial liabilities (Note 4) | 13,068,507 | 8,146,009 |
| Less: Cash and Cash Equivalents (Note 3) | 848,160 | 418,747 |
| Net financial debt | 12,220,347 | 7,727,262 |
| Total equity | 4,202,440 | 993,605 |
| Net debt/total equity | 2.91 | 7.78 |

(e) *Credit risk*

Group companies participate in the renewable feed-in tariff mechanism YEKDEM or Day-Ahead Market and receive steady collections. Therefore there is no potential credit risk on trade receivables.

Where the Group enters bilateral electricity sale agreements, in order to eliminate potential trade receivable collection risk the Group makes use of certain credit control procedures, credit rating systems and internal control policies. The Group makes use of the same credit risk management tools on the supplier side as well.

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(e) Credit risk (Continued)

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

| 31 December 2021 | <u>Trade receivables</u> | | <u>Other receivables</u> | | Bank deposits |
|--|--------------------------|---------------|--------------------------|------------|----------------|
| | Related parties | Other | Related parties | Other | |
| Maximum credit risk exposure as of the reporting date (A+B+C+D+E) | 53,917 | 92,006 | - | 742 | 848,160 |
| - Secured portion of the maximum risk by guarantees | - | - | - | - | - |
| A, Net book value of financial assets not due or not impaired | 53,917 | 92,006 | - | 742 | 848,160 |
| B, Net book value of financial assets for which conditions have been renegotiated that otherwise would be classified as past due or impaired | - | - | - | - | - |
| C, Net book value of assets past due but not impaired | - | - | - | - | - |
| - <i>The part covered by guarantees</i> | - | - | - | - | - |
| D, Net book value of assets impaired | - | - | - | - | - |
| - <i>Past dues (gross book value)</i> | - | - | - | - | - |
| - <i>Collateral held as security and guarantees received</i> | - | - | - | - | - |
| - <i>Impairment (-)</i> | - | - | - | - | - |
| E, Off-balance items exposed to credit risk | - | - | - | - | - |

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(e) Credit risk (Continued)

The Group’s exposure to credit risk as of 31 December 2020 based on different financial instruments is as follows:

| 31 December 2020 | <u>Trade receivables</u> | | <u>Other receivables</u> | | Bank deposits |
|--|--------------------------|---------------|--------------------------|------------|----------------|
| | Related parties | Other | Related parties | Other | |
| Maximum credit risk exposure as of the reporting date (A+B+C+D+E) | 9,768 | 98,752 | - | 325 | 418,747 |
| - Secured portion of the maximum risk by guarantees | - | - | - | - | - |
| A, Net book value of financial assets not due or not impaired | 9,768 | 98,752 | - | 325 | 418,747 |
| B, Net book value of financial assets for which conditions have been renegotiated that otherwise would be classified as past due or impaired | - | - | - | - | - |
| C, Net book value of assets past due but not impaired | - | - | - | - | - |
| - <i>The part covered by guarantees</i> | - | - | - | - | - |
| D, Net book value of assets impaired | - | - | - | - | - |
| - <i>Past dues (gross book value)</i> | - | - | - | - | - |
| - <i>Collateral held as security and guarantees received</i> | - | - | - | - | - |
| - <i>Impairment (-)</i> | - | - | - | - | - |
| E, Off-balance items exposed to credit risk | - | - | - | - | - |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

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NOTE 22 - FINANCIAL INSTRUMENTS

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

Due to their short-term nature, the fair value of cash and cash equivalents, trade and other receivables represents their book value.

Financial liabilities

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

The fair value of foreign currency denominated borrowings with variable interests is obtained by discounting the projected cash flows using estimated market interest rates.

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).

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NOTE 22 - FINANCIAL INSTRUMENTS (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 2021 and 2020:

| Derivative financial instruments | 31 December 2021 | 31 December 2020 |
|---|-------------------------|-------------------------|
| Level 1 | - | - |
| Level 2 | (272,105) | (306,278) |
| Level 3 | - | - |
| | (272,105) | (306,278) |

NOTE 23 - EARNING/ (LOSS) PER SHARE

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

| | 1 January – 31 December 2021 | 1 January – 31 December 2020 |
|---|---|---|
| Loss for Group equity holders | (1,162,440) | (497,730) |
| Weighted average value of each of the issued shares | 1,870,000 | 1,045,000 |
| Loss per 100 shares (TL) | (62.16) | (47.63) |

The nominal value of each issued share as of 31 December 2021 and 2020 is 1 TL.

NOTE 24 – SUPPLEMENTARY INFORMATION ON STATEMENT OF CASH FLOW

Supplementary information for the details included in the consolidated statement of cash flow as at 31 December 2021 and 2020 are shown below:

Other adjustments related to net profit/ (loss) reconciliation

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|-----------------------------|---|---|
| Commission amortization | 25,142 | 12,798 |
| Change in insurance accrual | (22,336) | (18,015) |
| | 2,806 | (5,217) |

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NOTE 24 – SUPPLEMENTARY INFORMATION ON STATEMENT OF CASH FLOW (Continued)

Other cash inflows/ (outflows) from financing activities

| | 1 January - 31 December 2021 | 1 January - 31 December 2020 |
|----------------------------------|---------------------------------|---------------------------------|
| Commissions paid | (28,450) | (13,019) |
| Change in due to related parties | (63,762) | 49,453 |
| Change in restricted cash | (104) | (561) |
| | (92,316) | 35,873 |

NOTE 25 - EVENTS AFTER REPORTING PERIOD

As per the material event disclosure dated 3 January 2022, Rotor aims to establish a "Combined Renewable Electricity Generation Facility (Main Source GPP + Auxiliary Source SPP)" to generate electricity from solar energy in integration with the Gökçedağ wind power plant, which has an installed capacity of 135 MWm/135 MWe and license capacity of 150,6 MWm / 150,6 MWe in Osmaniye Bahçe. In this context, an application was made to the Energy Market Regulatory Authority to amend the current electricity generation license capacity of the power plant to 160,209 MWm / 150,6 MWe.

As per the material event disclosures dated 13 January 2022 and 21 February 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 disclosures dated 13 January 2022 and 17 February 2022, the term of the pre-license for 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 3 March 2022, Zorlu Doğal, will establish a solar power plant to be integrated to its existing Kızıldere 1 GPP (installed capacity :15 MWm / 15 MWe) in Sarayköy, Denizli, 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 1 GPP to 15.99 MWm / 15 MWe.

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