



# ZORLU RENEWABLES

## Review of 4Q22 Financial Results

2 May 2023



## Review of 2022

- ❑ 17% growth in revenues and EBITDA driven by increased hydro output and higher sales prices for merchant power plants
- ❑ Application of inflation accounting from June 30, 2022
- ❑ Shift to positive bottomline thanks to decline in net financial expenses and higher net monetary gains
- ❑ Continued decline in leverage
- ❑ Commissioning of the new 3.6 MW solar power plant at Alaşehir GPP in December
- ❑ Completion of USD35 mn of capex during the year



### 2022 HIGHLIGHTS

**USD 253 mn**

**Revenues**

**USD 198 mn**

**EBITDA**

**78.4%**

**EBITDA  
Margin**

**4.4x**

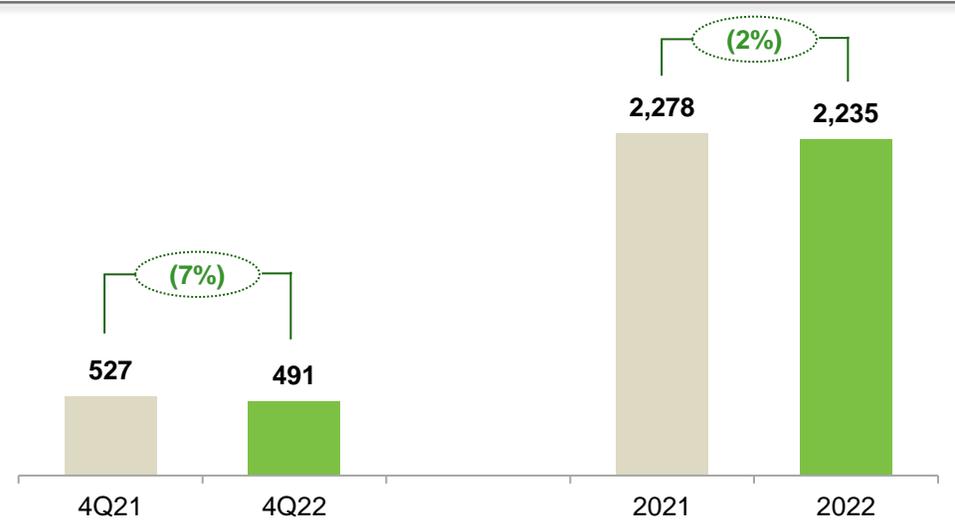
**Net Debt/EBITDA**

## Application of Inflation Accounting

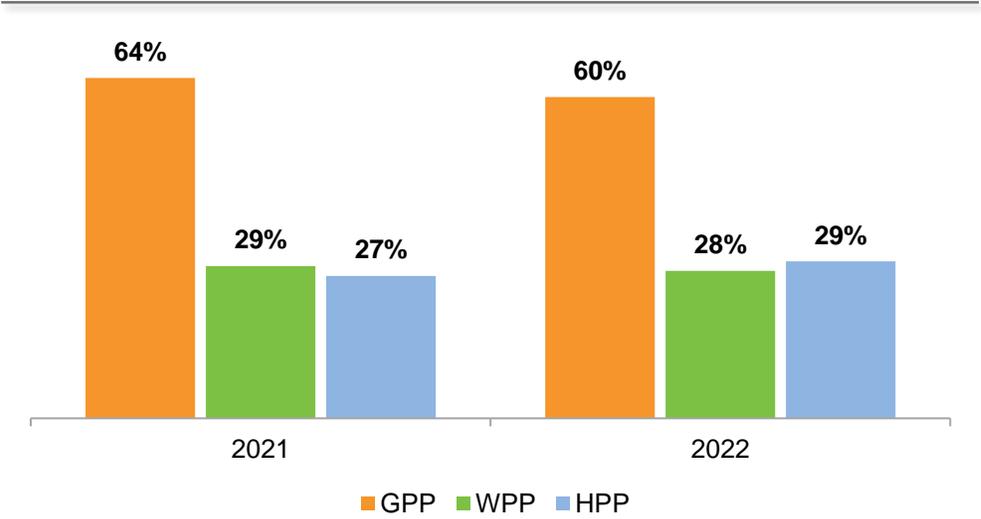
- Zorlu Renewables began to apply inflation accounting (**IAS 29 – “Financial Reporting in Hyperinflationary Economies”**) as of June 30, 2022 under IFRS, which requires the application of IAS 29 if cumulative three-year inflation rate approaches or exceeds 100%.
- IAS 29 requires non-monetary assets and liabilities, shareholders’ equity and comprehensive income to be stated in terms of the measuring unit current at the reporting date.
- Corresponding figures for the previous periods are also restated in the same terms.
- One of the objectives of the IAS 29 is to account for the financial gain or loss that arises from holding monetary assets or liabilities during a reporting period (the monetary gain or loss).
- The monetary gain or loss is calculated as the difference between the historical cost amounts and the result from the restatement of non-monetary items, shareholders’ equity and income statement items.
- The monetary gain/(loss) is reported as a separate item in the restated income statement.
- Zorlu Renewables’ comparative financial statements for the full-year 2021 are also adjusted for inflation and are presented in terms of the purchasing power as of the end of 2022
- All restated financial statements are converted into USD by using the USD/TL exchange rate prevailing as of December 30, 2022 for convenience purposes
- Due to differences between the changes in CPI and the USD/TL rate, the restated USD numbers for the full-year 2021 may differ from the previously reported figures

# Electricity Generation

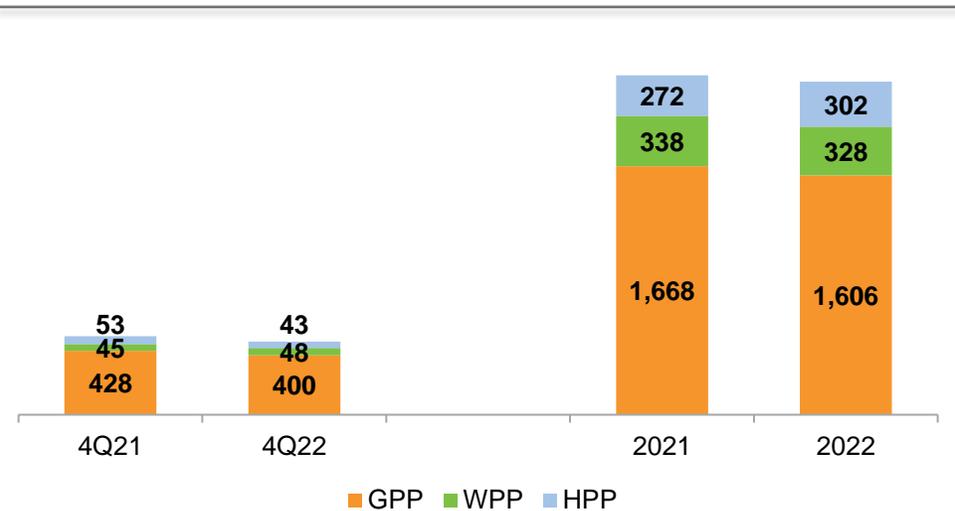
## Net Electricity Generation (GWh)



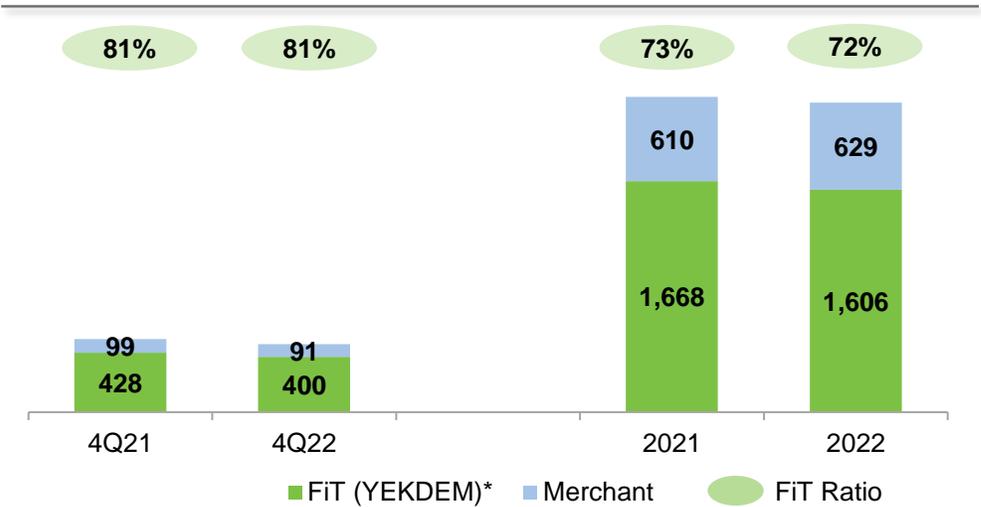
## Net Capacity Factors



## Net Generation by Technology (GWh)



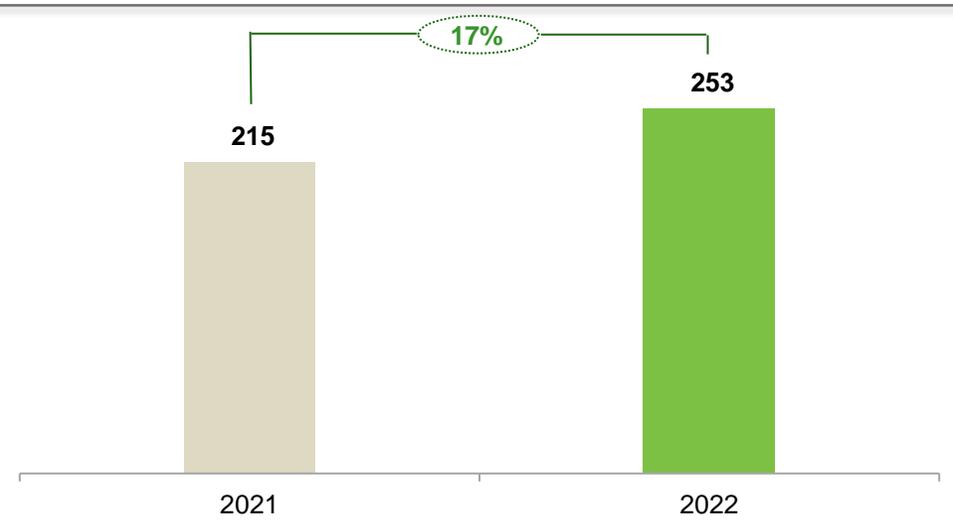
## Net Generation Under FiT Mechanism\* (GWh)



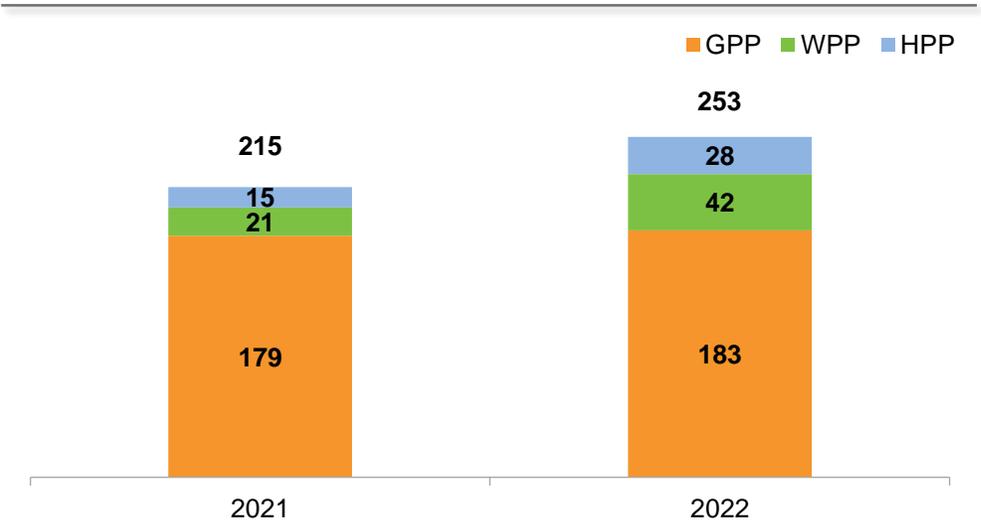
\* YEKDEM is the Turkish FiT mechanism which provides USD based fixed price support for electrical energy produced from renewable energy sources

# Revenues\* (Inflation Adjusted IAS 29)

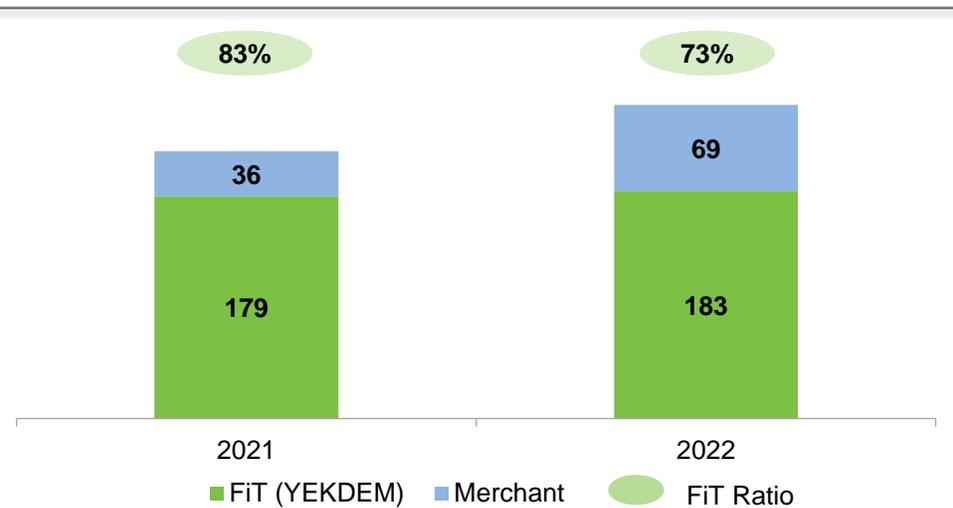
Revenues (USD mn) <sup>1</sup>



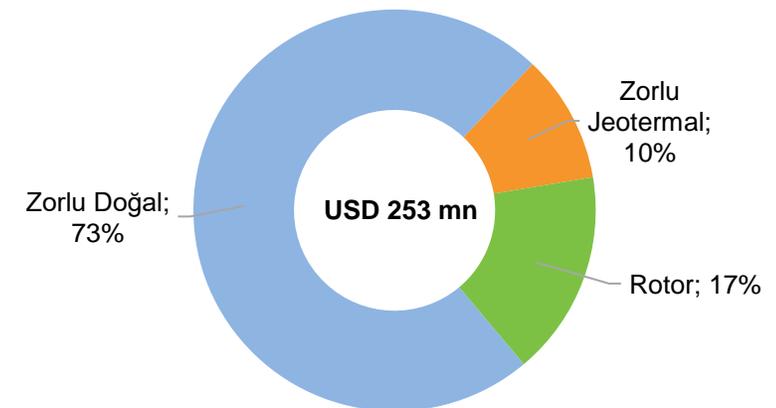
Revenues by Technology (USD mn) <sup>2</sup>



Revenues Under FiT Mechanism (USD mn) <sup>3</sup>



Revenues by SPV (USD mn) – 2022



\*Zorlu Renewables began to apply inflation accounting as of June 30, 2022 under IFRS. Due to differences between the rates of inflation and changes in USD/TL exchange rate, the restated USD numbers for 2021 differ from the previously reported figures.

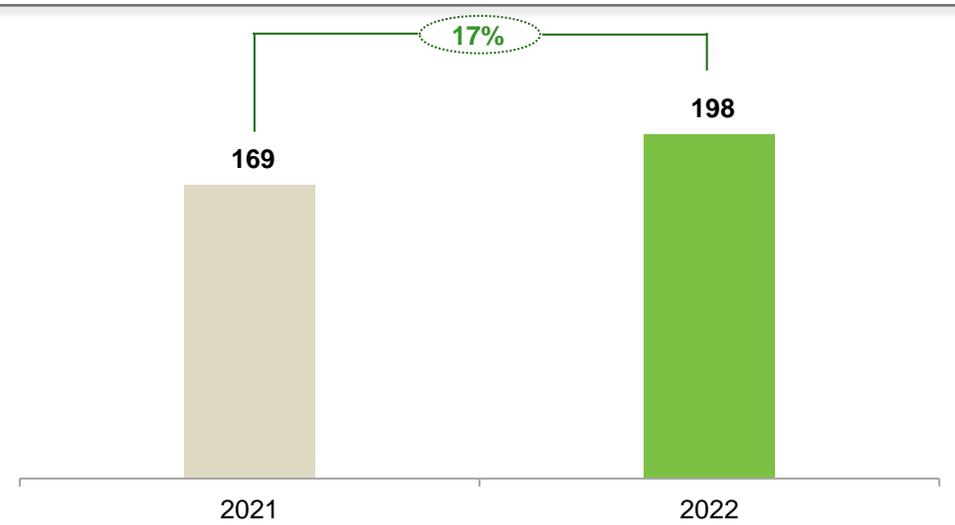
<sup>1</sup> Revenues for 2021 (USD mn) previously reported as (without IAS29): 227

<sup>2</sup> Revenue by Technology for 2021 (USD mn) previously reported as (without IAS29): GPP: 190 WPP: 22 HPP: 16 Total: 227

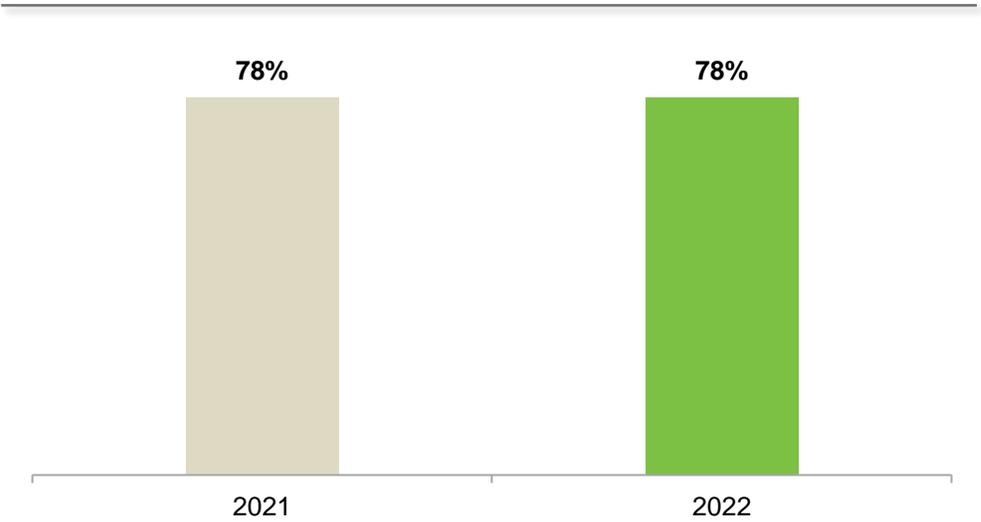
<sup>3</sup> Revenues under FiT Mechanism for 2021 (USD mn) previously reported as (without IAS29): FiT (YEKDEM): 190 Merchant: 38

# EBITDA\* (Inflation Adjusted IAS 29)

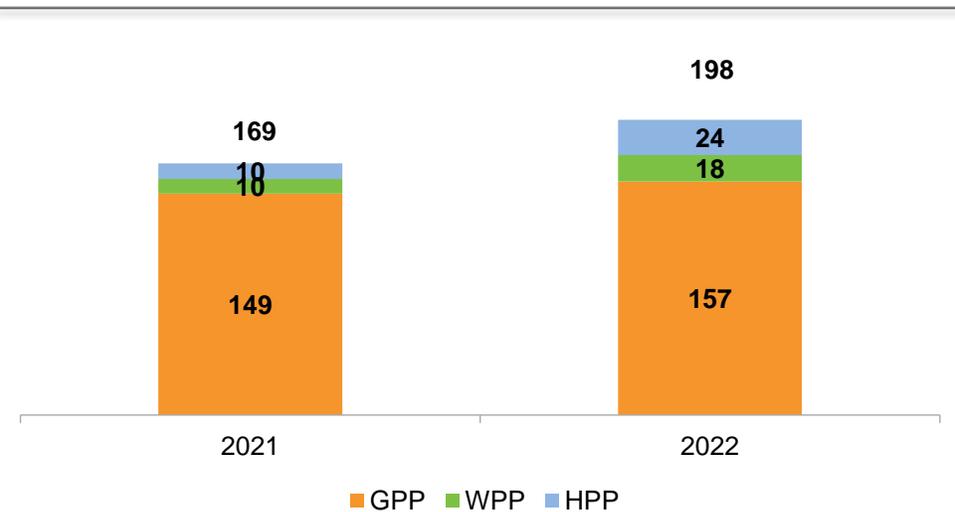
EBITDA (USD mn) <sup>1</sup>



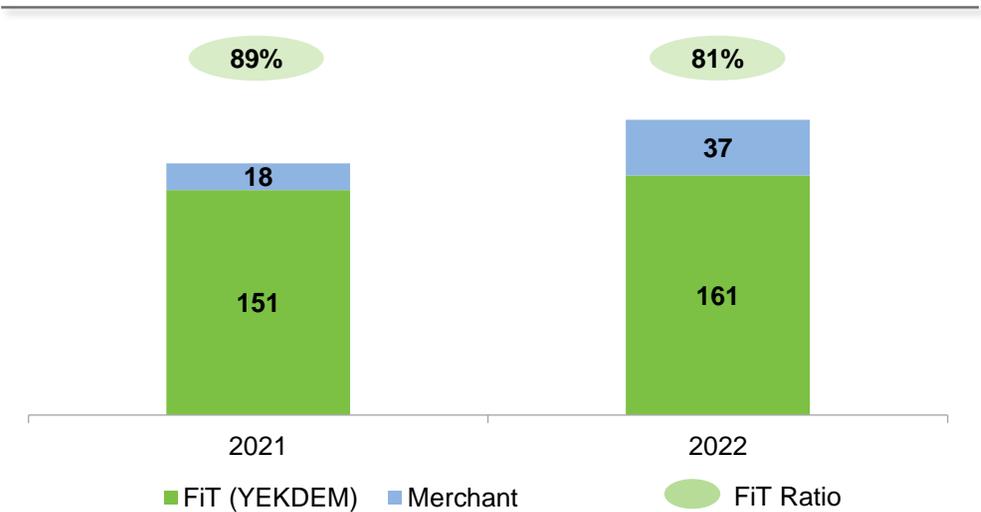
EBITDA Margin



EBITDA by Technology (USD mn) <sup>2</sup>



EBITDA Under FiT Mechanism (USD mn) <sup>3</sup>



<sup>1</sup>Zorlu Renewables began to apply inflation accounting as of June 30, 2022 under IFRS. Due to differences between the rates of inflation and changes in USD/TL exchange rate, the restated USD numbers for 2021 differ from the previously reported figures.

<sup>1</sup> EBITDA for 2021 (USD mn) previously reported as (without IAS29): 178

<sup>2</sup> EBITDA by Technology for 2021 (USD mn) previously reported as (without IAS29): GPP: 157 WPP: 10 HPP: 11

<sup>3</sup> EBITDA under FIT Mechanism for 2021 (USD mn) previously reported as (without IAS29): FIT (YEKDEM):159

Merchant: 18

## Breakdown by SPV

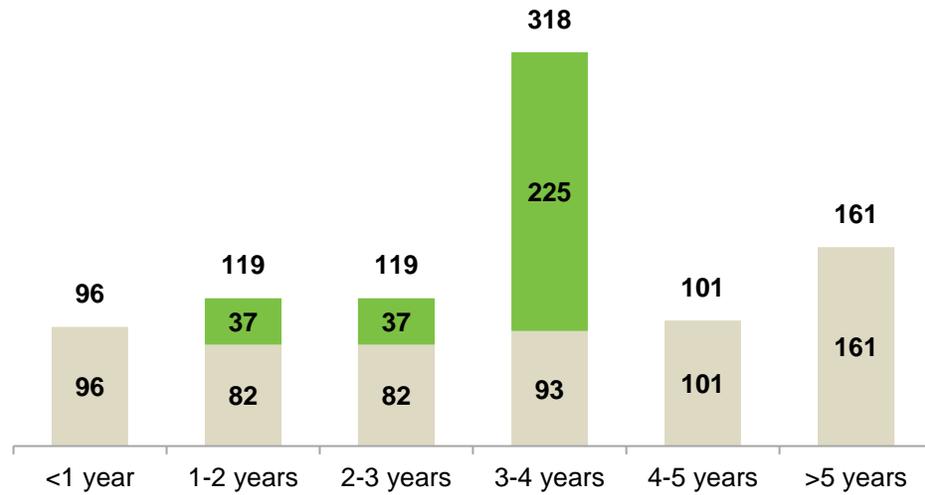
USD mn	Net Sales <sup>1</sup>			EBITDA <sup>2</sup>			EBITDA Margin	
	2021	2022	YoY	2021	2022	YoY	2021	2022
Zorlu Doğal	170	185	9%	139	158	14%	82%	86%
Zorlu Jeotermal	25	26	4%	20	22	11%	79%	85%
Rotor	21	42	99%	10	18	77%	48%	42%
<b>TOTAL</b>	<b>215</b>	<b>253</b>	<b>17%</b>	<b>169</b>	<b>198</b>	<b>17%</b>	<b>78%</b>	<b>78%</b>

<sup>1</sup> 2021 Net Sales (USD mn) previously reported as (without IAS29): Zorlu Doğal: 180 Zorlu Jeotermal: 26 Rotor: 22 Total: 227

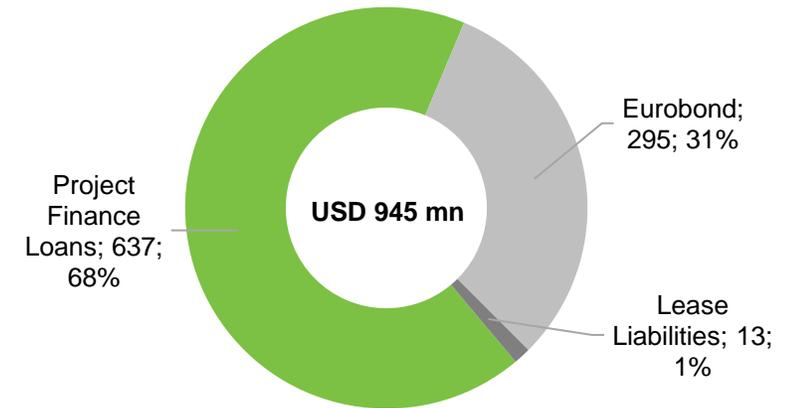
<sup>2</sup> 2021 EBITDA (USD mn) previously reported as (without IAS29): Zorlu Doğal: 147 Zorlu Jeotermal: 21 Rotor: 10 Total: 178

# Financial Debt

Maturity Profile of Financial Debt (USD mn)

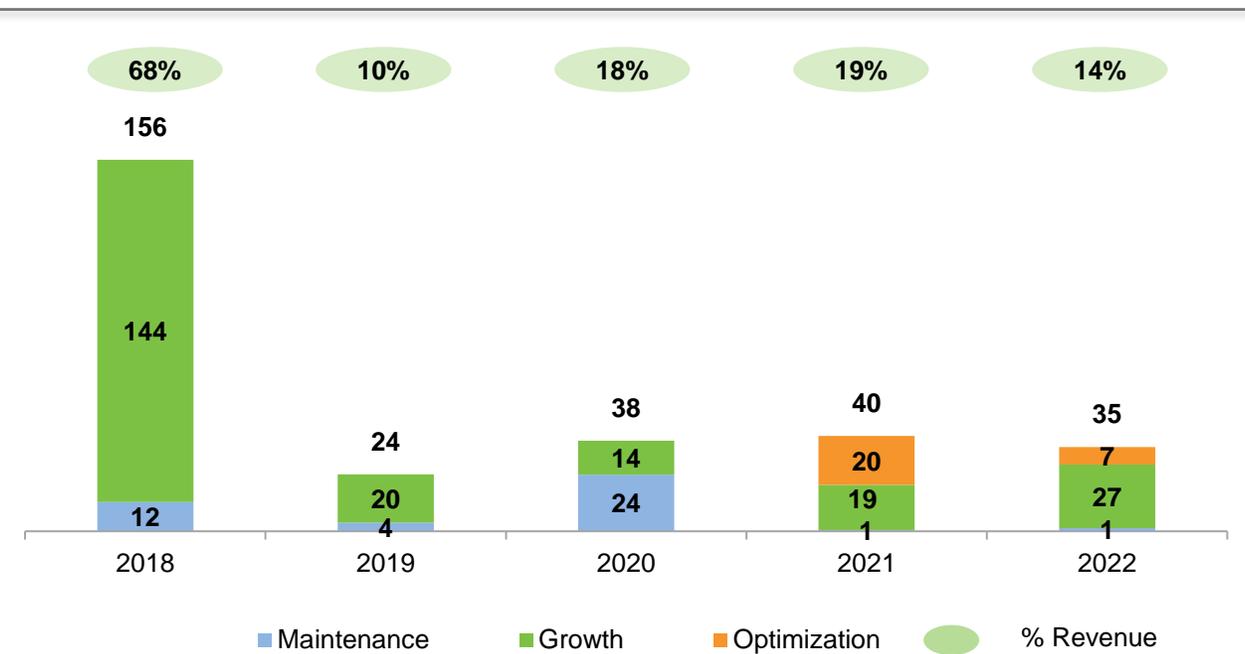


Breakdown of Gross Financial Debt (USD mn)



# CAPEX

CAPEX (USD mn)



- **Growth Capex:** Investment works for Alaşehir 2 GPP, Alaşehir I Rooftop SPP, Kızıldere and Gökçedağ hybrid power plants
- **Optimization Capex:** Installation of ESP pumps and make-up wells at Kızıldere 2&3 and Alaşehir 1 GPPs
- **Maintenance Capex:** Minor works at Rotor WPP, Kızıldere GPPs and İkizdere HPP

## Hybrid Power Projects

Power Plant	Type	Current Capacity (MW)	Solar Capacity (MW)	Capex (USDmn)	Expected CoD
<b>Alaşehir 1</b>	Geothermal	45	3.75	3	Dec. 2022 & Jan. 2023
<b>Kızıldere 1</b>	Geothermal	15	0.99	0.85	November 2023
<b>Kızıldere 2</b>	Geothermal	80	11.99	9.5	January 2024
<b>Kızıldere 3</b>	Geothermal	165	Phase 1: 24.75	21.94	January 2024
<b>Kızıldere 3</b>	Geothermal	165	Phase 2: 32.6	-	The license will be obtained after the permit process (Environmental Impact Assessment) is completed.
<b>Gökçedağ</b>	Wind	135	9.61	7.5	December 2023

- The 3.6 MW solar power plant at Alaşehir GPP, which was added as a secondary source, was commissioned in December 2022 while the 0.1663 MWp rooftop solar system became operational in January 2023
- License amendments and environmental impact assessments for the addition of solar power are completed for the Kızıldere 1 & 2 GPPs and Gökçedağ WPP
- The electricity from solar power will be used for internal consumption, hence maximizing net generation under FiT
- Solar power plants will benefit from the geothermal FiT of USD105/MWh until the expiration of the FiT period for the main plants

# Income Statement

(USD mn)	Unadjusted 2021*	2021 (IAS 29)**	2022 (IAS 29)**	YoY
<b>Sales</b>	<b>227.7</b>	<b>215.4</b>	<b>252.6</b>	<b>17%</b>
Cost of Sales	-100.0	-100.3	-131.4	31%
<b>Gross Profit</b>	<b>127.7</b>	<b>115.1</b>	<b>121.3</b>	<b>5%</b>
<b>Gross Margin (%)</b>	<b>56.1%</b>	<b>53.4%</b>	<b>48.0%</b>	
General administrative expenses	(7.7)	(7.2)	(6.6)	(9%)
Other operating income	3.7	3.9	5.7	44%
Other operating expenses	(11.8)	(11.1)	(9.8)	(12%)
<b>Operating Income</b>	<b>112.0</b>	<b>100.7</b>	<b>110.6</b>	<b>10%</b>
<b>EBITDA***</b>	<b>178.3</b>	<b>168.9</b>	<b>198.1</b>	<b>17%</b>
<b>EBITDA Margin (%)</b>	<b>78.3%</b>	<b>78.4%</b>	<b>78.4%</b>	
Gain on Monetary Position	-	161.7	184.7	14%
Financial Income	33.1	29.9	77.3	159%
Financial Expenses	(290.0)	(269.2)	(247.7)	(8%)
<b>Profit Loss Before Tax</b>	<b>(145.0)</b>	<b>23.1</b>	<b>124.8</b>	<b>441%</b>
Deferred Tax Income/(Expense)	14.2	(35.0)	(70.8)	102%
<b>Net Loss</b>	<b>(130.8)</b>	<b>(11.9)</b>	<b>54.1</b>	<b>n.m.</b>

\* Converted at the average USD/TL exchange rate of 8.89 for 2021, figures were restated due to reclassification of some items

\*\* Converted at the end-of period (31 December 2022) USD/TL exchange rate of 18.6983

\*\*\* Other operating income and expenses are excluded

## YoY comparison of IAS 29 Financials

### □ 17% growth in revenues

- Higher sales prices for merchant power plants thanks to surging electricity prices in the spot market despite introduction of price caps from April
- 11% increase in hydro generation driven by improving precipitation levels in 2022

### □ 17% increase in EBITDA

- Increasing EBITDA generation from merchant power plants thanks to higher sales prices
- 21% of EBITDA coming from merchant power plants, up from 12% in 2021
- 6% growth in FiT EBITDA driven by Alaşehir & Kızıldere 3 GPPs

### □ Decline in net financial expenses on the back of lower net FX losses and hedging gains on existing IRS agreements due to increase in interest rates in 2022

### □ Increase in net monetary gains mainly driven by the revaluation of power plants

### □ Application of IAS 29 improving bottomline thanks to net monetary liability position

# Balance Sheet

(USD mn)	Unadjusted 31.12.2021*	31.12.2021 (IAS 29)**	31.12.2022 (IAS 29)**
Cash & cash equivalents	65	75	70
Trade receivables	11	13	28
Inventories	8	9	7
Prepaid expenses	49	56	41
Other current assets	3	4	3
<b>Total Current Assets</b>	<b>136</b>	<b>155</b>	<b>149</b>
Property, plant and equipment	1,303	1,513	1,754
Right of use assets	8	12	21
Intangible assets	1	2	1
<b>Total Non-current Assets</b>	<b>1,312</b>	<b>1,526</b>	<b>1,801</b>
<b>Total Assets</b>	<b>1,449</b>	<b>1,682</b>	<b>1,950</b>
Short-term financial liabilities	157	179	176
- Short-term loans & borrowings	8	9	11
- Short term portion of long-term borrowings	123	140	138
- Lease liabilities	1	1	2
- Issued Bonds	25	29	25
Trade payables	17	20	23
Other current liabilities	12	14	2
<b>Total Current Liabilities</b>	<b>187</b>	<b>213</b>	<b>201</b>
Long-term financial liabilities	850	969	769
- Long-term loans & borrowings	577	658	488
- Lease liabilities	7	8	11
- Issued Bonds	266	303	269
Deferred tax liability	75	92	204
Other non-current liabilities	13	15	1
<b>Total Non-current Liabilities</b>	<b>938</b>	<b>1,076</b>	<b>974</b>
<b>Shareholders' Equity</b>	<b>324</b>	<b>393</b>	<b>775</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,449</b>	<b>1,682</b>	<b>1,950</b>

\* Converted at the end-of period (December 31, 2021) USD/TL exchange rate of 12.9775

\*\* Converted at the end-of period (December 31, 2022) USD/TL exchange rate of 18.6983

- Revaluation of power plants to fair value both in June and December in 2022 in line with the IAS 16
- Decline in financial debt thanks to scheduled amortization on Zorlu Doğal's loan (c.USD130.6 mn including interest payment) in 2022
- USD 27 mn coupon payment on Eurobond during the year
- Accumulated losses turn into accumulated gains due to inflation accounting and a higher increase in non-monetary assets vs. non-monetary liabilities

# FX Position

	31.12.2022	
(US\$ mn)	US\$	Euro
Total FX Assets	105	1
Total FX Liabilities	(940)	(1)
Net Position of Derivative Instruments	-	-
<b>Net FX Position</b>	<b>(835)</b>	<b>(0)</b>
<b>Hedged Position</b>	<b>644</b>	<b>-</b>
<b>Net FX Position After Hedging</b>	<b>(191)</b>	<b>(0)</b>

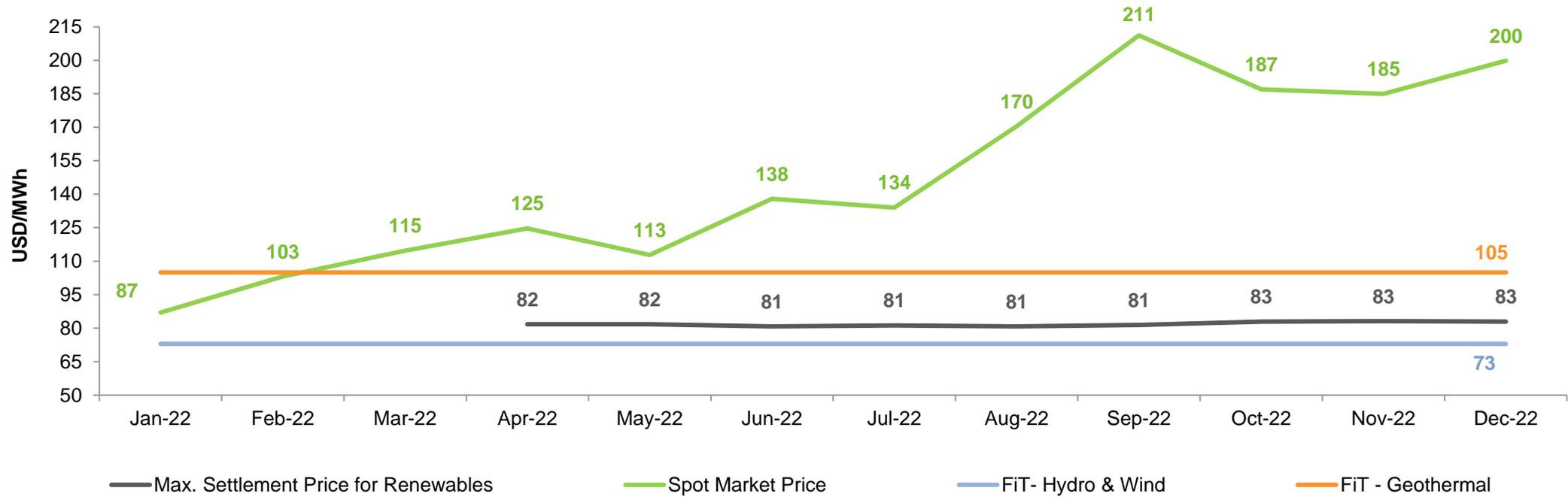
## Hedge Accounting

- Zorlu Renewables applies cash flow hedge accounting
- As of December 31, 2022, USD559 mn of investment loans and USD85 mn of Eurobonds are used as a hedging instrument against exchange rate risk arising from the USD based YEKDEM revenues
- Under hedge accounting, the recognition of TL4,529 mn of foreign currency losses was deferred under equity in 2022

## Introduction of Temporary Price Caps for Merchant Power Plants

- As of April 1, price caps were introduced for merchant power plants in order to tackle surging energy prices and ensure supply security
- The measure was extended twice and will remain in effect until the end of September 2023 if not extended further
- Price caps vary according to type of generation technology and are reset monthly based on the changes in PPI, USD/TL rate, fuel prices and transmission system usage fees
- For renewable power plants the price cap was set at c. USD80/MWh
- Although this measure caps the revenues of low-cost generators, merchant wind and hydro power plants still capture a price above the YEKDEM feed-in tariff of USD73/MWh
- The surplus funds (i.e. the difference between market price and price caps) collected in the pool are channeled to incumbent supply companies in order to support regulated electricity users (households and small businesses)

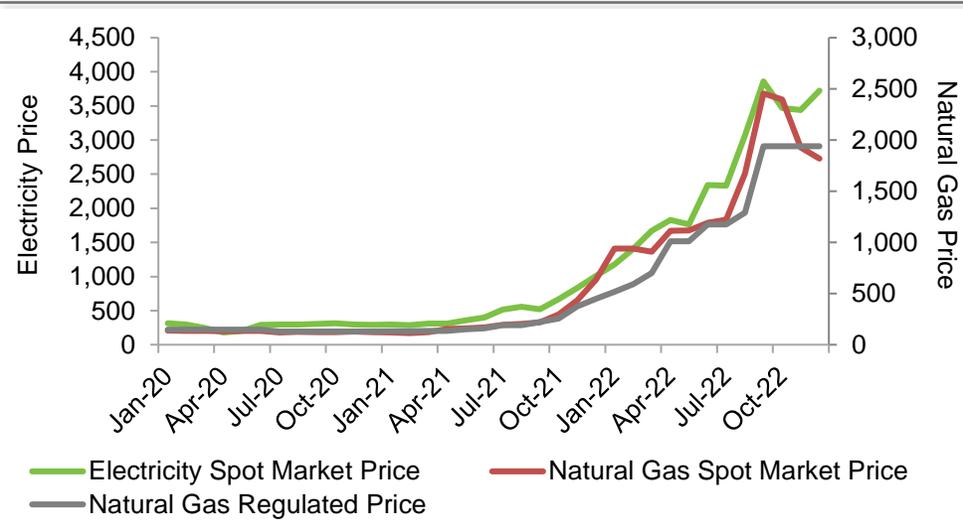
# Spot Prices vs. Price Caps & FiTs (USD/MWh)



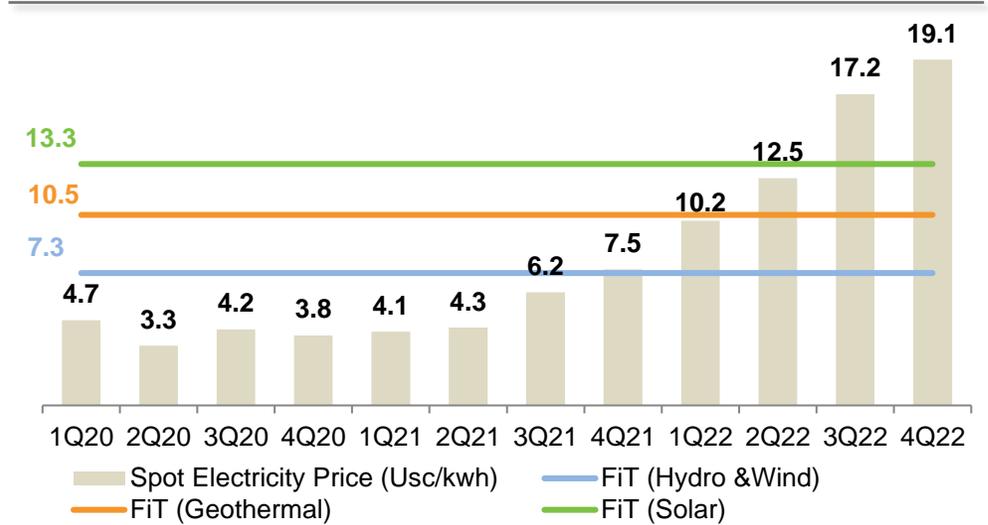
Month	Maximum Settlement Price (TL per MWh)				Cap for Market Clearing Price (TL per MWh)	Spot Market Price (TL per MWh)
	Renewable Power Plants	Lignite Power Plants	Imported Coal Power Plants	Natural Gas/Oil Fired Power Plants		
April	1,200	1,200	2,500	2,500	2,500	1,831
May	1,278	1,278	2,732	2,513	2,750	1,763
June	1,370	1,370	3,062	2,896	3,200	2,340
July	1,412	1,412	3,557	2,903	3,750	2,330
August	1,453	1,453	3,427	3,172	4,000	3,067
September	1,488	1,488	3,373	4,619	4,800	3,860
October	1,540	2,050	2,750	4,500	4,800	3,470
November	1,546	2,057	2,179	4,501	4,800	3,438
December	1,546	2,058	2,494	4,501	4,800	3,724

# Market Development

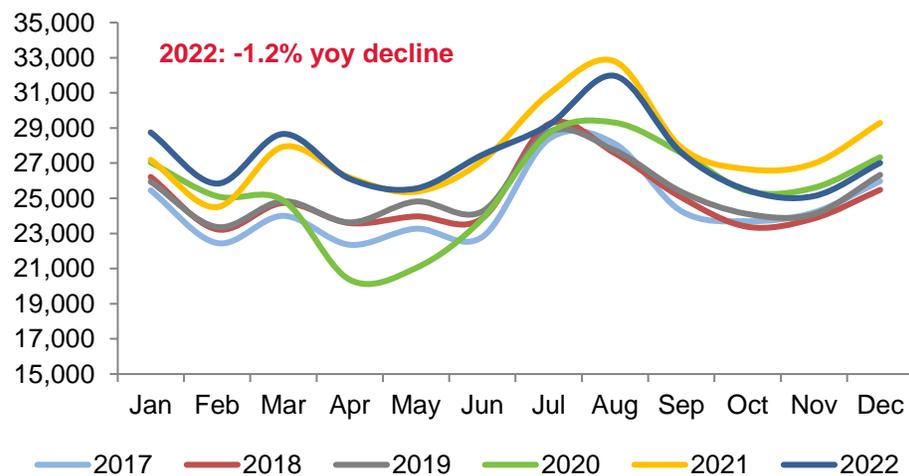
Spot Electricity Price, Spot Gas Price and Botas Gas Tariff (TL/MWh)



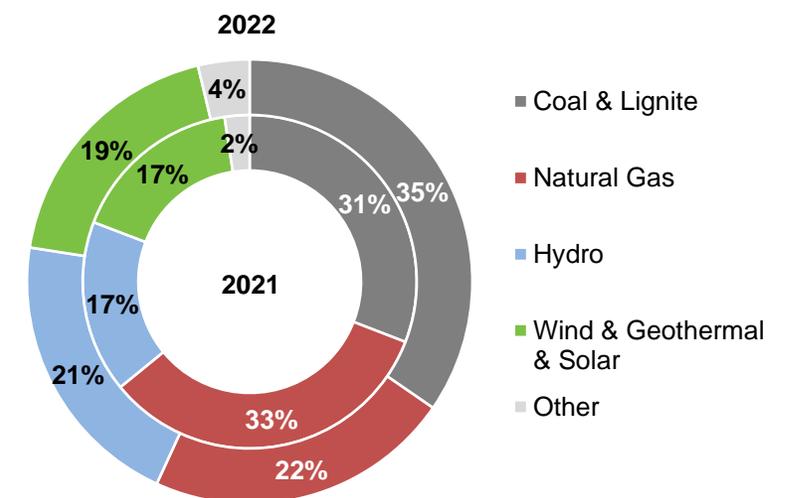
Average Spot Electricity Prices vs. FiT (USc/kWh)



Monthly Electricity Consumption (GWh)



Generation By Source

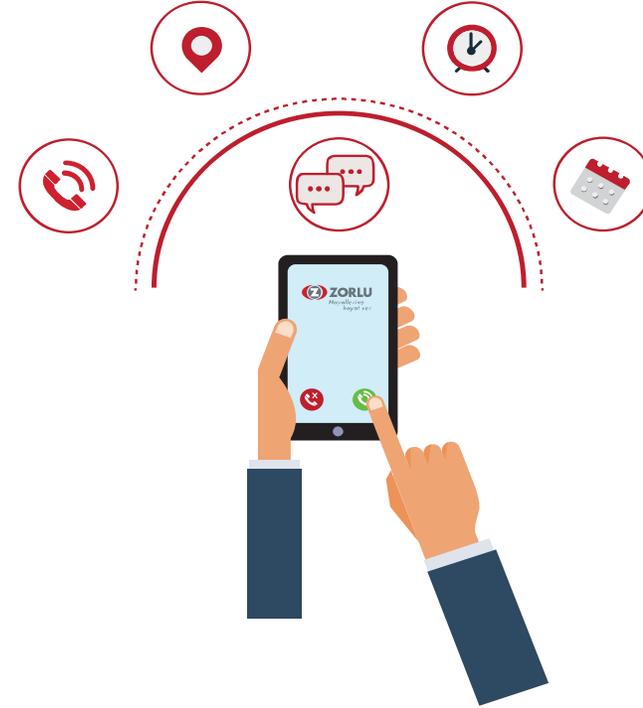


Source: TEİAŞ, BOTAŞ, TEDAŞ, EXİST

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