



# ZORLU RENEWABLES

## Review of 2Q22 Financial Results

*4 November 2022*



## Review of 1H22

- ❑ Strong revenue and EBITDA growth driven by increasing electricity prices
- ❑ Rising EBITDA contribution from merchant power plants
- ❑ Introduction of temporary price caps for merchant generation
- ❑ Application of inflation accounting, leading to a positive bottomline
- ❑ Further improvement in leverage
- ❑ Scheduled repayment on Zorlu Doğal's PF loans
- ❑ Completion of USD16 mn of capex



### 1H22 HIGHLIGHTS

**USD 132 mn**

**Revenues**

**USD 99 mn**

**EBITDA**

**75%**

**EBITDA  
Margin**

**4.8x**

**Net Debt/EBITDA**

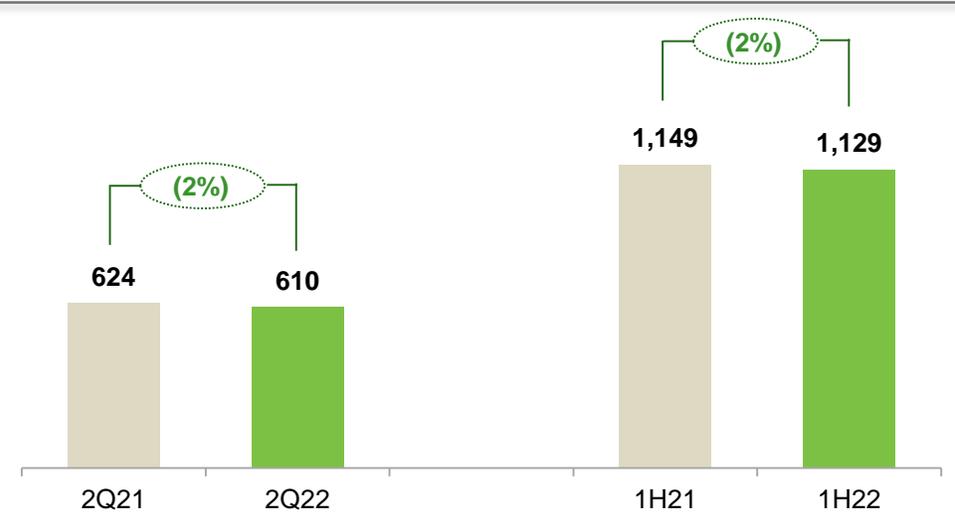
## Introduction of Temporary Price Caps for Merchant Power Plants

- As of April 1, price caps (maximum settlement prices) were introduced for merchant power plants in order to tackle surging energy prices and ensure supply security
- The measure will remain in force until the end of March 2023 if not extended further
- Price caps vary according to the type of generation technology and are updated 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 as c. USD81/MWh
- While this measure limits the revenues of low-cost power generators, merchant renewable power plants still capture a price that is higher than the feed-in tariff of USD73/MWh provided under YEKDEM
- The extra funds collected from power plants are channeled back to high-cost generators as well as to assigned supply companies to support regulated electricity users (households and small businesses)

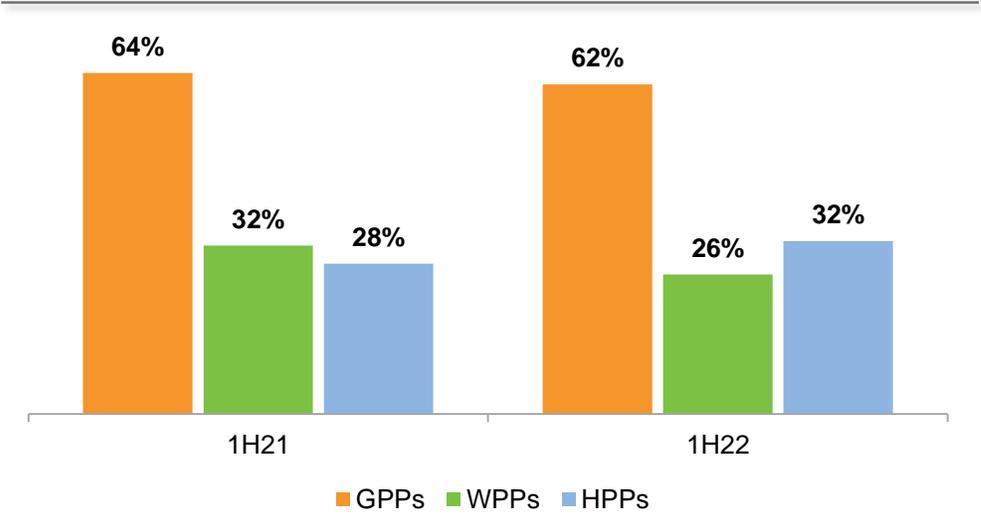
Period	Maximum Settlement Price (per MWh)			Cap for Market Clearing Price (per MWh)	Spot Market Price (per MWh)
	Renewable & Lignite Power Plants	Imported Coal Power Plants	Natural Gas/Oil Fired Power Plants		
April	TL1,200/USD 82	TL2,500/USD 170	TL2,500/USD 170	TL2,500	TL1,831
May	TL1,278/USD 82	TL2,732/USD175	TL2,513/USD 161	TL2,750	TL1,763
June	TL1,370/USD 81	TL3,062/USD 181	TL2,896/USD 171	TL3,200	TL2,340
July	TL1,412/USD 81	TL3,557/USD 205	TL2,903/USD 167	TL3,750	TL2,330
August	TL1,453/USD 81	TL3,427/USD 190	TL3,172/USD 176	TL4,000	TL3,067
September	TL1,488/USD 81	TL3,373/USD 184	TL4,619/USD 253	TL4,800	TL3,860

# Electricity Generation

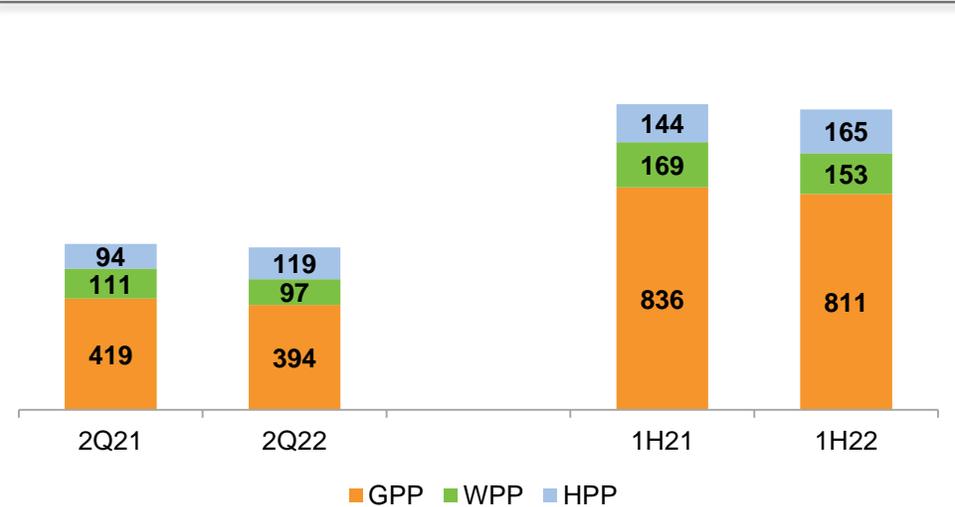
Net Electricity Generation (GWh)



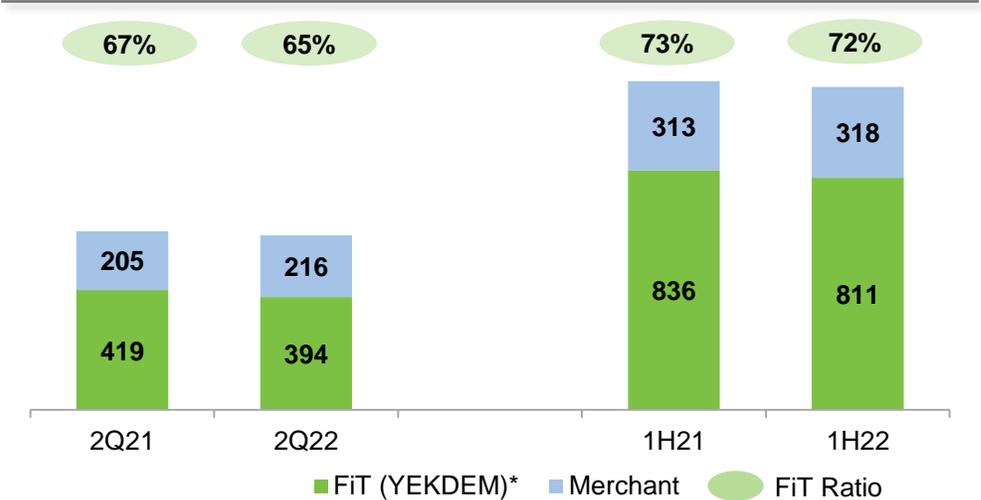
Net Capacity Factors



Net Generation by Technology (GWh)



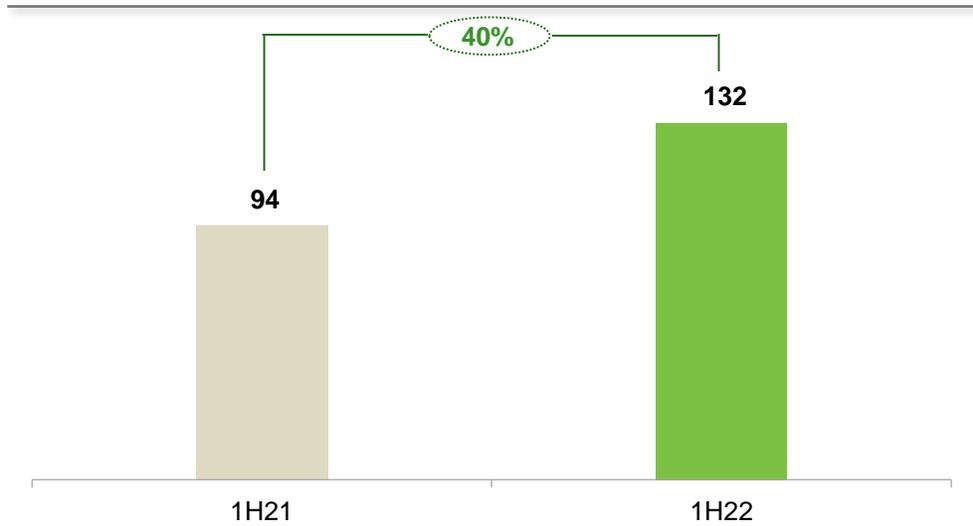
Net Generation Under FiT Mechanism\* (GWh)



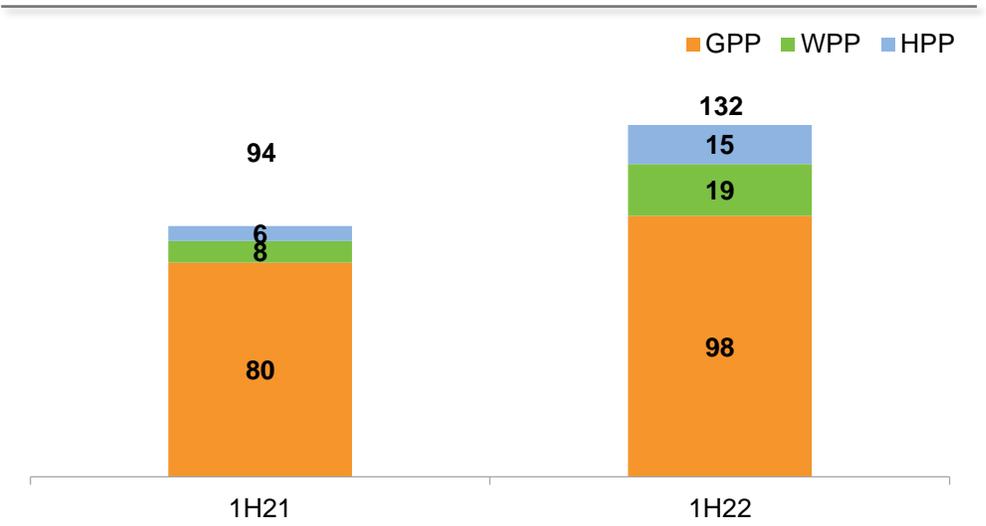
\* YEKDEM is the Turkish FiT mechanism which provides USD based fixed price support for electrical energy produced from renewable energy sources

# Revenues

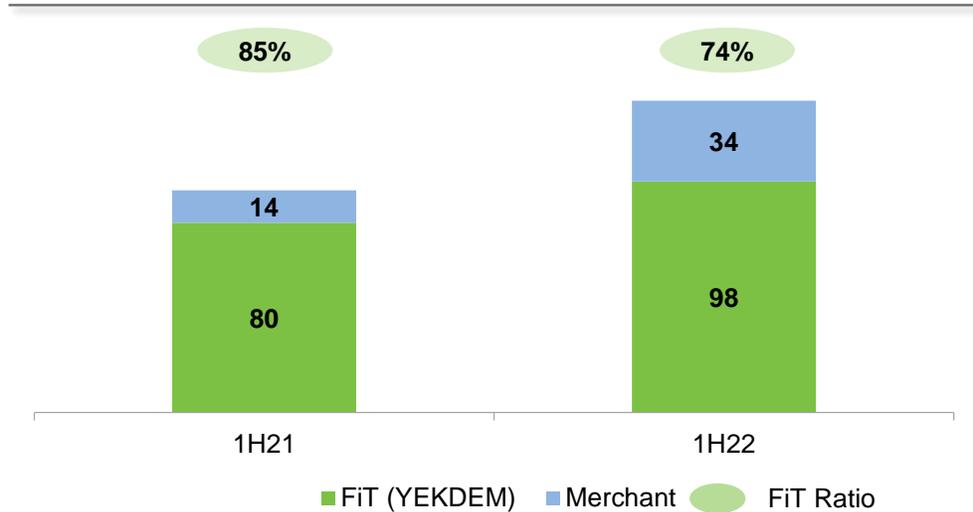
Revenues (USD mn) <sup>1</sup>



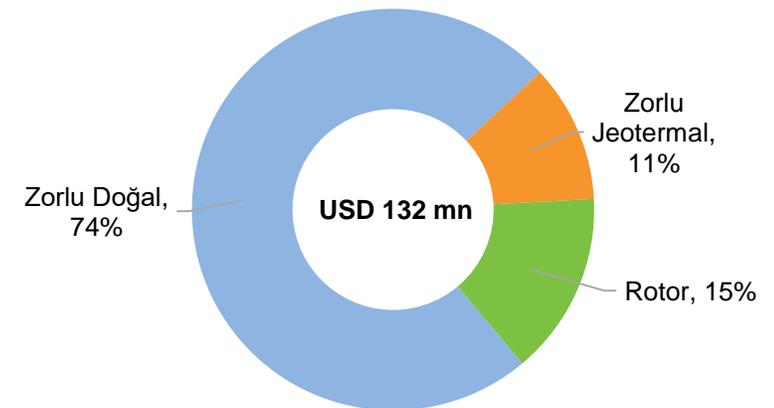
Revenues by Technology (USD mn) <sup>2</sup>



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



Revenues by SPV (USD mn) – 1H22



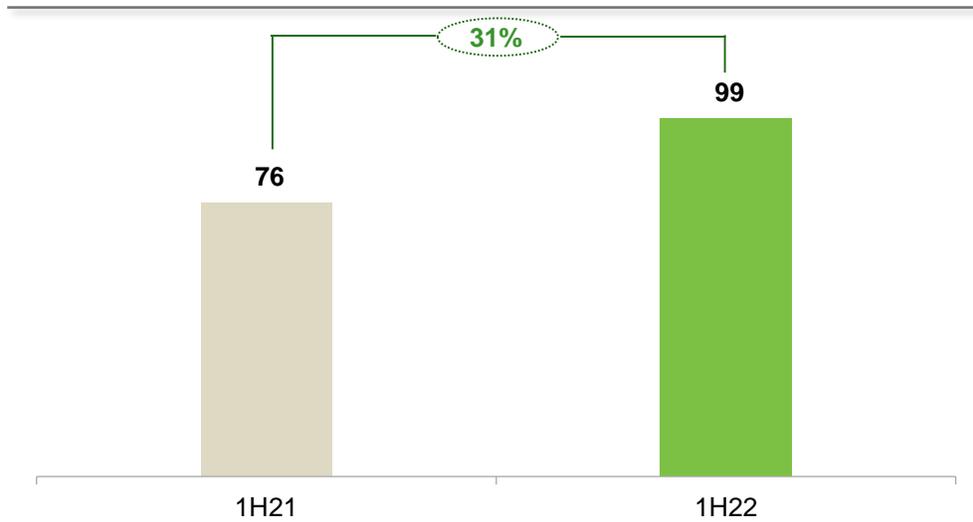
<sup>1</sup> Revenues for 1H21 (USD mn) previously reported as (without IAS29): 108

<sup>2</sup> Revenue by Technology for 1H21 (USD mn) previously reported as (without IAS29): GPP: 92 WPP: 9 HPP: 6 Total: 108

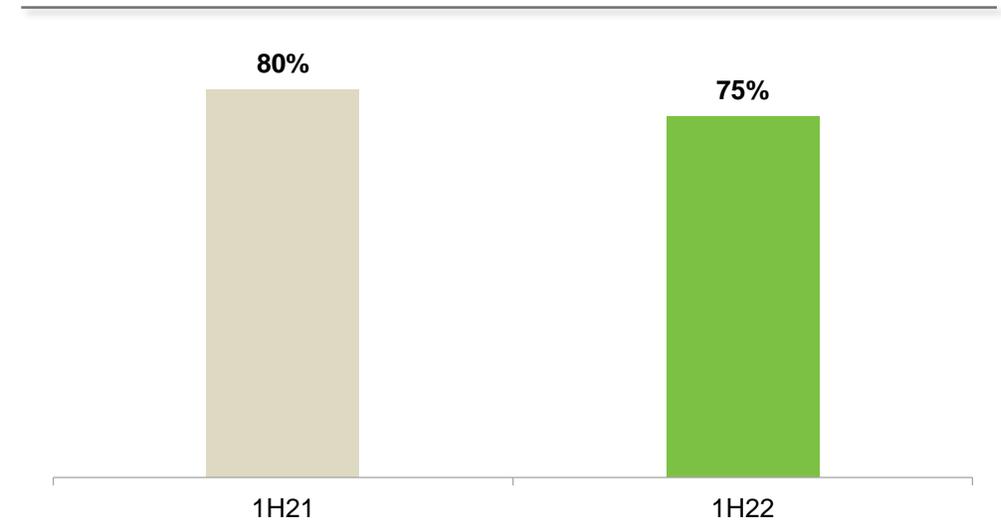
<sup>3</sup> Revenues under FiT Mechanism (USD mn) previously reported as (without IAS29): FiT (YEKDEM): 92 Merchant: 16

# EBITDA

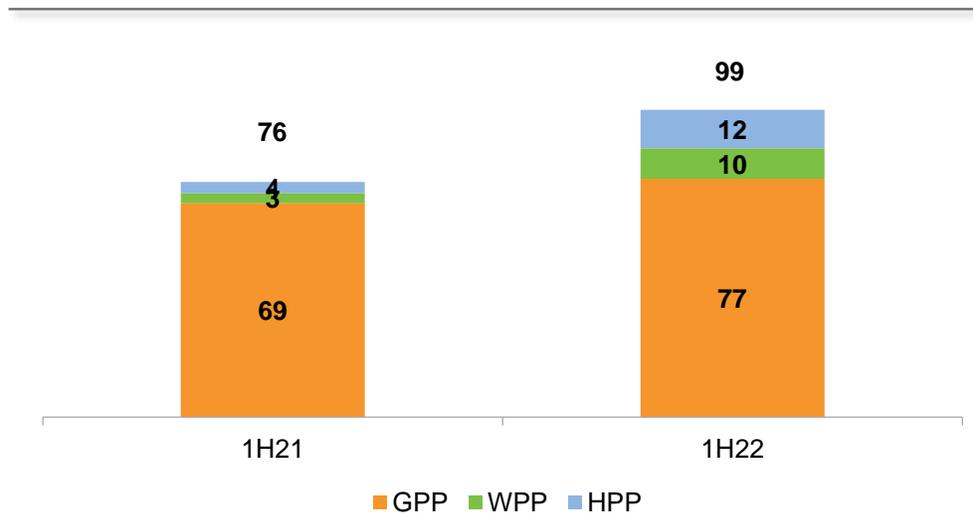
EBITDA (USD mn) <sup>1</sup>



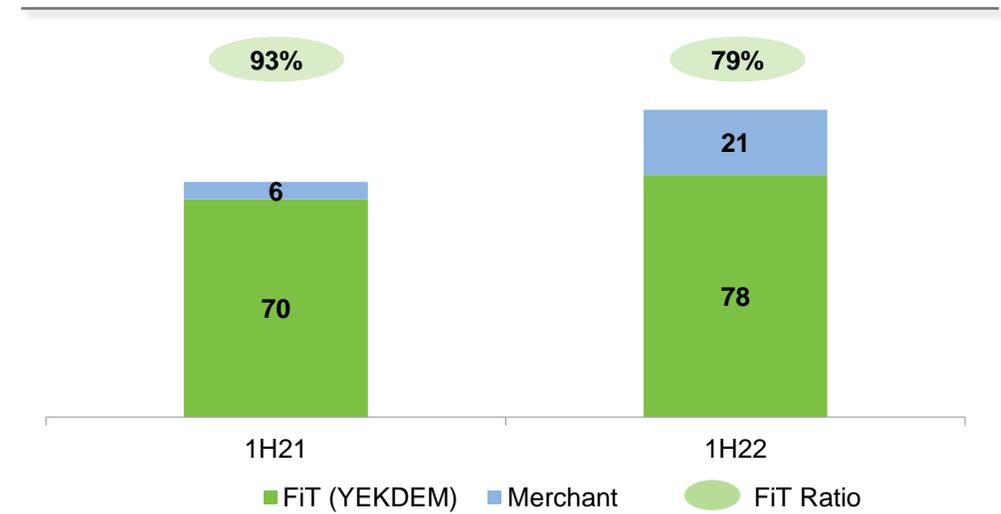
EBITDA Margin



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



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



<sup>1</sup> EBITDA for 1H21 (USD mn) previously reported as (without IAS29): 86

<sup>2</sup> EBITDA by Technology for 1H21 (USD mn) previously reported as (without IAS29): GPP: 78 WPP: 4 HPP: 4 Total: 86

<sup>3</sup> EBITDA under FiT Mechanism (USD mn) previously reported as (without IAS29): FIT (YEKDEM): 79 Merchant: 6

## Breakdown by SPV

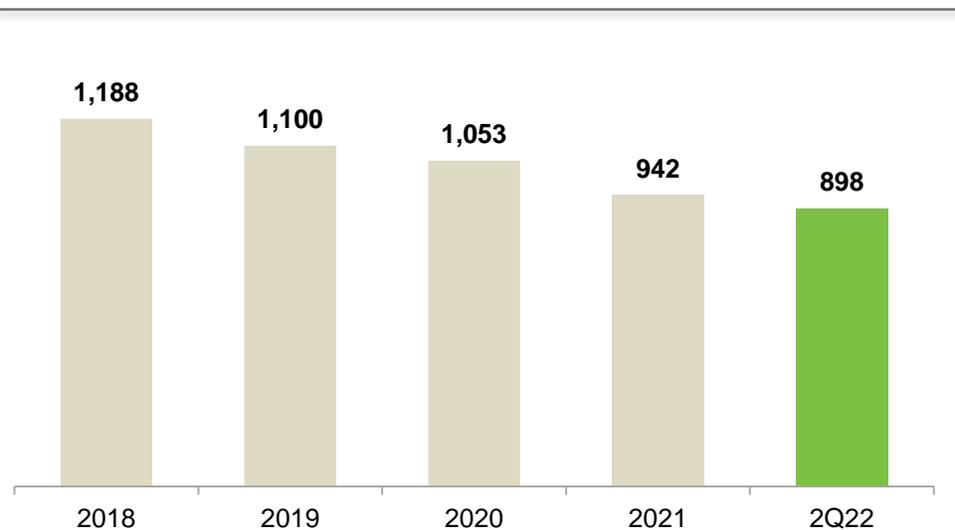
USD mn	Net Sales <sup>1</sup>			EBITDA <sup>2</sup>			EBITDA Margin	
	1H21	1H22	YoY	1H21	1H22	YoY	1H21	1H22
Zorlu Doğal	74	98	32%	63	79	26%	85%	81%
Zorlu Jeotermal	12	15	24%	9	10	7%	80%	69%
Rotor	8	19	139%	3	10	198%	40%	50%
<b>TOTAL</b>	<b>94</b>	<b>132</b>	<b>40%</b>	<b>76</b>	<b>99</b>	<b>31%</b>	<b>80%</b>	<b>75%</b>

<sup>1</sup> 1H21 Net Sales (USD mn) previously reported as (without IAS29): Zorlu Doğal: 85 Zorlu Jeotermal: 14 Rotor: 9 Total: 108

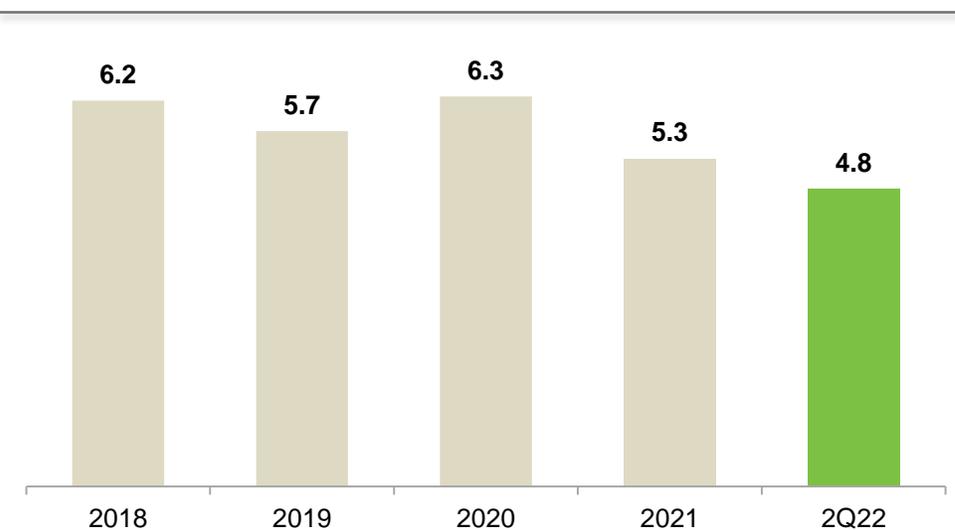
<sup>2</sup> 1H21 EBITDA (USD mn) previously reported as (without IAS29): Zorlu Doğal: 71 Zorlu Jeotermal: 11 Rotor: 4 Total: 86

# Financial Debt

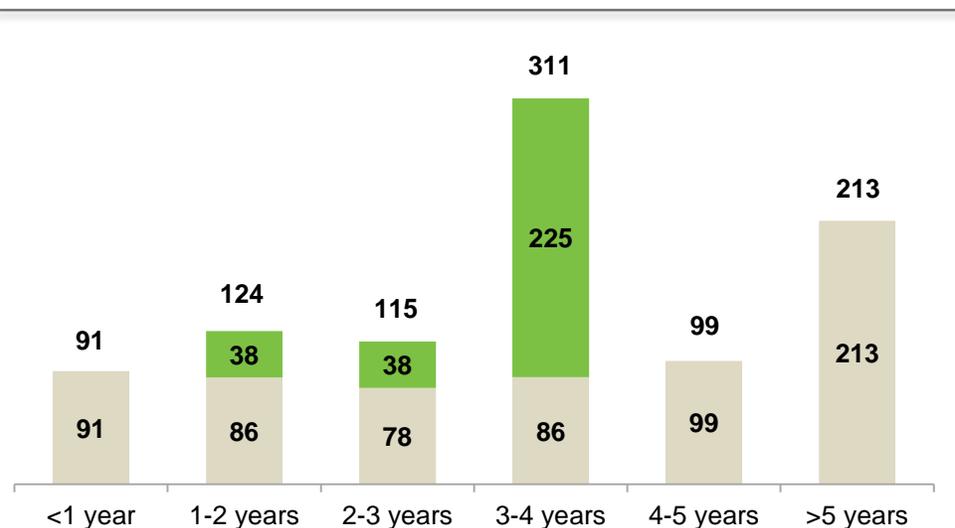
Net Financial Debt\* (USD mn)



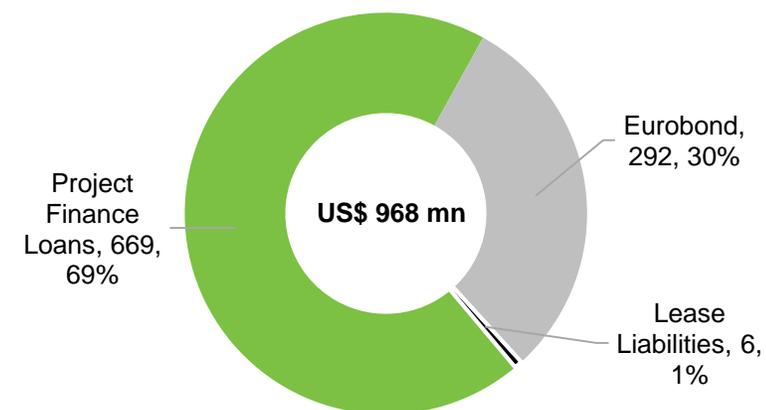
Net Debt/EBITDA



Maturity Profile of Financial Debt (USD mn)



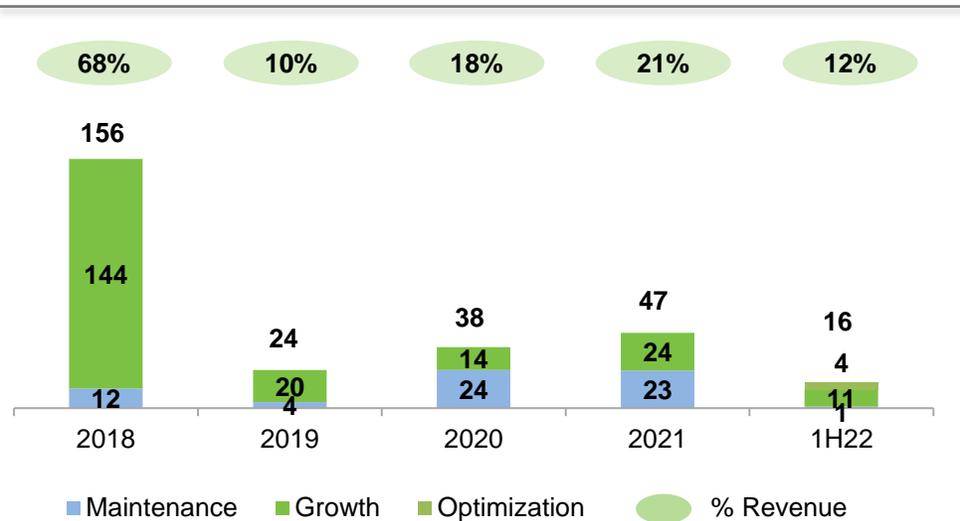
Breakdown of Gross Financial Debt (USD mn)



\* Includes payables to related parties for 2018-2020

# CAPEX

CAPEX (USD mn)



- **Growth Capex:** Investment works for Alaşehir 2 GPP, construction works for Alaşehir Hybrid SPP, permit expenditures for Kızıldere and Gökçedağ hybrid power plants
- **Optimization Capex:** Installation of ESP pumps at Kızıldere 2&3 and Alaşehir 1 GPPs
- **Maintenance Capex:** Minor works at Rotor WPP, Kızıldere 1 GPP and Kızıldere HPP

## Optimization investments at Kızıldere 2 & 3 GPPs

- Initiated in April 2020 to increase production levels at Kızıldere 2 & 3 GPPs
- Involves drilling of new make-up wells and ESP pump installment

	<b>Completion rate</b>	96%
	<b>Number of new wells</b>	10 (10 completed)
	<b>Number of ESP pumps</b>	16 (15 completed)
	<b>Expected completion</b>	1Q23
	<b>Realized increase in net generation</b>	11% to 1,417 GWh

## 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	December 2022
<b>Kızıldere 1</b>	Geothermal	15	0.99	0.75	December 2023
<b>Kızıldere 2</b>	Geothermal	80	11.99	8.5	December 2023
<b>Kızıldere 3</b>	Geothermal	165	24.75	19.94	December 2023
<b>Gökçedağ</b>	Wind	135	9.61	7.1	December 2023

- The license amendment of Alaşehir 1 GPP for the addition of 3.75 MW of solar capacity as a secondary source was approved in December 2021. The power plant is expected to become operational in December 2022
- Zorlu Enerji also applied to EMRA to add solar capacities to Kızıldere 1, 2 & 3 GPPs and Gökçedağ WPP
- The electricity generated from solar power is planned to be used for internal consumption, hence will help maximize net generation under FIT
- The solar power plants will benefit from the geothermal FiT of USD105/MWh and are also eligible for additional support for local content

## 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 restated in terms of the measuring unit current at the reporting date.
- Comparative figures for the previous period are also restated into the same current measuring unit.
- 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 1H21 and for the full-year 2021 are also adjusted for inflation and are presented in terms of the purchasing power as of the end of 1H22
- All restated financial statements are converted into USD by the USD/TL exchange rate for June 30, 2022 for convenience purposes
- Due to differences between the rates of inflation and changes in the USD/TL exchange rate, the restated USD numbers for 1H21 and 2021 may differ from the previously reported figures

# Income Statement

(USD mn)	Unadjusted 1H21*	1H21 (IAS 29)**	1H22 (IAS 29)**	YoY
<b>Sales</b>	<b>108.1</b>	<b>94.2</b>	<b>132.1</b>	<b>40%</b>
Cost of Sales	-51.5	(44.2)	(70.3)	59%
<b>Gross Profit</b>	<b>56.6</b>	<b>50.0</b>	<b>61.8</b>	<b>24%</b>
<b>Gross Margin (%)</b>	<b>52.4%</b>	<b>53.1%</b>	<b>46.8%</b>	
General administrative expenses	-3.5	(3.0)	(3.3)	9%
Other operating income	2.0	1.8	2.2	25%
Other operating expenses	-4.5	(3.9)	(4.7)	20%
<b>Operating Income</b>	<b>50.7</b>	<b>44.8</b>	<b>56.1</b>	<b>25%</b>
<b>EBITDA***</b>	<b>85.6</b>	<b>75.7</b>	<b>99.0</b>	<b>31%</b>
<b>EBITDA Margin (%)</b>	<b>79.2%</b>	<b>80.4%</b>	<b>74.9%</b>	
Gain on Monetary Position	-	37.0	122.0	229%
Financial Income	9.5	8.2	41.2	401%
Financial Expenses	-122.0	(106.4)	(132.1)	24%
<b>Profit Loss Before Tax</b>	<b>-61.8</b>	<b>(16.4)</b>	<b>87.1</b>	<b>n.m.</b>
Deferred Tax Income/(Expense)	9.6	(2.8)	(47.3)	1589%
<b>Net Loss</b>	<b>-52.3</b>	<b>(19.2)</b>	<b>39.8</b>	<b>n.m.</b>

\* Converted at the average USD/TL exchange rate of 7.87 for 1H21

\*\* Converted at the end-of period (30 June 2022) USD/TL exchange rate of 16.669

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

## YoY comparison of IAS 29 Financials

### □ 40% growth in revenues

- Increase in average sales prices driven by the surge in spot electricity prices
- Increased output at hydro power plants thanks to improving precipitation levels this year

### □ 31% increase in EBITDA

- Increasing profits from merchant power plants led by higher sales prices
- 21% EBITDA contribution from merchant generation, up from 7% in 1H21
- 11% growth in FiT EBITDA driven by Kızıldere 3 GPP
- Some deceleration in margins in 2Q due to introduction of price caps, increasing sourcing costs, higher sales prices for YEKDEM power plants, for which price adjustment is done in cost of sales

### □ Significant increase in net monetary gain mainly driven by the revaluation of power plants in 1H22

### □ Application of IAS 29 leading to a positive bottomline due to net monetary liability position

# Balance Sheet

(USD mn)	Unadjusted 31.12.2021*	31.12.2021 (IAS 29)**	30.06.2022 (IAS 29)**
Cash & cash equivalents	65	72	70
Trade receivables	11	12	22
Inventories	8	8	3
Prepaid expenses	49	54	48
Other current assets	3	4	3
<b>Total Current Assets</b>	<b>136</b>	<b>151</b>	<b>146</b>
Property, plant and equipment	1,303	1,471	1,411
Right of use assets	8	12	12
Intangible assets	1	2	2
<b>Total Non-current Assets</b>	<b>1,312</b>	<b>1,484</b>	<b>1,433</b>
<b>Total Assets</b>	<b>1,449</b>	<b>1,635</b>	<b>1,579</b>
Short-term financial liabilities	157	174	159
- Short-term loans & borrowings	8	9	8
- Short term portion of long term borrowings	123	136	125
- Lease liabilities	1	1	1
- Issued Bonds	25	28	25
Trade payables	17	19	23
Other current liabilities	12	14	5
<b>Total Current Liabilities</b>	<b>187</b>	<b>207</b>	<b>186</b>
Long-term financial liabilities	850	942	809
- Long-term loans & borrowings	577	640	537
- Lease liabilities	7	8	5
- Issued Bonds	266	294	267
Deferred tax liability	75	89	119
Other non-current liabilities	13	15	1
<b>Total Non-current Liabilities</b>	<b>938</b>	<b>1,046</b>	<b>929</b>
<b>Shareholders' Equity</b>	<b>324</b>	<b>382</b>	<b>463</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,449</b>	<b>1,635</b>	<b>1,579</b>

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

\*\* Converted at the end-of period (June 30, 2022) USD/TL exchange rate of 16.669

- Revaluation of power plants to fair value both at year-end and in June 2022 in line with the IAS 16
- Scheduled amortization on Zorlu Dođal's loan (c.USD61 mn including interest payment) in 1Q
- Second coupon payment (USD13.5 mn) on Eurobond in June
- Accumulated losses turn into accumulated gains due to inflation adjustments and a higher increase in non-monetary assets vs. non-monetary liabilities

# FX Position

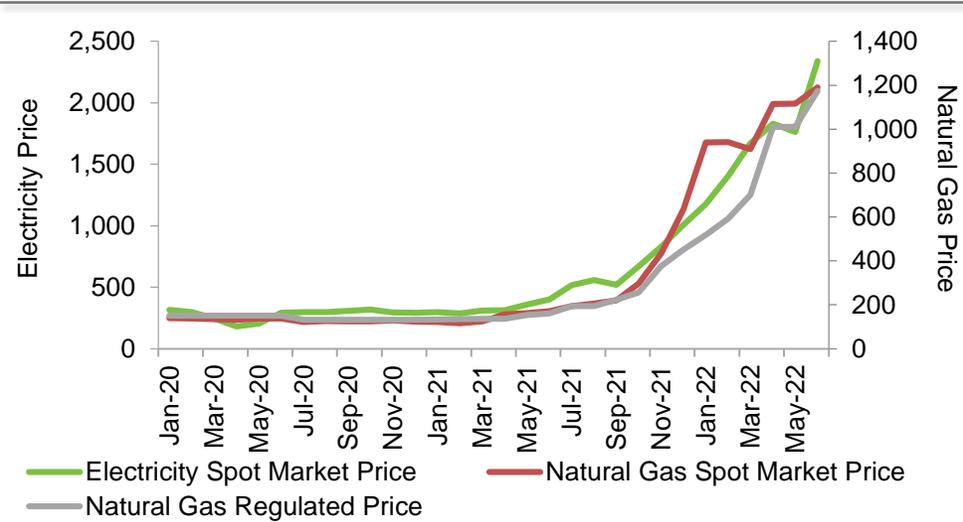
	30.06.2022	
(US\$ mn)	US\$	Euro
Total FX Assets	114	1
Total FX Liabilities	(971)	(2)
Net Position of Derivative Instruments	-	-
<b>Net FX Position</b>	<b>(857)</b>	<b>(1)</b>
<b>Hedged Position</b>	<b>798</b>	<b>-</b>
<b>Net FX Position After Hedging</b>	<b>(59)</b>	<b>(1)</b>

## Hedge Accounting

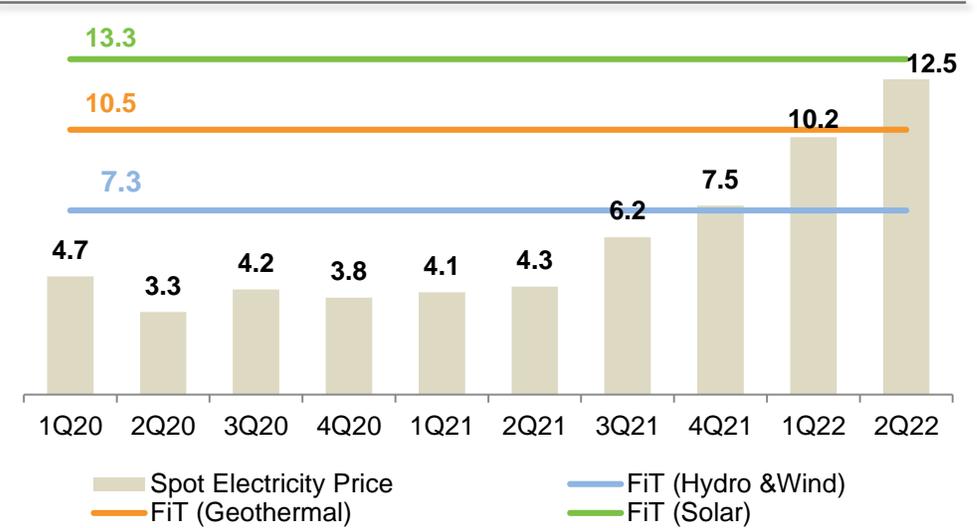
- Zorlu Renewables applies cash flow hedge accounting
- As of June 30, 2022, USD667 mn of investment loans and USD131 mn of Eurobonds are used as a hedging instrument against exchange rate risk arising from the USD based YEKDEM revenues
- Under hedge accounting, the recognition of TL3,016 mn of foreign currency losses was deferred under equity in 1H22

# Market Development

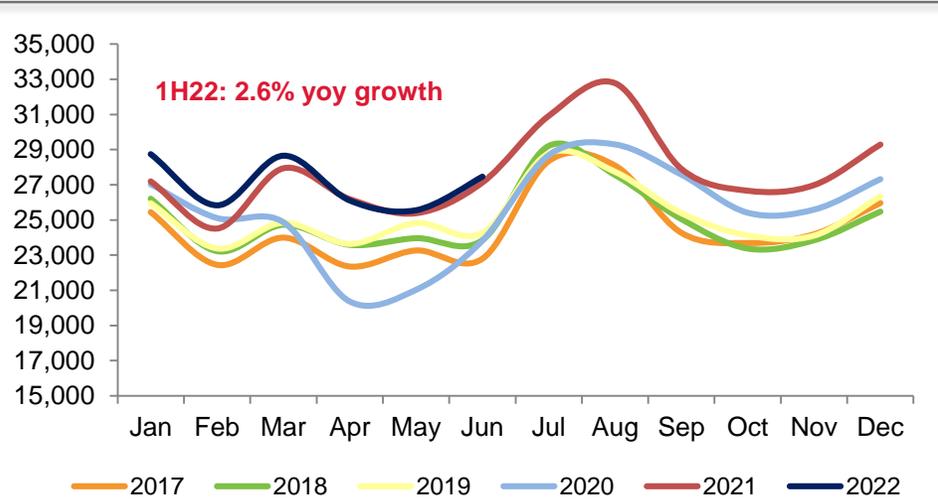
Spot Electricity Price, Spot Gas Price and Botas Gas Tariff (TL/MWh)



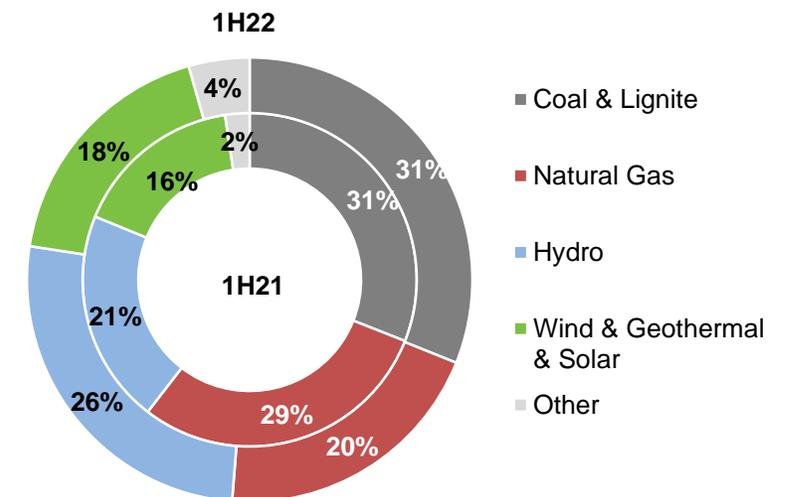
Average Spot Electricity Prices vs. FiT (USc/kWh)



Monthly Electricity Consumption (GWh)



Generation By Source

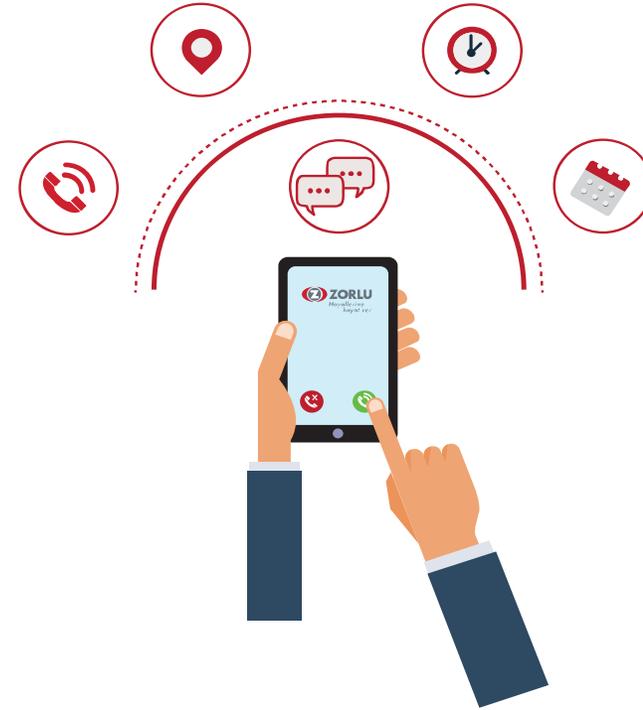


Source: TEİAŞ, BOTAŞ, TEDAŞ, EXIST

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