

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

Condensed Consolidated Interim Financial Statements
As at and For the Three-month Period Ended
31 March 2021
With Independent Auditor's Report on Review of
Condensed Consolidated Interim
Financial Statements

13 August 2021

This report includes 2 pages of Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Statements and 49 pages of condensed consolidated interim financial statements together with their explanatory notes.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

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

To the Board of Directors of Zorlu Enerji Elektrik Üretim Anonim Şirketi

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Zorlu Enerji Elektrik Üretim Anonim Şirketi ("the Company") and its subsidiaries (the "Group") as at 31 March 2021, condensed consolidated statement of profit or loss and condensed consolidated statement other comprehensive income, changes in equity and cash flows for the three month period then ended, and notes to the condensed consolidated interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 31 March 2021 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

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

Şirin Soysal, SMMM
Partner
13 August 2021
İstanbul, Türkiye

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

(Amounts expressed in thousand of Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	Reviewed 31 March 2021	Audited 31 December 2020
ASSETS			
Current assets:			
Cash and cash equivalents	4	549,068	728,314
Financial assets		258,008	258,578
Trade receivables		1,592,663	1,423,992
- Trade receivables from third parties		1,500,927	1,364,255
- Trade receivables from related parties	17	91,736	59,737
Other receivables		1,096,856	983,066
- Other receivables from third parties		54,149	46,713
- Other receivables from related parties	17	1,042,707	936,353
Receivables from service concession arrangements	5	451,956	349,605
Derivative financial instruments	11	--	3,749
Inventories		72,093	69,428
Other current assets	8	178,574	147,274
Total current assets		4,199,218	3,964,006
Non-current assets:			
Trade receivables		25,825	43,287
- Trade receivables from third parties		25,825	43,287
Financial assets		246	246
Other receivables		1,583,491	1,360,233
- Other receivables from third parties		168	134
- Other receivables from related parties	17	1,583,323	1,360,099
Receivables from service concession arrangements	5	2,450,906	2,534,191
Equity accounted investees		773,499	681,368
Property, plant and equipment	9	10,777,585	10,678,901
Intangible assets		2,840,538	2,872,163
Right of use assets		73,971	36,003
Deferred tax assets	13	532,774	494,245
Other non-current assets	8	14,515	13,487
Total non-current assets		19,073,350	18,714,124
Total assets		23,272,568	22,678,130

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

(Amounts expressed in thousand of Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	Reviewed 31 March 2021	Audited 31 December 2020
LIABILITIES			
Current liabilities:			
Financial liabilities	6	5,238,548	4,490,077
Trade payables		1,653,110	1,814,581
- Trade payables due to related parties		1,588,228	1,760,557
- Trade payables due to third parties	17	64,882	54,024
Other payables		1,438,388	1,334,410
- Other payables due to third parties	7	1,025,978	966,412
- Other payables due to third parties	7,17	412,410	367,998
Derivative financial instruments	11	81,455	83,856
Current tax liabilities		25,029	56,489
Other provisions		12,559	13,817
Other current liabilities	8	261,857	234,620
Total current liabilities		8,710,946	8,027,850
Non-current liabilities:			
Financial liabilities	6	10,655,911	10,053,106
Derivative financial instruments	11	149,764	243,452
Deferred tax liabilities	13	800,176	939,565
Provisions for employment benefits		48,861	44,000
Total non-current liabilities		11,654,712	11,280,123
Total liabilities		20,365,658	19,307,973
EQUITY			
Share capital	12	2,110,948	2,110,948
Other comprehensive income/ (expenses) not to be reclassified to profit or (loss)			
- Revaluation of property, plant and equipment		4,548,145	4,583,615
- Actuarial losses		(15,030)	(12,939)
Share premium		916	916
Legal reserves	12	7,931	7,931
Other comprehensive income that are or may be reclassified to profit or (loss)			
- Hedge reserves		(4,491,235)	(3,858,376)
Currency translation adjustment		754,074	590,369
Retained earnings		26,216	6,485
Equity attributable to owners of the Company		2,941,965	3,428,949
Non-controlling interests		(35,055)	(58,792)
Total equity		2,906,910	3,370,157
Total liabilities and equity		23,272,568	22,678,130

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

(Amounts expressed in thousand of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Reviewed 1 January - 31 March 2021	Reviewed 1 January - 31 March 2020
Revenue		2,407,147	2,258,585
Cost of sales (-)	14	(2,028,323)	(1,883,934)
Gross profit		378,824	374,651
General and administrative expenses (-)	14	(79,559)	(64,901)
Marketing and selling expenses (-)	14	(9,883)	(11,327)
Other income	15	255,116	210,835
Other expense (-)	15	(131,689)	(84,553)
Operating income		412,809	424,705
Share of gain on equity accounted investees		22,430	28,927
Financial income	16	472,992	351,471
Financial expense (-)	16	(968,123)	(767,136)
Income / (loss) before taxation		(59,892)	37,967
Current Income tax expense (-)	13	(13,996)	(23,640)
Deferred tax income	13	24,372	464
Net income/ (loss) for the period		(49,516)	14,791
Income / (loss) attributable to:			
Equity holders of the parent		(36,503)	21,236
Non-controlling interest		(13,013)	(6,445)
Income / (loss) per share (TL)		(0.018)	0.011

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

Notes	Reviewed 1 January - 31 March 2021	Reviewed 1 January - 31 March 2020
Income/ (loss) for the period	(49,516)	14,791
Items that will not to be reclassified to profit or loss	(1,673)	1,362,983
Revaluation of property, plant and equipment	--	1,705,533
Actuarial losses	(2,091)	(634)
Related tax	418	(341,916)
Items that are or may be reclassified to profit or loss	(448,808)	(542,101)
Hedge reserves	(765,641)	(716,648)
Foreign currency translation differences	163,705	31,217
Related tax	153,128	143,330
Other comprehensive income / (loss)	(450,481)	820,882
Total comprehensive income / (loss)	(499,997)	835,673
Total comprehensive income / (loss) attributable to:	(499,997)	835,673
Equity holders of the parent	(486,984)	842,118
Non-controlling interests	(13,013)	(6,445)
Total comprehensive income / (loss)	(499,997)	835,673

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

	Attributable to equity holders of the parent									Total equity
	Share capital	Share premium	Revaluation of property plant and equipment	Actuarial losses	Items that will not be reclassified to profit or loss	Items that are or may be reclassified to profit or loss			Non controlling interests	
					Foreign currency translation differences	Hedge reserves	Legal reserves	Retained earnings		
1 January 2020	2,110,948	916	3,211,890	(10,574)	372,298	(2,635,595)	7,931	(435,539)	(23,148)	2,599,127
Disposal of subsidiary	--	--	(201,378)	(5)	--	--	--	201,383	--	--
Transfers	--	--	(46,748)	--	--	--	--	46,748	--	--
Total comprehensive income	--	--	1,363,478	(495)	31,217	(573,318)	--	21,236	(6,445)	835,673
31 March 2020	2,110,948	916	4,327,242	(11,074)	403,515	(3,208,913)	7,931	(166,172)	(29,593)	3,434,800
1 January 2021	2,110,948	916	4,583,615	(12,939)	590,369	(3,858,376)	7,931	6,485	(58,792)	3,370,157
Transactions with the non-controlling parties	--	--	--	--	--	--	--	--	36,750	36,750
Transfers	--	--	(35,470)	(418)	--	(20,346)	--	56,234	--	--
Total comprehensive loss	--	--	--	(1,673)	163,705	(612,513)	--	(36,503)	(13,013)	(499,997)
31 March 2021	2,110,948	916	4,548,145	(15,030)	754,074	(4,491,235)	7,931	26,216	(35,055)	2,906,910

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

	Notes	Reviewed 1 January- 31 March 2021	Reviewed 1 January- 31 March 2020
Cash flows from operating activities:			
Net loss for the period		(49,516)	14,791
Adjustments related to depreciation and amortisation	14,15	188,275	146,973
Adjustments related to interest income	15,16	(102,030)	(72,036)
Adjustments related to interest expense	15,16	422,598	397,760
Adjustments related to unrealized foreign exchange losses and currency translation differences		250,639	63,770
Adjustments related to (income)/ loss from financial derivative instruments	11,16	(31,460)	2,700
Adjustments for provisions related with employee benefits		3,343	1,975
Adjustments for/(reversal of) other provisions		(1,258)	1,840
Adjustments related to gain on sale of property, plant and equipment	15	(976)	(9,987)
Adjustments related to gain on sale of subsidiary	15	--	(40,160)
Adjustments related to share of profit of equity-accounted investees		(22,430)	(28,927)
Adjustments related to indexation differences of receivables from service concession agreements	5,15	(106,943)	(52,833)
Adjustments related to indexation differences of deposits received	7	42,330	10,614
Adjustments related to tax expense	13	(10,376)	23,176
Other adjustments related to non-cash items	4	56,049	16,868
Net cash generated from operating activities before changes in working capital		638,245	476,524
Changes in trade receivables		(134,171)	(109,382)
Changes in other receivables		33,296	190,605
Changes in other current and non-current assets		(33,170)	70,113
Changes in trade payables		(179,603)	(303,832)
Changes in other payables		17,236	13,230
Changes in other liabilities		27,237	(567)
Changes in inventories		(2,665)	(6,750)
Termination benefits paid		(573)	(272)
Taxes paid		(44,614)	(20,000)
Other inflows/outflows	4	40,918	7,426
Net cash generated from operating activities		362,136	317,095
Cash flows from investing activities:			
Acquisition of property plant and equipment and intangible assets		(91,864)	(51,550)
Proceeds from sale of property, plant and equipment		3,267	26,690
Cash in flow from sale of subsidiaries		--	249,157
Proceeds from sale of assets held for sale		--	17,574
Dividend received		--	51,227
Other inflows/outflows	4	(29,551)	(12,548)
Net cash generated from/ (used in) investing activities		(118,148)	280,550
Cash flows from financing activities:			
Proceeds from issued debt instruments	6	371,177	189,518
Proceeds from bank borrowings	6	166,125	42,932
Repayment of bank borrowings	6	(440,173)	(495,587)
Repayment of issued debt instruments	6	(262,540)	(149,310)
Changes in other payables to related parties		40,501	6,425
Payment of lease liabilities	6	(8,510)	(7,758)
Interest paid		(341,697)	(480,128)
Interest received		35,087	26,561
Other inflows/outflows	4	(22,221)	(18,156)
Net cash used in financing activities		(462,251)	(885,503)
Net increase in cash and cash equivalents		(218,263)	(287,858)
Effect of foreign currency conversion differences on cash and cash equivalents		(38,063)	(42,747)
Cash and cash equivalents at the beginning of the period		709,909	823,024
Cash and cash equivalents at the end of the period	4	453,583	492,419

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

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ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Zorlu Enerji Elektrik Üretim AŞ (“The Company” or “Zorlu Enerji”) and its subsidiaries (collectively referred to as (“the Group”) is engaged in electricity, steam production and selling, distribution and retailing of electricity, trading electricity, supply and distribution of gas, selling and distribution of solar panel and sale, installation and operation of electric charging stations. The Group was established by Zorlu Holding AŞ (“Zorlu Holding”) and Korteks Mensucat Sanayi ve Ticaret AŞ (“Korteks”) in 1993. Ultimate controlling party of the Group is Zorlu Holding. The Group is registered in Turkey and its registered address is as follows: Bursa Organize Sanayi Bölgesi, Pembe Cadde, No:13 Bursa, Türkiye.

The Group is registered to the Capital Markets Board (“CMB”), and its shares are publicly traded in Borsa Istanbul AŞ (“BIST”) since 2000. As at 31 March 2021, 34.97% of its shares are open for trading (31 December 2020: 34.7%).

The subsidiaries and associates of the Group are presented as below:

Subsidiaries	Nature of business	Country
Zorlu Enerji Pakistan Ltd. (“Zorlu Enerji Pakistan”)	Electricity production	Pakistan
Zorlu Wind Pakistan (Private) Ltd. (“Zorlu Wind Pakistan”)	Electricity production	Pakistan
Nemrut Jeotermal Elektrik Üretimi AŞ (“Nemrut”)	Electricity production	Turkey
Zorlu Solar Enerji Tedarik ve Ticaret AŞ (“Zorlu Solar”)	Electricity production and solar panel trading	Turkey
Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret AŞ (“Zorlu Elektrik”)	Electricity trading	Turkey
Zorlu Osmangazi Enerji Sanayi ve Ticaret AŞ (“Zorlu Osmangazi”) (*)	Electricity distribution and retail sales	Turkey
Zorlu Enerji İsrail Ltd. (“Zorlu Enerji İsrail”)	Electricity production	Israel
Zorlu Renewable Pakistan (Private) Ltd. (“Zorlu Renewable Pakistan”)	Electricity production	Pakistan
Zorlu Sun Power (Private) Ltd. (“Zorlu Sunpower”)	Electricity production	Pakistan
Zorlu Enerji Dağıtım AŞ (“Zorlu Enerji Dağıtım”) (**)	Natural gas distribution	Turkey
Zorlu Enerji Asia Holding Ltd. (“Zorlu Enerji Asia”) (***)	Energy investment	Dubai
ZES Dijital Ticaret AŞ (“ZES Dijital”)	Electricity sale, renting of electric vehicle and other	Turkey
ZJ Strong Energy for Renewable Energy Ltd Co. (“ZJ Strong”)	Electricity production	Palestine
Zorlu Trade Elektrik Toptan Satış AŞ (“Zorlu Trade”)	Electricity trading, wholesale and purchase of electricity	Turkey
Electrip Araç Kiralama Ticaret AŞ (“Electrip”) (****)	Leasing vehicle and supply of related software and equipment	Turkey
ZES B.V.	Electric charging station sales, installation and operation	Netherlands
Zorlu Yenilenebilir Enerji AŞ (“Zorlu Yenilenebilir”) (*****)	Power plant installation, operation and other	Turkey
Associates	Nature of business	Country
Dorad Energy Ltd. (“Dorad”)	Electricity production	Israel
Ezotech Electric Ltd. (“Ezotech”) (*****)	Electricity production	Israel
Solad Energy Ltd. (“Solad”)	Electricity production	Israel
Adnit Real Estate Ltd (“Adnit”)	Electricity production	Israel

(*) Zorlu Osmangazi has 100% shares of Osmangazi Elektrik Dağıtım AŞ (“OEDAŞ”) and Osmangazi Elektrik Satış Perakende AŞ (“OEPSAŞ”).

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

- (**) Zorlu Enerji Dağıtım, which is 100% owned by Zorlu Enerji, has 90% of the shares of Trakya Bölgesi Doğal Gaz Dağıtım AŞ (“Trakya”) and Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ (“Gazdaş”) and 100% shares of Zorlu Doğal Gaz Tedarik Ticaret AŞ (“Zorlu Doğal Gaz Tedarik”).
- (***) Zorlu Enerji Asia Holding Limited owned 100% shares of Zorlu Solar Pakistan (Private) Ltd. (“Zorlu Solar Pakistan”) on 20 October 2020.
- (****) As a result of the share transfers in Zorlu Enerji ve İnşaat Sanayi ve Ticaret AŞ; Zorlu Enerji took over all of its shares and aggregated 100% ownership rate as of 28 July 2020. Zorlu Enerji ve İnşaat Sanayi ve Ticaret AŞ maintains its activities as of 16 September 2020 under the name of Electrip Araç Kiralama Ticaret AŞ.
- (*****) Zorlu Yenilenebilir was established on 27 August 2020 as a subsidiary of Zorlu Enerji, which has all its shares, and on the date, Zorlu Doğal Elektrik Üretim AŞ. (“Zorlu Doğal”), Zorlu Jeotermal Enerji Elektrik Üretim AŞ. and Rotor Elektrik Üretim AŞ (“Rotor”) acquired 100% of Zorlu Doğal, Zorlu Jeotermal and Rotor companies by taking over the shares from Zorlu Enerji.
- (*****) Ezotech has 100% shares of Ashdod Energy Ltd. (“Ashdod”) and Ramat Negev Energy Ltd. (“Ramat Negev”).

As at 31 March 2021, the number of average personnel employed is 2,325 (31 December 2020: 2,283).

The power plants of the Group located in Turkey and abroad are presented below together with their existing installed capacities:

Installed capacity in Turkey:

Power Plant	Company	Location	Type	Electricity Production Capacity (MW)	Steam Production Capacity (Ton/Hour)
Geothermal				305.00	--
Kızıldere I	Zorlu Doğal	Denizli	Geothermal	15.00	--
Kızıldere II	Zorlu Doğal	Denizli	Geothermal	80.00	--
Kızıldere III	Zorlu Doğal	Denizli-Aydın	Geothermal	165.00	--
Alaşehir I	Zorlu Jeotermal	Manisa	Geothermal	45.00	--
Wind				135.00	--
Gökçedağ	Rotor	Osmaniye	Wind	135.00	--
Hydroelectric				118.94	--
Tercan	Zorlu Doğal	Erzincan	Hydroelectric	15.00	--
Kuzgun	Zorlu Doğal	Erzurum	Hydroelectric	20.90	--
Ataköy	Zorlu Doğal	Tokat	Hydroelectric	5.50	--
Mercan	Zorlu Doğal	Tunceli	Hydroelectric	20.40	--
Çıldır	Zorlu Doğal	Kars	Hydroelectric	15.40	--
İkizdere	Zorlu Doğal	Rize	Hydroelectric	24.94	--
Beyköy	Zorlu Doğal	Eskişehir	Hydroelectric	16.80	--
Natural Gas				83.83	98.00
Lüleburgaz	Zorlu Enerji	Lüleburgaz, Kırklareli	Cogeneration Natural Gas	49.53	98.00
Bursa	Zorlu Enerji	Bursa Organized Industrial Zone	Combined-Cycle Natural Gas	34.30	--
TOTAL				642.77	98.00

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Installed capacity in abroad:

Power Plant	Location	Type	Electricity Production Capacity (MW)	Steam Production Capacity (Ton/Hour)
Wind			56.40	--
Jhimpir	Pakistan	Wind	56.40	--
Solar (*)			1.50	--
Deadsea	Palestine	Solar (2 MW)	1.50	--
Natural Gas (*)			290.48	46.37
Dorad	Israel	Combined-Cycle Natural Gas (840 MW)	210.00	--
Ashdod	Israel	Cogeneration Natural Gas (64.54 MW, 40 ton/hour)	27.20	16.86
Ramat Negev	Israel	Cogeneration Natural Gas (126.4 MW, 70 ton/hour)	53.28	29.51
TOTAL			348.38	46.37

(*) Stake of Zorlu Enerji in Israel and Palentine companies has been taken into consideration in the calculation of total production capacity.

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) Interim Financial Reporting and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2020 (‘last annual financial statements’). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The accounting policies applied in these interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2020.

This condensed consolidated interim financial information is prepared under the historical cost convention, adjusted, where required by IAS 34 to measure certain items at fair value.

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

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

2.1 Basis of Presentation (Continued)

Approval of condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the Company’s Board of Directors on 21 May 2021.

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in TL, which is the functional currency of Group and the presentation currency of the Group.

Foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous. Their reporting currencies are the respective local currencies. Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the financial position and at exchange rates at the dates of the transactions with respect to the statement of profit or loss. All resulting translation differences between the closing balances and opening balances due to the difference in inflation and devaluation are included in currency translation adjustment in equity.

2.2 Basis of consolidation

The consolidated financial statements includes the accounts of the parent company, Zorlu Enerji and its subsidiaries and associates on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements and have been prepared in accordance with IFRS by applying uniform accounting policies and presentation. The results of operations of subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

Subsidiaries

Zorlu Enerji 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. Zorlu Enerji has power over a subsidiary when Zorlu Enerji 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 Zorlu Enerji controls another entity.

Subsidiaries including the structured entities are the companies controlled by the Group. The Group’s control is provided by the 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.

The statement of financial position and statement of profit or loss the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Zorlu Enerji and its subsidiaries are eliminated against the related equity. Intercompany transactions and balances between Zorlu Enerji and its subsidiaries are eliminated with the scope of consolidation accounting.

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

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

2.2 Basis of consolidation (Continued)

Loss of control

If the Group loses control of a subsidiary, it recognizes 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 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 recognized as other comprehensive income attributable to that subsidiary are accounted for as if those were disposed the Group. This may result in a fact that these amounts previously recognized as other comprehensive income may be classified to profit or loss.

Non-controlling interests

The minority shares in the net assets and operating results of subsidiaries are separately classified in the consolidated statement of financial position and consolidated statements of profit or loss as “non-controlling interests”.

The Group applies a policy of treating transactions with non-controlling interests as transactions with owners of the parent. Regarding the purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non-controlling interests are also accounted for in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also accounted for in equity.

The table below sets out all subsidiaries and demonstrates the proportion of ownership interest as at 31 March 2021 and 31 December 2020. Financial statements of subsidiaries are consolidated using the full consolidation method.

Subsidiaries	Direct ownership interest by the Companies (%)	
	31 March 2021	31 December 2020
Zorlu Enerji Pakistan	100	100
Zorlu Wind Pakistan	99.7	99.7
Nemrut	75	75
Zorlu Solar	100	100
Zorlu Elektrik	100	100
Zorlu Osmangazi	100	100
Zorlu Enerji İsrail	100	100
Zorlu Renewable Pakistan	99.7	99.7
Zorlu Sun Power	99.7	99.7
Zorlu Enerji Dağıtım	100	100
Zorlu Enerji Asia	100	100
ZES Dijital	100	100
ZJ Strong	75	75
Zorlu Trade	100	100
Electrip	100	100
ZES B.V.	100	100
Zorlu Yenilenebilir	100	100

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

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

2.2 Basis of consolidation (Continued)

Interests in equity-accounted investees

The Group’s equity-accounted investees are accounted under the equity method of accounting. Equity-accounted investees are undertakings over which the Group generally has between 20% and 50% of the voting rights and the Group has significant influence and which are not subsidiaries or joint ventures of the Group. The investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group’s share of net assets of the associates, less any impairment in value. The consolidated statement of income/loss reflects the Group’s share of the results of operations of the associates.

The equity method is abandoned if the carrying value of the investment in the associate is zero or the significant effect of the Group has ended, as long as the Group does not incur an obligation or commitment in relation to the associate. After the Group's share in the associate has decreased to zero, additional provision and recognition of the liability has been incurred if the Group is exposed to legal or constructive obligation or has made payments on behalf of the associate.

The table below sets out all associates and demonstrates the proportion of ownership interest as at 31 March 2021 and 31 December 2020:

Subsidiary	31 March 2021 (%)	31 December 2020 (%)
Dorad	25	25
Ezotech	42.15	42.15
Solad	42.15	42.15
Adnit	42.15	42.15

2.3 Amendments in International Financial Reporting Standards

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

a. Standards, amendments and interpretations applicable as at 31 March 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 condensed consolidated interim financial statements of the Group.

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

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

2.3 Amendments in International Financial Reporting Standards (Continued)

b. Standards, amendments and interpretations that are issued but not effective as at 31 March 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 30 June 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)

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

2.4 Going concern assumption

As at 31 March 2021, the gross profit and EBITDA of the Group are thousand TL 378,824 and TL 655,692, respectively. The Group has TL 26,216 of retained earnings and TL 36,503 of net profit for the equity holders of the parent as at and for the period ending 31 March 2021. Besides, the Group’s current liabilities exceeds its current assets by TL 4,511,728.

In order to reduce short-term debts and to provide resources for new investments, the Company management, as per the material event disclosure dated April 29, 2021, pursuant to the authorization given by Article 6 of the Company's Articles of Association, the registered capital of the Company, determined as 6,000,000 TL It has been decided to increase its issued capital, which is 2,000,000 TL, within the ceiling, to 2,500,000 TL by increasing it by 500,000 TL (25%) by being fully covered in cash. In addition, the Company aims to extend the maturity of some of its short-term debts, with dividend income from its short-term long-term projects abroad and cash from domestic and foreign financing resources it focuses on.

Since major portion of the Group’s electricity sales is at pre-determined prices in USD within the scope of Renewable Energy Sources Mechanism (“YEKDEM”), it affects the gross profit as positively. In addition, foreign exchange losses arising from borrowings of the Companies which sell electricity in scope of YEKDEM have been hedged by the foreign exchange gains arising from the sales indexed to USD mainly.

The Group has prepared its consolidated financial statements on a going concern basis in a foreseeable future and does not expect any risk in this respect.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

2.5 Comparatives and restatement of prior year financial statements

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

The Group has performed the following reclassifications:

- Payables amounts to TL 4.433 in short other payables to third parties and TL 17.503 in long-term other payables in the Group's consolidated statement of financial position as of 31 December 2020 are reclassified to short-term portions of long-term bank loans and long-term bank loans, respectively. Interest income and expense amounts to TL 18,014 in the condensed consolidated statement of profit or loss as at 31 March 2020, are shown gross. This reclassification has not any effect on retained earnings and current period profit or loss.
- Depreciation expense related to customer relations which is presented under selling and marketing expense in the condensed consolidated statement of profit or loss amounts to TL 4,439 is reclassified to other operating expense. This reclassification has not any effect on retained earnings and current period profit or loss.
- Fair value of service concession arrangements amounts to TL 52,833 which shown in the revenue in the condensed consolidated statement of financial position as at 31 March 2020, is classified to “other income”. This reclassification has not any effect on retained earnings and current period profit or loss.

2.6 Critical accounting estimates, assumptions and judgments

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results could differ from these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

The key assumption concerning the future and 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 are accounted for only where it is likely that related temporary differences and accumulated losses will be recovered through expected future profits. When accounting for deferred tax assets it is necessary to make critical estimations and evaluations with regard to taxable profits in the future periods. As at 31 March 2021 according to the future projections, deferred tax assets are recognized on the carryforward tax losses amounts to TL 4,291,618 (31 December 2020: TL 3,687,055). Deferred tax asset is not recognized carryforward tax losses for the remaining TL 599,629 (31 December 2020: TL 509,637).

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

2.6 Critical accounting estimates, assumptions and judgments (Continued)

b) Cash flow hedge

As explained in Note 11, the Group uses investment loans amounting USD 1,031,270 thousand and 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. The estimations in budgets for YEKDEM sales income used for effectiveness test include estimations such as sales quantities and production capacity.

c) Explanations for revaluation method and fair value measurement

Group has chosen revaluation method among application methods mentioned under IAS 16 with respect to measurement and disclosure of the Group’s power plants at fair value commencing from 31 December 2013. On 31 December 2020, A A Baig & Co. Chartered Accountants was given the authority to determine the market value of the power plant belonging to Zorlu Enerji Pakistan, Aden Gayrimenkul Değerleme ve Danışmanlık AŞ (“Aden Gayrimenkul”) was given the authority to determine the Zorlu Enerji, Zorlu Doğal, Zorlu Jeotermal and Rotor’s power plants installed in Turkey. The cost method was used for the valuation of plants that belong to Zorlu Enerji, and the income method (Discounted cash flows-DCF) was used for the valuation of other plants.

Regarding the assumptions used in the valuation of power plants other than the power plant owned by Zorlu Enerji Pakistan; USD weighted average cost of capital ratio: 8.5%, and in the valuation of Zorlu Enerji Pakistan's power plant, USD weighted average cost of capital ratio: 8.99%.

d) Seasonality of operations

Business volume shows seasonal changes according to the structure of the industry in which the Group operates. In the gas distribution segment, business volume is higher in the first and fourth quarters corresponding to winter months and for the wind and hydroelectric power plants, which are under production and trading segment, business volumes are higher in second and third quarters and in the fourth quarter of the year, respectively. Seasonality does not have a significant impact on the volume of business in the remaining segments of the Group.

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

2.7 Financial risk management

Foreign exchange risk

The sources used by the Group in financing its investments are predominantly foreign currency denominated. The Group is exposed to foreign exchange risk arising from the translation of the amounts denominated in USD and EUR. In order to eliminate these risks, protection policies are applied in order to use various derivative instruments. In addition, foreign exchange losses arising from borrowings of the Companies which sell electricity in scope of YEKDEM have been hedged by the foreign exchange gains arising from the sales indexed to USD mainly (Note 11).

Foreign currency denominated assets and liabilities held by the Group as at 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
Assets	3,089,855	2,687,963
Liabilities	(12,237,384)	(11,076,039)
Net position of derivative instruments	(461,039)	(416,720)
Foreign currency position, (net)	(9,608,568)	(8,804,796)

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

2.7 Financial risk management (Continued)

TL equivalent of assets and liabilities denominated in foreign currency held by the Group at 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021					31 December 2020				
	TL equivalent	USD	Euro	NIS	JPY	TL equivalent	USD	Euro	NIS	JPY
Cash and cash equivalents	327,294	37,270	1,734	14	1	446,200	58,948	1,495	11	1
Trade receivables	205,531	24,433	215	--	--	12,108	1,247	328	--	--
Due from related parties - short-term	1,008,842	92,936	24,049	--	--	890,346	91,583	24,210	--	--
Due from related parties - long-term	1,495,878	141,463	5,065	107,412	--	1,330,116	141,497	5,066	107,412	--
Other	52,310	5,569	608	--	--	9,193	829	345	--	--
Total assets	3,089,855	301,671	31,671	107,426	1	2,687,963	294,104	31,444	107,423	1
Trade payables	280,073	28,533	4,349	--	--	257,951	31,625	2,865	--	--
Short-term financial liabilities	2,973,164	296,497	51,619	--	--	2,440,448	275,764	46,204	--	--
Short term other payables	3,173	381	--	--	--	17,764	2,420	--	--	--
Due to related parties	16,843	2,023	--	--	--	21,126	2,878	--	--	--
Long-term financial liabilities	8,964,131	1,051,223	21,654	--	--	8,338,749	1,102,914	26,955	--	--
Total liabilities	12,237,384	1,378,657	77,622	--	--	11,076,039	1,415,601	76,024	--	--
Net position of derivative financial instruments	(461,039)	(24,572)	(26,238)	--	--	(416,720)	(24,572)	(26,238)	--	--
Net foreign currency position	(9,608,568)	(1,101,558)	(72,189)	107,426	1	(8,804,796)	(1,146,069)	(70,818)	107,423	1

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

2.7 Financial risk management (Continued)

The Group is mainly exposed to foreign exchange risk through the impact of rate changes in the translation of USD, EUR and NIS currencies denominated assets and liabilities to local currency. As at 31 March 2021 and 31 December 2020, had the TL appreciated or depreciated by 10% against USD, EUR and NIS with all other variables held constant, the effect over current period consolidated net income/ (loss) and equity would be as follows:

	31 March 2021		31 March 2021	
	Profit or loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation				
/ depreciation USD against TL:				
USD net asset/(liability)	(917,157)	917,157	(917,157)	917,157
Amount hedged for USD risk (-)	858,635	(858,635)	--	--
USD net effect	(58,522)	58,522	(917,157)	917,157
In case of 10% appreciation				
/ depreciation of EUR against TL:				
EUR net asset/(liability)	(70,559)	70,559	(70,559)	70,559
Amount hedged for EUR risk (-)	--	--	--	--
EUR net effect	(70,559)	70,559	(70,559)	70,559
In case of 10% appreciation				
/ depreciation of NIS against TL:				
NIS net asset/(liability)	26,859	(26,859)	26,859	(26,859)
Amount hedged for NIS risk (-)	--	--	--	--
NIS net effect	26,859	(26,859)	26,859	(26,859)
Total net effect	(102,222)	102,222	(960,857)	960,857

As at 31 March 2021, the Group uses investment loans amounting to USD 1,031,270 thousand (31 December 2020: USD 914,202 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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

2.7 Financial risk management (Continued)

	31 December 2020		31 December 2020	
	Profit or loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation				
/ depreciation USD against TL:				
USD net asset/(liability)	(841,272)	841,272	(841,272)	841,272
Amount hedged for USD risk (-)	671,070	(671,070)	--	--
USD net effect	(170,202)	170,202	(841,272)	841,272
In case of 10% appreciation				
/ depreciation of EUR against TL:				
EUR net asset/(liability)	(63,792)	63,792	(63,792)	63,792
Amount hedged for EUR risk (-)	--	--	--	--
EUR net effect	(63,792)	63,792	(63,792)	63,792
In case of 10% appreciation				
/ depreciation of NIS against TL:				
NIS net asset/(liability)	24,585	(24,585)	24,585	(24,585)
Amount hedged for NIS risk (-)	--	--	--	--
NIS net effect	24,585	(24,585)	24,585	(24,585)
Total net effect	(209,409)	209,409	(880,479)	880,479

Fair value of financial instruments

Fair value is the amount at 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 evidenced by a quoted market price, if one exists.

The fair values of financial instruments that are not traded in an active market 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 may differ from the amounts the Group could realise in a current market exchange.

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

2.7 Financial risk management (Continued)

Monetary assets

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

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

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to approximate to their fair values.

Monetary liabilities

The fair values of short term bank borrowings and other monetary liabilities are considered to approximate to their respective carrying values due to their short-term nature.

Since long term foreign currency loans generally have floating interest rate fair value is close to their book value. Fair value of long term bank loans are discounted amounts of contractual cash flows with the market interest rate.

Fair value estimation:

Disclosure of fair value measurements by level of the following fair value measurement hierarchy is as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted market prices included within level 1 that are observable for the asset or liability
- Level 3: Inputs for the asset or liability that are not based on observable market data.

Fair values of translated foreign currency balances with year-end foreign exchange rates are considered to approximate their carrying values.

Cash and cash equivalents as at the carrying value of certain financial assets carried at cost, are considered to approximate their fair values due to their short-term.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to estimate the fair value an instrument are observable, the instrument is included in Level 2.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

2.7 Financial risk management (Continued)

The fair values of assets and liabilities as at 31 March 2021 and 31 December 2020 are as follows:

Derivative financial instruments	31 March 2021	31 December 2020
Level 1	--	--
Level 2	(231,219)	(323,559)
Level 3	--	--
	(231,219)	(323,559)

The fair value of powerplants belonging to Zorlu Enerji is determined by using “market approach and cost method” (Level 2) and fair values of all other power plants are determined by using “income approach - discounted cash flow analysis” (Level 3).

Property, plant and equipment	31 March 2021	31 December 2020
Level 1	--	--
Level 2	267,102	253,166
Level 3	9,767,910	9,778,595
	10,035,012	10,031,761

NOTE 3 - SEGMENT REPORTING

Group management has determined the reportable parts of the Group as distribution of electricity and distribution of gas, retail and wholesale of electricity and producing and trading according to the activity groups.

Management of the Group considers Earnings before interest, taxes, depreciation and amortization (“EBITDA”) as the most appropriate method for comparability with other companies within the same industry. The segment information in industrial basis is presented below:

1 January – 31 March 2021	Electricity distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation total
Revenue	242,966	827,386	1,164,845	556,233	(384,283)	2,407,147
Cost of sales	(182,782)	(776,124)	(1,112,344)	(342,934)	385,861	(2,028,323)
Gross profit	60,184	51,262	52,501	213,299	1,578	378,824
Operating expenses	(29,120)	(12,288)	(25,725)	(22,824)	515	(89,442)
Amortisation and depreciation expenses (*)	5,956	1,752	736	145,034	--	153,478
Weighted average cost of capital (“WACC”) correction (**)	69,698	36,191	--	--	--	105,889
Indexation difference on receivables from service concession arrangements (**)	79,330	27,613	--	--	--	106,943
EBITDA	186,048	104,530	27,512	335,509	2,093	655,692

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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NOTE 3 - SEGMENT REPORTING (Continued)

1 January – 31 March 2020	Electricity distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation total
Revenue	222,724	782,296	1,091,368	474,521	(312,324)	2,258,585
Cost of sales	(147,009)	(722,550)	(1,038,358)	(287,676)	311,659	(1,883,934)
Gross profit	75,715	59,746	53,010	186,845	(665)	374,651
Operating expenses	(17,934)	(11,595)	(22,461)	(24,860)	622	(76,228)
Amortisation and depreciation expenses (*)	4,036	2,202	918	107,315	-	114,471
Weighted average cost of capital (“WACC”) correction (**)	53,766	30,432	-	-	-	84,198
Indexation difference on receivables from service concession arrangement (**)	37,952	14,881	-	-	-	52,833
EBITDA	153,535	95,666	31,467	269,299	(43)	549,924
31 March 2021	Electricity distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation total
Segment assets	3,161,348	2,408,323	1,558,037	23,762,214	(8,390,853)	22,499,069
Associates	-	-	-	773,499	-	773,499
Segment liabilities	2,188,073	2,931,810	1,228,579	17,805,528	(3,788,332)	20,365,658
31 December 2020	Electricity distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation total
Segment assets	3,065,291	1,933,266	1,374,735	22,962,273	(7,338,803)	21,996,762
Associates	--	--	--	681,368	--	681,368
Segment liabilities	2,165,341	3,052,725	1,126,090	16,585,333	(3,621,516)	19,307,973

(*) The amortisation and depreciation expense amounts to TL 153,478 (31 March 2020: TL 114,470) has been presented in operating expenses, and amount of TL 34,797 (31 March 2020: TL 32,503) has been presented in other operating expenses.

(**) WACC correction and indexation difference on receivables from service concession arrangement which are related to OEDAŞ, Gazdaş and Trakya amounts to TL 105,889 (31 March 2020: TL 84,198) and TL 106,943 (31 March 2020: TL 52,833) respectively which are presented in the other income are considered in EBITDA calculation.

Reconciliation between EBITDA and income before tax from continued operations is as follows:

	31 March 2021	31 March 2020
EBITDA (*)	655,692	549,924
Amortisation and depreciation expenses	(188,275)	(146,973)
Financial income/(expenses), net	(495,131)	(415,665)
Other operating income/(expenses), net	(54,608)	21,754
Share of profit of associates	22,430	28,927
Income/(loss) before tax from continued operations	(59,892)	37,967

(*) The Group’s Israel investments have been accounted using equity method and EBITDA related to these investments amounting TL 70,012 (31 March 2020: TL 67,130) was not taken into consideration in Group’s total EBITDA.

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NOTE 4- CASH AND CASH EQUIVALENTS

	31 March 2021	31 December 2020
Cash	162	--
Banks		
- Time deposits	354,116	438,507
- Demand deposits	194,790	289,807
	549,068	728,314

The maturities of time deposits are less than 3 months and the average effective annual interest rates for time deposits are as follows:

	31 March 2021 (%)	31 December 2020 (%)
USD	0.14	0.05
PKR	5.65	5.71
TL	15.66	11.60

The details of cash and cash equivalents include the following for the purpose of the consolidated statements of cash flows as at 31 March 2021 and 2020:

	31 March 2021	31 March 2020
Cash and cash equivalents	549,068	577,056
Less: Restricted cash (*)	(95,485)	(84,637)
	453,583	492,419

(*) Total restricted cash balance is TL 258,008 of Group together with the restricted cash amounts to TL 353,493 under the short-term financial investments.

Supplementary explanations related to cash flows

"Other adjustments related to non-cash items" in net cash generated from operating activities before changes in operating assets and liabilities in cash flows represents the following:

	1 January - 31 March 2021	1 January - 31 March 2020
Redemptions related to loan commissions	19,299	16,868
Transactions with non-controlling interests	36,750	--
	56,049	16,868

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NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

Details of “Other inflows/outflows” in net cash generated from operating activities in cash flows as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Collection of investment expenditures (Note 5)	109,009	66,066
Change in blocked deposits	(76,510)	(64,938)
Subscriber connection fee (Note 5)	8,419	6,298
	40,918	7,426

Details of “Other inflows/outflows” in net cash generated from investing activities in cash flows as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Investment made during the period	(29,551)	(12,548)
	(29,551)	(12,548)

Details of “Other inflows/outflows” in net cash used in financing activities in cash flows as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Commission paid related to borrowings (Note 6)	(22,221)	(18,156)
	(22,221)	(18,156)

NOTE 5 - RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT

	31 March 2021	31 December 2020
Short-term receivables from service concession arrangement	451,956	349,605
Long-term receivables from service concession arrangement	2,450,906	2,534,191
	2,902,862	2,883,796

The receivables from service concession arrangement represent the amounts of the investments not yet recovered by the tariff.

As at 31 March 2021, TL2,127,341 of the receivables from service concession arrangement is related to OEDAŞ (31 December 2020: TL2,139,255) and TL775,521 thousand is related to Gazdaş and Trakya (31 December 2020: TL744,541).

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NOTE 5 - RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT (Continued)

The maturity analysis of receivables from service concession arrangements has shown as below;

	31 March 2021	31 December 2020
Up to 1 years	451,956	349,605
Between 1 to 3 years	903,912	699,210
Between 3 to 5 years	903,912	699,210
More than 5 years	643,082	1,135,771
	2,902,862	2,883,796

The movements of the receivables from service concession arrangement for OEDAŞ are as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Opening balance	2,139,255	1,658,544
Collections (-)	(91,244)	(58,436)
Indexation differences	79,330	37,952
Closing balance	2,127,341	1,638,060

The movements of the receivables from service concession arrangement for gas distribution companies are as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Opening balance	744,541	650,301
Gross investments	29,551	12,548
Subscriber connection fee	(8,419)	(6,298)
Net investment	21,132	6,250
Collections (-)	(17,765)	(7,630)
Indexation differences	27,613	14,881
Closing balance	775,521	663,802

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NOTE 6 - FINANCIAL LIABILITIES

The detail of financial liabilities of the Group as at 31 March 2021 and 31 December 2020 is as follows:

	31 March 2021	31 December 2020
Short-term bank borrowings	1,118,867	1,020,878
Issued bonds	322,810	412,147
Other issued securities	139,598	119,773
Short-term financial payables to related parties (Note 17)	43,151	41,886
Lease liabilities	28,657	19,922
Total short-term financial liabilities	1,653,083	1,614,606
Short-term portion of long-term bank borrowings	3,178,409	2,661,172
Issued bonds	407,056	214,299
Total short-term portion of long term financial liabilities	3,585,465	2,875,471
Long-term bank borrowings	10,540,517	9,969,103
Lease liabilities	69,750	35,161
Issued bonds	45,644	48,842
Total long-term financial liabilities	10,655,911	10,053,106
Total financial liabilities	15,894,459	14,543,183

The detail of short-term bank borrowings and lease liabilities of the Group as at 31 March 2021 and 31 December 2020 is as follows:

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020	31 March 2021	31 December 2020
USD	30,128	37,665	7.97	7.77	250,846	276,480
EUR	2,002	749	4.90	5.94	19,568	6,747
TL	1,382,545	1,331,275	22.53	19.65	1,382,545	1,331,275
PKR	2,296	2,296	--	--	124	104
					1,653,083	1,614,606

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

The detail of short-term portion of long-term bank borrowings, issued bonds, other issued securities and lease liabilities of the Group as at 31 March 2021 and 31 December 2020 is as follows:

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020	31 March 2021	31 December 2020
USD	266,369	238,099	7.98	7.82	2,217,788	1,747,766
EUR	49,617	45,455	7.76	7.65	484,962	409,455
TL	872,017	709,107	15.79	17.94	872,017	709,107
PKR	197,632	201,130	10.37	9.88	10,698	9,143
					3,585,465	2,875,471

The detail of long-term bank borrowings, issued bonds and other long-term borrowings of the Group as at 31 March 2021 and 31 December 2020 is as follows:

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020	31 March 2021	31 December 2020
USD	1,051,223	1,102,914	8.05	8.04	8,752,483	8,095,940
EUR	21,654	26,955	5.39	5.88	211,648	242,809
TL	1,664,364	1,685,520	17.60	17.33	1,664,364	1,685,520
PKR	227,084	325,591	9.70	9.36	12,292	14,801
NIS	6,049	6,133	5.50	5.5	15,124	14,036
					10,655,911	10,053,106

The commission paid during the period amounting TL 22,221 (31 March 2020: TL 18,156) related to the borrowings obtained by Zorlu Enerji and its subsidiaries from financial institutions are deducted from the total loan amount. Such commission amount is amortized during the term of loans.

Letters of guarantees given, pledges and mortgages related to financial liabilities are explained in Note 10.

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of the borrowings as at 31 March 2021 and 31 December 2020 is as follows:

	31 March 2021	31 December 2020
Up to 1 year	5,238,548	4,490,077
Up to 1 to 2 years	3,871,724	2,329,028
Up to 2 to 3 years	1,531,163	2,753,494
Up to 3 to 4 years	1,237,758	1,033,558
Up to 4 to 5 years	1,122,929	1,019,932
More than 5 years	2,892,337	2,917,094
	15,894,459	14,543,183

The movements of financial liabilities for the period 1 January - 31 March 2021 and 2020 are as follow:

	2021	2020
As at 1 January	14,543,183	12,780,711
Cash inflows from borrowings	166,125	42,932
Cash inflows from issued debt instruments	371,177	189,518
Cash outflows due to the repayment of bank borrowings	(440,173)	(495,587)
Cash outflows from debt repayments of issued debt instruments	(262,540)	(149,310)
Change of exchange differences and interest accruals	1,821,296	1,265,070
Interest paid	(341,697)	(480,128)
Cash outflows from debt repayments of lease agreements	(8,510)	(7,758)
The impact of IFRS 16	44,400	1,511
Interest interest expense of lease contract	4,120	2,645
Other classifications	(2,922)	(1,288)
31 December	15,894,459	13,148,316

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NOTE 7 - OTHER PAYABLES

c) Short Term Other payables:

	31 March 2021	31 December 2020
Deposit received	1,024,984	966,258
Other payables to related parties (Note 17)	412,410	367,998
Other short-term payables	994	154
	1,438,388	1,334,410

Movement for deposit received is as follows:

	2021	2020
1 January	966,258	813,417
Additions and payments, net	16,396	15,761
Indexation on deposits (Note 15)	42,330	10,614
31 December	1,024,984	839,792

NOTE 8 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 March 2021	31 December 2020
Insurance income accruals	46,897	38,294
Prepaid expenses	47,053	32,532
VAT receivable	29,737	25,725
Advances given	18,690	8,711
Assets related to current income tax	119	37
Other	36,078	41,975
	178,574	147,274

b) Other non-current assets:

	31 March 2021	31 December 2020
Revenue difference correction component (*)	13,075	13,283
Other	1,440	204
	14,515	13,487

(*) EMRA regulates the distribution companies' revenues and expenses by setting ceiling amounts for distribution revenue and non-controlling expenses. Excess or shortage portions of revenues and expenses ceilings are charged to subsequent two years' tariffs which is set by EMRA. These portions of revenues and expenses are considered as an adjustment to the tariffs set by EMRA in the following second year from the origination.

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NOTE 8 - OTHER ASSETS AND LIABILITIES (Continued)

c) Other current liabilities

	31 March 2021	31 December 2020
Taxes and funds payable	170,538	125,036
Revenue difference correction component (*)	63,699	84,932
Due to personnel	19,127	17,415
Advances received	3,155	1,015
Other	5,338	6,222
	261,857	234,620

(*) Within the framework of EMRA regulations, some expenses of electricity distribution companies are limited by a specified cap. Collection through tariff for deferred distribution revenue exceed the EMRA cap (In previous years, this extra collected amount was considered an adjustment to the system operation revenue cap determined by EMRA in the second year and is collected with the 2020 system operation revenue cap).

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

As of 31 March 2021, the cost and accumulated depreciation of the Group's tangible fixed assets are TL 13,375,023 (31 March 2020: TL 12,111,674) and TL 2,597,438 (31 March 2020: TL 1,983,557), respectively. The depreciation expense for tangible fixed assets for the between 1 January – 31 March 2021 is TL 144,799 (31 March 2020: TL 107,243). The total investment made in the three months period is TL 140,055 including capitalized financial expense amounts to TL 49,159. The investments under receivables from service concession arrangements amounts to TL 29,551 is included in the total investment amount.

Group has chosen revaluation method among application methods mentioned under IAS 16 with respect to measurement and disclosure of the Group's power plants at fair value commencing from 31 December 2013. As at 31 December 2020, the Group has revalued its power plants and the revaluation fund has been accounted in the consolidated statement of financial position. The valuation studies related to the domestic power plants at the mentioned date have been performed by Aden Gayrimenkul Değerleme ve Danışmanlık AŞ and the valuation study related to the plant established in Pakistan has been performed by A A Baig & Co. Chartered Accountants.

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

1 January 2020	3,211,890
Revaluation surplus of subsidiary sold	(201,378)
Depreciation transfer	(46,748)
Revaluation fund	1,363,478
31 March 2020	4,327,242

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

1 January 2021	4,583,615
Depreciation transfer	(35,470)
31 March 2021	4,548,145

Collateral, pledges and mortgages on property, plant and equipment are presented in Note 10.

Breakdown of depreciation and amortisation expenses under cost of sales, operating expense and other operating expense have been presented in Note 14 and Note 15.

NOTE 10 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

10.1 Contingent assets

	Currency	31 March 2021		31 December 2020	
		Original amount	TL equivalent	Original amount	TL equivalent
Letters of guarantees received	TL	573,686	573,686	553,545	553,545
Letters of guarantees received	USD	4,787	39,857	4,775	35,051
Letters of guarantees received	EUR	2,304	22,520	2,402	21,637
Cheques received	TL	15,023	15,023	14,351	14,351
Cheques received	USD	833	6,936	782	5,740
Cheques received	EUR	248	2,424	176	1,585
		660,446		631,909	

Guarantee letters received consist of the letters, cheques and notes received from customers in relation to the Group’s operations.

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

10.2 Guarantees, pledges and mortgages given by the Group

The Group’s guarantees, pledges and mortgages (“GPM”) as at 31 March 2021 and 31 December 2020 are summarized as follows:

	Original currency	31 March 2021		31 December 2020	
		Original amount	TL equivalent	Original equivalent	TL amount
GPM’s given by the Group					
Total amount of GPM’s given					
for companies’ own legal entity	USD	261,565	2,177,790	261,565	1,920,018
	EUR	130,000	1,270,633	130,000	1,171,027
	TL	4,941,096	4,941,096	4,352,167	4,352,167
	PKR	7,525,652	407,364	7,525,652	342,116
Total amount of GPM given for					
the subsidiaries and associates in					
the full scope of consolidation					
	TL	109,526	109,526	35,595	35,595
	USD	550	4,579	550	4,037
	EUR	7,300	71,351	7,300	65,758
Total amount of GPM given for					
the purpose of					
maintaining operating activities					
	USD	20,060	167,020	19,810	145,415
	EUR	831	8,122	350	3,153
	NIS	7,298	18,246	7,298	16,702
	TL	10,489	10,489	--	--
Total amount of other GPMs given					
		--	--	--	--
		9,186,216		8,055,988	

Letters of guarantees given generally consist of letters given to government agencies for the electricity and gas transmission and distribution (mainly to “EMRA” and government agencies providing electricity and gas transmission and distribution) and natural gas suppliers for the procurement of natural gas and banks for borrowings obtained. The ratio of other guarantees, pledges and mortgages given by the Group to the total equity is 0% as at 31 March 2021 (31 December 2020: 0%).

As mentioned in Note 2.1 the condensed consolidated interim financial information for the period then ended 31 March 2021 should be read in conjunction with the annual consolidated financial statements for the year then ended 31 December 2020. For this purpose the details of commitments are not presented in the notes for the period then ended 31 March 2021.

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NOTE 11 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments

	31 March 2021						
	Contract amount (USD)	Contract amount (EUR)	Total contract amount (TL)	Fair value asset	Fair value liability	Carried at fair value through profit or loss	Carried at fair value under hedge reserves
Cross currency swap agreements held for hedging	--	15,381	150,335	--	(1,124)	(1,264)	582
Forward agreements	24,572	10,857	310,704	--	(6,185)	14,845	--
Interest rate swap agreements held for hedging	575,235	--	4,789,407	--	(223,910)	17,879	(143,248)
	599,807	26,238	5,250,446	--	(231,219)	31,460	(142,666)

	31 December 2020						
	Contract amount (USD)	Contract amount (EUR)	Total contract amount (TL)	Fair value asset	Fair value liability	Carried at fair value through profit or loss	Carried at fair value under hedge reserves
Cross currency swap agreements held for hedging	--	15,381	138,551	3,749	--	1,176	3,469
Cross currency swap agreements	--	--	--	--	--	2,541	--
Forward agreements	24,572	10,857	278,170	--	(21,030)	(21,030)	--
Interest rate swap agreements held for hedging	575,235	--	4,222,513	--	(306,278)	(19,282)	(194,839)
	599,807	26,238	4,639,234	3,749	(327,308)	(36,595)	(191,370)

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NOTE 11 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative financial instruments are initially recognized in the condensed consolidated interim statement of financial position at cost and subsequently are re-measured at their fair value. The derivative instruments of the Group consist of interest rate swap and cross currency swaps.

On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognized asset or liability (“fair value hedge”) or a hedge of a forecasted transaction or a 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 the 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 recognized in “Other comprehensive income/(expenses) to be reclassified to profit or loss” under “hedge reserves” whereas ineffective portion is recognized in the consolidated statement of profit or loss. Amounts recognized 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.

As at 31 March 2021, the Group has a forward purchase commitment amounts to USD 24,572 thousand against a sale commitment of TL 237,063 and forward sales commitment amounts to USD 17,854 thousand against a purchase commitment of EUR 15,381 thousand. In addition, forward purchase commitment amounts to USD 12,637 thousand against a sale commitment of EUR 10,857 thousand.

Non-derivative financial instruments

	<u>31 March 2021</u>			<u>31 December 2020</u>		
	Original amount	Carried at fair value through other comprehensive income		Original amount	Carried at fair value through other comprehensive income	
	USD	EUR	(TL) (*)	USD	EUR	(TL) (*)
Hedged amount for foreign currency risk	1,031,270	--	(4,348,569)	914,202	--	(3,667,006)
	1,031,270	--	(4,348,569)	914,202	--	(3,667,006)

(*) The Group uses investment loans amounting to USD1,031,270 thousand and as a hedging instrument against the USD exchange rate risk which 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.

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NOTE 11 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The movements of derivative financial instruments are as follows:

	2021	2020
As at 1 January	(323,559)	(85,426)
Carried at fair value through profit or lose		
- Gain/ (loss) on derivative instruments (Note 16)	31,460	(2,700)
Carried at fair value through other comprehensive income		
- Hedged amount for financial risk	60,880	(140,474)
Disposal of subsidiary	--	38,408
31 March	(231,219)	(190,192)

The movements of non derivative financial instruments are as follows:

	2021	2020
As at 1 January	(3,667,006)	(2,550,169)
Carried at fair value through other comprehensive income		
- Hedged amount for financial risk	(661,217)	(460,939)
Transfers	(20,346)	--
Disposal of subsidiary	--	(7,613)
31 March	(4,348,569)	(3,018,721)

NOTE 12 - EQUITY

a) Share capital

	31 March 2021	31 December 2020
Limit on registered share capital (*)	6,000,000	3,000,000
Issued capital	2,000,000	2,000,000

(*) As per the decision of the Board of Directors of the company dated April 29, 2021, within the registered capital ceiling of the company, which was determined as 6,000,000 TL, it has been decided to increase the issued capital of TL 2,000,000 to TL 2,500,000 by increasing by TL 500,000, fully covered in cash.

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NOTE 12 – EQUITY (Continued)

The Group’s shareholders and shareholding structure as at 31 March 2021 and 31 December 2020 are as follows:

	Share (%)	31 March 2021	Share (%)	31 December 2020
Zorlu Holding	47.08	941,615	45.97	919,365
Korteks	17.55	350,949	17.55	350,949
Publicly held (*)	34.97	699,436	34.73	694,512
Other	0.40	8,000	1.75	35,174
	100.00	2,000,000	100.00	2,000,000
Adjustment to share capital		110,948		110,948
Total		2,110,948		2,110,948

(*) TL 284,131 and the portion equivalent to 14.2% of the total capital represent the shares that belong to Zorlu Holding.

As a result of the transactions carried out by Zorlu Holding AŞ on January 13, 2021, out of the Borsa İstanbul and on March 3, 2021, in Borsa İstanbul, its share in the Company’s capital decreased from 62.43% to 61.29%.

As of 31 March 2021 and 31 December 2020, the Group’s capital inflation adjustment differences amounted to TL 110,948 thousand, representing the adjustment difference arising from the adjustment of the Group’s paid-in capital amount according to inflation and not offset with previous years’ losses.

b) Legal Reserves

Restricted Reserves reserve for specific purposes other than profit from previous period, due to law or contractual obligations or other profit distributions. These reserves are shown in the amounts in the statutory records of the Group and difference arising in preparing the consolidated financial statements in accordance with TFRS are associated with prior years’ profit or loss.

As at 31 March 2021 restricted reserves comprised of legal reserves amounting to TL 7,931 (31 December 2020: TL 7,931).

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company’s paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 13 - TAXES

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

In Turkey, corporate tax is payable at a rate of 20% and 22% as of 31 March and 2021 and 31 December 2020, respectively. Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. “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 will be applied as 25% for the corporate income related to the 2021 taxation period and 23% for the corporate income related to the 2022 taxation period. This change will be 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.

The taxation on income and expense for the Group for the period ended 31 March 2021 and 2020 is summarised as follows:

	1 January – 31 March 2021	1 January - 31 March 2020
Current period tax expense	(13,996)	(23,640)
Deferred tax income/ (expense)	24,372	464
Total tax expense	10,376	(23,176)

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 13 – 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.

Since the tax rate change become effective as at 22 April 2021, 20% tax rate is used for the calculation of deferred tax assets and liabilities as at 31 March 2021 (31 December 2020: 20% depending on the estimation of on which years temporary differences will reverse).

	31 March 2021	31 December 2020
Deferred tax assets	532,774	494,245
Deferred tax liabilities	(800,176)	(939,565)
Deferred tax assets/(liabilities), net	(267,402)	(445,320)

	Temporary differences		Deferred tax assets/(liabilities)	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Tangible and intangible assets	3,097,311	3,463,405	(619,464)	(692,681)
Carry forward tax losses	(4,291,618)	(3,687,055)	858,324	737,411
Receivables from service concession arrangements	2,902,862	2,883,796	(580,572)	(576,759)
Credit commission and unearned credit finance expense	313,626	312,108	(62,725)	(62,422)
Indexation of deposits received	(403,826)	(361,496)	80,765	72,299
Derivative instruments	(231,219)	(323,559)	46,244	64,712
Investment incentive	(103,448)	(95,600)	20,690	19,120
Provision for employee termination benefits	(48,861)	(44,000)	9,773	8,800
Other	102,183	78,381	(20,437)	(15,800)
Deferred tax assets/(liabilities), net			(267,402)	(445,320)

As at 31 March 2021, the Group recognized deferred tax assets for the carry forward tax losses amounting to TL 4,291,618 (31 December 2020: TL 3,687,055) for which the Group believes it will utilize in the future. For the remaining carry forward tax losses amounting to TL 599,629 (31 December 2020: TL 509,637), the Group has not recognized deferred tax assets.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 13 – TAXES (Continued)

Due date	Losses
2021	76,120
2022	269,370
2023	1,223,320
2024	987,053
2025	1,181,489
2026	554,266
	4,291,618

The Group's expiration dates of unrecognized carry forward tax losses are as follows:

Due date	Losses
2021	300,870
2022	91,281
2023	26,530
2024	3,263
2025	4,902
2026	172,783
	599,629

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 14 - EXPENSES BY NATURE

	1 January - 31 March 2021	1 January - 31 March 2020
Natural gas purchase expense	705,205	681,879
Retail electricity purchase expense	555,887	538,329
Electricity generation and wholesale purchase expense	314,354	332,016
Depreciation and amortisation (*)	153,478	114,470
Employee and personnel expenses (**)	79,511	63,648
System usage expenses	63,124	63,421
Energy purchase related to distribution	62,421	34,151
Other	183,785	132,248
	2,117,765	1,960,162

(*) The total amount of depreciation and amortization expense is TL 188,275 (31 March 2020: TL 146,973). TL 153,478 (31 March 2020: TL 114,470) of the amount is presented expense by nature and TL 34,797 (31 March 2020: TL 32,503) of the amount is presented in other operating expense (Note 15).

(**) The total amount of employee and personnel expenses is TL 79,511 (31 March 2020: TL63,648) and TL 4,779 of the amount accounted under selling and marketing expenses (31 March 2020: TL4,035), TL 29,702 of amount accounted under general and administrative expense (31 March 2020: TL 24,056) and TL 45,030 of the amount is accounted under cost of sales (31 March 2020: TL 35,557).

NOTE 15 - OTHER OPERATING INCOME AND EXPENSE

a) Other operating income:

	1 January - 31 March 2021	1 January - 31 March 2020
Indexation difference on receivables from service concession arrangements (Note 5)	106,943	52,833
Interest income from distribution activities	105,889	84,198
Foreign exchange difference from trading activities	9,622	5,130
Interest income from trading activities	7,416	6,682
Gain on sale of property, plant and equipment	976	9,987
Gain on sale of subsidiary	--	40,160
Other	24,270	11,845
	255,116	210,835

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 15 - OTHER OPERATING INCOME AND EXPENSE (Continued)

b) Other operating expense:

	1 January - 31 March 2021	1 January - 31 March 2020
Indexation of deposits received (*)	48,989	20,994
Depreciation of service concession arrangements	27,935	23,625
Interest expense from trading activities	9,919	5,765
Foreign exchange difference from trading activities	8,213	2,690
Depreciation of customer relations	6,862	8,878
Provisions expenses	449	4,058
Other	29,322	18,543
	131,689	84,553

(*) The balance consists of indexation effect of paid deposits amounts to TL 6,659 (31 March 2020: TL 10,380)

NOTE 16 - FINANCIAL INCOME AND EXPENSES

a) Financial income:

	1 January - 31 March 2021	1 January - 31 March 2020
Foreign exchange gains	346,918	286,117
Interest income	94,614	65,354
Income on derivative instruments	31,460	--
	472,992	351,471

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 16 - FINANCIAL INCOME AND EXPENSES (Continued)

b) Financial expense:

	1 January - 31 March 2021	1 January - 31 March 2020
Foreign exchange loss (*)	527,455	350,681
Interest expense (*)	412,679	391,995
Bank commission and other financial expenses	27,989	21,760
Loss on derivative instruments	-	2,700
	968,123	767,136

(*) As at 31 March 2021, capitalized borrowing cost on property, plant and equipments is TL 49,159 (31 March 2020: TL 22,673).

NOTE 17 - RELATED PARTY TRANSACTIONS

i) Related party balances:

a) Short-term trade receivables from related parties

	31 March 2021	31 December 2020
Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ (“Meta Nikel”)	32,396	24,913
Vestel Elektronik Sanayi ve Ticaret AŞ (“Vestel Ticaret”)	15,490	13,728
Vestel Beyaz Eşya Sanayi ve Ticaret AŞ (“Vestel Beyaz Eşya”)	14,650	10,887
Korteks	8,577	5,785
Zorluteks Tekstil Ticaret ve Sanayi AŞ (“Zorluteks”)	5,762	2,631
Other	14,861	1,793
	91,736	59,737

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 17 - RELATED PARTY TRANSACTIONS (Continued)

b) Short-term other receivables from the related parties

	31 March 2021	31 December 2020
Zorlu Holding (*)	773,276	720,901
Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ ("Zorlu O&M") (**)	187,361	166,256
Zorlu Doğal Gaz İthalat İhracat ve Toptan AŞ ("Zorlu Doğal Gaz İthalat")	51,257	44,220
Edeltech	23,000	--
Other	7,813	4,976
	1,042,707	936,353

(*) The maturity of TL 1,922,479 portion of the Group's total receivables from Zorlu Holding amounts to TL 773,276 is less than one year. TL 121,568 portion of short term receivables is back-to-back loans and the applied interest rate is between 23.25% and 24.5%. The interest rates for the remaining USD 20,698 and EUR 24,049 of back-to-back loans are 11.75% for USD, between 7.5% and 8.5% for EUR. The interest rate of the USD remaining short term receivable in the nature of financing amounts to USD 29,344 thousand is 7% which is determined in the market conditions and is applied for USD (31 December 2020: 7%).

(**) The interest rate of the Group's receivable for financing purpose amounts to USD 22,503 thousand is 7% which is determined in the market conditions (31 December 2020: 7%).

c) Long-term other receivables from related parties

	31 March 2021	31 December 2020
Zorlu Holding (*)	1,149,203	957,765
Ezotech (**)	268,552	245,823
Edeltech (**)	95,164	102,395
O&M Pakistan	31,799	21,931
Solad (**)	27,372	24,132
Other	11,233	8,053
	1,583,323	1,360,099

(*) TL 1,149,203 of Group's total receivables amounting to TL 1,922,479 from Zorlu Holding is more than one year. USD 19,3 million and EUR 5 million of the amount is the back-to-back loans and the applied interest rates are 11.75% and 7.5%, respectively. The remaining long term receivables amounts to USD 112.7 million is provided for financing purpose and the applied interest rate that determined in market condition is 7% for USD (31 December 2020: 7%).

(**) The receivables from Ezotech, Solad and Edeltech consist of the amounts provided for the power plant projects in Israel.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

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

NOTE 17 - RELATED PARTY TRANSACTIONS (Continued)

i) **Related party balances (Continued):**

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

	31 March 2020	31 December 2020
Zorlu O&M	24,660	15,740
Zorlu Gayrimenkul Geliştirme ve Yatırım AŞ	10,577	10,512
Zorlu Dış Ticaret AŞ	10,425	10,512
Linens Pazarlama Tic AŞ	10,425	10,425
Zorlu Holding A.Ş.	4,085	3,652
Other	4,710	3,183
	64,882	54,024

e) **Short-term other payables to related parties**

	31 March 2020	31 December 2020
Zorlu Holding (*)	375,946	332,620
Korteks (*)	29,763	31,288
Zorlu OM	6,701	3,109
Other	--	981
	412,410	367,998

(*) A portion of TL 375,946 of the total debt of the Group to Zorlu Holding TL 359.100 in total, is the capital advance made by Zorlu Holding based on Zorlu Enerji’s material event disclosure dated 21 January 2021.

f) **Short-term financial liabilities**

	31 March 2020	31 December 2020
Zorlu Faktoring A.Ş.	43,151	41,886
	43,151	41,886

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 17 - RELATED PARTY TRANSACTIONS (Continued)

ii) Transactions carried out with related parties for the period 1 January - 31 March 2021 and 2020 are as follows:

	Sales	Purchases	Operating expenses and other income/ (expenses), net	Interest income/ (expenses), net	Foreign exchange income/(expenses), net
1 January - 31 March 2021					
Korteks	39,217	--	240	(1,347)	(13)
Zorluteks	21,651	(1)	(23)	(479)	--
Zorlu Tesis Yönetimi AŞ	6,101	--	(430)	--	--
Meta Nikel	4,696	--	(9)	1,373	--
Vestel Beyaz Eşya	5,160	--	--	--	--
Vestel Elektronik	7,408	--	--	--	--
Zorlu O&M	-	(11,694)	18	7,813	36,922
Zorlu Holding	226	(12)	(1,739)	61,184	224,633
Zorlu Endüstriyel	--	--	--	--	--
Ezotech	--	--	--	--	22,728
Edeltech	--	--	--	2,021	13,747
Zorlu Doğal Gaz İthalat	--	(8)	(67)	780	6,031
Other	854	(75)	(6,875)	3,613	4,361
	85,313	(11,790)	(8,885)	74,958	308,409

	Sales	Purchases	Operating expenses and other income/ (expenses), net	Interest income/ (expenses), net	Foreign exchange income/(expenses), net
1 January - 31 March 2020					
Korteks	32,788	--	80	(531)	--
Zorluteks	19,722	(3)	(32)	(239)	--
Zorlu Tesis Yönetimi AŞ	10,284	--	(275)	--	--
Meta Nikel	5,999	--	(10)	--	--
Zorlu O&M	3	(16,428)	--	(1,543)	7,198
Zorlu Endüstriyel	--	(33)	(16)	2,526	11,639
Zorlu Holding	121	--	(5,325)	27,403	172,157
Edeltech	--	--	5	761	9,958
Zorlu Doğal Gaz Tedarik	--	(87,616)	--	(9)	--
Other	1,579	(2,844)	(3,050)	782	13,464
	70,496	(106,924)	(8,623)	29,150	214,416

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 17 - RELATED PARTY TRANSACTIONS (Continued)

ii) Transactions carried out with related parties for the period 1 January - 31 March 2021 and 2020 are as follows:

Sales and purchases made to related parties, generally includes electricity and product and service sales and purchases within the framework of its main field of activity.

Interest income (expense) and exchange difference income (expense), are related to both financing and commercial transactions.

iii) Key management compensations for the periods between 1 January - 31 March 2021 and 2020 are as follows:

For the purpose of this consolidated financial statements, key management compensation consists of the payments made to Group shareholders and top management (General Manager and Vice General Managers and directors).

	1 January - 31 March 2021	1 January - 31 March 2020
Salaries	3,228	4,488

NOTE 18 - SUBSEQUENT EVENTS

As per the material event disclosure dated 9 April 2021, the approval of the Company's 100% subsidiary Zorlu Yenilenebilir Enerji AŞ for the issuance of foreign debt instruments was announced in the Capital Markets Board's bulletin numbered 2021/19, dated April 8, 2021. As per the material event disclosure dated May 13, 2021, BofA Securities was authorized for the debt instrument issuance planned by Zorlu Yenilenebilir Enerji AŞ to qualified investors abroad. Online meetings are held with Zorlu Yenilenebilir Enerji AŞ, due to the bonds to be sold to foreign investors in the "Rule 144A" and "Regulation S" format, has been excluded from the international credit rating agencies Fitch. It has a B- and S&P credit rating of B-. As per the material event disclosure dated 26 May 2021, The nominal value of the bonds to be issued is determined as USD 300,000,000 and the maturity is 5 years. USD 37,500,000 of the bonds to be issued will be redeemed in the third year, USD 37,500,000 in the fourth year and the remaining USD 225,000,000 at maturity. The bonds will be traded on the Irish Stock Exchange (Euronext Dublin). It is expected that the sales transactions will be completed on 1 June 2021, with the signing of the issuance contract and the approval of the issue certificate from the CMB.

As of 31 March 2021, the prevailing corporate tax rate in Turkey is 20%. However, “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 will be applied as 25% for the corporate income related to the 2021 taxation period and 23% for the corporate income related to the 2022 taxation period. This change will be 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. Since the tax rate change will come into effect as of 22 April 2021, 20% tax rate has been used in the period tax and deferred tax calculations in the accompanying condensed consolidated interim financial statements as at 31 March 2021.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 18 - SUBSEQUENT EVENTS (Continued)

As per the material event disclosure dated 12 April 2021, Zorlu Jeotermal won the tenders held by Ayter Aydın Termal Turizm ve Jeotermal Sistemleri AŞ for the geothermal resource exploration license area numbered 2019-A/6, 3144.23 hectare Kuyucak and numbered 2019-A9,3403,14 hectare Nazilli/Diracık by accepting and undertaking to pay 6,250 TL + VAT and 600 TL + VAT.

As per the material event disclosure dated 29 April 2021, the Company's Board of Directors has taken the following decisions;

In order to meet the capital needs required by the investments planned by the company; As per the authorization given by Article 6 of the Company's Articles of Association, within the registered capital ceiling of the Company, which is determined as TL 6,000,000, the issued capital of the Company, which is TL 2,000,000, is increased by TL 500,000 in cash (with a fee) (25%) to be increased to TL 2,500,000; not restricting the existing shareholders' right to purchase new shares (preemptive right) and granting the right to purchase new shares at a price of 0.01 TL for each share with a nominal value of 1 Kuruş (0.01 TL); Within the framework of Zorlu Holding AŞ's board of directors decision dated April 29, 2021 and numbered 2021/14; by using all of the rights to buy new shares, the capital investment debt of Zorlu Holding AŞ will be met by deducting from the due receivables determined by the financial advisor's report, which is deposited in cash to the Company; In the capital increase to be made, (A) group shareholders will be given (A) group shares, (B) group shareholders (B) group shares, The right to use the new share will be determined as 15 days, if the last day of this period coincides with a public holiday, new share purchase until the expiration of the right to use the right on the evening of the following business day, For two working days, Borsa İstanbul AŞ to be sold in the Exchange at the price to be formed in the Primary Market, not to be less than the nominal value, To be created as "traded on the stock exchange" of Group B shares to be issued in this capital increase; In case of the existence of the remaining shares from the public offering that were not sold in due time, within three business days following the end of the sale period of the remaining shares, within the framework of the purchase commitment of Zorlu Holding AŞ Board of Directors dated April 29, 2021 and numbered 2021/14, not less than the average of the public offering price. To complete the sale, by applying to Zorlu Holding AŞ by the Company for the purchase by Zorlu Holding AŞ, with full and cash payment; Within the scope of this decision, it was decided unanimously by the attendees of the meeting to authorize the management for the performance of all kinds of works and transactions.

As per the material event disclosure dated 20 May 2021, it has been decided to liquidate Zorlu Enerji Asia Holding Limited, the company's capital of which is fully owned, established in Dubai International Financial Center (Dubai International Financial Center), due to the change in business plan. As of 20 May 2021, necessary liquidation procedures have been initiated within the framework of the laws and rules of the country to which Zorlu Enerji Asia Holding Limited is subject.

As per the material event disclosure dated 28 May 2021, An application was made to the CMB for the approval of the registration statement, which was prepared within the scope of increasing the issued capital of the company from 2,000,000, TL to 2,500,000, TL, with 25% paid in cash, within the registered capital ceiling of TL 6,000,000

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 18 - SUBSEQUENT EVENTS (Continued)

As per the material event disclosure dated 31 May 2021 and the decision of the members of the Company's Board of Directors on the same date, regarding the company's activities in Pakistan, within the scope of group structuring;

- 997 shares representing 99.7% of the company's capital owned by "Zorlu Enerji Asia Holding Limited" established in Dubai, whose capital we hold wholly, and "Zorlu Solar Pakistan Limited" established in Pakistan, were transferred to Pakistan. to "Zorlu Wind Pakistan (Private) Limited", of which we own 99.7% of the established capital,
-
- -997 shares representing 99.7% of the company's capital owned by "Zorlu Sun Power (Private) Limited" established in Pakistan, whose capital we hold wholly were transferred to Pakistan. to "Zorlu Wind Pakistan (Private) Limited", of which we own 99.7% of the established capital,
- 99.7% of the shares representing the capital of "Zorlu Renewables Pakistan (Private) Limited", which is established in Pakistan, is owned by 997 shares representing 99.7% of the capital of the company owned, representing the capital established in Pakistan. It has been decided to transfer the 99.7% of the shares to "Zorlu Wind Pakistan (Private) Limited".
- A company of Zorlu Group, "Zorlu Wind Pakistan (Private) Limited", owned by "Zorlu Wind Pakistan (Private) Limited", which owns 99.7% of the shares representing the capital, and "Zorlu Industrial Pakistan," established in Pakistan. (Private) Limited, to acquire 2,089,977 shares, representing 99.99% of the company's capital, owned by Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetler AŞ, one of the Zorlu Group companies, in "Zorlu Industrial Pakistan (Private) Limited" established in Pakistan,
- "Zorlu Wind Pakistan (Private) Limited", established in Pakistan, which owns 99.7% of the shares representing its capital, and "Zorlu O&M Pakistan" established in Pakistan, " Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetler AŞ", one of the Zorlu Group companies. Limited, representing 99.99% of the company's capital, and

In the relevant share transfers, it has been decided to determine the sales price as 10.- PKR (Ten Pakistani Rupees) per share to be paid in cash and in advance.

As per the material event disclosure dated 24 June 2021, in accordance with Article 4.2.8 of the annex of the CMB's notification of Corporate Governance; the existing "Manager Liability Insurance" for the members of our Company's Board of Directors and senior executives has been renewed for a period of 1 (one) year, and the total annual liability limit of the insurance does not exceed 25% of the Company's capital.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

NOTE 18 - SUBSEQUENT EVENTS (Continued)

As per the material event disclosure dated 5 July 2021, based on the material event disclosure dated 31 May 2021,

- In the capital of "Zorlu Sun Power (Private) Limited" established in Pakistan, of which we hold 99.7% of the shares, 997 shares representing 99.7% of the capital of the company we hold, are established in Pakistan. , to "Zorlu Wind Pakistan (Private) Limited", the capital of which we hold 99.7% of the shares, at a price of 10 PKR (Ten Pakistani Rupees) per share,
- "Zorlu Renewable Pakistan (Private) Limited", the capital of which we hold 99.7% of the shares, is established in Pakistan, and 997 shares representing 99.7% of the capital of the company we hold, are established in Pakistan. , to "Zorlu Wind Pakistan (Private) Limited", the capital of which have hold 99.7% of the shares, at a price of 10 PKR (Ten Pakistani Rupees) per share,
- 2,089,977 shares, representing 99.99% of the company's capital, owned by Zorlu O&M Enerji Tesisleri İşletme ve Güvenlik Hizmetleri AŞ, one of the Zorlu Group companies, in "Zorlu Industrial Pakistan (Private) Limited" established in Pakistan, The acquisition by "Zorlu Wind Pakistan (Private) Limited", the capital of which we hold 99.7% of the shares, established in Pakistan at a price of 10 PKR (Ten Pakistani Rupees) per share, and
- Represents the capital of 1,199,997 shares, representing 99.99% of the company's capital, owned by " Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetler AŞ", one of the Zorlu Group companies, in "Zorlu O&M Pakistan Limited" established in Pakistan. The acquisition of 99.7% of the shares by "Zorlu Wind Pakistan (Private) Limited" established in Pakistan at a price of 10 PKR (Ten Pakistani Rupees) per share has been completed.

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