

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ
AND ITS SUBSIDIARIES

Condensed Consolidated Interim Financial
Statements

As at and for the Three-months Period Ended
31 March 2023

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

13 October 2023

This report includes 2 pages of Independent Auditor's Report on Review of Consolidated Financial Statements and 66 pages of condensed consolidated financial statements together with their explanatory notes.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

Table of Contents

Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Statements
Condensed Consolidated Statement of Financial Position
Condensed Consolidated Statement of Profit or Loss
Condensed Consolidated Statement of Other Comprehensive Income
Condensed Consolidated Statement of Changes in Equity
Condensed Consolidated Statement of Cash Flows
Notes to the Condensed Consolidated Interim Financial Statements



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

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 2023, 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 statements 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 do not present fairly, in all material respects, the financial position of the entity as at 31 March 2023, and its financial performance and its cash flows for the three month period then ended in accordance with IFRS Standards including the requirements of IAS 34, 'Interim Financial Reporting'.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Şirin Soysal, SMMM
Partner
13 October 2023
Istanbul, Turkey

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

		Reviewed	Audited
	Notes	31 March 2023	31 December 2022
ASSETS			
Current assets:			
Cash and cash equivalents	4	1,628,945	2,594,253
Financial assets	9	588,026	740,777
Trade receivables		7,235,136	7,923,636
- Trade receivables from related parties	20	1,239,025	1,211,654
- Trade receivables from third parties		5,996,111	6,711,982
Other receivables		1,190,954	1,663,601
- Other receivables from related parties	7,20	980,916	1,396,633
- Other receivables from third parties	7	210,038	266,968
Receivables from service concession arrangements	5	1,271,941	1,171,894
Inventories		574,390	587,786
Other current assets	8	497,712	591,315
Total current assets		12,987,104	15,273,262
Non-current assets:			
Financial assets	9	1,333	1,333
Trade receivables		160,349	103,093
- Trade receivables from third parties		160,349	103,093
Other receivables		8,088,594	8,379,323
- Other receivables from related parties	7,20	7,921,970	8,199,683
- Other receivables from third parties	7	166,624	179,640
Contract assets		100,591	9,599
- Other contract assets		100,591	9,599
Receivables from service concession arrangements	5	7,212,230	7,614,160
Derivative financial instruments	13	371,786	516,682
Equity accounted investees		2,573,451	1,816,123
Property, plant and equipment	10	39,796,673	40,554,757
Right of use assets		517,598	540,190
Intangible assets	11	10,300,526	10,364,350
Deferred tax assets		1,079,862	1,071,816
Other non-current assets	8	22,645	27,171
Total non-current assets		70,225,638	70,998,597
Total assets		83,212,742	86,271,859

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

	Notes	Reviewed 31 March 2023	Audited 31 December 2022
LIABILITIES			
Current liabilities:			
Financial liabilities	6	9,597,738	13,173,467
Trade payables		6,425,260	6,744,977
- Trade payables due to third parties		5,843,234	6,418,508
- Trade payables due to related parties	20	582,026	326,469
Other payables		4,200,779	4,059,702
- Other payables due to third parties	7	2,691,399	2,692,876
- Other payables due to related parties	7,20	1,509,380	1,366,826
Derivative financial instruments	13	17,372	20,147
Taxes on income		212,653	151,094
Other provisions		20,449	24,205
Other current liabilities	8	1,540,636	1,317,684
Total current liabilities		22,014,887	25,491,276
Non-current liabilities:			
Long term financial liabilities	6	22,445,571	25,552,446
Long term liabilities due from related parties	7,20	9,310	8,907
Deferred tax liabilities		6,997,702	6,350,801
Provisions for employment benefits		240,361	197,148
Total non-current liabilities		29,692,944	32,109,302
Total liabilities		51,707,831	57,600,578
EQUITY			
Share capital	14	2,500,000	2,500,000
Adjustment to share capital		9,809,846	9,809,846
Share premium	14	6,802	6,802
Other comprehensive income/(expenses) not to be reclassified to profit or (loss)		16,724,078	17,049,645
- Revaluation of property, plant and equipment		16,859,664	17,141,385
- Actuarial losses		(135,586)	(91,740)
Legal reserves	14	68,715	68,715
Other comprehensive income that are or may be reclassified to profit or (loss)		(8,655,512)	(9,466,318)
- Hedge reserves		(10,063,407)	(11,357,555)
- Foreign currency translation differences		1,407,895	1,891,237
Retained earnings		10,863,317	8,629,501
Equity attributable to owners of the Company		31,317,246	28,598,191
Non-controlling interests		187,665	73,090
Total equity		31,504,911	28,671,281
Total liabilities and equity		83,212,742	86,271,859

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

		Reviewed	Restated (*)
		1 January -	1 January -
	Notes	31 March 2023	31 March 2022
Revenue	15	9,434,819	9,443,755
Cost of sales(-)	16	(8,478,274)	(8,091,425)
Gross profit		956,545	1,352,330
General and administrative expenses (-)	17	(283,050)	(214,529)
Marketing and selling expenses (-)	17	(28,667)	(26,647)
Other income	18	2,086,496	331,975
Other expense(-)	18	(311,280)	(284,114)
Operating income		2,420,044	1,159,015
Share of gain of associates		41,224	41,084
Gains on net monetary position		1,966,270	2,906,989
Finance income	19	581,523	1,830,176
Finance expenses (-)	19	(2,144,900)	(3,814,600)
Income before taxation		2,864,161	2,122,664
Current income tax expense (-)		(128,776)	(65,381)
Deferred tax expense (-)		(737,618)	(1,385,286)
Income for the period		1,997,767	671,997
Income attributable to:			
Equity holders of the parent		1,963,192	648,087
Non-controlling interest		34,575	23,910
Income per share (TL)		0.91	0.26

(*) Refer to Note 2.3

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

	Reviewed	Restated
	1 January -	1 January -
Notes	31 March 2023	31 March 2022
Income for the period	1,997,767	671,997
Items that will not to be reclassified to profit or loss	(44,136)	(9,961)
<i>Changes in actuarial losses on employment benefit obligations</i>	<i>(55,170)</i>	<i>(12,451)</i>
<i>Changes in actuarial losses on employment benefit obligations, tax effect</i>	<i>11,034</i>	<i>2,490</i>
Items that are or may be reclassified to profit or loss	799,999	1,807,654
<i>Hedge reserves</i>	<i>1,617,685</i>	<i>2,417,196</i>
<i>Hedge reserves, tax effect</i>	<i>(323,537)</i>	<i>(483,439)</i>
<i>Changes in currency translation adjustments</i>	<i>(494,149)</i>	<i>(126,103)</i>
Other comprehensive income	755,863	1,797,693
Total comprehensive income	2,753,630	2,469,690
Total comprehensive income attributable to:	2,753,630	2,469,690
Equity holders of the parent	2,719,055	2,445,780
Non-controlling interests	34,575	23,910
Total comprehensive income	2,753,630	2,469,690

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

	Share capital	Adjustments to share capital	Share premium	Items that will not be reclassified to profit or loss		Items that are or may be reclassified to profit or loss			Retained earnings	Non controlling interests	Total equity
				Revaluation of property plant and equipment	Actuarial losses	Foreign currency translation differences	Hedge reserves	Legal reserves			
Balance at 1 January 2022, as previously reported	2,500,000	110,948	1,448	10,677,301	(19,328)	1,374,130	(7,550,224)	7,931	131,726	(39,429)	7,194,503
Adjustment on initial application of IAS 29 (*)	--	9,698,898	5,354	1,915,053	(15,873)	1,165,795	(6,759,231)	60,784	5,720,723	(20,222)	11,771,281
Restated balance at 1 January 2022	2,500,000	9,809,846	6,802	12,592,354	(35,201)	2,539,925	(14,309,455)	68,715	5,852,449	(59,651)	18,965,784
Transfers	--	--	--	(218,173)	--	--	--	--	218,173	--	--
Total comprehensive income	--	--	--	--	(9,961)	(126,103)	1,933,757	--	648,087	23,910	2,469,690
-Income for the period	--	--	--	--	--	--	--	--	648,087	23,910	671,997
-Total comprehensive income	--	--	--	--	(9,961)	(126,103)	1,933,757	--	--	--	1,797,693
31 March 2022	2,500,000	9,809,846	6,802	12,374,181	(45,162)	2,413,822	(12,375,698)	68,715	6,718,709	(35,741)	21,435,474
Balance at 1 January 2023, as previously reported	2,500,000	110,948	1,448	10,677,301	(19,328)	1,374,130	(7,550,224)	7,931	131,726	(39,429)	7,194,503
Adjustment on application of IAS 29	--	9,698,898	5,354	6,464,084	(72,412)	517,107	(3,807,331)	60,784	8,497,775	112,519	21,476,778
Restated balance at 1 January 2023	2,500,000	9,809,846	6,802	17,141,385	(91,740)	1,891,237	(11,357,555)	68,715	8,629,501	73,090	28,671,281
Transfers	--	--	--	(281,721)	--	--	--	--	281,721	--	--
Total comprehensive income	--	--	--	--	(44,136)	(494,149)	1,294,148	--	1,963,192	34,575	2,753,630
-Income for the period	--	--	--	--	--	--	--	--	1,963,192	34,575	1,997,767
-Total comprehensive income	--	--	--	--	(44,136)	(494,149)	1,294,148	--	--	--	755,863
Transactions with the non-controlling parties	--	--	--	--	--	--	--	--	--	80,000	80,000
Acquisition or disposal of subsidiary	--	--	--	--	290	10,807	--	--	(11,097)	--	--
31 March 2023	2,500,000	9,809,846	6,802	16,859,664	(135,586)	1,407,895	(10,063,407)	68,715	10,863,317	187,665	31,504,911

(*) Refer to Note 2.3

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

		Audited	Restated (*)
		Audited	Audited
	Notes	1 January- 31 March 2023	1 January- 31 March 2022
Cash flows from operating activities:			
Net income for the period		1,997,767	671,997
Net income for the period			
Adjustments related to depreciation and amortization	16,17,18	759,885	695,894
Adjustments related to interest income	18,19	(406,598)	(272,886)
Adjustments related to interest expense	18,19	930,157	1,287,773
Adjustments related to unrealized foreign exchange losses and currency translation differences		1,162,553	3,000,230
Adjustments related to gain from financial derivative instruments	13,19	89,081	(250,236)
Other adjustments for fair value losses/(gains)	2.4	(802,451)	--
Adjustments for provisions related with employee benefits		9,678	(17,951)
Adjustments for addition/(reversal of) of other provisions		(1,089)	7,741
Adjustments related to gain on sale of property, plant and equipment		(1,351)	--
Adjustments related to share of profit of equity-accounted investees		(41,224)	(41,084)
Adjustments related to tax expenses		866,394	1,450,667
Adjustments for losses/(gains) on disposal of subsidiaries	2.4	(873,205)	--
Other adjustments related to non-cash items	4	49,440	50,383
Adjustments for gains on net monetary position		(3,504,771)	(5,982,345)
Net cash generated from operating activities before changes in working capital		234,266	600,183
Changes in trade receivables		697,431	(410,364)
Changes in other receivables		76,569	(1,078,820)
Changes in other current and non-current assets		49,893	(61,134)
Changes in trade payables		(317,274)	957,431
Changes in other payables		61,577	68,184
Changes in other liabilities		226,677	(118,148)
Changes in receivables from service concession arrangement		301,883	274,186
Changes in inventories		(3,663)	(40,848)
Changes in contract assets		(90,992)	(22,327)
Termination benefits paid		(18,376)	(2,265)
Taxes paid		(41,625)	(38,687)
Net cash generated from operating activities		1,176,366	127,391
Cash flows from investing activities:			
Cash inflows from losing control of subsidiaries	2.4	938,040	--
Acquisition of property plant and equipment and intangible assets		(234,079)	(233,906)
Proceeds from sale of tangible and intangible assets		3,640	--
Cash outflows from subsidiaries and/or joint ventures capital advance payments		(39,645)	--
Other outflows		(15,112)	--
Net cash generated from/(used in) investing activities		652,844	(233,906)
Cash flows from financing activities:			
Cash inflow from capital advances		299,673	--
Proceeds from issued debt instruments	6	1,077,047	537,348
Proceeds from bank borrowings	6	12,455	4,436,105
Repayment of bank borrowings	6	(2,927,977)	(2,478,206)
Repayment of issued debt instruments	6	(853,670)	(398,208)
Increase in other payables to related parties		977,953	(2,834)
Payment of lease liabilities		(25,277)	(22,387)
Interest paid	6	(1,277,430)	(1,175,798)
Interest received		85,517	108,407
Cash inflows/(outflows) from derivative financial instruments		57,332	(103,560)
Other outflows	4	(66,585)	(283,571)
Net cash generated from/(used in) financing activities		(2,640,962)	617,296
Net increase/(decrease) in cash and cash equivalents		(811,752)	510,781
Inflation effect on cash and cash equivalents		(287,201)	(985,525)
Effect of foreign currency conversion differences on cash and cash equivalents		(9,469)	(75,305)
Cash and cash equivalents at the beginning of the period		2,580,847	2,147,169
Cash and cash equivalents at the end of the period		1,472,425	1,597,120

(*) Refer to Note 2.3

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

CONTENTS	PAGE
NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS.....	10-15
NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS.....	15-35
NOTE 3 - SEGMENT REPORTING.....	36-37
NOTE 4 - CASH AND CASH EQUIVALENTS.....	37-39
NOTE 5 - RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT.....	40
NOTE 6 - FINANCIAL LIABILITIES.....	40-42
NOTE 7 - OTHER RECEIVABLES AND PAYABLES.....	43-44
NOTE 8 - OTHER ASSETS AND LIABILITIES.....	44-45
NOTE 9 - FINANCIAL ASSETS.....	46
NOTE 10 - PROPERTY, PLANT AND EQUIPMENT.....	46-47
NOTE 11 - INTANGIBLE ASSETS.....	48
NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	48-49
NOTE 13 - DERIVATIVE FINANCIAL INSTRUMENTS.....	49-52
NOTE 14 - EQUITY.....	52-54
NOTE 15 - REVENUE.....	54
NOTE 16 - COST OF SALES.....	55
NOTE 17 - GENERAL ADMINISTRATIVE AND MARKETING EXPENSES.....	55-56
NOTE 18 - OTHER OPERATING INCOME AND EXPENSES.....	56-57
NOTE 19 - FINANCIAL INCOME AND EXPENSES.....	57-58
NOTE 20 - RELATED PARTY TRANSACTIONS.....	58-63
NOTE 21 - SUBSEQUENT EVENTS.....	64-66

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

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 İstanbul AŞ ("BIST") since 2000. As at 31 March 2023, 35.97% of its shares are open for trading (31 December 2022: 35.96%) (Note 14).

Directly held affiliates of the Company are presented below:

Directly Held Affiliates	Share Percentage (%)	Nature of Operations	Country
Zorlu Osmangazi Enerji Sanayi ve Ticaret AŞ ("Zorlu Osmangazi")	100%	Distribution of electricity and other	Turkey
Zorlu Yenilenebilir Enerji AŞ ("Zorlu Yenilenebilir")	100%	Electricity production and other	Turkey
ZES Solar Enerji Tedarik ve Ticaret AŞ ("ZES Solar") (*)	100%	Electricity production and other	Turkey
Nemrut Jeotermal Elektrik Üretimi AŞ ("Nemrut Jeotermal")	100%	Electricity production and other	Turkey
Eway Araç Kiralama Ticaret AŞ ("Eway Araç") (**)	100%	Leasing and rental of self drive light motor vehicles and cars and other	Turkey
Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret AŞ ("Zorlu Elektrik")	100%	Procurement of gas, liquid or electricity or wholesale trade of production meters and other	Turkey
Zorlu Enerji Dağıtım AŞ ("Zorlu Enerji Dağıtım")	100%	Distribution of gaseous fuels via network pipeline, distribution of electrical energy and other	Turkey
ZGP Pakistan (Private) Ltd. (***)	99.70%	Electricity production and other	Pakistan
Zorlu Enerji Pakistan Limited ("Zorlu Enerji Pakistan")	99.99%	Electricity production and other	Pakistan
Zorlu Enerji İsrail Ltd. ("Zorlu Enerji İsrail")	100%	Electricity production and other	Israel
ZJ Strong Energy for Renewable Energy Limited Co. ("ZJ Strong")	75%	Electricity production and other	Palestine
Rarik Turkison Enerji AŞ ("Rarik Turkison")	100%	Engineering and consultancy activities for energy projects and other	Turkey
Alkan Jeotermal Enerji Elektrik Üretimi AŞ ("Alkan Jeotermal")	100%	Electricity production and other	Turkey
Zador Israel Ltd. ("Zador")	100%	Electricity production and other	Israel
Zorlu Enerji Asia Holding Limited-in liquidation ("Zorlu Enerji Asia")	100%	Energy projects and investment services	Dubai

(*) The new trade name of Zorlu Solar Enerji Tedarik ve Ticaret A.Ş. was registered as "ZES Solar Enerji Tedarik ve Ticaret AŞ" on 16 January 2023.

(**) The new trade name of Electrip Araç kiralama Ticaret A.Ş. was registered on 9 February 2023 as "Eway Araç Kiralama Ticaret AŞ".

(***) "Zorlu Wind Pakistan (Private) Ltd."s new trade name which was established in Pakistan was registered as "ZGP Pakistan (Private) Ltd".

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

The indirectly held affiliates of the Company are as follows:

Indirectly held affiliates	Shareholding and its Share Ratio	Direct Affiliate	Nature of Operations	Country
Osmangazi Elektrik Perakende Satış AŞ (" OEPSAŞ ")	100%	Zorlu Osmangazi	Electricity trading for users and other	Turkey
Osmangazi Elektrik Dağıtım AŞ (" OEDAŞ ")	100%	Zorlu Osmangazi	Electricity distribution and other	Turkey
Zorlu Doğal Elektrik Üretimi AŞ (" Zorlu Doğal ")	100%	Zorlu Yenilenebilir	Electricity production and other	Turkey
Zorlu Jeotermal Enerji Elektrik Üretimi AŞ (" Zorlu Jeotermal ")	100%	Zorlu Yenilenebilir	Electricity production and other	Turkey
Rotor Elektrik Üretim AŞ (" Rotor ")	100%	Zorlu Yenilenebilir	Electricity production and other	Turkey
Trakya Bölgesi Doğal Gaz Dağıtım AŞ (" Trakya ")	90%	Zorlu Enerji Dağıtım	Distribution of gaseous fuels via network pipeline and other	Turkey
Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ (" Gazdaş ")	90%	Zorlu Enerji Dağıtım	Distribution of gaseous fuels via network pipeline and other	Turkey
Zorlu Doğal Gaz Tedarik Ticaret AŞ (" Zorlu Doğal Gaz Tedarik ")	100%	Zorlu Enerji Dağıtım	Wholesale of gaseous fuels and related products and other	Turkey
Zorlu Renewable Pakistan (Private) Limited (" Zorlu Renewable Pakistan ")	99.70%	ZGP Pakistan (Private) Limited	Electricity production and other	Pakistan
Zorlu Sun Power (Private) Limited (" Zorlu Sun Power Pakistan ")	99.70%	ZGP Pakistan (Private) Limited	Electricity production and other	Pakistan
Zorlu Industrial Pakistan (Private) Limited (" Zorlu Industrial Pakistan ")	99.99%	ZGP Pakistan (Private) Limited	Engineering and consultancy activities for energy projects and other	Pakistan
Zorlu O&M Pakistan Limited (" Zorlu O&M Pakistan ")	99.99%	ZGP Pakistan (Private) Limited	Operation and maintenance activities for energy projects and other	Pakistan
Zorlu Solar Pakistan Limited (" Zorlu Solar Pakistan ")	99.70%	Zorlu Enerji Asia	Maintenance, repair, installation, sale of charging stations and other	Pakistan

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 1- ORGANIZATION AND NATURE OF OPERATIONS (Continued)**Associates**

Direct associates of the Company are presented below:

Direct associates	Share Percentage (%)	Nature of Operations	Country
Electrip Global Limited (*)	49.99%	Maintenance, repair, installation, sale of charging stations and other	England, Jersey
Ezotech Electric Ltd. (" Ezotech ")	42.15%	Electricity production and other	Israel
Solad Energy Limited (" Solad ")	42.15%	Electricity production and other	Israel
Adnit Real Estate Limited (" Adnit ")	42.15%	Solar power plant construction	Israel
Dorad Energy Limited (" Dorad ")	25%	Electrical energy production and other	Israel

(*) As stated in the material disclosure dated 9 December 2022, all of the shares representing the capital of ZES Dijital Ticaret AŞ, which is a 100% direct subsidiary of the Company on the same date, are transferred to Electrip Global B.V., which is also a 100% direct subsidiary of the Company. The establishment of the Company, named Electrip Global Limited ("Electrip Limited") as a 100% subsidiary of Wren House Infrastructure LP ("Wren House") in the island of Jersey in England, was completed on 9 December 2022 and Zorlu Enerji's 100% subsidiary The shares representing half of the capital of Electrip Global B.V., of which it owns a share, plus one share, were sold to Electrip Global Limited on 13 January 2023 for a consideration of USD 50,000 thousand. Shares representing half of the capital of Electrip Global B.V. remaining under the ownership of the Company, minus one share (minority shares), were transferred to Electrip Global Limited by being put as capital in kind in return for the Company's capital commitment in the capital increase of Electrip Global Limited on the same date. With this share transfer, management control of Electrip Global B.V. was transferred to Wren House through Electrip Global Limited.

Indirect affiliates of the Company are presented below:

Indirect Associates	Shareholding Direct Affiliate and its Share Ratio (%)	Nature of Operations	Country
Ashdod Energy Limited (" Ashdod ")	100% Ezotech	Electricity production and other	Israel
Ramat Negev Energy Limited (" Ramat ")	100% Ezotech	Electricity production and other	Israel
ZES Dijital Ticaret AŞ (" ZES Dijital ") (*)	100% Electrip Global B.V.	Electricity sale, renting of electric vehicle and other	Turkey
Electrip Energy Solutions and Mobility Services Sasu	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	France
Electrip Bucharest SRL	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Romania
Electrip Global B.V. (*)	100% Electrip Global Limited	Maintenance, repair, installation, sale of charging stations and other	Netherlands
Electrip Albania SHPK	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Albania
Electrip USA Inc.	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	USA
Electrip Germany GmbH	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Germany
Electrip Doool Skopje	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	North Macedonia
Electrip Italy S.r.l.	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Italy

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 1- ORGANIZATION AND NATURE OF OPERATIONS (Continued)**Associates (Continued)**

Indirect Associates	Shareholding Direct Affiliate and its Share Ratio (%)	Nature of Operations	Country
Electrip Bulgaria EOOD	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Bulgaria
Electrip Hellas Single Member P.C.	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Greece
Electrip Mobility Service D.O.O.	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Croatia
Indirect Associates	Shareholding Direct Affiliate and its Share Ratio	Nature of Operations	Country
Electrip Poland Spółka Z.O.O.	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Poland
Electrip Montenegro DOO	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Montenegro
Zorlu Energy Solutions (ZES) Israel Ltd	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Israel
Electrip Mobility Service L.T.D.	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	England
ZES Solutions, D.O.O	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Slovenia
Electrip Netherlands B.V.	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Netherlands
Electrip PTG, Unipessoal LDA	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Portugal
Electrip DOO Belgrade	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Serbia
Electrip Czech Republic s.r.o.	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Czech Republic
Electrip Mobility Service Kft	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Hungary
Zes Solutions Spain S.L.	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Spain

(*) As stated in the material disclosure dated 9 December 2022, all of the shares representing the capital of ZES Digital Ticaret AŞ, which is a 100% direct subsidiary of the Company on the same date, are transferred to Electrip Global B.V., which is also a 100% direct subsidiary of the Company. The establishment of the Company, named Electrip Global Limited ("Electrip Limited") as a 100% subsidiary of Wren House Infrastructure LP ("Wren House") in the island of Jersey in England, was completed on 9 December 2022 and the shares representing half of the capital of Electrip Global B.V. (direct subsidiary of the Company on the same time), plus one share, were sold to Electrip Global Limited on 13 January 2023 for a consideration of USD 50,000 thousand. Shares representing half of the capital of Electrip Global B.V. remaining under the ownership of the Company, minus one share (minority shares), were transferred to Electrip Global Limited by being put as capital in kind in return for the Company's capital commitment in the capital increase of Electrip Global Limited on the same date. With this share transfer, management control of Electrip Global B.V. was transferred to Wren House through Electrip Global Limited.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 1- ORGANIZATION AND NATURE OF OPERATIONS (Continued)

As at 31 March 2023, the number of average personnel employed is 2,662 (31 December 2022: 2,645).

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 1	Zorlu Doğal	Denizli	Geothermal	15.00	--
Kızıldere 2	Zorlu Doğal	Denizli	Geothermal	80.00	--
Kızıldere 3	Zorlu Doğal	Denizli-Aydın	Geothermal	165.00	--
Alaşehir 1 (*)	Zorlu Jeotermal	Manisa	Geothermal	45.00	--
Wind				135.00	--
Gökçedağ	Rotor	Osmaniye	Wind	135.00	--

(*) The 3.588 MWp solar power plant integrated to the existing Alaşehir 1 Geothermal Power Plant started commercial operations as of 22 December 2022 and the second 0.1663 MWp unit (Rooftop solar PV system) as of 20 January 2023.

Power Plant	Company	Location	Type	Electricity Production Capacity (MW)	Steam Production Capacity (Ton/Hour)
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 AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)**Installed capacity abroad:**

Power Plant	Location	Type	Electricity Production Capacity (MW))	Steam Production Capacity (Ton/Hour)
Wind			56.40	--
Jhampir	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 Palestine companies has been taken into consideration in the calculation of total production capacity.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**2.1 Basis of Presentation**

These condensed consolidated interim financial statements as at and for the three-month period ended 31 March 2023 have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2022 ("last annual financial statements"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements. The preparation of condensed consolidated interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, and areas where assumptions and estimates are significant to the condensed consolidated interim financial statements, are disclosed in Note 2.8.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

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

2.1 Basis of Presentation (Continued)

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 measurement

The accompanying consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation on Turkish Lira based on the conversion factors derived from the Turkish countrywide consumer price index published by the Turkish Statistical Institute ("TSI") at the reporting date.

2.3 Accounting in hyperinflationary economies

The financial statements of entities whose functional currency was Turkish Lira have been restated for the changes in the general purchasing power of the Turkish Lira based on International Accounting Standard ("IAS") No. 29 "Financial Reporting in Hyperinflationary Economies" as at 31 December 2005. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate in Turkey has been 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the TSI. By taking this into consideration, together with the sustained positive trend in quantitative factors, such as the stabilisation in financial and monetary markets, decrease in interest rates and the appreciation of TL against USD and other hard currencies, it was declared that Turkey should be considered a non-hyperinflationary economy under IAS 29 from 1 January 2006. Therefore, IAS 29 has not been applied from 1 January 2006 to 30 June 2022.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.3 Accounting in hyperinflationary economies (Continued)**

Since the cumulative three-year inflation rate has risen to above 100% as of March 2022, based on the Turkish nation-wide consumer price indices announced by the TSI, Turkey should be considered a hyperinflationary economy under IAS 29 from 30 April 2022. Consequently, the financial statements of the entities whose functional currency TL are restated for the changes in the general purchasing power of the Turkish Lira as at 31 March 2023 based on IAS 29. The restatement is calculated by means of conversion factors derived from the Turkish countrywide consumer price index published by the TSI.

For the last three years, such indices and conversion factors used to restate the accompanying consolidated financial statements are as follows:

Date	Index	Conversion factor
31 March 2023	1,269.75	1.000
31 December 2022	1,128.45	1.125
31 March 2022	843.64	1.505

IFRS require the financial statements of an entity with a functional currency that is hyperinflationary to be restated in accordance with IAS 29 requirements whether they are based on a historical cost or a current cost approach and to be applied retrospectively, as if the currency had always been hyperinflationary. The basic principle in IAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the reporting date, Comparative figures for prior period are restated into the same current measuring unit.

The main procedures applied for the restatements mentioned above are as follows:

- Monetary assets and liabilities that are carried at amounts current at the reporting date are not restated because they are already expressed in terms of the monetary unit current at the reporting date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date, and components of shareholders' equity are restated by applying the relevant conversion factors from the date of the transaction or, if applicable, from the date of their most recent revaluation to the reporting date.
- Tangible and intangible assets are restated by applying the change in the index from the date of the transaction or, if applicable, from the date of their most recent revaluation to the reporting date. Depreciation is based on the restated amounts.
- Right of use assets are restated by applying the change in the index from the date of the transaction or, if applicable, from the date of their most recent revaluation to the reporting date. Depreciation is based on the restated amounts.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.3 Accounting in hyperinflationary economies (continued)**

• All items in the income statement except for the depreciation charges explained above and deferred tax charges, are restated by applying the monthly conversion factors of the transactions to the reporting date.

• The effects of inflation on the net monetary positions of the Group, are included in the profit or loss statement as "monetary gain/(loss)".

• All items in the cash flow statement are expressed in terms of the measuring unit current at the reporting date; and all items in the statement of cash flows are, therefore, restated by applying the relevant conversion factors from the date on which the transaction originated.

• All corresponding figures as of and for the period ended 31 December 2022 are restated by applying the change in the index from 31 December 2022 to 31 March 2023.

In the reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, not having been hyperinflationary in the prior period, the entity shall apply the requirements of IAS 29 as if the economy had always been hyperinflationary.

Therefore, in relation to non-monetary items measured at historical cost, the entity's opening statement of financial position at the beginning of the earliest period presented in the financial statements shall be restated to reflect the effects of inflation from the date the assets were acquired and the liabilities were incurred or assumed until the end of the reporting period. For non-monetary items carried at the opening statement of financial position at amounts current at dates other than those of acquisition or incurrence, that restatement shall reflect instead the effect of inflation from the dates those carrying amounts were determined until the end of the reporting period.

The Company has applied IAS 29 to its opening statement of financial position as at 1 January 2022 and restated corresponding figures to reflect the effect of inflation from the date the assets were acquired and the liabilities were incurred or assumed until the end of the reporting period. The impact of inflation accounting presented below.

	1 January 2022	Adjustment on initial	1 January 2022
	(Reported)	application of IAS 29	(Restated)
Share capital	2,500,000	--	2,500,000
Adjustments to share capital	110,948	9,698,898	9,809,846
Share premium	1,448	5,354	6,802
Revaluation of property plant and equipment	10,677,301	1,915,053	12,592,354
Actuarial loss	(19,328)	(15,873)	(35,201)
Foreign currency translation differences	1,374,130	1,165,795	2,539,925
Hedge reserves	(7,550,224)	(6,759,231)	(14,309,455)
Legal reserves	7,931	60,784	68,715
Retained earnings	131,726	5,720,723	5,852,449
Non controlling interests	(39,429)	(20,222)	(59,651)
Total equity	7,194,503	11,771,281	18,965,784

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**(Continued)****2.3 Accounting in hyperinflationary economies (continued)**

	31 March 2022	Adjustment on initial application of IAS 29 and other reclassifications	31 March 2022
	(Reported)		(Restated)
Profit or loss			
Revenue	5,961,590	3,482,165	9,443,755
Cost of sales (-)	(5,028,072)	(3,063,353)	(8,091,425)
Gross profit	933,518	418,812	1,352,330
General administrative expenses (-)	(124,481)	(90,048)	(214,529)
Selling and marketing expenses (-)	(18,416)	(8,231)	(26,647)
Other income	1,132,238	(800,263)	331,975
Other expenses (-)	(497,951)	213,837	(284,114)
Operating profit	1,424,908	(265,893)	1,159,015
Share of gain of associates	27,297	13,787	41,084
Gain on net monetary position	--	2,906,989	2,906,989
Financial income	1,164,523	665,653	1,830,176
Financial expenses (-)	(2,434,961)	(1,379,639)	(3,814,600)
Income before taxation	181,767	1,940,897	2,122,664
- Current income tax expense	(41,487)	(23,894)	(65,381)
- Deferred tax expense	(82,186)	(1,303,100)	(1,385,286)
Profit for the period	58,094	613,903	671,997
Income attributable to:			
Non-controlling interest	(13,214)	37,124	23,910
Equity holders of the parent	71,308	576,779	648,087

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**(Continued)****2.3 Accounting in hyperinflationary economies (continued)**

	31 March 2022 (Reported)	IAS 29 impact	31 March 2022 (Restated)
Cash flows from operating activities:			
Profit for the period	58,094	613,903	671,997
Adjustments:			
Adjustments related to depreciation and amortization	332,539	363,355	695,894
Adjustments related to interest income	(172,343)	(100,543)	(272,886)
Adjustments related to interest expense	810,357	477,416	1,287,773
Adjustments related to unrealized foreign exchange losses and currency translation differences	835,225	2,165,005	3,000,230
Adjustments related to loss from financial derivative instruments	(158,107)	(92,129)	(250,236)
Adjustments for provisions related with employment termination benefits	3,472	(21,423)	(17,951)
Adjustments for addition/(reversal of) of other provisions	4,891	2,850	7,741
Adjustments related to share of profit of equity-accounted investees	(27,297)	(13,787)	(41,084)
Adjustments related to tax (income)/expense	123,673	1,326,994	1,450,667
Other adjustments related to non-cash items	(546,246)	596,629	50,383
Adjustments for gains/(losses) on net monetary position	--	(5,982,345)	(5,982,345)
Net cash generated from operating activities before changes in operating assets and liabilities	1,264,258	(664,075)	600,183

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**(Continued)****2.3 Accounting in hyperinflationary economies (continued)**

	31 March 2022 (Reported)	IAS 29 impact	31 March 2022 (Restated)
Change in operating assets and liabilities :			
Changes in trade receivables	(939,706)	529,342	(410,364)
Changes in other receivables	(1,711,502)	632,682	(1,078,820)
Changes in other current and non-current assets	(65,801)	4,667	(61,134)
Changes in trade payables	1,100,399	(142,968)	957,431
Changes in other payables	46,387	21,797	68,184
Changes in other liabilities	(2,227)	(115,921)	(118,148)
Changes in receivables from service concession arrangement	182,172	92,014	274,186
Changes in inventories	(113,737)	72,889	(40,848)
Adjustments for increase in assets arising from customer contracts	(19,254)	(3,073)	(22,327)
Termination benefits paid	(1,431)	(834)	(2,265)
Taxes paid	(24,678)	(14,009)	(38,687)
Net cash from generated operating activities	(285,120)	412,511	127,391

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**(Continued)****2.3 Accounting in hyperinflationary economies (continued)****Investing activities:**

Acquisition of property plant and equipment and intangible assets	(82,511)	(151,395)	(233,906)
---	----------	-----------	-----------

Net cash used in investing activities	(82,511)	(151,395)	(233,906)
--	-----------------	------------------	------------------

Financing activities:

Proceeds from issued debt instruments	339,513	197,835	537,348
---------------------------------------	---------	---------	---------

Proceeds from bank borrowings	2,802,866	1,633,239	4,436,105
-------------------------------	-----------	-----------	-----------

Repayment of bank borrowings	(1,565,806)	(912,400)	(2,478,206)
------------------------------	-------------	-----------	-------------

Repayment of issued debt instruments	(251,600)	(146,608)	(398,208)
--------------------------------------	-----------	-----------	-----------

Changes in related parties balance	1,372	(4,206)	(2,834)
------------------------------------	-------	---------	---------

Payment of lease liabilities	(14,132)	(8,255)	(22,387)
------------------------------	----------	---------	----------

Interest paid	(811,712)	(364,086)	(1,175,798)
---------------	-----------	-----------	-------------

Cash inflows/(outflows) from derivative financial instruments	--	(103,560)	(103,560)
---	----	-----------	-----------

Interest received	68,495	39,912	108,407
-------------------	--------	--------	---------

Other inflows/(outflows)	(251,826)	(31,745)	(283,571)
--------------------------	-----------	----------	-----------

Net cash generated from financing activities	317,170	300.126	617.296
---	----------------	----------------	----------------

Net increase in cash and cash equivalents before effect of foreign exchange differences	(50,461)	561,242	510,781
---	----------	---------	---------

Inflation effect on cash and cash equivalents	--	(985,525)	(985,525)
---	----	-----------	-----------

Effect of foreign exchange-rate changes on cash and cash equivalents	(50,034)	(25,271)	(75,305)
--	----------	----------	----------

Cash and cash equivalents at the beginning of the period	1,161,644	985,525	2,147,169
---	------------------	----------------	------------------

Cash and cash equivalents at the end of the period	1,061,149	535,971	1,597,120
---	------------------	----------------	------------------

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**(Continued)****2.4 Basis of consolidation**

The condensed consolidated interim financial statements include 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 presentations. The results of operations of subsidiaries are included or excluded from their effective dates of acquisition or disposal, respectively.

Affiliates

Zorlu Enerji controls an affiliate when it is exposed, or has rights, to variable returns from its involvement with the affiliate and has the ability to affect those returns through its power over the affiliate. Zorlu Enerji has power over an affiliate when it has existing rights that give it the current ability to direct the relevant activities that significantly affect the affiliate'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.

Affiliates 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 affiliates.

Affiliates 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.

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

Loss of control

If the Group loses control of an affiliate, it recognizes any investment retained in the former affiliate at its fair value when control is lost and any difference between the fair value and net book value of investment is accounted for as a gain or loss. That fair value shall be regarded as the fair value on initial recognition of a financial asset, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. Additionally, assets and liabilities that were previously recognized as other comprehensive income attributable to that affiliate are accounted for as if those were disposed of by the Group. This may result in a fact that these amounts previously recognized as other comprehensive income may be classified to profit or loss.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**(Continued)****2.4 Basis of consolidation (Continued)**

On 13 January 2023, shares representing half of the entire share capital plus one share of Electrip Global B.V., which was 100% subsidiary of the Company, were sold to Electrip Limited. Shares representing half of the capital of Electrip Global B.V. remaining under the ownership of the Company, minus one share (minority shares), were transferred to Electrip Global Limited by being put as capital in kind in return for the Company's capital commitment in the capital increase of Electrip Global Limited on the same date. With this share transfer, management control of Electrip Global B.V. was transferred to Wren House through Electrip Global Limited. The company sold its 50.01% share for 938,040 TL, which is equivalent to 50,000 thousand US Dollars, and received a sales profit of TL 873,205 from this sales transaction (Note 18).

With the said share transfer, Electrip Global B.V. has been excluded from the scope of full consolidation, the Company's ownership rate over Electrip Global Limited has become 49.99% and Electrip Global Limited, which is a direct participation, has been accounted for within the scope of equity accounted investees in the financial statements for the period ending on 31 March 2023.

The values of the assets, liabilities and net assets of Electrip Global B.V., whose shares are sold in the rate of 50.01% are presented below:

	13 January 2023
Current assets	92,605
Non - current assets	184,252
Total assets	276,857
Short term liabilities	122,079
Long term liabilities	25,133
Total liabilities	147,212
Net assets	129,645
Ratio of shares sold	50.01%
Net assets disposed	64,835
Net cash inflow from the sale	938,040
Subsidiary sales profit (Note 18)	873,205

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.4 Basis of consolidation (Continued)**

Shares representing half of the entire share capital plus one share of Electrip Global B.V., which was 00% subsidiary of the Company, were sold and transferred to Electrip Limited, by our Company for a purchase price of USD 50,000 thousand. After this share transfer, the remaining shares of the Company are accounted for at their fair value. The increase in value of the financial asset held

is presented in the operating income in the condensed consolidated statement of profit or loss. The financial information of 49.99% held by Electrip Global Limited and the details of the increase in value resulting from the fair value representation are presented below:

	13 January 2023
Fair value of 100% stake in Electrip Global Limited	1,875,705
Group's ownership of Electrip Global Limited shares	49,99%
Fair value of financial asset held	937,665
Carrying value of financial asset held	135,214
Value increase of financial asset held (Note 18)	802,451

Information on the assets and liabilities and income statement of Electrip Global Limited, which is valued using the equity method, as of 31 March 2023 is presented below:

	31 March 2023
Total assets	1,989,478
Total liabilities	222,289
Net assets	1,767,189
Group's share in net assets	49.99%
Carried value in the statement of financial position	883,418
	31 March 2023
Revenue	30,659
Cost of sales (-)	(35,412)
Gross profit	(4,753)
Operating expenses	(34,817)
Financing expenses, net	(5,323)
Tax income	2,451
Net loss for the period (*)	(42,442)
Group's share of net loss for the period	49.99%
Shares in losses of investments valued using the equity method	(21,217)

(*) It represents the net loss for the period between 13 January 2023 (transaction date) and 31 March 2023.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023***(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)***NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2.4 Basis of consolidation (Continued)***Non-controlling interests*

The minority shares in the net assets and operating results of affiliates 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 affiliate 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 recorded in equity. The table below sets out all subsidiaries and demonstrates the proportion of ownership interest as at 31 March 2023 and 31 December 2022. Financial statements of subsidiaries are consolidated using the full consolidation method.

The table below sets out all affiliates and demonstrates the proportion of ownership interest as at 31 March 2023 and 31 December 2022. Financial statements of affiliates are consolidated using the full consolidation method.

Directly held affiliates	Direct ownership interest by Zorlu Enerji (%)	
	31 March 2023	31 December 2022
Zorlu Osmangazi	100	100
Zorlu Yenilenebilir	100	100
ZES Solar	100	100
Nemrut Jeotermal	100	100
Eway Araç	100	100
Zorlu Elektrik	100	100
Zorlu Enerji Dağıtım	100	100
ZGP Pakistan (Private) Ltd.	99.70	99.70
Zorlu Enerji Pakistan	99.99	99.99
Zorlu Enerji İsrail	100	100
Zador	100	100
ZJ Strong	75	75
Electrip Global B.V.	--	100
Rarik Turkison	100	100
Alkan Jeotermal	100	100
Zorlu Enerji Asia	100	100

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023***(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)***NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2.4 Basis of consolidation (Continued)***Equity accounted investees*

Investments in associates are accounted for based on their acquisition cost on the date of initial recording and the equity method in the following periods. These are entities in which the Group generally has between 20% and 50% of the voting rights or over which the Group has significant influence, but not control. Unrealized profits arising from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, and unrealized losses are also eliminated if the transaction does not indicate that the transferred asset is impaired. According to the equity method, the net profit/(losses) after tax of the associates after the acquisition are reflected in the net profit/(loss) of the Group to the extent of the Group's share in the associate.

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 obligations or has made payments on behalf of the associate.

The table below sets out direct associates and the effective shareholding rates as at 31 March 2023 and 31 December 2022:

Associates	31 March 2023	31 December 2022
	(%)	(%)
Dorad	25	25
Ezotech	42.15	42.15
Solad	42.15	42.15
Adnit	42.15	42.15
Electrip Global Limited	49.99	--

2.5 Amendments in International Financial Reporting Standards

The accounting policies that are the basis for the preparation of financial statements for the period ended 31 March 2023 have been applied consistently with those used in the previous year, except for the new and amended IFRSs as of 31 March 2023 summarised below.

The effects of these standards and interpretations on the financial position, consolidated performance and consolidated cash flows of the Company are explained below.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

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

2.5 Amendments in International Financial Reporting Standards (Continued)

a. Standards, amendments and interpretations applicable as at 31 March 2023:

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

- Classification of liabilities as current or non-current (Amendments to IAS 1).

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

b. Standards, amendments and interpretations that are issued but not effective as at 31 March 2023:

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

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

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

2.6 Going concern assumption

The Group has prepared its consolidated financial statements on a going concern basis.

2.7 Comparatives and restatement of prior year financial statements

The condensed consolidated financial statements of the Group for the current period is prepared in comparison with the prior period in order to be able to determine the financial position and performance trends. Where necessary, comparative figures are reclassified to conform to changes in presentation in the current period and material differences are disclosed.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

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

2.7 Comparatives and restatement of prior year financial statements (Continued)

The following classification is taken into account in the consolidated statement of profit or loss as of 31 March 2022:

- Tax expenses, excluding current period tax amounting to TL 3,265, which was included in the marketing expenses account in the consolidated profit or loss statement of the Group as of 31 March 2022, have been reclassified to general administrative expenses.
- In the consolidated profit or loss statement of the Group as of 31 March 2022, the amount of Renewable energy source cost (YEK cost) amounting to TL 14,629, which is included in the cost of sales account, is shown after being netted off from the revenue account.
- Foreign exchange gain from trading activities amounting to TL 6,382, which was included in the financial income account in the consolidated profit or loss statement of the Group as of 31 March 2022, has been reclassified to other operating income.
- Interest expense amounting to TL 521, which was in the other operating expenses account in the consolidated profit or loss statement of the Group as of 31 March 2022, has been reclassified to finance expenses.
- The indexation of deposits received and indexation of deposits paid amounts to TL 512,045 and TL 39,639, respectively, which is included in "other expense" account of the Group's statement of profit or loss and other comprehensive income as at 31 March 2022, has been reclassified to "gain/(loss) on net monetary position" account.
- The indexation of service concession arrangements amounts to TL 1,382,103, which is included in "other income" account of the Group's statement of profit or loss and other comprehensive income as at 31 March 2022, has been reclassified to "gain/(loss) on net monetary position" account.

The reclassifications, which are explained above, have been considered during the preparation of the statement of cash flow.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

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

2.8 Critical accounting estimates, assumptions and judgments

In preparing these condensed consolidated 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 2023 according to the future projections, deferred tax assets are recognized on the carryforward tax losses amounts to TL 8,392,274 (31 December 2022: TL 10,335,039). Deferred tax asset is not recognized carryforward tax losses for the remaining TL 1,642,240 (31 December 2022: TL 1,967,435).

b) *Cash flow hedge*

As explained in Note 13, the Group uses investment loans amounting USD 598,806 thousand (31 December 2022: USD 643.932 thousand) and as a hedging instrument against the USD spot exchange rate risk the Group is exposed to due to highly propable 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 2022, 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 Kızıldereli 1 powerplant belongs to Zorlu Doğal, and the income method (Discounted cash flows-DCF) was used for the valuation of other plants.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023***(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)***NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2.8 Critical accounting estimates, assumptions and judgments (Continued)**

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: 11%, and in the valuation of Zorlu Enerji Pakistan's power plant, USD weighted average cost of capital ratio: 11.74%.

2.9 Seasonality of operations

Business volume shows seasonal changes according to the structure of the industry in which the Group operates. In the natural gas distribution segment, business volume is high in the first and fourth quarters, which coincide with the winter months, in the second and third quarters of wind power plants under the generation and other segment, and in the second quarter of hydroelectric power plants. Seasonality does not have a significant impact on the volume of business in the remaining segments of the Group.

2.10 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 13).

Foreign currency denominated assets and liabilities held by the Group as at 31 March 2023 and 31 December 2022 are as follows:

	31 March 2023	31 December 2022
Assets	11,022,037	12,972,046
Liabilities	(27,201,892)	(32,946,066)
Net position of derivative instruments	98,162	107,872
Foreign currency position, (net)	(16,081,693)	(19,866,148)

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.10 Financial risk management (Continued)**

TL equivalent of assets and liabilities denominated in foreign currency held by the Group at 31 March 2023 and 31 December 2022 are as follows:

	31 March 2023				31 December 2022			
	TL equivalent	USD	Eur	NIS	TL equivalent (*)	USD	Eur	NIS
Cash and cash equivalents	536,646	25,377	2,441	--	1,369,630	63,314	1,673	--
Trade receivables	1,427,253	68,934	5,165	--	1,979,645	89,928	3,905	--
Due from related parties- short-term	881,573	40,107	5,077	1,511	1,375,936	59,565	5,067	1,512
Financial investments	--	--	--	--	39,808	1,892	--	--
Due from related parties- long-term	8,080,621	372,807	17,737	107,422	8,102,796	334,834	18,496	107,422
Other	95,944	4,532	441	--	104,231	4,389	530	--
Total assets	11,022,037	511,757	30,861	108,933	12,972,046	553,922	29,671	108,934
Trade payables	1,456,132	65,866	9,377	--	1,381,944	58,994	6,274	--
Short-term financial liabilities	6,411,136	319,907	13,758	--	9,295,656	427,412	13,511	--
Short term other payables	2,795	146	--	--	--	--	--	--
Due to related parties	--	--	--	--	--	--	--	--
Long-term financial liabilities	19,331,829	990,462	17,712	--	22,268,466	1,038,091	19,055	--
Total liabilities	27,201,892	1,376,381	40,847	--	32,946,066	1,524,497	38,840	--
Net position of derivative financial instruments	98,162	5,127	--	--	107,872	5,127	--	--
Export	--	--	--	--	716	34	--	--
Import	257,763	13,463	--	--	1,167,804	55,505	--	--
Net foreign currency position	(16,081,693)	(859,497)	(9,986)	108,933	(19,866,148)	(965,448)	(9,169)	108,934

(*) Expressed on 31 March 2023 purchasing power.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.10 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 2023 and 31 December 2022, had the TL appreciated or depreciated by 10% against USD, EUR and NIS with all other variables held constant, the effect over current consolidated net income/ (loss) and equity would be as follows:

	31 March 2023		31 March 2023	
	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)	(1,645,593)	1,645,593	(1,645,593)	1,645,593
Amount hedged for USD risk (-)	1,146,474	(1,146,474)	--	--
USD net effect	(499,119)	499,119	(1,645,593)	1,645,593
In case of 10% appreciation				
/ depreciation of EUR against TL:				
EUR net asset/(liability)	(20,773)	20,773	(20,773)	20,773
Amount hedged for EUR risk (-)	--	--	--	--
EUR net effect	(20,773)	20,773	(20,773)	20,773
In case of 10% appreciation				
/ depreciation of NIS against TL:				
NIS net asset/(liability)	58,197	(58,197)	58,197	(58,197)
Amount hedged for NIS risk (-)	--	--	--	--
NIS net effect	58,197	(58,197)	58,197	(58,197)
Total net effect	(461,695)	461,695	(1,608,169)	1,608,169

As at 31 March 2023, the Group uses investment loans amounting to USD 598,806 thousand (31 December 2022: USD 634,932 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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.10 Financial risk management (Continued)**

	31 December 2022		31 December 2022	
	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)	(2,031,267)	2,031,267	(2,031,267)	2,031,267
Amount hedged for USD risk (-)	1,354,808	1,354,808	--	--
USD net effect	(676,459)	3,386,075	(2,031,267)	2,031,267
In case of 10% appreciation				
/ depreciation of EUR against TL:				
EUR net asset/(liability)	(20,567)	20,567	(20,567)	20,567
Amount hedged for EUR risk (-)	--	--	--	--
EUR net effect	(20,567)	20,567	(20,567)	20,567
In case of 10% appreciation				
/ depreciation of NIS against TL:				
NIS net asset/(liability)	65,219	(65,219)	65,219	(65,219)
Amount hedged for NIS risk (-)	--	--	--	--
NIS net effect	65,219	(65,219)	65,219	(65,219)
Total net effect	(631,807)	3,341,423	(1,986,615)	1,986,615

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, judgement is necessarily required to interpret market data to estimate fair value. Accordingly, the estimates presented herein may differ from the amounts the Group could realize in a current market exchange.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

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

2.10 Financial risk management (Continued)

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:

Monetary assets

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 provisions 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.

Trade payables and other payables are close to be equivalent to their fair value due to their short-term nature.

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
- Level 3: Inputs for the asset or liability that are not based on observable market data.

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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 3 - SEGMENT REPORTING

Management of the Group has determined the reportable parts of the Group as distribution of electricity and distribution of gas, retail and wholesale of electricity, production/trading and other according to the activity groups.

Management of the Group considers earnings before interest, taxes, depreciation and amortisation ("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 2023	Electricity distribution	Gas distribution	Retail and Wholesale	Production/trading and other	Consolidation adjustments	Consolidation total
Revenue	1,130,471	4,200,859	4,158,197	2,168,351	(2,223,059)	9,434,819
Cost of sales	(708,737)	(4,094,538)	(4,052,899)	(1,824,590)	2,202,490	(8,478,274)
Gross profit	421,734	106,321	105,298	343,761	(20,569)	956,545
Operating expenses	(94,851)	(41,743)	(93,808)	(101,601)	20,286	(311,717)
Amortisation and depreciation expenses (*)	15,456	14,482	841	597,417	283	628,479
Weighted average cost of capital ("WACC") correction	208,155	61,663	--	--	--	269,818
Indexation difference on receivables from service concession arrangements (**)	760,128	219,392	--	--	--	979,520
EBITDA	1,310,622	360,115	12,331	839,577	--	2,522,645

1 January - 31 March 2022	Electricity distribution	Gas distribution	Retail and Wholesale	Production/trading and other	Consolidation adjustments	Consolidation total
Revenue	760,513	3,568,385	4,616,174	2,436,870	(1,938,187)	9,443,755
Cost of sales	(570,766)	(3,429,010)	(4,284,488)	(1,741,383)	1,934,222	(8,091,425)
Gross profit	189,747	139,375	331,686	695,487	(3,965)	1,352,330
Operating expenses	(69,083)	(35,479)	(66,373)	(74,206)	3,965	(241,176)
Amortisation and depreciation expenses (*)	15,661	12,641	1,092	535,094	--	564,488
Weighted average cost of capital ("WACC") correction (**)	190,645	60,762	--	--	--	251,407
Indexation difference on receivables from service concession arrangement (**)	1,050,291	331,813	--	--	--	1,382,104
EBITDA	1,377,261	509,112	266,405	1,156,375	--	3,309,153

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 3 - SEGMENT REPORTING (Continued)

1 January - 31 March 2023	Electricity distribution	Gas distribution	Retail and Wholesale	Production/trading and other	Consolidation adjustments	Consolidation Total
Segment assets	9,582,893	6,392,749	4,625,672	86,722,839	(26,684,862)	80,639,291
Associates	--	--	--	2,573,451	--	2,573,451
Segment liabilities	5,299,467	6,072,527	4,299,431	41,800,135	(5,763,729)	51,707,831

1 January - 31 December 2022	Electricity distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation Total
Segment assets	9,503,115	6,702,103	4,954,873	89,931,916	(26,636,271)	84,455,736
Associates	--	--	--	1,816,123	--	1,816,123
Segment liabilities	5,684,675	6,584,746	4,500,366	47,194,771	(6,363,980)	57,600,578

(*) The amortisation and depreciation expense amounts to TL 628,479 (31 March 2022: TL 564,488) has been presented in operating expenses, and amount of TL 131,406 (31 March 2022: TL 131,406) has been presented in other operating expenses.

(**) Indexation difference on receivables from service concession arrangement and interest income from distribution activities which are related to OEDAŞ, Gazdaş and Trakya amounts to TL 979,520 (31 March 2022: TL 1,382,104) and TL 269,818 (31 March 2022: TL 251,407) 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 2023	31 March 2022
EBITDA	2,522,645	3,309,153
Amortisation and depreciation expenses	(759,885)	(695,894)
Financial income/(expenses), net	(1,563,377)	(1,984,424)
Other operating income/(expenses), net	657,284	(1,454,244)
Share of profit of associates	41,224	41,084
Gains on net monetary position	1,966,270	2,906,989
Income before tax	2,864,161	2,122,664

NOTE 4- CASH AND CASH EQUIVALENTS

	31 March 2023	31 December 2022
Cash	216	338
Banks		
- Time deposits	1,042,719	946,867
- Demand deposits	586,010	1,647,048
	1,628,945	2,594,253

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 4- CASH AND CASH EQUIVALENTS (Continued)

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 2023	31 December 2022
	(%)	(%)
USD	0.21	0.03
PKR	15.51	14.51
TL	12.94	12.78
EUR	0.10	--

The details of cash and cash equivalents include the following for the purpose of the consolidated statements of cash flows as at 31 March 2023 and 2022:

	31 March 2023	31 March 2022
Cash and cash equivalents	1,628,945	1,736,776
Less: Restricted cash (*)	(156,520)	(139,656)
	1,472,425	1,597,120

(*) Total restricted cash balance is TL 744,546 of Group together with the restricted cash amounts to TL 588,026 under the short-term financial investments. Restricted deposits generally consist of the amounts held as deposits related to the payments of the loans obtained by the companies.

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 2023	1 January - 31 March 2022
Redemptions related to loan commissions	49,440	50,383
	49,440	50,383

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 4- CASH AND CASH EQUIVALENTS (Continued)

Details of "Other outflows" in net cash used in financing activities in cash flows as follows:

	1 January - 31 March 2023	1 January - 31 March 2022
Commission paid related to borrowings	(76,221)	(212,611)
Change in blocked deposits	9,636	(70,960)
	(66,585)	(283,571)

NOTE 5 - RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT

	31 March 2023	31 December 2022
Short-term receivables from service concession arrangement	1,271,941	1,171,894
Long-term receivables from service concession arrangement	7,212,230	7,614,160
	8,484,171	8,786,054

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

As at 31 March 2023, TL 6,547,841 of the receivables from service concession arrangement is related to OEDAŞ (31 December 2022: TL 6,830,660) and TL 1,936,330 is related to Gazdaş and Trakya (31 December 2022: TL 1,955,394).

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

	31 March 2023	31 December 2022
Up to 1 years	1,271,941	1,171,894
Between 1 to 2 years	1,271,941	1,171,894
More than 2 years	5,940,289	6,442,266
	8,484,171	8,786,054

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 5 - RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT (Continued)

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

	1 January - 31 March 2023	1 January - 31 March 2022
Opening balance	8,786,054	7,441,414
Gross investments	37,533	41,902
Collections of subscriber connection fee (-) (*)	(21,429)	(24,030)
Net investments	16,104	17,872
Collections (-)	(317,987)	(292,058)
Closing balance	8,484,171	7,167,228

(*) The Group collects a certain subscription fee from each subscriber in order to provide resources for infrastructure investments to be made in the region where the subscriber is located and to deliver natural gas to subscribers within the framework of natural gas distribution activities. The subscriber connection fee amounts determined by EMRA are collected at the time of signing the connection agreement for once only and is non-refundable. In this context, subscriber connection investments and collections made during the period are shown as gross.

NOTE 6 - FINANCIAL LIABILITIES

The detail of financial liabilities of the Group as at 31 March 2023 and 31 December 2022 is as follows:

	31 March 2023	31 December 2022
Short-term bank borrowings	964,669	2,427,555
Issued bonds	669,578	633,797
Total short-term financial liabilities	1,634,247	3,061,352
Short-term portion of long-term bank borrowings	6,573,719	8,535,275
Issued bonds	1,311,158	1,453,665
Lease liabilities	78,614	123,175
Total short-term portion of long term financial liabilities	7,963,491	10,112,115
Long-term bank borrowings	16,837,296	19,571,352
Lease liabilities	242,745	311,983
Other issued marketable securities	5,365,530	5,669,111
Total long-term financial liabilities	22,445,571	25,552,446
Total financial liabilities	32,043,309	38,725,913

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 6 - FINANCIAL LIABILITIES (Continued)

The detail of short-term financial liabilities of the Group as at 31 March 2023 and 31 December 2022 is as follows:

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	31 March	31 December	31 March	31 December	31 March	31 December
	2023	2022	2023	2022	2023	2022 (*)
USD	26,280	85,706	12.92	12.47	503,164	1,803,225
EUR	298	--	12.59	--	6,199	--
TL	1,124,884	1,118,120	31.49	32.37	1,124,884	1,258,127
					1,634,247	3,061,352

The detail of short-term portion of long-term financial liabilities of the Group as at 31 March 2023 and 31 December 2022 is as follows:

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	31 March	31 December	31 March	31 December	31 March	31 December
	2023	2022	2023	2022	2023	2022 (*)
USD	293,627	341,706	12.33	10.93	5,621,777	7,189,365
EUR	13,460	13,511	8.70	8.64	279,996	303,066
TL	2,059,528	2,312,204	18.74	17.36	2,059,528	2,601,729
PKR	--	168,304	--	10.66	--	15,531
NIS	410	405	5.50	5.50	2,190	2,424
					7,963,491	10,112,115

The detail of long-term financial liabilities of the Group as at 31 March 2023 and 31 December 2022 is as follows:

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	31 March	31 December	31 March	31 December	31 March	31 December
	2023	2022	2023	2022	2023	2022 (*)
USD	990,462	1,038,091	12.88	10.58	18,963,382	21,841,041
EUR	17,712	19,055	8.00	7.99	368,447	427,425
TL	3,086,052	2,890,031	19.31	21.39	3,086,052	3,251,909
PKR	17,419	19,715	--	--	1,170	1,819
NIS	4,964	5,053	5.50	5.50	26,520	30,252
					22,445,571	25,552,446

(*) Expressed on 31 March 2023 purchasing power.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 6 - FINANCIAL LIABILITIES (Continued)

Letters of guarantees given, pledges and mortgages related to financial liabilities are explained in Note 12.

The redemption schedule of the financial liabilities (except lease liabilities) as at 31 March 2023 and 31 December 2022 is as follows:

	31 March 2023	31 December 2022
Up to 1 year	9,519,124	13,050,292
Up to 1 to 2 years	5,741,663	6,316,669
Up to 2 to 3 years	4,690,413	5,103,238
Up to 3 to 4 years	6,309,652	6,924,477
Up to 3 to 4 years	3,582,952	3,309,032
More than 5 years	1,878,146	3,587,047
	31,721,950	38,290,755

The movements of financial liabilities for the period 1 January - 31 March 2023 and 2022 are as follow:

	2023	2022
As at 1 January	38,725,913	43,954,209
Cash inflows from borrowings	12,455	4,436,105
Cash inflows from issued debt instruments	1,077,047	537,348
Cash outflows due to the repayment of bank borrowings	(2,927,977)	(2,478,206)
Cash outflows from debt repayments of issued debt instruments	(853,670)	(398,208)
Cash outflows from debt repayments of lease agreements	(25,674)	(22,367)
Change of exchange difference and interest accruals	981,788	1,294,021
Payables related to lease liabilities	458	367
Interest accruals related to lease contract	12,842	11,289
Interest paid	(1,277,430)	(1,175,798)
Change in exchange differences	652,897	3,931,783
Subsidiaries out of the scope of consolidation		
financial lease liabilities	(59,566)	--
Other classifications (Note 4)	(26,781)	(162,228)
Gains/(losses) on net monetary position	(4,248,993)	(8,560,193)
As at 31 March	32,043,309	41,368,122

The Group is obliged to comply with various commitments within the context of the existing loan agreements. Financial ratios of the Group are consistent with the provisions of these agreements.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 7 - OTHER RECEIVABLES AND PAYABLES**a) Short-term other receivables:**

	31 March 2023	31 December 2022
Other receivables from related parties (Note 20)	980,916	1,396,633
Other short-term receivables from third parties	210,038	266,968
	1,190,954	1,663,601

b) Long-term other receivables:

	31 March 2023	31 December 2022
Other receivables from related parties (Note 20)	7,921,970	8,199,683
Other long-term receivables from third parties	166,624	179,640
	8,088,594	8,379,323

c) Short-term other payables:

	31 March 2023	31 December 2022
Security deposit received	2,686,150	2,686,737
Other payables to related parties (Note 20)	1,509,380	1,366,826
Other short-term payables to third parties	5,249	6,139
	4,200,779	4,059,702

The movements of security deposits received for the period ended 1 January – 31 March 2023 and 2022 are as followed:

	2023	2022
1 January	2,686,737	2,261,083
Additions and payments, net	62,274	64,230
Indexation differences of deposits received	236,124	512,045
Gains/(losses) on net monetary position	(298,985)	(419,954)
31 March	2,686,150	2,417,404

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 7 - OTHER RECEIVABLES AND PAYABLES (Continued)**d) Long-term other payables:**

	31 March 2023	31 December 2022
Other payables to related parties (Note 20)	9,310	8,907
	9,310	8,907

NOTE 8 - OTHER ASSETS AND LIABILITIES**a) Other current assets:**

	31 March 2023	31 December 2022
VAT receivable	163,450	186,499
Investment materials (*)	148,264	188,488
Insurance income accruals	89,497	96,159
Prepaid expenses	62,369	79,834
Assets related to current income tax	16,802	23,975
Income accruals (**)	8,052	9,060
Other	9,278	7,300
	497,712	591,315

(*) As of 31 March 2023 and 31 December 2022, the investment inventories consist of the materials that have not yet been used in investments of the Group.

(**) Within the scope of inspection of TEDAŞ for the years before 2017, an administrative fine amount to TL 23,829 was enacted regarding the invoices issued to general lighting customers. The amount was fully paid as of 31 March 2023. Regarding the said administrative fine, the Company filed a lawsuit against TEDAŞ and for the amount of TL 7,153, in line with the decision of the Council of State in favor of the Company in the file no. 2017-1967 of the Ankara 1st Administrative Court; on 17 June 2021, the Court of Appeal decided to cancel the administrative act, in full compliance with the decision of reversal.

	31 March 2023	31 December 2022
Income accruals (*)	15,777	17,753
Other	6,868	9,418
	22,645	27,171

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 8 - OTHER ASSETS AND LIABILITIES (Continued)**b) Other non-current assets:**

(*) Within the scope of TEDAŞ's audits regarding OEDAŞ before 2017, a total of TL 23,829 administrative fine was imposed regarding the invoices issued to general lighting customers and they were fully paid as of 31 March 2023. As for the portion amounting to TL 15,777, as a result of the trial made by the Court of First Instance in the file numbered 2021-622 of the Ankara 4th Administrative Court, it was decided to cancel the administrative action that was the subject of the lawsuit on 10 November 2021.

Since these lawsuits were concluded in favor of the Company, upon the evaluation that it is possible to collect the said administrative fines from TEDAŞ, income accrual, including the expenses, has been accounted for the administrative fine paid in the accompanying financial statements.

c) Other current liabilities:

	31 March 2023	31 December 2022
Retail sales net profit margin income accruals (OMEGA 4) (*)	1,083,009	855,763
Output VAT	144,533	131,621
Revenue difference correction component (**)	107,081	160,652
Taxes and funds payable	97,890	121,350
Due to personnel	90,241	24,784
Deferred revenue for natural gas sales income	7,664	11,377
Deferred revenue for non-controlling expenses	5,284	7,927
Advanced received	2,937	3,483
Other	1,997	727
	1,540,636	1,317,684

(*) The retail company should obtain a net profit margin of 2.38% from sales made by tariff customers. The retail sales net margin consists of the adjustment components recorded to equalize net profit margin to 2.38%.

(**) The revenue difference correction component includes the adjustment for the difference between the value of the system operating income cap for a tariff year calculated according to the CPI of the month of December of the relevant tariff year and the value of the system operating income realized in the calculated according to the CPI of the month of December of the relevant tariff year. In the second year following its occurrence, the adjustment for the said difference is taken into account by EMRA as the operating income ceiling of the system that is the basis for adjustment and is used in the calculation of the income ceiling for the relevant year.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 9 – FINANCIAL ASSETS**Short-term financial assets**

	31 March 2023	31 December 2022
Other (*)	588,026	740,777
	588,026	740,777

(*) The Group's total restricted deposits are TL 744,546 (31 December 2022: TL 754,183). TL 588,026 (31 December 2022: TL 740,777) of the restricted deposits are classified in the short-term financial investments and TL 156,520 (31 December 2022: TL 13,406) is classified in the cash and cash equivalents. The restricted deposits in financial investments are related to the bank borrowings obtained by OEDAŞ from the European Bank for Reconstruction and Development ("EBRD"), the International Finance Corporation ("IFC"), Nederlandse Financierings Maatschappij Voor Ontwikkelingslanden N.V. ("FMO"), Asian Infrastructure Investment Bank ("AIIB") and Denizbank AŞ. together amounting to TL 3,358 million, by Trakya from Yapı ve Kredi Bankası AŞ and Akbank TAŞ amounting to USD 34 million and by ZJZtrong from Bank Palestine amounting to NIS 6 million. As at 31 March 2023, the weighted average interest rate for TL denominated time deposits of TL 587,145 (31 December 2022: TL 658.101) is 13.33% (31 December 2022: 14.29%).

Long-term financial assets

	31 March 2023	31 December 2022
Long-term securities (*)	1,333	1,333
	1,333	1,333

(*) Zorlu Enerji participated with 61,573 shares (Share amount: TL 246) and in a ratio of 0.4% in the ownership of Enerji Piyasaları İşletme Anonim Şirketi which was established with a capital of TL 61,573.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

As of 31 March 2023, the cost and accumulated depreciation of the Group's tangible assets amount to TL 54,168,973 (31 December 2022: TL 54,571,356) and TL 14,372,300 (31 December 2022: TL 14,016,599). Depreciation expense for tangible fixed assets for the first three months of 2023 is TL 593,459 (31 March 2022: TL 525,197).

Due to the exit of 50.01% of Electrip Global Limited's shares from the Group in a way that will cause loss of control, a net book value of TL 177.051 has occurred from tangible fixed assets in the financial statements as of 31 March 2023. In the financial statements dated 31 March 2023, the negative effect on the net book value of the fixed assets of the Group, arising from foreign currency translation of foreign subsidiaries is TL 169,974.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (Continued)

The details of the investment amounts in the financial statements for the three-month period ending on 31 March 2023 and 2022, on the basis of their balance sheet item, are given below:

	31 March 2023	31 March 2022
Property, plant and equipment	205,002	224,840
Financial assets related to concession agreements (Note 5)	37,533	41,902
Assets arising from the customer contract	90,992	22,327
Total investment (*)	333,527	289,069

(*) Capitalized financial expenses are not included.

The 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 2022, 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 Kızıldere 1 powerplant belongs to Zorlu Doğal, and the income method (Discounted cash flows -DCF) was used for the valuation of other plants.

As of 31 March 2023 and 2022, the movement table of the fund formed by valuation is as follows:

1 January 2022	12,592,354
Transfers	(218,173)
31 March 2022	12,374,181
1 January 2023	17,141,385
Transfers	(281,721)
31 March 2023	16,859,664

Collaterals, pledges and mortgages on property, plant and equipment are presented in Note 12.

Current period depreciation expenses, cost of sales, general administrative expenses, marketing expenses and other expenses from main activities are included in the items, the details of which are presented in Note 16, Note 17 and Note 18.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 11 – INTANGIBLE ASSETS

As of 31 March 2023, the cost and accumulated depreciation of the Group's intangible assets amount to TL 13,693,599 (31 December 2022: TL 13,613,818) and TL 3,393,073 (31 December 2022: TL 3,249,468), respectively. The depreciation expense for the three-month period ended 31 March 2023 for intangible assets is TL 143,773 (31 March 2022: TL 150,934). As of 31 March 2023, the negative translation effect on cost and accumulated depreciation is TL 188 (31 December 2022: TL 295) and TL 167 (31 December 2022: TL 730).

Due to the exit of 50.01% of Electrip Global Limited's shares from the Group, resulting in loss of control, rights with a net book value of TL 2,631 in the financial statements dated 31 March 2023 have been deducted from intangible assets.

NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**12.1 Contingent assets**

The Group's guarantees, pledges and mortgages ("GPM") as at 31 March 2023 and 31 December 2022 are summarized as follows :

	Original currency	31 March 2023		31 December 2022	
		Original amount	TL equivalent	Original amount	TL equivalent (*)
Letters of guarantees received	TL	2,233,539	2,233,539	1,917,134	1,917,134
Letters of guarantees received	USD	132,555	2,537,898	8,688	162,451
Letters of guarantees received	EUR	866	18,015	446	8,891
Cheques received	TL	12,217	12,217	19,806	19,806
Cheques received	USD	8,062	154,355	8,114	151,718
Cheques received	EUR	181	3,765	181	3,608
			4,959,789		2,263,608

(*) The amounts stated at above has been expressed in thousands of Turkish Lira (TL) excluding the effect of purchasing power of 31 March 2023.

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**12.2 Guarantees, pledges and mortgages given by the Group**

The Group's guarantees, pledges and mortgages ("GPM") as at 31 March 2023 and 31 December 2022 are summarized as follows:

	Original currency	31 March 2023		31 December 2022 (*)	
		Original amount	TL equivalent	Original amount	TL equivalent
Letters of guarantees given	TL	9,242,094	9,242,094	9,271,732	9,271,732
Letters of guarantees given	USD	155,802	2,982,986	155,324	2,904,295
Letters of guarantees given	PKR	4,796,483	322,755	4,796,483	393,408
Letters of guarantees given	NIS	9,868	52,719	9,868	52,504
			12,600,554		12,621,939

(*) The amounts stated at above has been expressed in thousands of Turkish Lira (TL) excluding the effect of purchasing power of 31 March 2023.

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 of the Group is 0% as at 31 March 2023 (31 December 2022: 0%).

NOTE 13 - DERIVATIVE FINANCIAL INSTRUMENTS**Derivative financial instruments**

	31 March 2023		Fair value asset	Fair value liability	Carried at fair value through profit or loss
	Contract amount (USD)	Total contract amount (TL) (*)			
Cross currency swap agreements	5,127	98,162	--	(17,372)	546
Interest rate swap agreements	491,125	9,403,079	371,786	--	(89,627)
	496,252	9,501,241	371,786	(17,372)	(89,081)

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 13 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**Derivative financial instruments (Continued)**

	<u>31 December 2022</u>		Fair value asset	Fair value liability	Carried at fair value through profit or loss
	Contract amount (USD)	Total contract amount (TL) (*)			
Cross currency swap agreements	5,769	107,870	--	(20,147)	(84,414)
Interest rate swap agreements	491,125	10,333,087	516,682	--	626,848
	496,894	10,440,957	516,682	(20,147)	542,434

(*) Expressed on 31 March 2023 purchasing power.

Derivative financial instruments are initially recognized in the condensed consolidated statement of financial position at cost and are subsequently remeasured at their fair value. The derivative instruments of the Group consist of interest rate swaps 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 company commitment ("cash flow hedge"). Interest rate swap transactions provide effective economic hedges under the Group's risk management position and qualify for hedge accounting under specific rules and are therefore treated as derivatives held for hedging. Changes in the fair value of derivatives designated as cash flow hedges and qualified as effective, are recognized in "Other comprehensive income/(expenses) to be reclassified to profit or loss" under "hedge reserves" whereas the 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 the hedged company commitment or forecasted transaction affects the consolidated statement of profit or loss.

Derivative instruments not covered by cash flow hedge accounting***Interest rate swap transactions***

Interest rate swap transactions have been made in order to eliminate the interest risk arising from Zorlu Doğal's variable rate project finance loan. Interest rate swap transactions have been performed between the relevant banks and Zorlu Doğal with predetermined amounts and interest payment periods. As of 31 March 2023, approximately 73% (31 December 2022: 73%) of the project finance loan utilized by Zorlu Doğal is subject to interest rate swap transactions. Zorlu Doğal has stabilized its variable- rate loan at an average interest rate of 2.39% within the scope of agreements concluded with banks, thus eliminating possible risks to occur from interest rate changes. As of 31 December 2022, there are no interest rate swap transactions that are not covered by cash flow hedge accounting.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 13 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)***Forward agreements***

As of 31 March 2023, the Group has a sales commitment of TL 115,961 (31 December 2022: TL 115,951) in exchange for a purchase commitment of USD 5,127 thousand (31 December 2022: USD 5,127 thousand) pursuant to the contract dated 8 June 2022 with the maturity date of 14 April 2023.

Non-derivative financial instruments

	31 March 2023		31 December 2022	
	Original amount	Carried at fair value through other comprehensive income	Original amount	Carried at fair value through other comprehensive income
	USD	(TL) (*)	USD	(TL) (**)
Hedging amount	598,806	(10,063,407)	643,932	(11,357,555)
	598,806	(10,063,407)	643,932	(11,357,555)

(*) The Group uses Eurobond and investment loans amounting to USD 598,806 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.

(**) Expressed on 31 March 2023 purchasing power.

The movements of derivative financial instruments are as follows:

	2023	2022
As at 1 January	496,535	(397,385)
Carried at fair value through profit or loss		
- Income/(expenses) from derivative instruments (Note 19)	(89,081)	250,236
Carried at fair value through other comprehensive income		
-Hedged amount for financial risk	--	148,700
- Gains/(losses) on net monetary position	(53,040)	136,642
As at 31 March	354,414	138,193

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 13 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**Non-derivative financial instruments (Continued)**

The movements of non-derivative financial instruments are as follows:

	2023	2022
As at 1 January	(11,357,555)	(13,698,152)
Carried at fair value through other comprehensive income		
- Losses relating to cash flow hedges	373,393	(741,397)
-Gains/(losses) on net monetary position	920,755	2,063,851
As at 31 March	(10,063,407)	(12,375,698)

NOTE 14 - EQUITY**a) Share capital**

	31 March 2023	31 December 2022
Limit on registered share capital	6,000,000	6,000,000
Issued capital	2,500,000	2,500,000

The Group's shareholders and shareholding structure as at 31 March 2023 and 31 December 2022 are as follows:

	Share (%)	31 March 2023	Share (%)	31 December 2022
Zorlu Holding	33.74	843,537	46.09	1,152,143
Publicly held (*)	35.97	899,170	35.96	899,170
Korteks	17.55	438,687	17.55	438,687
Wren House Infrastructure LP	12.34	308,606	--	--
Other	0.40	10,000	0.4	10,000
	100	2,500,000	100	2,500,000
Adjustment to share capital		9,809,846		9,809,846
Total		12,309,846		12,309,846

(*) 7.27% of the total capital represent the shares that belong to Zorlu Holding.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 14 – EQUITY (Continued)**b) Share capital (Continued)**

Based on the material event disclosure dated 13 January 2023 and within the framework of the "ZOREN Share Purchase Agreement" signed between Zorlu Holding and Wren House Infrastructure LP ("WH") on 26 September 2022, the transfer of 30,860,606,611 Group B shares representing approximately 12.34% of the Company's capital to WH, the controlling shareholder, has been completed in accordance with the terms and conditions set forth in the material event disclosure dated 27 September 2022.

As of 31 March 2023 and 31 December 2022, the Group's capital inflation adjustment differences amounted to TL 9,809,846, 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.

c) Share premiums

The premiums related to the shares in the consolidated financial statements consist of the difference between the issuance price and the nominal value, as a result of the issuance of the shares which were issued within the capital increases after the initial establishment of the Group at a price above their nominal value. As of 31 March 2023, the premiums related to the shares in the consolidated financial statements of the Group are TL 6,802 (31 December 2022: TL 6,802).

d) Restricted reserves and retained earnings

	31 March 2023	31 December 2022
Legal reserves	68,715	68,715

The legal reserves consist of primary and secondary reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the primary 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 secondary 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.

Retained earnings and current period profit in the legal financial statements are ready to be distributed, provided that the abovementioned legal reserve allocation requirements are fulfilled and the legal regulations of the Capital Markets Board regarding profit distribution are complied with. Publicly traded companies are entitled to distribute dividends in accordance with CMB's Dividend

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 14 – EQUITY (Continued)

Communiqué numbered II-19.1 which entered into force on 1 February 2014.

Companies distribute their profits within the framework of the profit distribution policies to be determined by their general assembly and in accordance with the provisions of the relevant legislation. Within the scope of the said communiqué, a minimum distribution rate has not been set. Companies make their dividend payments according to their articles of association or dividend policies. In addition, dividends can be paid in installments of equal or varying amounts and dividend advances can be distributed in cash over the profit included in the financial statements.

Unless the reserves required to be set aside according to the TCC and the profit share determined for the shareholders in the articles of association or the profit distribution policy are allocated; it cannot be decided to allocate other reserves, transfer profits to the next year, as well as distribute dividends to shareholders, members of the board of directors, employees and non-shareholders.

NOTE 15 – REVENUE

	1 January - 31 March 2023	1 January - 31 March 2022
Natural gas sales income	3,896,523	3,243,812
Retail sales income	1,718,814	2,696,302
Electricity generation and wholesale income	1,695,663	2,064,474
Income from electricity distribution activities	833,298	403,778
Panel sales income	532,055	280,529
General lighting income	256,367	119,457
System usage income related to gas distribution activities	243,809	266,132
Other	258,290	369,271
	9,434,819	9,443,755

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 16 – COST OF SALES

	1 January - 31 March 2023	1 January - 31 March 2022
Natural gas purchase cost	3,837,613	3,211,218
Retail electricity purchase cost	1,917,714	1,805,366
Depreciation and amortisation	611,873	543,972
Electricity generation and wholesale purchase expense	610,918	1,170,623
Panel purchase cost	457,147	300,791
Energy purchase cost related to electricity distribution	339,012	415,844
Electricity production and retail system usage expenses	285,244	137,468
Employee and personnel expenses	147,997	108,942
Other	270,756	397,201
	8,478,274	8,091,425

NOTE 17 – GENERAL ADMINISTRATIVE AND MARKETING EXPENSES*a) General Administrative Expenses*

	1 January - 31 March 2023	1 January - 31 March 2022
Employee and personnel expenses	108,349	85,127
Consulting and outsourcing expenses	63,003	43,784
Tax expenses	23,704	13,641
Depreciation and amortisation expenses	16,547	20,359
Rent expenses	9,802	9,812
Office expenses	9,573	7,586
Municipality fee	7,536	6,514
Maintenance and repair expenses	3,456	5,556
Travelling expenses	3,356	2,599
Communication expenses	2,168	1,686
Advertising expenses	2,041	3,391
Licence expenses	1,904	1,334
Other	31,611	13,140
	283,050	214,529

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 17 – GENERAL ADMINISTRATIVE AND MARKETING EXPENSES (Continued)*b) Marketing expenses*

	1 January - 31 March 2023	1 January - 31 March 2022
Employee and personnel expenses	17,068	12,495
Rent expenses	4,046	2,181
Commission expenses	2,266	1,830
Consulting and outsourcing expenses	1,195	260
Communication expenses	1,364	455
Depreciation and amortisation expenses	59	157
Other	2,669	9,269
	28,667	26,647

NOTE 18- OTHER OPERATING INCOME AND EXPENSES**a) Other operating income:**

	1 January - 31 March 2023	1 January - 31 March 2022
Profit on sale of subsidiary (*) (Note: 2.4)	873,205	--
Fair value gains of associates (*) (Note: 2.4)	802,451	--
Interest income from distribution activities	269,818	251,407
Interest income from trading activities	68,962	41,918
Foreign exchange difference from trading activities	27,100	14,214
Gain on sale of fixed assets	1,351	--
Other	43,609	24,436
	2,086,496	331,975

(*) The details of the increase in value resulting from the sale profit arising from the disposal of the majority shares of Electrip Global B.V. and the minority shares of Electrip Global Limited remaining after the said transaction are presented in Note 2.4.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 18- OTHER OPERATING INCOME AND EXPENSES (Continued)**b) Other operating expenses:**

	1 January - 31 March 2023	1 January - 31 March 2022
Depreciation of service concession arrangements	106,741	106,741
Provisions expenses	62,383	10,582
Interest expense from trading activities	51,359	28,059
Expenses from the non-operating section (*)	37,018	15,472
Depreciation of customer relations	24,665	24,665
Foreign exchange difference from trading activities	13,648	61,344
Other	15,466	37,251
	311,280	284,114

(*) Within the scope of the geothermal operation license leased from Denizli Metropolitan Municipality, the rents paid to Denizli Metropolitan Municipality in relation to the Tekkehamam geothermal power plant project and the expenses of Kızıldere 1 geothermal power plant, which is not in operation as of the reporting date, are presented as non-operating part costs.

NOTE 19 - FINANCE INCOME AND EXPENSES**a) Financial income:**

	1 January - 31 March 2023	1 January - 31 March 2022
Interest income	337,636	230,968
Foreign exchange gains	243,887	1,348,972
Income on derivative instruments	--	250,236
	581,523	1,830,176

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 19 - FINANCE INCOME AND EXPENSES (Continued)**b) Financial expense:**

	1 January - 31 March 2023	1 January - 31 March 2022
Foreign exchange loss (*)	1,104,808	2,514,856
Interest expense (*)	878,798	1,259,714
Loss from derivative instruments	89,081	--
Bank commission and other financial expenses	72,213	40,030
	2,144,900	3,814,600

(*) As at 31 March 2023, capitalized borrowing cost on property, plant and equipments is TL 190,776 (31 March 2022: TL 120,852). TL 11,699 (31 March 2022: TL 11,288) of interest expenses for the period ended 31 March 2023 belongs to lease contracts within the scope of IFRS 16.

NOTE 20 - RELATED PARTY TRANSACTIONS**i) Related party balances:****a) Short-term trade receivables from related parties**

	31 March 2023	31 December 2022
Korteks	490,479	524,783
Zorluteks Tekstil Ticaret ve Sanayi AŞ ("Zorluteks")	421,909	413,748
Meta Nikel Kobalt Madencilik Sanayi AŞ ("Meta Nikel")	258,291	212,569
Zorlu Tesis Yönetimi AŞ ("Zorlu Tesis Yönetimi")	27,695	38,167
Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ("Vestel Beyaz Eşya")	27,593	13,393
Other	13,058	8,994
	1,239,025	1,211,654

b) Short-term other receivables from the related parties

	31 March 2023	31 December 2022
Zorlu Holding (*)	896,267	1,392,768
Electrip Global BV	49,628	--
ZES Dijital	20,000	--
Other	15,021	3,865
	980,916	1,396,633

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 20 - RELATED PARTY TRANSACTIONS (Continued)**i) Related party balances (Continued)**

(*) TL 896,267 of the Group's total receivables from Zorlu Holding amounting to TL 6,127,710 are short-term. All of the short-term receivables originate from intercompany loans, and the interest rates of the receivables amounting to TL 23,020, EUR 5,077 and USD 40,094 thousand are 31% for TL, 7.5% for EUR and in the range of 6.8%-12.3% for USD.

c) Long-term other receivables from related parties

	31 March 2023	31 December 2022
Zorlu Holding (*)	5,231,443	5,463,153
Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ ("Zorlu O&M") (**)	1,858,894	1,833,103
Ezotech (***)	573,903	643,128
Zorlu Doğal Gaz İthalat, İhracat ve Toptan Ticaret AŞ ("Zorlu Doğal Gaz İthalat") (****)	194,787	191,131
Other	62,943	69,168
	7,921,970	8,199,683

(*) TL 5,231,443 of the Group's total receivables from Zorlu Holding amounting to TL 6,127,710 from Zorlu Holding is long-term. The interest rates for the parts of the Group's long-term receivable amounting to TL 77,629 and USD 55,075 thousand and EUR 17,737 thousand resulting from an intercompany loan are 30.5%, 7.5%-12.2% and 6.95%-7.75%, respectively. The remaining USD 194,839 thousand and the long-term receivables are of financial nature and interest rate is 7% which is valid for USD and determined by market conditions (31 December 2022: 7% for USD).

(**) USD 78,952 thousand of the Group's long-term receivables from Zorlu O&M amounting to TL 1,858,894 are of financial nature and the interest rate is 7%, which is valid for USD and determined by market conditions. The remaining receivables amounting to USD 18,138 thousand from an intercompany loan and the interest rate is 11.75%.

(***) The Group's financial receivables amounting to NIS 107,422 thousand equivalent to TL 573,903 have been provided within the scope of power plant projects in Israel.

(****) The interest rate of the Group's long-term financial receivable from Zorlu Doğal Gaz İthalat, amounting to USD 10,194 thousand equivalent to TL 194,787, is 7%, which is valid for USD and determined by market conditions.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 20 - RELATED PARTY TRANSACTIONS (Continued)**i) Related party balances (Continued):****d) Short-term trade payables to related parties**

	31 March 2023	31 December 2022
Vestel Elektronik Sanayi ve Ticaret AŞ ("Vestel Elektronik")	349,169	241,541
Vestel Beyaz Eşya	173,975	--
Zorlu O&M	27,050	42,066
Zorlu Holding	13,875	16,617
Vestel Ticaret AŞ ("Vestel Ticaret")	12,759	--
Other	5,198	26,245
	582,026	326,469

e) Short-term other payables to related parties

	31 March 2023	31 December 2022
Zorlu Holding (*)	1,048,023	878,272
Korteks (*)	438,686	457,400
Zorlu O&M	22,671	31,154
	1,509,380	1,366,826

(*) The Group's payables of TL 1,048,023 to Zorlu Holding and TL 438,686 to Korteks are related to capital advances provided by Zorlu Holding and Korteks, based on Zorlu Enerji's material event disclosure dated 27 September 2022.

f) Long-term financial liabilities to related parties

	31 March 2023	31 December 2022
Zorlu O&M	9,310	8,907
	9,310	8,907

All other transactions between the Company and its subsidiaries and joint ventures that are not specified in this footnote have been eliminated during consolidation. The details between the Group and other related parties are explained below.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 20 - RELATED PARTY TRANSACTIONS (Continued)**i) Related party balances (Continued):****g) Sales to related parties**

	1 January - 31 March 2023	1 January - 31 March 2022
Korteks Mensucat	183,614	203,715
Zorluteks	88,208	83,732
Meta Nikel Kobalt	48,211	35,360
Vestel Elektronik	46,032	65,391
Vestel Beyaz Eşya	45,879	49,596
Zorlu Tesis Yönetimi	36,594	44,269
Zorlu O&M	26	212
Other	9,136	7,551
	457,700	489,826

h) Purchases from related parties

	1 January - 31 March 2023	1 January - 31 March 2022
Zorlu O&M Enerji	19,246	27,536
Vestel Ticaret	536	--
Vestel Elektronik	--	36,817
Other	611	677
	20,393	65,030

i) General administrative expenses and marketing expenses from related parties

	1 January - 31 March 2023	1 January - 31 March 2022
Zorlu Gayrimenkul	8,438	8,296
Zorlu Holding	4,660	3,827
ABH Turizm Temsilcilik ve Ticaret AŞ	3,765	1,668
Zorlu Tesis Yönetimi	1,899	1,124
Other	1,909	3,546
	20,671	18,461

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 20 - RELATED PARTY TRANSACTIONS (Continued)**i) Related party balances (Continued):****j) Operating other income to related parties**

	1 January - 31 March 2023	1 January - 31 March 2022
Korteks Mensucat	17,022	659
Zorluteks	15,461	3,316
Meta Nikel Kobalt	14,102	6,811
Vestel Elektronik	2,444	6,711
Other	3,576	888
	52,605	18,385

k) Operating other expenses to related parties

	1 January - 31 March 2023	1 January - 31 March 2022
Vestel Elektronik	26,051	277
Zorlu O&M Enerji	274	576
Zorluteks	--	275
Other	12	56
	26,337	1,184

l) Interest income from related parties

	1 January - 31 March 2023	1 January - 31 March 2022
Zorlu Holding	195,718	155,672
Zorlu O&M Enerji	34,480	28,476
Zorlu Doğal Gaz İthalat	3,321	2,899
Other	1	2,644
	233,520	189,691

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 20- RELATED PARTY TRANSACTIONS (Continued)**i) Related party balances (Continued):****m) Foreign exchange gain from related parties**

	1 January - 31 March 2023	1 January - 31 March 2022
Zorlu Holding	182,306	889,093
Zorlu O&M Enerji	41,131	152,271
Zorlu Doğalgaz İthalat	4,539	18,070
Ezotech Ltd.	2,390	71,779
Other	1,300	30,531
	231,666	1,161,744

Sales and purchase transactions with related parties generally include electricity, product and service sales and purchase transactions made within the framework of the main activity.

Exchange rate differential income and expenses from related parties and interest income and expenses are related to receivables and debits from related parties that are in the nature of financing.

Main operating income and expenses related to related parties, commercial receivables related to the Group's related parties

The operating income and expenses related parties included trade receivables related to the Group's related parties interest income and expense related to debt and income and foreign exchange gains and loss.

ii) Key management compensations for the periods between 1 January - 31 March 2023 and 2022 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 2023	1 January - 31 March 2022
Salaries and other benefits	17,736	17,098

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 21 - SUBSEQUENT EVENTS

Pursuant to material event disclosure dated 24 April 2023; Zorlu Doğal Elektrik Üretimi AŞ, an indirect wholly-owned subsidiary of Zorlu Enerji, has applied to EMRA to amend the generation license of its Kızıldere 3 Geothermal Power Plant located in Buharkent, Aydın to increase the plant's stated capacity from 189.75 MWm/165 MWe to 222.35 MWm/165 MWe in order to establish a Hybrid Renewable Power Plant (Main Source: Geothermal+Auxiliary Source: Solar) via addition of solar power.

Pursuant to material event disclosure dated 5 May 2023; with the aim of expanding our activities including the sale, installation and operation of electric vehicle charging stations in Turkey to overseas markets through our subsidiaries, a new company with the title of "Electrip BH d.o.o" was established in Bosnia Herzegovina under 100% direct ownership of Electrip Global B.V., an indirectly held associate of our Company based in the Netherlands.

The subscription period for Zorlu Enerji's rights issue for increasing the Company's paid-in capital from TL 2,500,000 to TL 5,000,000 via a TL 2,500,000 rights issue, within the limits of the registered capital ceiling of TL 6,000,000 which commenced on 15 June 2023 has ended on 3 July 2023. During the subscription period, pre-emptive rights corresponding to shares with a nominal value of TL 7,027,487.23 were not exercised and thus, corresponding shares will be offered for sale in the Primary Market of Borsa Istanbul on 6-7 July 2023.

Pursuant to material event disclosure dated 22 June 2023, It has been resolved to sell all of the shares in ZES Solar Enerji Tedarik ve Ticaret AŞ, one of our wholly-owned subsidiaries, to Electrip Global Limited, a company incorporated in Jersey in which we hold a 50%-1 share, for a total consideration of USD 49,400,000, provided that the price adjustments are to be made if the adjustment conditions under the Share Purchase Agreement are fulfilled, and the related share transfer has been completed as of today. In addition, for the purposes of operational growth, it has been decided to participate in the capital increase of Electrip Global Limited in the amount of EUR 45,850,000. The Company has decided to postpone the announcement until the negotiations are concluded with the resolution of Board of Directors dated 13 March 2023 and numbered 2023/19 in accordance with Article 6 of the Material Events Communiqué numbered II-15.1 in order to prevent harm to the legitimate interests of our Company and misleading our investors. This disclosure is made within the scope of the relevant legislation provisions as the reason for the postponement has been lifted.

Pursuant to material event disclosure dated 26 July 2023, the transfer of the shares representing 99.7% of the share capital of "Zorlu Solar Pakistan Limited" to "ZGP Pakistan (Private) Limited (formerly: Zorlu Wind Pakistan (Private) Limited) has been completed.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 21 - SUBSEQUENT EVENTS (Continued)

Pursuant to material event disclosure dated 31 July 2023, JCR Eurasia Rating has evaluated Zorlu Enerji Elektrik Üretim AŞ in the high investment-level category and affirmed its Long-Term National Issuer Credit Rating as "A- (tr)" with "Stable" outlook. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as "BB/Negative".

Pursuant to material event disclosure dated 10 August 2023, the Company has made pre-license applications for five solar power plant projects with a total installed capacity of 157.5 MWe to the Energy Market Regulatory Authority with the commitment to establish energy storage facility within the scope of the Regulation on Storage Activities in the Electricity Market published on 19 October 2022.

Pursuant to material event disclosure dated 14 August 2023, the application made to the Capital Markets Board on 6 February, 2023 for "Merger via Facilitated Procedure" with our wholly-owned subsidiary Rarik Turkison Enerji AŞ was approved with the decision dated 9 August, 2023 and numbered 46/956. and pursuant to material event disclosure dated 29 August 2023 it has been registered with the trade registry on 29 August 2023 in accordance with the Turkish Commercial Code. As a result of this simplified merger by acquisition process, Rarik Turkison Enerji A.Ş. has been dissolved in accordance with the Turkish Commercial Code.

Pursuant to material event disclosure dated 16 August 2023, the Company has made a pre-license application for a solar power plant project with an installed capacity of 20 MWe to the Energy Market Regulatory Authority with the commitment to establish energy storage facility within the scope of the Regulation on Storage Activities in the Electricity Market published on 19 November 2022.

Pursuant to material event disclosure dated 1 September 2023, amendment of the Article 6 of the Company's Articles of Association has been registered by Bursa Trade Registry Office.

Pursuant to material event disclosure dated 29 September 2023, in order to establish a more effective and focused structure in renewable energy activities and to evaluate the public offering of the shares of Zorlu Yenilenebilir Enerji AŞ ("Zoryen"), a wholly-owned subsidiary of the Company; the Board of Directors of Zorlu Enerji Elektrik Üretim AŞ ("Zorlu Enerji") resolved at its meeting held on 29 September 2023 to transfer Zorlu Enerji's shares in Nemrut Jeotermal Elektrik Üretimi AŞ ("Nemrut Jeotermal") and Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret AŞ ("Zorlu Elektrik") to Zoryen at nominal share values in accordance with the relevant legislation, and that the payment will be made by deducting the transaction prices from Zoryen's receivables from Zorlu Enerji. The shares of the affiliates transferred and their values are stated below:

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

(Amounts expressed in thousands of Turkish Lira ("TL") with the purchasing power of 31 March 2023 unless otherwise stated.)

NOTE 21 - SUBSEQUENT EVENTS (Continued)

- a) all of 50,000 shares of Nemrut Jeotermal, which is 100% owned by Zorlu Enerji, with a nominal value of TL 50,000, and
- b) all of 24,700,000,000 shares of Zorlu Elektrik, which is 100% owned by Zorlu Enerji, with a nominal value of TL 247,000,000. The share transfers have been completed on 29 September 2023.

Pursuant to material event disclosure dated 11 October 2023, at the Board of Directors meeting of Zorlu Enerji dated 11 October 2023, it was unanimously accepted by the directors attending the board meeting:

-To merge with Alkan Jeotermal Enerji Elektrik Üretimi A.Ş., a wholly-owned subsidiary of Zorlu Enerji, by taking over all the assets and liabilities of the company and to carry out the merger in a simplified manner under Zorlu Enerji in accordance with the provisions of Article 155 of the Turkish Commercial Code, Articles 19 and 20 of the Corporate Tax Law and Article 13 of the Capital Markets Board's ("CMB") Communiqué on Merger and Demerger No. II-23.2, to prepare the merger agreement and all other related documents; to take the financial statements dated 30 Jun 2023 as the basis for the merger transaction; not to prepare the Board of Directors report stipulated in the Article 147 of the Turkish Commercial Code, since the merger will be realized via the simplified procedure in accordance with the Article 13 of the CMB's Communiqué on Merger and Demerger No. II-23.2; not to prepare the independent audit report and the merger report and not to take an opinion of an expert institution in accordance with the Article 13/2 of the CMB's Communiqué on Merger and Demerger No. II-23.2; not to execute a "Right to Leave" option for the Company's shareholders in accordance with the Article 15/ç of the CMB's Communiqué on Common Principles Regarding Significant Transactions and the Retirement Right No. II-23.3; not to make a capital increase due to the merger; to prepare the announcement document, the merger agreement and other information and documents required for the applications regarding the merger transaction stipulated by the CMB's Communiqué on Merger and Demerger No. II-23.2, and to submit an application to the Capital Markets Board for approval; following the approval of Capital Markets Board, to submit the Merger Agreement to be signed between the parties to the approval of the Board of Directors without submitting to the approval of the General Assembly.