

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ
AND ITS SUBSIDIARIES

Condensed Consolidated Interim Financial
Statements

As at and for the Six-months Period Ended
30 June 2023

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

2 November 2023

This report includes 2 pages of Independent Auditor's Report on Review of Consolidated Financial Statements and 62 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 30 June 2023, condensed consolidated statement of profit or loss and condensed consolidated statement other comprehensive income, changes in equity and cash flows for the six 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 30 June 2023, and its financial performance and its cash flows for the six 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
2 November 2023
Istanbul, Turkey

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

		Reviewed	Audited
	Notes	30 June 2023	31 December 2022
ASSETS			
Current assets:			
Cash and cash equivalents	4	2,060,586	2,761,462
Financial assets	9	599,133	788,523
Trade receivables		6,647,446	8,434,343
- Trade receivables from related parties	20	1,641,088	1,289,749
- Trade receivables from third parties		5,006,358	7,144,594
Other receivables		1,542,810	1,770,826
- Other receivables from related parties	7,20	1,352,262	1,486,651
- Other receivables from third parties	7	190,548	284,175
Receivables from service concession arrangements	5	1,353,922	1,247,427
Derivative financial instruments	13	80,037	--
Inventories		871,653	826,310
Other current assets	8	521,515	428,789
Total current assets		13,677,102	16,257,680
Non-current assets:			
Financial assets	9	1,419	1,419
Trade receivables		148,581	109,738
- Trade receivables from third parties		148,581	109,738
Other receivables		11,084,805	8,919,398
- Other receivables from related parties	7,20	10,889,047	8,728,182
- Other receivables from third parties	7	195,758	191,216
Contract assets		179,240	10,218
- Other contract assets		179,240	10,218
Receivables from service concession arrangements	5	7,419,183	8,104,920
Derivative financial instruments	13	668,167	549,984
Equity accounted investees		4,295,113	1,933,179
Property, plant and equipment	10	42,312,061	43,168,659
Right of use assets		529,759	575,008
Intangible assets	11	10,808,730	11,032,370
Deferred tax assets		1,593,625	1,140,898
Other non-current assets	8	33,501	28,921
Total non-current assets		79,074,184	75,574,712
Total assets		92,751,286	91,832,392

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 FINANCIAL POSITION AS AT 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

		Reviewed	Audited
	Notes	30 June 2023	31 December 2022
LIABILITIES			
Current liabilities:			
Financial liabilities	6	13,705,149	14,022,545
Trade payables		4,981,143	6,924,757
- Trade payables due to third parties		4,896,911	6,832,204
- Trade payables due to related parties	20	84,232	92,553
Other payables		2,967,604	4,319,213
- Other payables due to third parties	7	2,933,116	2,866,441
- Other payables due to related parties	7,20	34,488	1,452,772
Derivative financial instruments	13	--	21,446
Taxes on income		151,031	160,833
Other provisions		21,213	25,765
Other current liabilities	8	2,209,662	1,659,723
Total current liabilities		24,035,802	27,134,282
Non-current liabilities:			
Long term financial liabilities	6	26,669,194	27,199,393
Long term liabilities due from related parties	7,20	12,973	9,481
Deferred tax liabilities		6,858,225	6,760,133
Provisions for employment benefits		254,767	209,855
Total non-current liabilities		33,795,159	34,178,862
Total liabilities		57,830,961	61,313,144
EQUITY			
Share capital	14	2,500,000	2,500,000
Adjustment to share capital	14	10,603,260	10,603,260
Additional capital contributions of shareholders	14	2,118,611	--
Share premium	14	7,241	7,241
Other comprehensive income/(expenses) not to be reclassified to profit or (loss)		17,513,847	18,148,557
- Revaluation of property, plant and equipment		17,649,752	18,246,210
- Actuarial losses		(135,905)	(97,653)
Legal reserves	14	73,143	73,143
Other comprehensive income that are or may be reclassified to profit or (loss)		(9,808,035)	(10,076,456)
- Hedge reserves		(12,123,643)	(12,089,590)
- Foreign currency translation differences		2,315,608	2,013,134
Retained earnings		11,704,550	9,185,703
Equity attributable to owners of the Company		34,712,617	30,441,448
Non-controlling interests		207,708	77,800
Total equity		34,920,325	30,519,248
Total liabilities and equity		92,751,286	91,832,392

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 SIX MONTHS PERIOD ENDED 30 JUNE 2023**

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

		Reviewed	Reviewed
		1 January -	1 January -
	Notes	30 June 2023	30 June 2022
Revenue	15	17,101,883	18,656,901
Cost of sales (-)	16	(14,969,286)	(16,095,833)
Gross profit		2,132,597	2,561,068
General and administrative expenses (-)	17	(607,069)	(433,797)
Marketing and selling expenses (-)	17	(65,441)	(49,867)
Other income	18	4,123,245	697,533
Other expense (-)	18	(1,087,110)	(572,403)
Operating income		4,496,222	2,202,534
Share of gain / (loss) of associates		39,114	(13,517)
Gains on net monetary position		2,426,703	5,706,999
Finance income	19	4,766,887	3,689,071
Finance expenses (-)	19	(9,158,580)	(7,818,243)
Income before taxation		2,570,346	3,766,844
Current income tax expense (-)		(222,355)	(148,468)
Deferred tax expense		(364,597)	(1,764,474)
Income for the period		1,983,394	1,853,902
Income attributable to:			
Equity holders of the parent		1,933,486	1,832,923
Non-controlling interest		49,908	20,979
Income per share (TL)		0.773	0.733

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 SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

	Reviewed 1 January - 30 June 2023	Reviewed 1 January - 30 June 2022
Income for the period	1,983,394	1,853,902
Items that will not to be reclassified to profit or loss	(38,542)	(783,525)
<i>Revaluation of property</i>	--	(971,670)
<i>Changes in actuarial losses on employment benefit obligations</i>	(48,178)	(7,736)
<i>Tangible assets revaluation increases/ decreases, tax effect</i>	--	194,334
<i>Changes in actuarial losses on employment benefit obligations, tax effect</i>	9,636	1,547
Items that are or may be reclassified to profit or loss	257,614	1,707,069
<i>Hedge reserves</i>	(42,566)	2,837,336
<i>Hedge reserves, tax effect</i>	8,513	(567,467)
<i>Changes in currency translation adjustments</i>	291,667	(562,800)
Other comprehensive income	219,072	923,544
Total comprehensive income	2,202,466	2,777,446
Total comprehensive income attributable to:	2,202,466	2,777,446
Equity holders of the parent	2,152,558	2,756,467
Non-controlling interests	49,908	20,979
Total comprehensive income	2,202,466	2,777,446

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

					Items that will not be reclassified to profit or loss		Items that are or may be reclassified to profit or loss				Total equity	
	Share capital	Share capital	Adjustments to share capital	Share premium	Revaluation of property plant and equipment	Actuarial losses	Foreign currency translation differences	Hedge reserves	Legal reserves	Retained earnings		Non controlling interests
Balance at 1 January 2022	2,500,000	--	10,603,260	7,241	13,403,977	(37,470)	2,703,633	(15,231,751)	73,143	6,229,660	(63,496)	20,188,197
Transfers	--	--	--	--	(392,515)	--	--	--	--	392,515	--	--
Total comprehensive income	--	--	--	--	(777,336)	(6,189)	(562,800)	2,269,869	--	1,832,923	20,979	2,777,446
<i>-Income for the period</i>	--	--	--	--	--	--	--	--	--	1,832,923	20,979	1,853,902
<i>-Total comprehensive income</i>	--	--	--	--	(777,336)	(6,189)	(562,800)	2,269,869	--	--	--	923,544
30 June 2022	2,500,000	--	10,603,260	7,241	12,234,126	(43,659)	2,140,833	(12,961,882)	73,143	8,455,098	(42,517)	22,965,643
Balance at 1 January 2023	2,500,000	--	10,603,260	7,241	18,246,210	(97,653)	2,013,134	(12,089,590)	73,143	9,185,703	77,800	30,519,248
Transfers	--	--	--	--	(596,458)	--	--	--	--	596,458	--	--
Total comprehensive income	--	--	--	--	--	(38,542)	291,667	(34,053)	--	1,933,486	49,908	2,202,466
<i>-Income for the period</i>	--	--	--	--	--	--	--	--	--	1,933,486	49,908	1,983,394
<i>-Total comprehensive income</i>	--	--	--	--	--	(38,542)	291,667	(34,053)	--	--	--	219,072
Transactions with the non-controlling parties	--	--	--	--	--	--	--	--	--	--	80,000	80,000
Additional capital contributions of shareholders	--	2,118,611	--	--	--	--	--	--	--	--	--	2,118,611
Acquisition or disposal of subsidiary	--	--	--	--	--	290	10,807	--	--	(11,097)	--	--
30 June 2023	2,500,000	2,118,611	10,603,260	7,241	17,649,752	(135,905)	2,315,608	(12,123,643)	73,143	11,704,550	207,708	34,920,325

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 SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

		Reviewed	Reviewed
	Notes	1 January- 30 June 2023	1 January- 30 June 2022
Cash flows from operating activities:			
Net income for the period		1,983,394	1,853,902
Net income for the period			
Adjustments related to depreciation and amortization	16,17,18	1,612,368	1,399,735
Adjustments related to interest income	18,19	(844,763)	(536,838)
Adjustments related to interest expense	18,19	2,571,388	2,541,715
Adjustments related to unrealized foreign exchange losses and currency translation differences		4,461,136	5,345,780
Adjustments related to gains from financial derivative instruments	13,19	(320,659)	(272,542)
Other adjustments for fair value gains	2.4,18	(802,451)	--
Adjustments for provisions related with employee benefits		21,513	9,497
Adjustments for addition/(reversal of) of other provisions		(375)	12,164
Adjustments related to gain on sale of property, plant and equipment	18	3,498	(2,840)
Adjustments related to share of profit of equity-accounted investees		(39,114)	13,517
Adjustments related to tax expenses		586,952	1,912,942
Adjustments for gains on disposal of subsidiaries	2.4,18	(2,058,631)	--
Other adjustments related to non-cash items	4	100,197	62,005
Adjustments for gains on net monetary position		(5,096,571)	(11,358,303)
Net cash generated from operating activities before changes in working capital		2,177,882	980,734
Changes in trade receivables		1,778,484	(96,863)
Changes in other receivables		183,655	84,100
Changes in other current and non-current assets		(263,288)	(82,619)
Changes in trade payables		(1,685,627)	1,416,135
Changes in other payables		1,966,571	122,910
Changes in other liabilities		554,394	(40,154)
Changes in receivables from service concession arrangement	5	579,242	587,252
Changes in inventories		(224,616)	(443,868)
Changes in contract assets		(169,022)	(178,085)
Termination benefits paid		(25,025)	(3,517)
Taxes paid		(135,489)	(55,645)
Net cash generated from operating activities		4,737,161	2,290,380
Cash flows from investing activities:			
Acquisition of property plant and equipment and intangible assets		(452,104)	(299,503)
Proceeds from sale of tangible and intangible assets		52,431	10,867
Cash inflows from losing control of subsidiaries	2.4	2,105,061	--
Cash outflows from subsidiaries and/or joint ventures capital advance payments		(1,217,110)	--
Other inflows/outflows		(83,119)	--
Net cash used in investing activities		405,159	(288,636)
Cash flows from financing activities:			
Cash in flow from capital advances		931,575	--
Proceeds from issued debt instruments	6	1,458,320	1,310,360
Proceeds from bank borrowings	6	43,668	5,502,076
Repayment of bank borrowings	6	(4,319,887)	(3,483,667)
Repayment of issued debt instruments	6	(1,235,866)	(1,101,492)
Changes in related parties balance		(207,521)	123,813
Payment of lease liabilities	6	(47,322)	(48,516)
Interest paid		(2,119,661)	(2,055,574)
Interest received		215,011	232,631
Cash inflows from derivative financial instruments		57,332	--
Cash outflows from derivative financial instruments		(16,829)	(103,811)
Other outflows / inflow	4	62,044	(361,872)
Net cash generated from/(used in) financing activities		(5,179,136)	13,948
Net increase /(decrease) in cash and cash equivalents		(36,816)	2,015,692
Inflation effect on cash and cash equivalents		(453,546)	(1,123,917)
Effect of foreign currency conversion differences on cash and cash equivalents		(204,108)	(191,320)
Cash and cash equivalents at the beginning of the period		2,747,192	2,285,561
Cash and cash equivalents at the end of the period		4	2,052,722
		2,052,722	2,986,016

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 SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

CONTENTS

PAGE

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS	8-14
NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	15-31
NOTE 3 - SEGMENT REPORTING	32-33
NOTE 4 - CASH AND CASH EQUIVALENTS	34-35
NOTE 5 - RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT	35-36
NOTE 6 - FINANCIAL LIABILITIES	36-38
NOTE 7 - OTHER RECEIVABLES AND PAYABLES	39
NOTE 8 - OTHER ASSETS AND LIABILITIES	40-41
NOTE 9 - FINANCIAL ASSETS	41-42
NOTE 10 - PROPERTY, PLANT AND EQUIPMENT	42-43
NOTE 11 - INTANGIBLE ASSETS	43
NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	44-45
NOTE 13 - DERIVATIVE FINANCIAL INSTRUMENTS	45-47
NOTE 14 - EQUITY	47-49
NOTE 15 - REVENUE	50
NOTE 16 - COST OF SALES	50
NOTE 17 - GENERAL ADMINISTRATIVE AND MARKETING EXPENSES	51
NOTE 18 - OTHER OPERATING INCOME AND EXPENSE	52
NOTE 19 - FINANCIAL INCOME AND EXPENSES	53
NOTE 20 - RELATED PARTY TRANSACTIONS	53-59
NOTE 21 - SUBSEQUENT EVENTS	59-62

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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 30 June 2023, 35.96% 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 and retail sale of electricity	Turkey
Zorlu Yenilenebilir Enerji AŞ (“ Zorlu Yenilenebilir ”)	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. (“ ZGP Pakistan ”) (**)	99.70%	Electricity production and other	Pakistan
Zorlu Enerji Pakistan Ltd. (“ 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 company's new trade name was registered on 9 February 2023 as "Eway Araç Kiralama Ticaret AŞ".

(**) Established in Pakistan, “Zorlu Wind Pakistan (Private) Ltd.” company's new trade name 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 SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

The indirectly held affiliates of the Company are as follows:

Indirectly held affiliates	Shareholding Direct Affiliate and its Share Ratio	Nature of Operations	Country
Osmangazi Elektrik Perakende Satış AŞ ("OEPSAŞ")	100% Zorlu Osmangazi	Retail electricity sale	Turkey
Osmangazi Elektrik Dağıtım AŞ ("OEDAŞ")	100% Zorlu Osmangazi	Electricity distribution	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	Electricity production and other	Pakistan
Zorlu Sun Power (Private) Limited ("Zorlu Sun Power Pakistan")	99.70% ZGP Pakistan	Electricity production and other	Pakistan
Zorlu Industrial Pakistan (Private) Limited ("Zorlu Industrial Pakistan")	99.99% ZGP Pakistan	Engineering and consultancy activities for energy projects and other	Pakistan
Zorlu O&M Pakistan Limited ("Zorlu O&M Pakistan")	99.99% ZGP Pakistan	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

(*) Pursuant to our material event disclosure dated 26 July 2023, the transfer processes of the 997 shares representing 99.7% of the company share capital's 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 SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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 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. 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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 1- ORGANIZATION AND NATURE OF OPERATIONS (Continued)

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.	Gas, liquid or electricity supply or production meters wholesale trade, installation services of electrical equipment and other	Turkey
ZES Solar Enerji Tedarik ve Ticaret AŞ (“ ZES Solar ”) (**)	100% Electrip Global B.V.	Electricity production 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 Doel Skopje	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Macedonia
Electrip Italy S.r.l.	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Italy
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
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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 1- ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Associates (Continued)

Indirect Associates	Shareholding Direct Affiliate and its Share Ratio (%)	Nature of Operations	Country
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
Electrip Energy Solutions Spain, S.L.U.	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Spain
Electrip BH d.o.o	100% Electrip Global B.V.	Maintenance, repair, installation, sale of charging stations and other	Bosnia and Herzegovina

(*) 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.

(**) Pursuant to material event disclosure dated 22 June 2023, it has been decided to sell all of the shares of ZES Solar Enerji Tedarik ve Ticaret AŞ to Electrip Global Limited, a company incorporated in Jersey, in which 49.99% of the shares of ZES Solar Enerji Tedarik ve Ticaret AŞ are held, for a total consideration of USD 49,400 thousand, and it has been decided to make adjustments to the sales price if the adjustment conditions stipulated in the Share Purchase and Sale Agreement are realized and the related share transfer transactions have been completed.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 1- ORGANIZATION AND NATURE OF OPERATIONS (Continued)

As at 30 June 2023, the number of average personnel employed is 2,645 (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	--
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

(*) 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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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 six-month period ended 30 June 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.

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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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

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.

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 30 June 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
30 June 2023	1,351.59	1.000
31 December 2022	1,128.45	1.197
30 June 2022	977.90	1.382

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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

2.3 Accounting in hyperinflationary economies (continued)

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.
- 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 30 June 2023.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2.3 Accounting in hyperinflationary economies (continued)

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.

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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2.4 Basis of consolidation (Continued)

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.

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).

Pursuant to material event disclosure dated 22 June 2023, it has been decided to sell all of the shares of ZES Solar Enerji Tedarik ve Ticaret AŞ to Electrip Global Limited, a company incorporated in Jersey, in which 49.99% of the shares of ZES Solar Enerji Tedarik ve Ticaret AŞ are held, for a total consideration of USD 49,400 thousand, and it has been decided to make adjustments to the sales price if the adjustment conditions stipulated in the Share Purchase and Sale Agreement are realized and the related share transfer transactions have been completed.

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 30 June 2023.

The increase in value of the financial asset held is presented in the operating income in the condensed consolidated statement of profit or loss.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2.4 Basis of consolidation (Continued)

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 SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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 100% 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 30 June 2023 is presented below:

	22 June 2023
Current assets	787,596
Non-current assets	2,418
Total assets	790,014
Current liabilities	807,779
Non-current liabilities	640
Total liabilities	808,419
Net assets	(18,405)
Ratio of shares sold	100%
Net assets disposed	(18,405)
Net cash inflow from the sale	1,167,021
Subsidiary sales profit (Note 18)	1,185,426

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2.4 Basis of consolidation (Continued)

Information on the assets and liabilities and income statement of Electrip Global Limited, which is valued using the equity method, as of 30 June 2023 is presented below:

	30 June 2023
Total assets	5,118,916
Total liabilities	1,086,171
Net assets	4,032,745
Group's share in net assets	49.99%
Carried value in the statement of financial position	2,015,969

	30 June 2023
Revenue	56,615
Cost of sales (-)	(50,255)
Gross profit	6,360
Operating expenses	(123,196)
Financing expenses, net	(17,876)
Tax income	1,760
Net loss for the period (*)	(132,952)
Group's share of net loss for the period	49.99%
Share of gain / (loss) of associates	(66,463)

(*) It represents the net loss for the period between 13 January 2023 (transaction date) and 30 June 2023.

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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2.4 Basis of consolidation (Continued)

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 30 June 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 30 June 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 (%)	
	30 June 2023	31 December 2022
Zorlu Osmangazi	100	100
Zorlu Yenilenebilir	100	100
Nemrut Jeotermal	100	100
Eway	100	100
Zorlu Elektrik	100	100
Zorlu Enerji Dağıtım	100	100
ZGP Pakistan	99.70	99.70
Zorlu Enerji Pakistan	99.99	99.99
Zorlu Enerji İsrail	100	100
Zador	100	100
ZJ Strong	75	75
Rarik Turkison	100	100
Alkan Jeotermal	100	100

Directly held affiliates	Direct ownership interest by Zorlu Enerji (%)	
	30 June 2023	31 December 2022
Zorlu Enerji Asia	100	100
Electrip Global B.V.	--	100
ZES Solar	--	100

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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 30 June 2023 and 31 December 2022:

	30 June 2023	31 December 2022
Associates	(%)	(%)
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 30 June 2023 have been applied consistently with those used in the previous year, except for the new and amended IFRSs as of 30 June 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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 30 June 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 30 June 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 in a foreseeable future and does not expect any risk in this respect.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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

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 year 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 year and material differences are disclosed.

The following classification is taken into account in the consolidated statement of profit or loss as of 30 June 2022 and consolidated statement of financial position as of 31 December 2022:

- Marketing expense amounting to TL 562, which was in the other operating expenses account in the consolidated profit or loss statement of the Group as of 30 June 2022, is shown after being netted off from the revenue account.
- In the consolidated profit or loss statement of the Group as of 30 June 2022, the amount of Renewable energy source cost (YEK cost) amounting to TL 153,321, 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 22,764, which was included in the financial income account in the consolidated profit or loss statement of the Group as of 30 June 2022, has been reclassified to other operating income.
- The tax expense (other than current tax expense) amounts to TL 6,227, which is included in “marketing and selling expense” account of the Group’s condensed consolidated statement of profit or loss and other comprehensive income as at 30 June 2022, has been reclassified to “general administrative expense” account.
- Advances amounts to TL 257,109 in short-term trade payables due to related parties in the Group's consolidated statement of financial position as of 31 December 2022 are reclassified to other short term liabilities.
- Investment inventories to TL 200,638 in other current assets in the Group's consolidated statement of financial position as of 31 December 2022 are reclassified to inventories.
- Payables amounts to TL 2,151 short term other payables to related parties in the Group's consolidated statement of financial position as of 31 December 2022 are reclassified to short term trade payables to related parties.

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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

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

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:

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 30 June 2023 according to the future projections, deferred tax assets are recognized on the carryforward tax losses amounts to TL 12,874,275 (31 December 2022: TL 11,001,170). Deferred tax asset is not recognized carryforward tax losses for the remaining TL 2,216,335 (31 December 2022: TL 2,094,242).

b) Cash flow hedge

As explained in Note 13, the Group uses investment loans amounting USD 556,386 thousand (31 December 2022: USD 643,932) 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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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

2.8 Critical accounting estimates, assumptions and judgments (continued)

c) Explanations for revaluation method and fair value measurement

Effective from the presentation of the consolidated financial statements dated 31 December 2013, the cost model, one of the application methods in TMS 16, has been excluded from the application and the revaluation model has been selected for the presentation of the Group's electricity generation facilities at their fair values. The valuation results made on 31 December 2022 are taken into account in the attached financial statements.

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, EUR and NIS. 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 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Assets	15,148,462	13,808,142
Liabilities	(36,424,867)	(35,069,559)
Net position of derivative instruments	645,578	114,823
Foreign currency position, (net)	(20,630,827)	(21,146,594)

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023				31 December 2022			
	TL equivalent	USD	Euro	NIS	TL equivalent (*)	USD	Euro	NIS
Cash and cash equivalents	923,077	34,065	1,542	--	1,457,907	63,314	1,673	--
Trade receivables	1,939,825	67,658	6,844	--	2,107,241	89,928	3,905	--
Due from related parties- short-term	1,323,757	43,111	7,095	1,506	1,464,620	59,565	5,067	1,512
Financial investments	11,776	456	--	--	42,374	1,892	--	--
Due from related parties- long-term	10,826,286	370,519	17,473	107,422	8,625,051	334,834	18,496	107,422
Other	123,741	4,238	508	--	110,949	4,389	530	--
Total assets	15,148,462	520,047	33,462	108,928	13,808,142	553,922	29,671	108,934
Trade payables	1,266,665	41,640	6,798	--	1,471,015	58,994	6,274	--
Short-term financial liabilities	10,387,149	386,102	14,804	--	9,894,795	427,412	13,511	--
Short term other payables	798,915	30,938	--	--	--	--	--	--
Long-term financial liabilities	23,972,138	910,448	16,394	--	23,703,749	1,038,091	19,055	--
Total liabilities	36,424,867	1,369,128	37,996	--	35,069,559	1,524,497	38,840	--
Net position of derivative financial instruments	645,578	25,000	--	--	114,823	5,127	--	--
Export	--	--	--	--	762	34	--	--
Import	737,663	28,566	--	--	1,243,074	55,505	--	--
Net foreign currency position	(20,630,827)	(824,081)	(4,534)	108,928	(21,146,594)	(965,448)	(9,169)	108,934

(*) Expressed on 30 June 2023 purchasing power.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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 30 June 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:

	30 June 2023		30 June 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)	(2,128,032)	2,128,032	(2,128,032)	2,128,032
Amount hedged for USD risk (-)	1,436,761	(1,436,761)	--	--
USD net effect	(691,271)	691,271	(2,128,032)	2,128,032
In case of 10% appreciation				
/ depreciation of EUR against TL:				
EUR net asset/(liability)	(12,765)	12,765	(12,765)	12,765
Amount hedged for EUR risk (-)	--	--	--	--
EUR net effect	(12,765)	12,765	(12,765)	12,765
In case of 10% appreciation				
/ depreciation of NIS against TL:				
NIS net asset/(liability)	77,714	(77,714)	77,714	(77,714)
Amount hedged for NIS risk (-)	--	--	--	--
NIS net effect	77,714	(77,714)	77,714	(77,714)
Total net effect	(626,322)	626,322	(2,063,083)	2,063,083

As at 30 June 2023, the Group uses investment loans amounting to USD 556,386 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 SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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)	(2,162,189)	2,162,189	(2,162,189)	2,162,189
Amount hedged for USD risk (-)	1,442,131	(1,442,131)	--	--
USD net effect	(720,058)	720,058	(2,162,189)	2,162,189
In case of 10% appreciation				
/ depreciation of EUR against TL:				
EUR net asset/(liability)	(21,892)	21,892	(21,892)	21,892
Amount hedged for EUR risk (-)	--	--	--	--
EUR net effect	(21,892)	21,892	(21,892)	21,892
In case of 10% appreciation				
/ depreciation of NIS against TL:				
NIS net asset/(liability)	69,422	(69,422)	69,422	(69,422)
Amount hedged for NIS risk (-)	--	--	--	--
NIS net effect	69,422	(69,422)	69,422	(69,422)
Total net effect	(672,528)	672,528	(2,114,659)	2,114,659

As at 31 December 2022, the Group uses investment loans amounting to 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 SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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 – 30 June 2023	Electricity distribution	Gas distribution	Retail and Wholesale	Production/trading and other	Consolidation adjustments	Consolidation total
Revenue	2,339,965	6,477,988	7,496,154	4,895,851	(4,108,075)	17,101,883
Cost of sales	(1,621,601)	(6,374,144)	(7,195,651)	(3,850,471)	4,072,581	(14,969,286)
Gross profit	718,364	103,844	300,503	1,045,380	(35,494)	2,132,597
Operating expenses	(184,831)	(98,397)	(206,569)	(217,541)	34,828	(672,510)
Amortisation and depreciation expenses (*)	33,086	25,298	1,755	1,271,014	666	1,331,819
Weighted average cost of capital (“WACC”) correction	443,143	131,275	--	--	--	574,418
Indexation difference on receivables from service concession arrangements (**)	1,200,389	343,632	--	--	--	1,544,021
EBITDA	2,210,151	505,652	95,689	2,098,853	--	4,910,345
1 January – 30 June 2022	Electricity distribution	Gas distribution	Retail and Wholesale	Production/trading and other	Consolidation adjustments	Consolidation total
Revenue	1,186,791	6,284,711	9,736,084	5,329,810	(3,880,495)	18,656,901
Cost of sales	(964,254)	(6,229,466)	(9,193,213)	(3,556,363)	3,847,463	(16,095,833)
Gross profit	222,537	55,245	542,871	1,773,447	(33,032)	2,561,068
Operating expenses	(140,958)	(74,244)	(134,834)	(166,660)	33,032	(483,664)
Amortisation and depreciation expenses (*)	33,402	24,312	2,283	1,059,189	--	1,119,186
Weighted average cost of capital (“WACC”) correction (**)	406,110	119,828	--	--	--	525,938
Indexation difference on receivables from service concession arrangement (**)	1,295,764	409,359	--	--	--	1,705,123
EBITDA	1,816,855	534,500	410,320	2,665,976	--	5,427,651

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 3 - SEGMENT REPORTING (Continued)

1 January – 30 June 2023	Electricity distribution	Gas distribution	Retail and Wholesale	Production/trading and other	Consolidation adjustments	Consolidation Total
Segment assets	9,993,462	6,351,345	4,391,336	98,110,880	(30,390,850)	88,456,173
Associates	--	--	--	4,295,113	--	4,295,113
Segment liabilities	5,101,398	6,001,474	3,901,825	49,863,546	(7,037,282)	57,830,961

1 January - 31 December 2022	Electricity distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation Total
Segment assets	10,115,625	7,134,078	5,274,232	95,728,354	(28,353,076)	89,899,213
Associates	--	--	--	1,933,179	--	1,933,179
Segment liabilities	6,051,077	7,009,157	4,790,430	50,236,645	(6,774,165)	61,313,144

(*) The amortisation and depreciation expense amounts to TL 1,331,819 (30 June 2022: TL 1,119,186) has been presented in operating expenses, and amount of TL 280,549 (30 June 2022: TL 280,549) 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 1,544,021 (30 June 2022: TL 1,705,123) and TL 574,418 (30 June 2022: TL 525,938) 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:

	1 January - 30 June 2023	1 January - 30 June 2022
EBITDA (*)	4,910,345	5,427,651
Amortisation and depreciation expenses	(1,612,368)	(1,399,735)
Financial income/(expenses), net	(4,391,693)	(4,129,172)
Other operating income/(expenses), net	1,198,245	(1,825,382)
Share of gain / (loss) of associates	39,114	(13,517)
Gains on net monetary position	2,426,703	5,706,999
Income before tax	2,570,346	3,766,844

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 4- CASH AND CASH EQUIVALENTS

	30 June 2023	31 December 2022
Cash	308	359
Banks		
- Time deposits	591,046	1,007,896
- Demand deposits	1,469,232	1,753,207
	2,060,586	2,761,462

The maturities of time deposits are less than 6 months and the average effective annual interest rates for time deposits are as follows:

	30 June 2023 (%)	31 December 2022 (%)
USD	0.26	0.03
PKR	15.51	14.51
TL	13.21	12.78

The details of cash and cash equivalents include the following for the purpose of the consolidated statements of cash flows as at 30 June 2023 and 2022:

	30 June 2023	30 June 2022
Cash and cash equivalents	2,060,586	3,068,420
Less: Restricted cash (*)	(7,864)	(82,404)
	2,052,722	2,986,016

(*) Total restricted cash balance is TL 606,997 of Group together with the restricted cash amounts to TL 599,133 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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 4- CASH AND CASH EQUIVALENTS (Continued)

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 - 30 June 2023	1 January - 30 June 2022
Redemptions related to loan commissions	100,197	62,005
	100,197	62,005

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

	1 January - 30 June 2023	1 January - 30 June 2022
Commission paid related to borrowings	(133,751)	(361,168)
Change in blocked deposits	195,795	(704)
	62,044	(361,872)

NOTE 5 - RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT

	30 June 2023	31 December 2022
Short-term receivables from service concession arrangement	1,353,922	1,247,427
Long-term receivables from service concession arrangement	7,419,183	8,104,920
	8,773,105	9,352,347

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

As at 30 June 2023, TL 6,668,827 of the receivables from service concession arrangement is related to OEDAŞ (31 December 2022: TL 7,270,922) and TL 2,104,278 is related to Gazdaş and Trakya (31 December 2022: TL 2,081,425).

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

	30 June 2023	31 December 2022
Up to 1 years	1,353,922	1,247,427
Between 1 to 2 years	1,353,922	1,247,427
More than 2 years	6,065,261	6,857,493
	8,773,105	9,352,347

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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 - 30 June 2023	1 January - 30 June 2022
Opening balance	9,352,347	7,921,034
Gross investments	144,023	90,762
Collections of subscriber connection fee (-) (*)	(46,303)	(56,246)
Net investments	97,720	34,516
Collections (-)	(676,962)	(621,768)
Closing balance	8,773,105	7,333,782

(*) The Company 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 30 June 2023 and 31 December 2022 is as follows:

	30 June 2023	31 December 2022
Short-term bank borrowings	981,211	2,584,019
Issued bonds	761,966	674,648
Total short-term financial liabilities	1,743,177	3,258,667
Short-term portion of long-term bank borrowings	9,501,658	9,085,405
Issued bonds	2,380,132	1,547,359
Lease liabilities	80,182	131,114
Total short-term portion of long term financial liabilities	11,961,972	10,763,878
Long-term bank borrowings	20,301,048	20,832,797
Other issued marketable securities	6,139,286	6,034,505
Lease liabilities	228,860	332,091
Total long-term financial liabilities	26,669,194	27,199,393
Total financial liabilities	40,374,343	41,221,938

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 6 - FINANCIAL LIABILITIES (Continued)

The detail of short-term financial liabilities of the Group as at 30 June 2023 and 31 December 2022 is as follows:

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	30 June	31 December	30 June	31 December	30 June	31 December
	2023	2022	2023	2022	2023	2022 (*)
USD	23,568	85,706	14.01	12.47	608,605	1,919,449
EUR	626	--	12.08	--	17,624	--
TL	1,116,948	1,118,120	31.25	32.37	1,116,948	1,339,218
					1,743,177	3,258,667

The detail of short-term portion of long-term financial liabilities of the Group as at 30 June 2023 and 31 December 2022 is as follows:

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	30 June	31 December	30 June	31 December	30 June	31 December
	2023	2022	2023	2022	2023	2022 (*)
USD	362,534	341,706	12.47	10.93	9,361,753	7,652,746
EUR	14,178	13,511	9.18	8.64	399,167	322,599
TL	2,198,105	2,312,204	20.26	17.36	2,198,105	2,769,420
PKR	--	168,304	--	10.66	--	16,532
NIS	413	405	5.50	5.50	2,947	2,581
					11,961,972	10,763,878

The detail of long-term financial liabilities of the Group as at 30 June 2023 and 31 December 2022 is as follows:

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	30 June	31 December	31 June	31 December	30 June	31 December
	2023	2022	2023	2022	2023	2022 (*)
USD	910,448	1,038,091	13.02	10.58	23,510,581	23,248,776
EUR	16,394	19,055	8.00	7.99	461,557	454,974
TL	2,660,621	2,890,031	19.83	21.93	2,660,621	3,461,506
PKR	18,657	19,715	--	--	1,676	1,937
NIS	4,872	5,053	5.50	5.50	34,759	32,200
					26,669,194	27,199,393

(*) Expressed on 30 June 2023 purchasing power.

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 6 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of the financial liabilities (except lease liabilities) as at 30 June 2023 and 31 December 2022 is as follows:

	30 June 2023	31 December 2022
Up to 1 year	13,624,967	13,891,431
Up to 1 to 2 years	7,065,208	6,723,801
Up to 2 to 3 years	9,349,474	5,432,161
Up to 3 to 4 years	4,618,344	7,370,785
Up to 4 to 5 years	3,163,721	3,522,311
More than 5 years	2,243,587	3,818,244
	40,065,301	40,758,733

The movements of financial liabilities for the ended 1 January – 30 June 2023 and 2022 are as follow:

	2023	2022
As at 1 January	41,221,938	46,787,217
Cash inflows from borrowings	43,668	5,502,076
Cash inflows from issued debt instruments	1,458,320	1,310,360
Cash outflows due to the repayment of bank borrowings	(4,319,887)	(3,483,667)
Cash outflows from debt repayments of issued debt instruments	(1,235,866)	(1,101,492)
Cash outflows from debt repayments of lease agreements	(47,322)	(48,516)
Interest accruals	2,565,038	2,487,624
Change of exchange difference	9,684,889	8,733,638
Payables related to lease liabilities	841	1,250
Interest expense of lease contract	23,659	21,343
Interest paid	(2,119,661)	(2,055,574)
Subsidiaries out of the scope of consolidation		
financial lease liabilities	(58,085)	--
Other classifications	(33,554)	(299,163)
Gains/(losses) on net monetary position	(6,809,635)	(15,232,624)
30 June	40,374,343	42,622,472

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 SIX MONTHS PERIOD ENDED 30 JUNE 2023**

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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

	30 June 2023	31 December 2022
Other receivables from related parties (Note 20)	1,352,262	1,486,651
Other short-term receivables from third parties	190,548	284,175
	1,542,810	1,770,826

b) Long-term other receivables:

	30 June 2023	31 December 2022
Other receivables from related parties (Note 20)	10,889,047	8,728,182
Other long-term receivables from third parties	195,758	191,216
	11,084,805	8,919,398

c) Short-term other payables:

	30 June 2023	31 December 2022
Deposit received	2,929,676	2,859,907
Other payables to related parties (Note 20)	34,488	1,452,772
Other short-term payables to third parties	3,440	6,534
	2,967,604	4,319,213

The movements of security deposits received for the period ended 1 January – 30 June 2023 and 2022 are as followed:

	2023	2022
1 January	2,859,907	2,406,818
Additions and payments, net	146,910	122,298
Indexation differences of deposits received	402,714	841,629
Gains/(losses) on net monetary position	(479,855)	(731,051)
30 June	2,929,676	2,639,694

d) Long-term other payables:

	30 June 2023	31 December 2022
Other payables to related parties (Note 20)	12,973	9,481
	12,973	9,481

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 8 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	30 June 2023	31 December 2022
VAT receivable	311,348	198,519
Insurance income accruals	118,532	102,356
Prepaid expenses	76,715	84,980
Assets related to current income tax	7,879	25,520
Income accruals (*)	--	9,644
Other	7,041	7,770
	521,515	428,789

(*) Within the scope of inspection of TEDAŞ for the years before 2017, an administrative fine amounts to TL 23,829 was enacted regarding the invoices issued to general lighting customers. The amount was fully paid as of 30 June 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. As of 30 June 2023, income accruals amounts TL 8,052 including the expenses for the administrative fine, is classified to other non-current assets.

b) Other non-current assets:

	30 June 2023	31 December 2022
Income accruals (*)	23,829	18,897
Other	9,672	10,024
	33,501	28,921

(*) 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 30 June 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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 8 - OTHER ASSETS AND LIABILITIES (Continued)

c) Other current liabilities:

	30 June 2023	31 December 2022
Advanced received from related parties (Note 20)	1,129,409	257,109
Retail sales net profit margin income accruals (OMEGA 4) (*)	534,076	910,920
Output VAT	329,522	140,104
Taxes and funds payable	91,904	129,171
Revenue difference correction component (**)	71,387	171,006
Due to personnel	38,411	26,381
Deferred revenue for natural gas sales income	6,942	12,110
Advanced received	3,556	3,707
Deferred revenue for non-controlling expenses	3,523	8,438
Other	932	777
	2,209,662	1,659,723

(*) 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.

NOTE 9 – FINANCIAL ASSETS

Short-term financial assets

	30 June 2023	31 December 2022
Financial assets (*)	599,133	788,523
	599,133	788,523

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 9 – FINANCIAL ASSETS (Continued)

Short-term financial assets (Continued)

(*)The Group's total restricted deposits are TL 606,997 (31 December 2022: TL 802,793). TL 599,133 (31 December 2022: TL 788,523) of the restricted deposits are classified in the short-term financial investments and TL 7,864 (31 December 2022: TL 14,270) 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 2,973 million, by Trakya from Yapı ve Kredi Bankası AŞ and Akbank TAŞ amounting to USD 65 million and by ZJ Ztrong from Bank Palestine amounting to NIS 5,3 million. As at 30 June 2023, the weighted average interest rate for TL denominated time deposits of TL 586,168 (31 December 2022: TL 700,518) is 14.50% (31 December 2022:14.29%).

Long-term financial assets

	30 June 2023	31 December 2022
Long-term securities (*)	1,419	1,419
	1,419	1,419

(*) Zorlu Enerji participated with 246,291 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 30 June 2023, the cost and accumulated depreciation of the Group's tangible assets amount to TL 58,358,633 (31 December 2022: TL 58,069,825) and TL 16,046,572 (31 December 2022: TL 14,901,166). Depreciation expense for tangible fixed assets for the first six months of 2023 is TL 1,260,196 (30 June 2022: TL 1,033,761).

Due to the disposal of ZES Solar and Electrip Global Limited's shares from the Group in a way that will cause loss of control, a net book value of TL 258,555 has occurred from tangible fixed assets in the financial statements as of 30 June 2023. In the financial statements dated 30 June 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 170,308 TL.

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (Continued)

The details of the investment amounts in the financial statements for the three-month period ending on 30 June 2023 and 2022, on the basis of their balance sheet item, are given below:

	30 June 2023	30 June 2022
Property, plant and equipment	432,556	333,802
Financial assets related to concession agreements (Note 5)	144,023	90,762
Assets arising from the customer contract	169,022	178,085
Total investment (*)	745,601	602,649

(*) Capitalized financial expenses are not included.

As of 30 June 2023 and 2022, the movement table of the fund formed by valuation is as follows:

1 January 2022	13,403,977
Revaluation fund	(777,336)
Transfers	(392,515)
30 June 2022	12,234,126
1 January 2023	18,246,210
Transfers	(596,458)
30 June 2023	17,649,752

NOTE 11 – INTANGIBLE ASSETS

As of 30 June 2023, the cost and accumulated depreciation of the Group's intangible assets amount to TL 14,571,022 (31 December 2022: TL 14,492,425) and TL 3,762,292 (31 December 2022: TL 3,460,055), respectively. The depreciation expense for the six-month period of 2023 for intangible assets is TL 306,082 (30 June 2022: TL 321,431). As of 30 June 2023, the translation effect on cost and accumulated depreciation is TL 62 (30 June, 2022: TL 224) and TL 56 (30 June 2022: TL 508).

Due to the exit of 100% of ZES Solar's and 50.01% of Electrip Global Limited's shares from the Group, which would result in a loss of control, rights with a net book value of 4,462 TL were excluded from intangible assets in the financial statements dated 30 June 2023.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 12 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

12.1 Contingent assets

The Group's guarantees, pledges and mortgages ("GPM") as at 30 June 2023 and 31 December 2022 are summarized as follows:

	Original currency	30 June 2023		31 December 2022	
		Original amount	TL equivalent	Original amount	TL equivalent (*)
Letters of guarantees received	TL	2,199,951	2,199,951	1,917,134	1,917,134
Letters of guarantees received	USD	18,413	475,481	8,688	162,451
Letters of guarantees received	EUR	1,261	35,502	446	8,891
Cheques received	TL	31,494	31,494	19,806	19,806
Cheques received	USD	1,635	42,221	8,114	151,718
Cheques received	EUR	181	5,096	181	3,608
			2,789,745		2,263,608

(*) The amounts stated at above has been expressed in thousands of Turkish Lira (TL) excluding the effect of purchasing power of 30 June 2023.

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

12.2 Guarantees, pledges and mortgages given by the Group

The Group's guarantees, pledges and mortgages ("GPM") as at 30 June 2023 and 31 December 2022 are summarized as follows:

	Original Currency	30 June 2023		31 December 2022	
		Original amount	TL equivalent	Original amount	TL equivalent(*)
Letters of guarantees given	TL	9,273,914	9,273,914	9,271,732	9,271,732
Letters of guarantees given	USD	148,802	3,842,529	155,324	2,904,295
Letters of guarantees given	PKR	4,796,483	430,868	4,796,483	393,408
Letters of guarantees given	NIS	9,868	70,403	9,868	52,504
			13,617,714		12,621,939

(*) The amounts stated at above has been expressed in thousands of Turkish Lira (TL) excluding the effect of purchasing power of 30 June 2023.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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

12.2 Guarantees, pledges and mortgages given by the Group (Continued)

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 30 June 2023 (31 December 2022: 0%). As stated in Footnote 2.1, the interim condensed consolidated financial statements should be read together with the annual financial statements for the accounting period of 1 January - 31 December 2022

NOTE 13 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments

	<u>30 June 2023</u>		Fair	Fair	Carried at
	Contract amount	Total contract	value	value	fair value
	(USD)	amount (TL)	asset	liability	through
					profit or loss
Interest rate swap agreements	491,125	12,682,370	668,167	-	220,141
Cross currency swap agreements	25,000	645,578	80,037	-	100,518
	516,125	13,327,948	748,204	-	320,659

	<u>31 December 2022</u>		Fair	Fair	Carried at
	Contract amount	Total contract	value	value	fair value
	(USD)	amount (TL) (*)	asset	liability	through
					profit or loss
Interest rate swap agreements	491,125	10,999,092	549,984	-	667,250
Cross currency swap agreements	6,141	114,823	-	(21,446)	(89,854)
	497,266	11,113,915	549,984	(21,446)	577,396

(*) Expressed on 30 June 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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 13 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative instruments that are not within the scope of 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 30 June 2023, approximately 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 2.38% (31 December 2022: 2.39%) within the scope of agreements concluded with banks, thus eliminating possible risks to occur from interest rate changes.

Forward agreements

As of 30 June 2023, the Group has a sales commitment of TL 628,070 (31 December 2022: TL 138,891) in exchange for a purchase commitment of USD 25,000 thousand (31 December 2022: USD 5,127 thousand) pursuant to the contract dated 9-11-12-16 May 2023 with the maturity date of 5 April 2024 and 13 October 2024.

Non-derivative financial instruments

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.

	<u>30 June 2023</u>		<u>31 December 2022</u>	
	Original amount USD	Carried at fair value through other comprehensive income (TL) (*)	Original amount USD	Carried at fair value through other comprehensive income (TL) (**)
Hedging amount	556,386	(12,123,643)	643,932	(12,089,590)
	556,386	(12,123,643)	643,932	(12,089,590)

(*) The Group uses loans amounting to USD 556,386 thousand (31 December 2022: USD 643,932 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 30 June 2023 purchasing power.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 13 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Non-derivative financial instruments (Continued)

The movements of derivative financial instruments are as follows:

	2023	2022
As at 1 January	528,538	(422,998)
Carried at fair value through profit or loss		
- Income from derivative instruments (Note 19)	320,659	272,542
Carried at fair value through other comprehensive income		
-Hedged amount for financial risk	--	212,916
- Gains/(losses) on net monetary position	(100,993)	159,123
As at 30 June	748,204	221,583

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

	2023	2022
As at 1 January	(12,089,590)	(14,581,048)
Carried at fair value through other comprehensive income		
- Losses relating to cash flow hedges	(2,050,384)	(1,676,817)
-Gains/(losses) on net monetary position	2,016,331	3,295,983
As at 30 June	(12,123,643)	(12,961,882)

NOTE 14 - EQUITY

a) Share capital

	30 June 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 30 June 2023 and 31 December 2022 are as follows:

	Share (%)	30 June 2023	Share (%)	31 December 2022
Zorlu Holding	33.75	843,537	46.09	1,152,143
Publicly held	35.96	899,170	35.96	899,170
Korteks	17.55	438,687	17.55	438,687
Wren House Infrastructure LP	12.34	308,606	--	--
Other	0.4	10,000	0.4	10,000
	100	2,500,000	100	2,500,000
Adjustment to share capital		10,603,260		10,603,260
Total		13,103,260		13,103,260

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 14 – EQUITY (Continued)

a) 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.

The subscription period for Zorlu Enerji's rights issue for increasing the Company's paid-in capital from TL 2,500,000 TL to TL 5,000,000 TL via TL 2,500,000 TL rights issue, within the limits of the registered capital ceiling of TL 6,000,000 TL 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 July 2023. As of 30 June 2023, a capital advance payment of 2,118,611 TL has been made by the shareholders and the amount is presented in the "Additional Capital Contributions of Shareholders" account under shareholders' equity. The registration process of the new capital within the scope of the amendment to the articles of association has not yet been completed as of 30 June 2023.

As of 30 June 2023 and 31 December 2022, the Group's capital inflation adjustment differences amounted to TL 10,603,260, representing the adjustment difference arising from the adjustment of the Group's paid-in capital amount according to inflation and not offset with previous years' losses.

b) 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 30 June 2023, the premiums related to the shares in the consolidated financial statements of the Group are TL 7,241 (31 December 2022: TL 7,241).

c) Restricted reserves and retained earnings

	30 June 2023	31 December 2022
Legal reserves	73,143	73,143

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 14 – EQUITY (Continued)

d) Restricted reserves and retained earnings (Continued)

	30 June 2023	31 December 2022
Legal reserves	73,143	73,143

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 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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 15 – REVENUE

	1 January - 30 June 2023	1 January - 30 June 2022
Natural gas sales income	5,925,197	5,890,393
Electricity generation and wholesale income	3,916,468	4,531,724
Retail sales income	3,257,835	5,696,131
Income from electricity distribution activities	1,487,609	746,498
Panel sales income	1,167,170	860,899
General lighting income	476,509	285,039
Other	871,095	646,217
	17,101,883	18,656,901

NOTE 16 – COST OF SALES

	1 January - 30 June 2023	1 January - 30 June 2022
Natural gas purchase cost	5,827,641	5,868,641
Retail electricity purchase cost	3,193,713	4,639,216
Depreciation and amortisation	1,300,626	1,086,727
Electricity generation and wholesale purchase cost	1,237,597	2,233,521
Panel purchase cost	1,176,662	734,433
Energy purchase cost related to electricity distribution	736,214	477,958
System usage expenses	584,390	263,894
Employee and personnel expenses	342,898	235,965
Other	569,545	555,478
	14,969,286	16,095,833

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 17 – GENERAL ADMINISTRATIVE AND MARKETING EXPENSES

a) General Administrative Expenses

	1 January - 30 June 2023	1 January - 30 June 2022
Employee and personnel expenses	250,403	178,150
Consulting and outsourcing expenses	132,401	94,661
Taxes expenses	54,875	22,958
Depreciation and amortisation expenses	31,085	32,415
Rent expenses	19,824	21,346
Office expenses	19,596	15,954
Municipality fee	15,403	15,229
Travelling expenses	11,675	4,327
Advertising expenses	7,103	11,239
Maintenance and repair expenses	5,528	10,540
Communication expenses	4,751	3,491
Licence expenses	4,624	3,840
Insurance expenses	4,332	3,074
Other	45,469	16,573
	607,069	433,797

a) Marketing expenses

	1 January - 30 June 2023	1 January - 30 June 2022
Employee and personnel expenses	34,936	24,470
Rent expenses	10,175	4,736
Comission expenses	4,847	4,069
Communication expenses	2,812	1,690
Consulting and outsourcing expenses	2,364	751
Office Expenses	2,035	1,892
Travelling expenses	1,431	1,831
Depreciation and amortisation expenses	108	44
Other	6,733	10,384
	65,441	49,867

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 18- OTHER OPERATING INCOME AND EXPENSES

a) Other operating income:

	1 January - 30 June 2023	1 January - 30 June 2022
Profit on sale of subsidiary (*) (Note: 2.4)	2,058,631	--
Fair value gains of associates (*) (Note: 2.4)	802,451	--
Interest income from distribution activities	574,418	525,938
Foreign exchange difference from trading activities	389,989	45,797
Interest income from trading activities	180,745	61,090
Fixed asset sales profit	4,188	2,840
Other	112,823	61,868
	4,123,245	697,533

(*)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 .

b) Other operating expense:

	1 January - 30 June 2023	1 January - 30 June 2022
Foreign exchange difference from trading activities	493,875	79,951
Depreciation of service concession arrangements	227,819	227,819
Interest expense from trading activities	122,645	86,374
Provisions expenses	68,757	16,953
Expenses from the non-operating section (*)	66,925	50,865
Depreciation of customer relations	52,730	52,730
Loss from sale of property, plant and equipment	7,686	--
Other	46,673	57,711
	1,087,110	572,403

(*) 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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 19 - FINANCE INCOME AND EXPENSES

a) Financial income:

	1 January - 30 June 2023	1 January - 30 June 2022
Foreign exchange gains	3,782,210	2,940,781
Interest income	664,018	475,748
Income on derivative instruments	320,659	272,542
	4,766,887	3,689,071

b) Financial expense:

	1 January - 30 June 2023	1 January - 30 June 2022
Foreign exchange loss (*)	6,571,021	5,291,433
Interest expense (*)	2,448,743	2,455,341
Bank commission and other financial expenses	138,816	71,469
	9,158,580	7,818,243

(*) As at 30 June 2023, capitalized borrowing cost on property, plant and equipments is TL 443,197 (30 June 2022: TL 256,405). TL 23,659 (30 June 2022: TL 21,343) of interest expenses for the period ended 30 June 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

	30 June 2023	31 December 2022
Korteks	723,759	558,607
Zorluteks Tekstil Ticaret ve Sanayi AŞ ("Zorluteks")	548,508	440,415
Meta Nikel Kobalt Madencilik Sanayi AŞ ("Meta Nikel")	281,209	226,270
Other	87,612	64,457
	1,641,088	1,289,749

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 20 - RELATED PARTY TRANSACTIONS (Continued)

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

b) **Short-term other receivables from the related parties**

	30 June 2023	31 December 2022
Zorlu Holding (*)	1,210,499	1,482,537
Electrip Global BV	84,213	--
ZES Dijital	37,270	--
Other	20,280	4,114
	1,352,262	1,486,651

(*) TL 1,210,499 of the Group's total receivables from Zorlu Holding amounting to TL 8,347,525 are short-term. All of the short-term receivables originate from intercompany loans, and the interest rates of the receivables amounting to TL 23,058, EURO 5,089 thousand and USD 40,436 thousand are 27% for TL, 9.97% for EURO and in the range of 12.5%-14% for USD.

c) **Long-term other receivables from related parties**

	30 June 2023	31 December 2022
Zorlu Holding (*)	7,137,026	5,815,273
Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ ("Zorlu O&M") (**)	2,614,138	1,951,253
Ezotech (***)	766,422	684,580
Zorlu Doğal Gaz İthalat, İhracat ve Toptan Ticaret AŞ ("Zorlu Doğal Gaz İthalat") (****)	286,567	203,451
Other	84,894	73,625
	10,889,047	8,728,182

(*) TL 7,137,026 of the Group's total receivables out of TL 8,347,525 from Zorlu Holding is long-term. The interest rates for the parts of the Group's long-term receivable amounting to TL 71,920 and USD 55,790 thousand and EURO 17,473 thousand resulting from an intercompany loan are 30.5%, 7.5%-12.2% and 6.95%-7.75% respectively. The remaining USD 198,757 thousand the long-term receivables are of financial nature and interest rate is 7% which is valid for USD and determined by market conditions.

(**) USD 82,587 thousand of the Group's long-term receivables from Zorlu O&M amounting to TL 2,614,138 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 18,646 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 766,422 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 11,097 thousand equivalent to TL 286,567 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 SIX MONTHS PERIOD ENDED 30 JUNE 2023**

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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

	30 June 2023	31 December 2022
Zorlu O&M	36,106	44,778
Vestel Ticaret AŞ (“Vestel Ticaret”)	15,908	--
Zorlu Holding	13,607	17,688
Other	18,611	30,087
	84,232	92,553

e) Short-term other payables to related parties

	30 June 2023	31 December 2022
Zorlu O&M	34,488	31,012
Zorlu Holding (*)	--	934,879
Korteks (*)	--	486,881
	34,488	1,452,772

(*) The Group's payables of TL 934,879 to Zorlu Holding and TL 486,881 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) Short-term deferred income from related parties

	30 June 2023	31 December 2022
Vestel Elektronik Sanayi ve Ticaret AŞ (“Vestel Elektronik”)	887,883	257,109
Vestel Beyaz Eşya Sanayi ve Ticaret AŞ (“Vestel Beyaz Eşya”)	241,526	--
	1,129,409	257,109

g) Long-term financial liabilities to related parties

	30 June 2023	31 December 2022
Zorlu O&M	12,973	9,481
	12,973	9,481

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 SIX MONTHS PERIOD ENDED 30 JUNE 2023**

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

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

	1 January - 30 June 2023	1 January - 30 June 2022
Korteks	310,345	485,471
Zorluteks	157,072	229,943
Vestel Beyaz Eşya	126,890	96,745
Vestel Elektronik	113,224	125,093
Meta Nikel	83,989	39,297
Zorlu Tesis Yönetimi	79,372	80,201
Other	17,680	11,882
	888,572	1,068,632

i) Purchases from related parties

	1 January - 30 June 2023	1 January - 30 June 2022
Zorlu O&M Enerji	43,952	48,997
Vestel Elektronik	--	203,569
Other	2,947	17,962
	46,899	270,528

j) General administrative expenses and marketing expenses from related parties

	1 January - 30 June 2023	1 January - 30 June 2022
Zorlu Gayrimenkul Geliştirme ve Yatırım AŞ	15,333	14,423
Zorlu Holding	9,140	7,620
ABH Turizm Temsilcilik ve Ticaret AŞ	7,229	2,694
Zorlu Tesis Yönetim AŞ	3,280	1,603
Other	8,689	3,227
	43,671	29,567

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023**

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 20 - RELATED PARTY TRANSACTIONS (Continued)**i) Related party balances (Continued):****k) Other operating income to related parties**

	1 January - 30 June 2023	1 January - 30 June 2022
Korteks	200,328	1,303
Zorluteks	155,065	3,721
Meta Nikel	34,826	16,001
Vestel Elektronik	--	22,764
Other	2,415	2,332
	392,634	46,121

l) Other operating expenses to related parties

	1 January - 30 June 2023	1 January - 30 June 2022
Vestel Elektronik	208,742	8,999
Vestel Beyaz Eşya	66,490	--
Zorlu O&M	2,536	1,038
Other	233	701
	278,001	10,738

m) Interest income from related parties

	1 January - 30 June 2023	1 January - 30 June 2022
Zorlu Holding	420,291	306,034
Zorlu O&M Enerji	90,457	64,409
Other	7,788	12,146
	518,536	382,589

n) Interest expenses from related parties

	1 January - 30 June 2023	1 January - 30 June 2022
Zorlu O&M Enerji	827	217
Other	--	169
	827	386

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 20- RELATED PARTY TRANSACTIONS (Continued)

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

o) **Foreign exchange gain from related parties**

	1 January - 30 June 2023	1 January - 30 June 2022
Zorlu Holding	2,425,119	1,936,590
Zorlu O&M	723,901	368,671
Ezotech	200,050	110,994
Zorlu Doğalgaz İthalat	79,871	41,457
Other	33,415	32,570
	3,462,356	2,490,282

p) **Foreign exchange loss from related parties**

	1 January - 30 June 2023	1 January - 30 June 2022
Zorlu O&M	4,434	--
Other	224	57
	4,658	57

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.

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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 20- RELATED PARTY TRANSACTIONS (Continued)

ii) **Key management compensations for the periods between 1 January – 30 June 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 - 30 June 2023	1 January - 30 June 2022
Salaries and other benefits	41,894	35,449

NOTE 21 - SUBSEQUENT EVENTS

The subscription period for Zorlu Enerji's rights issue for increasing the Company's paid-in capital from TL 2,500,000 TL to TL 5,000,000 TL via TL 2,500,000 TL rights issue, within the limits of the registered capital ceiling of TL 6,000,000 TL 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. As of 30 June 2023, a capital advance payment of 2,118,611 TL has been made by the shareholders and the amount is presented in the "Additional Capital Contributions of Shareholders" account under shareholders' equity. The registration process of the new capital within the scope of the amendment to the articles of association has not yet been completed as of 30 June 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 A.Ş., 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. Our 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.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 21 - SUBSEQUENT EVENTS (Continued)

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.

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".

Article 21 of the "Law on Additional Motor Vehicles Tax to Compensate the Economic Losses Caused by the Earthquakes Occurred on 6 February 2023 and Amendments to Certain Laws and Decree Law No. 375" published in the Official Gazette dated 15 July 2023 and numbered 32249. Pursuant to Article 21 of the "Law on the Amendment of Certain Laws and Decree Law No: 375", Article 32 of the Corporate Tax Law No: 5520 regulating the corporate tax rate has been amended to increase the general corporate tax rate from 20% to 25% and the rate for banks and financial institutions from 25% to 30%. With the same article (Article 21) of the aforementioned law, in order to encourage exports, the corporate tax rate, which was applied with a 1 point discount to the earnings of exporting companies exclusively from exports, was applied with a 5 point discount.

The amendment will be applied to the income of corporations for the year 2023 and the following tax periods, starting from the tax returns to be submitted as of 1 October 2023. It will be effective for the tax calculation of the earnings of corporations subject to the special accounting period for the special accounting period starting in the calendar year 2023 and the following taxation periods. This matter is considered as an event after the reporting period that does not require an adjustment within the scope of TAS 10 "Events after the Reporting Period".

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. Pursuant to material event disclosure dated 29 August 2023, the "Simplified Merger by Acquisition" process with Rarik Turkison Enerji A.Ş., a wholly-owned subsidiary of our Company, has been completed and it has been registered with the trade registry on 29 August 2023 in accordance with the Turkish Commercial Code.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 21 - SUBSEQUENT EVENTS (Continued)

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 21 September 2023, Zorlu Yenilenebilir Enerji AŞ, a wholly-owned subsidiary of Zorlu Enerji, has made a pre-license application for a solar power plant project with an installed capacity of 25 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 29 September 2023, Zorlu Enerji Elektrik Üretim AŞ decided to initiate works for the public offering of a portion of the shares of its wholly-owned subsidiary Zorlu Yenilenebilir Enerji AŞ pursuant to the Capital Market Law No. 6362 and the Capital Markets Board's Communiqués and decisions.

In accordance with Article 6 of the Capital Markets Board's Communiqué on Material Events Disclosure, the disclosure of the information has been delayed by the decision of the Company's Board of Directors dated 2 August 2023 and numbered 2023/48 until the works regarding the public offering reach a certain stage.

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:

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

(Amounts expressed in Thousands of Turkish Lira (TRL) as adjusted for the effects of inflation in TRL units current at 30 June 2023 pursuant to IAS 29.)

NOTE 21 - SUBSEQUENT EVENTS (Continued)

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 Elektrik Üretim AŞ ("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.