ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

Consolidated Financial Statements
As at and For the Year Ended 31 December 2021
Together with Independent Auditor's Report

18 April 2022

This report includes 7 pages of Independent Auditor's Report on Consolidated Financial Statements and 87 pages of consolidated financial statements together with their explanatory notes.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

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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

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

Opinion

We have audited the consolidated financial statements of Zorlu Elektrik Üretim Anonim Şirketi ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants *(including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of deferred tax asset for unused tax losses

Refer to Note 2.4, Note 2.7 and Note 21 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for recoverability of deferred tax asset for unused tax losses.

The key audit matter	How the matter was addressed in our audit
The Group has recognized deferred tax asset for unused tax losses amounting to TL 1,563,790 thousand as at 31 December 2021. The recoverability of recognized deferred tax assets is dependent on the extent that it is probable that Group will have taxable profit, against which the deductible temporary differences and tax losses (before latter expire) can be utilized. Thus, significant judgment is required in relation to the recognition and recoverability of deferred tax assets. We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.	We have performed the following audit procedures: - Assessing and challenging the assumptions and judgments exercised by management in respect of the forecasts of future taxable profits by analyzing the assumptions adopted by management; - Considering the historical accuracy of forecasts of future taxable profits made by management by comparing the actual taxable profits for the current year with management's estimates in the forecasts made in the previous year. - Reconciling tax losses and expiry dates to tax statements; and - Evaluation of the appropriateness and adequacy of the disclosures regarding the deferred tax asset recognized for unused tax losses in the consolidated financial statements in accordance with IFRS;

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Hedge accounting

Refer to Note 2.7 and Note 18 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for hedge accounting.

The key audit matter	How the matter was addressed in our audit
As of 31 December 2021, the Group used its bond and investment loans amounting to USD 891,100 thousand as a hedging instruments to hedge against the exchange rate risk resulting from the highly probable sales income earned in the scope of Renewable Energy Sources Support Mechanism ("YEKDEM"), and implemented cash flow hedge accounting for highly-probable YEKDEM sales as a result of efficiency tests carried out within this scope. The criteria for the application of the hedge accounting include defining, documenting and regularly testing the effectiveness of the hedge accounting transactions. Due the fact that hedge accounting has complicated structure and requires complex calculations, we considered this to be one of the key audit matters.	We have performed the following audit procedures to be responsive to this area: - Documentation and appropriateness of hedging relationships of cash flow hedge and fair value hedge transactions have been identified. - The objective of the hedge accounting and its compliance with IAS 39 "Financial Instruments" are considered. Management's assessment of effectiveness, measuring ineffectiveness and appropriateness of accounting records were tested. - Considering the purposes of hedge accounting and compliance with IAS 39 "Financial instruments" standard, the management reviews the effectiveness of the hedging effectiveness test, in case of ineffectiveness, and tests how it is recognized for selected hedging transactions, - Involving specialists to assist in evaluating the appropriateness of hedging models, and - Assessing the adequacy and appropriateness of disclosures in the consolidated financial statements, regarding the hedge accounting.

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Goodwill Impairment

Refer to Note 2.4, Note 2.7 and Note 15 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for goodwill impairment.

The key audit matter	How the matter was adressed in our audit
As at 31 December 2021 goodwill is amounting to TL 660,780 thousand in the consolidated statement of financial position resulting from the acquisition of - Osmangazi Elektrik Dağıtım A.Ş. ("OEDAŞ"), Osmangazi Elektrik Perakende Satış A.Ş. ("OEPSAŞ") Trakya Bölgesi Doğal Gaz Dağıtım A.Ş. ("TRAKYA") , Gazdaş Gaziantep Doğal Gaz Dağıtım A.Ş and ("GAZDAŞ") Zorlu Doğalgaz Tedarik Ticaret A.Ş's ("Zorlu Doğal Gaz Tedarik") shares. Regarding to IAS 36 Impairment on Assets Standard, impairment test on goodwill is required annually. Management has compared the book value of each cash generating unit in which goodwill has been allocated to base on discounted cash flow estimates to determine whether any impairment is required to be recognised. The recoverable amount of the cash generating units calculated based on the higher of the value in use or the fair value less costs, was obtained from the discounted cash flow models. In those models too many basic assumptions have been used, such as future sales volumes and prices, operating expenses, terminal growth rates, and weighted average cost of capital ("WACC"). Goodwill is significant in the consolidated financial statements and determining the assumptions used in estimating recoverable amounts requires significant judgments. Therefore, this item has been identified as one of the key audit matters.	We have performed the following audit procedures to be responsive to this area: - Evaluation of the appropriateness of the discount rates used in the work for each cash generating unit with the comparison of the sector WACC rates as well as by the assistance of our valuation experts, - Controlling the mathematical appropriateness of the calculations of discounted cash flows, - Controlling the management's analysis regarding to assumptions used in sensitivity of market conditions, - Evaluation of the disclosures in accordance with the impairment included principal assumptions, judgments ve sensitivities.

Revaluation of property, plant and equipment

Refer to Note 2.4, Note 2.7 and Note 14 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revaluation of property, plant and equipment.

The key audit matter	How the matter was addressed in our audit
The Group revalued its power plants in line with revaluation model in IAS 16 "Property, plant and equipment". In this regard, as a result of the revaluations carried out as of 31 December 2021, a revaluation increases in property, plant and equipment amounting to TL 7,805,116 thousand was recognized in the consolidated financial statements. Within the scope of the Group's revaluation model, the values of the property, plant and equipment were determined by independent valuation institutions. "Revaluation of property, plant and equipment" was considered to be a key audit matter because the carrying values of these assets are material to the consolidated financial statements as of 31 December 2021 and also because of the significant estimates and judgments required in determining the assumptions to be used to estimate the recoverable amount.	We have performed the following audit procedures to be responsive to this area: - Assessing the competence and independence of independent valuation experts who carry out revaluations of property, plant and equipment, - Involving valuation specialists to evaluate methods used in revaluations for property, plant and equipment. - Assessing the appropriateness of significant estimates and inputs used in valuation modeling with the help of valuation specialists, including comparing them with current precedents and past values in the market, - Assessing the appropriateness and adequacy of disclosures in the consolidated financial statements related to revaluation of property, plant and equipment in accordance with IFRS, including disclosures of key assumptions and judgments related to hedge accounting.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial

statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Şirin Soysal
Partner
18 April 2022
Istanbul, Turkey

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

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

	Notes	Audited 31 December 2021	Audited 31 December 2020
ASSETS			
Current assets:			
Cash and cash equivalents	4	1,171,070	728,314
Financial assets	11	298,976	258,578
Trade receivables		2,846,527	1,423,992
- Trade receivables from third parties	7	*2,664,225*	*1,364,255*
- Trade receivables from related parties	7,27	*182,302*	*59,737*
Other receivables		944,050	983,066
- Other receivables from third parties	8	*32,621*	*49,779*
- Other receivables from related parties	8,27	*911,429*	*933,287*
Receivables from service concession arrangements	5	694,125	349,605
Derivative financial instruments	18	57,115	3,749
Inventories	9	239,030	131,166
Other current assets	10	220,413	169,124
Total current assets		**6,471,306**	**4,047,594**
Non-current assets:			
Financial assets	11	246	246
Trade receivables		51,481	43,287
- Trade receivables from third parties	*7*	*51,481*	*43,287*
Other receivables		3,227,990	1,360,233
- Other receivables from third parties	*8*	*153,036*	*102,529*
- Other receivables from related parties	*8,27*	*3,074,954*	*1,257,704*
Receivables from service concession arrangements	5	3,331,766	2,534,191
Contract assets	16	19,377	79,639
Equity accounted investees	12	1,181,148	681,368
Property, plant and equipment	14	18,692,701	10,515,674
Intangible assets	15	2,791,054	2,872,163
Right of use assets	13	162,309	36,003
Deferred tax assets	21	675,112	494,245
Other non-current assets	10	20,044	13,487
Total non-current assets		**30,153,228**	**18,630,536**
Total assets		**36,624,534**	**22,678,130**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

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

	Notes	Audited 31 December 2021	Audited 31 December 2020
LIABILITIES			
Current liabilities:			
Financial liabilities	6	5,605,558	4,490,077
Trade payables		2,189,914	1,814,581
- Trade payables due to third parties	*7*	*2,109,139*	*1,760,557*
- Trade payables due to related parties	*7,27*	*80,775*	*54,024*
Other payables		1,235,798	1,334,410
- Other payables due to third parties	*8*	*1,228,029*	*966,412*
- Other payables due to related parties	*8,27*	*7,769*	*367,998*
Derivative financial instruments	18	109,531	83,856
Current tax liabilities	21	5,758	56,489
Other provisions	17	15,540	13,817
Other current liabilities	10	339,662	234,620
Total current liabilities		**9,501,761**	**8,027,850**
Non-current liabilities:			
Financial liabilities	6	18,174,197	10,053,106
Other payables to related parties	8, 27	6,365	--
Derivative financial instruments	18	162,574	243,452
Deferred tax liabilities	21	1,516,838	939,565
Provisions for employment benefits	17,19	68,296	44,000
Total non-current liabilities		**19,928,270**	**11,280,123**
Total liabilities		**29,430,031**	**19,307,973**
EQUITY			
Share capital	20	2,610,948	2,110,948
Other comprehensive income/ (expenses) not to be reclassified to profit or (loss)		10,657,973	4,570,676
- *Revaluation of property, plant and equipment*		*10,677,301*	*4,583,615*
- *Actuarial losses*		*(19,328)*	*(12,939)*
Share premium		1,448	916
Legal reserves	20	7,931	7,931
Other comprehensive income that are or may be reclassified to profit or (loss)		(7,550,224)	(3,858,376)
- *Hedge reserves*		*(7,550,224)*	*(3,858,376)*
Currency translation adjustment		1,374,130	590,369
Retained earnings		131,726	6,485
Equity attributable to owners of the Company		**7,233,932**	**3,428,949**
Non-controlling interests		**(39,429)**	**(58,792)**
Total equity		**7,194,503**	**3,370,157**
Total liabilities and equity		**36,624,534**	**22,678,130**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
Revenue	22	11,634,808	8,579,113
Cost of sales (-)	23	(9,771,696)	(7,078,153)
Gross profit		**1,863,112**	**1,500,960**
General and administrative expenses (-)	23	(362,228)	(264,069)
Marketing and selling expenses (-)	23	(37,713)	(37,014)
Other income	24	1,838,219	859,096
Other expense (-)	24	(636,309)	(364,483)
Operating income		**2,665,081**	**1,694,490**
Share of gain on equity accounted investees	12	29,491	50,679
Financial income	26	2,516,698	963,098
Financial expense (-)	26	(5,481,750)	(2,652,055)
(Loss) / income before taxation		**(270,480)**	**56,212**
Current income tax expense (-)	21	(93,751)	(114,362)
Deferred tax income	21	144,470	25,738
Loss for the period		**(219,761)**	**(32,412)**
(Loss) / income attributable to:			
Equity holders of the parent	28	(146,774)	3,232
Non-controlling interest		(72,987)	(35,644)
(Loss) / earning per share (TL)	28	(0.068)	0.002

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
Loss for the period		**(219,761)**	**(32,412)**
Revaluation of property, plant and equipment	15	7,805,116	2,280,514
Changes in actuarial losses on employment benefit obligations	19	(7,399)	(2,950)
Hedge reserves		(4,589,377)	(1,537,991)
Changes in currency translation adjustments		783,761	218,071
Deferred taxes related to other comprehensive income	21	(540,876)	(152,526)
Other comprehensive income		**3,451,225**	**805,118**
Total comprehensive income		**3,231,464**	**772,706**
Total comprehensive income attributable to:			
Equity holders of the parent		3,304,451	808,350
Non-controlling interests		(72,987)	(35,644)
Total comprehensive income		**3,231,464**	**772,706**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

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

			Attributable to equity holders of the parent							
			Items that will not be reclassified to profit or loss		Items that are or may be reclassified to profit or loss					
	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**	**Total equity**
1 January 2020	**2,110,948**	**916**	**3,211,890**	**(10,574)**	**372,298**	**(2,635,595)**	**7,897**	**(435,505)**	**(23,148)**	**2,599,127**
Acquisition or disposal of subsidiary	--	--	(201,378)	(5)	--	7,612	--	192,095	--	(1,676)
Transfer	--	--	(246,697)	--	--	--	34	246,663	--	--
Total comprehensive loss	--	--	1,819,800	(2,360)	218,071	(1,230,393)	--	3,232	(35,644)	772,706
31 December 2020	**2,110,948**	**916**	**4,583,615**	**(12,939)**	**590,369**	**(3,858,376)**	**7,931**	**6,485**	**(58,792)**	**3,370,157**
1 January 2021	**2,110,948**	**916**	**4,583,615**	**(12,939)**	**590,369**	**(3,858,376)**	**7,931**	**6,485**	**(58,792)**	**3,370,157**
Transactions with the non-controlling parties	--	--	--	--	--	--	--	--	92,350	92,350
Transfers	--	--	(251,199)	(470)	--	(20,346)	--	272,015	--	--
Total comprehensive loss	--	--	6,344,885	(5,919)	783,761	(3,671,502)	--	(146,774)	(72,987)	3,231,464
Capital increase	500,000	532	--	--	--	--	--	--	--	500,532
31 December 2021	**2,610,948**	**1,448**	**10,677,301**	**(19,328)**	**1,374,130**	**(7,550,224)**	**7,931**	**131,726**	**(39,429)**	**7,194,503**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 31 DECEMBER 2021

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

	Notes	Audited 1 January- 31 December 2021	Audited 1 January- 31 December 2020
Cash flows from operating activities:			
Net loss for the period		**(219,761)**	**(32,412)**
Adjustments related to depreciation and amortisation	23,24	766,006	668,801
Adjustments related to interest income	24,26	(349,141)	(280,748)
Adjustments related to interest expense	24,26	2,028,587	1,546,517
Adjustments related to unrealized foreign exchange losses and currency translation differences		1,762,727	296,501
Adjustments related to (income)/ loss from financial derivative instruments	18,26	(43,555)	36,595
Adjustments for provisions related with employee benefits	19	19,870	9,997
Adjustments for/(reversal of) other provisions		1,723	2,676
Adjustments related to gain on sale of property, plant and equipment	24	(2,098)	(31,724)
Adjustments related to gain on sale of subsidiary	24	--	(40,160)
Adjustments related to share of gain of equity-accounted investees	12,25	(29,491)	(50,679)
Adjustments related to tax income/(expense)	21	(50,719)	88,624
Other adjustments related to non-cash items	4	(1,074,641)	(288,205)
Net cash generated from operating activities before changes in working capital		**2,809,507**	**1,925,783**
Changes in trade receivables		(1,319,463)	(329,058)
Changes in other receivables		152,118	853,057
Changes in other current and non-current assets		(48,351)	(967)
Changes in trade payables		220,506	(363,405)
Changes in other payables		106,151	81,957
Changes in other liabilities		105,042	67,230
Changes in receivables from service concession arrangement		169,122	(158,593)
Changes in inventories		(96,733)	36,633
Changes in customer contracts		60,262	(43,589)
Termination benefits paid	19	(2,973)	(1,536)
Taxes paid		(153,977)	(79,916)
Net cash generated from operating activities		**2,001,211**	**1,987,596**
Cash flows from investing activities:			
Acquisition of property plant and equipment and intangible assets		(340,157)	(255,493)
Proceeds from sale of property, plant and equipment and intangible assets		4,795	67,315
Cash in flow from sale of subsidiaries		--	249,157
Cash outflow from purchase of subsidiaries		--	(176,942)
Proceeds from sale of assets held for sale		--	17,574
Dividend received	12	65,780	51,227
Net cash used in investing activities		**(269,582)**	**(47,162)**
Cash flows from financing activities:			
Cash in flow from issuance of shares		194,096	--
Proceeds from issued debt instruments	6	3,818,862	988,680
Proceeds from bank borrowings	6	1,729,274	1,779,144
Repayment of bank borrowings	6	(4,118,492)	(2,404,997)
Repayment of issued debt instruments	6	(881,795)	(819,380)
Increase/(decrease) in other payables to related parties		(72,468)	251,357
Payment of lease liabilities	6	(40,027)	(30,352)
Interest paid	6	(1,795,838)	(1,467,992)
Interest received		183,984	129,730
Other outflows	4	(180,160)	(349,453)
Net cash used in financing activities		**(1,162,564)**	**(1,923,263)**
Net increase/ (decrease) in cash and cash equivalents		569,065	17,171
Effect of foreign currency conversion differences on cash and cash equivalents		(117,330)	(130,286)
Cash and cash equivalents at the beginning of the period		**709,909**	**823,024**
Cash and cash equivalents at the end of the period	**4**	**1,161,644**	**709,909**

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

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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Zorlu Enerji Elektrik Üretim AŞ ("The Company" or "Zorlu Enerji") and its subsidiaries (collectively referred to as ("the Group") is engaged in electricity, steam production and selling, distribution and retailing of electricity, trading electricity, supply and distribution of gas, selling and distribution of solar panel and sale, installation and operation of electric charging stations. The Group was established by Zorlu Holding AŞ ("Zorlu Holding") and Korteks Mensucat Sanayi ve Ticaret AŞ ("Korteks") in 1993. Ultimate controlling party of the Group is Zorlu Holding. The Group is registered in Turkey and its registered address is as follows: Bursa Organize Sanayi Bölgesi, Pembe Cadde, No:13 Bursa, Türkiye. The Group is registered to the Capital Markets Board ("CMB"), and its shares are publicly traded in Borsa Istanbul AŞ ("BIST") since 2000. As at 31 December 2021, 34.97% of its shares are open for trading (31 December 2020: 34.7%).

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

Subsidiaries	**Nature of business**	**Country**
Zorlu Osmangazi Enerji Sanayi ve Ticaret AŞ ("Zorlu Osmangazi") (1)	Electricity distribution and retail sales	Turkey
Zorlu Enerji Dağıtım AŞ ("Zorlu Enerji Dağıtım") (2)	Natural gas distribution	Turkey
Zorlu Enerji Asia Holding Ltd. ("Zorlu Enerji Asia") (3)	Energy investment	Dubai
Zorlu Yenilenebilir Enerji AŞ ("Zorlu Yenilenebilir") (4)	Power plant installation, operation and other	Turkey
Zorlu Wind Pakistan (Private) Ltd. ("Zorlu Wind Pakistan") (5)	Electricity production	Pakistan
ZES N.V. (6)	Electric charging station sales, installation and operation	Netherlands
Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret AŞ ("Zorlu Elektrik") (7)	Electricity trading	Turkey
Zorlu Enerji Pakistan Ltd. ("Zorlu Enerji Pakistan")	Electricity production	Pakistan
Nemrut Jeotermal Elektrik Üretimi AŞ ("Nemrut")	Electricity production	Turkey
Zorlu Solar Enerji Tedarik ve Ticaret AŞ ("Zorlu Solar")	Electricity production and solar panel trading	Turkey
Zorlu Enerji İsrail Ltd. ("Zorlu Enerji İsrail")	Electricity production	Israel
ZES Dijital Ticaret AŞ ("ZES Dijital")	Electricity sale, renting of electric vehicle and other	Turkey
ZJ Strong Energy for Renewable Energy Ltd Co. ("ZJ Strong")	Electricity production	Palestine
Electrip Araç Kiralama Ticaret AŞ ("Electrip")	Leasing vehicle and supply of related software and equipment	Turkey
Associates	**Nature of business**	**Country**
Dorad Energy Ltd. ("Dorad")	Electricity production	Israel
Ezotech Electric Ltd. ("Ezotech") (8)	Electricity production	Israel
Solad Energy Ltd. ("Solad")	Electricity production	Israel
Adnit Real Estate Ltd. ("Adnit")	Electricity production	Israel

(1) Zorlu Osmangazi has 100% shares of Osmangazi Elektrik Dağıtım AŞ ("OEDAŞ") and Osmangazi Elektrik Satış Perakende AŞ ("OEPSAŞ").

(2) Zorlu Enerji Dağıtım has 90% of the shares of Trakya Bölgesi Doğal Gaz Dağıtım AŞ ("Trakya") and Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ ("Gazdaş") and 100% shares of Zorlu Doğal Gaz Tedarik Ticaret AŞ ("Zorlu Doğal Gaz Tedarik").

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

(4) Zorlu Yenilenebilir was established on 27 August 2020 as a subsidiary of Zorlu Enerji, which has all its shares, and on the date, Zorlu Doğal Elektrik Üretim AŞ ("Zorlu Doğal"), Zorlu Jeotermal Enerji Elektrik Üretim AŞ and Rotor Elektrik Üretim AŞ ("Rotor") acquired 100% of Zorlu Doğal, Zorlu Jeotermal and Rotor companies by taking over the shares from Zorlu Enerji.

(5) The transfer of Zorlu Solar Pakistan Limited, Zorlu O&M Pakistan Limited, Zorlu Industrial Pakistan (Private) Limited, Zorlu Sun Power Pakistan (Private) Limited and Zorlu Renewable Pakistan (Private) Limited shares to Zorlu Wind Pakistan (Private) Limited has been completed.

(6) In 100% direct ownership of ZES N.V., the Companies with the title "ZES Israel Ltd." In Israil, "ZES D.O.O" in Montenegro, "ZES S.R.L." in Italy and "ZES društvo s ograničenom odgovornošću za usluge" in Croatia, were established.

(7) With the Board of Directors decision dated 29 December 2021, Zorlu Enerji has been transferred the 100% shares in Zorlu Trade Elektrik Toptan Satış AŞ to Zorlu Elektrik.

(8) Ezotech has 100% shares of Ashdod Energy Ltd. ("Ashdod") and Ramat Negev Energy Ltd. ("Ramat Negev").

As at 31 December 2021, the number of average personnel employed is 2,373 (31 December 2020: 2,283).

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

Installed capacity in Turkey:

Power Plant	Company	Location	Type	Electricity Production Capacity (MW)	Steam Production Capacity (Ton/Hour)
Geothermal				**305.00**	**--**
Kızıldere 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**

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Installed capacity in abroad:

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.7.

The Group maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles. These consolidated financial statements have been prepared under historical cost conventions except for financial assets and financial liabilities which are carried at fair value and property plant and equipments accounted at fair value.

Approval of consolidated financial statements

The consolidated financial statements were approved by the Company's Board of Directors on 7 Mart 2022. The General Assembly of the Company has the right to amend and relevant regulatory bodies have the right to request the amendment of these consolidated financial statements.

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

2.1 Basis of Presentation (Continued)

Functional and presentation currency

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

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

2.2 Basis of consolidation

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

Subsidiaries

Zorlu Enerji controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Zorlu Enerji has power over a subsidiary when Zorlu Enerji has existing rights that give it the current ability to direct the relevant activities that significantly affect the subsidiary's returns. Power arises from rights and the existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Zorlu Enerji controls another entity.

Subsidiaries including the structured entities are the companies controlled by the Group. The Group's control is provided by the ability to affect the variable returns through its power over the subsidiaries. Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that control ceases.

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

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

2.2 Basis of consolidation (Continued)

Loss of control

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

Non-controlling interests

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

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

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

	Direct ownership interest by Zorlu Enerji (%)	
Subsidiaries	**31 December 2021**	**31 December 2020**
Zorlu Osmangazi	100	100
Zorlu Enerji Dağıtım	100	100
Zorlu Enerji Asia	100	100
Zorlu Yenilenebilir	100	100
Zorlu Wind Pakistan	99.7	99.7
ZES N.V.	100	100
Zorlu Elektrik	100	100
Zorlu Enerji Pakistan	100	100
Nemrut	75	75
Zorlu Solar	100	100
Zorlu Enerji İsrail	100	100
ZES Dijital	100	100
ZJ Strong	75	75
Electrip	100	100
Zorlu Trade	-	100

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

2.2 Basis of consolidation (Continued)

Interests in equity-accounted investees

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

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

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

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

2.3 Amendments in International Financial Reporting Standards

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

a. Standards, amendments and interpretations applicable as at 31 December 2021:

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2021 are as follows:

- Interest rate benchmark reform - phase 2 - amendments to IFRS 9 financial instruments, IAS 39 financial instruments: recognition and measurement, IFRS 7 financial instruments: disclosures, IFRS 4 insurance contracts and IFRS 16 leases.

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

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

2.3 Amendments in International Financial Reporting Standards (Continued)

b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2021:

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

- COVID -19 - Related rent concessions beyond 31 December 2021 (the 2021 amendment),
- Reference to the conceptual framework (amendments to IFRS 3),
- Property, plant and equipment - proceeds before intended use (amendments to IAS 16),
- Onerous contracts - cost of fulfilling a contract (amendments to IAS 37),
- Classification of liabilities as current or non - current (Amendments to IAS 1),
- Disclosure of accounting policies (amendments to IAS 1 and IFRS Practice Statement 2),
- Definition of accounting estimates (amendments to IAS 8),
- Deferred tax related to assets and liabilities arising from a single transaction - amendments to IAS 12 income taxes.

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

2.4 Summary of significant accounting policies

a) Related parties

If one of the below listed criteria exists the party is regarded as related with the Group:

a) Directly, or indirectly through one or more intermediaries, the party:
   i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
   ii) has an interest in the Group that gives it significant influence over the Group; or
   iii) has joint control over the Group;
b) The party is an associate of the Group;
c) The party is a joint venture in which the Group is a venture;
d) The party is member of the key management personnel of the Group or its parent;
e) The party is a close member of the family of any individual referred to in (a) or (d);
f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
g) The party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

A number of transactions are entered into with related parties in the normal course of business (Note 27).

b) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is calculated by subtracting the necessary predicted sale cost to realise the sale from predicted sale price in ordinary workflow. Inventories comprise the electrical equipment and material related to the Group's electricity generation and are accounted for as expenses when used. Unit cost for inventory is calculated using the average cost method (Note 9).

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

2.4 Summary of significant accounting policies (continued)

c) Property, plant and equipment

The Group has chosen revaluation method among application methods mentioned under IAS 16 for its powerplants. The fair value of powerplants belonging to Zorlu Enerji is determined by using "market approach and cost method" and fair values of all other power plants are determined by using "income approach - discounted cash flow analysis". Motor vehicles and furniture and fixtures are carried at cost less accumulated depreciation and impairment losses if any.

Increase in property, plant and equipments due to the revaluation is credited after netting of the deferred tax effect on revaluation fund account under shareholders' equity in the statement of financial position. The difference between amortization (reflected in income statement) calculated by the carried amounts of revalued assets and amortization calculated by the acquisition costs of these assets is transferred to accumulated deficit from revaluation fund after netting of the deferred tax effect on a yearly basis. The same method is also applicable for tangible asset disposal.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation is provided on restated costs of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets.

Foreign currency values identified in the valuation of Zorlu Enerji, Zorlu Doğal, Zorlu Jeotermal, Rotor and Zorlu Pakistan power plant projects has been taken into account in the consolidated financial statements as of 31 December 2021. In addition, Zorlu Enerji's natural gas power plants were revalued on 31 December 2021 and taken into account in the consolidated financial statements with their new values.

The revaluation of the power plants in Turkey was carried out by Aden Gayrimenkul Değerleme ve Danışmanlık AŞ, accredited by the CMB. The fair value of the Zorlu Pakistan wind power plant project, established in Pakistan, was determined by A A Baig& Co. Chartered Accountants.

The assumptions used in the valuation reports are presented in Note 2.7.

The useful lives determined by the valuation of the Zorlu Doğal power plants as 17 years for Kızıldere I, II and III JES and hydroelectric power plants, Zorlu Jeotermal as 19 years, Zorlu Pakistan as 12 years and Rotor as 14 years. On the other hand, for the power plants of Zorlu Enerji, which their fair values are determined by market approach and cost method, the estimated useful lives are taken into consideration as follows:

	Useful life
Buildings	30-45
Land improvements	10-20
Plant and machinery	6-48

Expenses for the repair of property, plant and equipment are normally charged as expense. They are, however, capitalised if they result in an enlargement or substantial improvement of the respective assets.

Gains or losses on disposals of property, plant and equipment which are calculated as the difference between net carrying value and the collections made are included in the related income and expense accounts, as appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

2.4 Summary of significant accounting policies (continued)

d) Intangible assets

Intangible assets are carried at cost less accumulated depreciation and impairment losses. Intangible assets comprise licenses, computer softwares, service concession arrangements, customer relationships and goodwill.

Intangible assets with definite useful life are recognised at the cost of acquisition and depreciated using the straight-line method.

Intangible assets with definite useful life are reviewed for the purpose of determining whether there is an indication of impairment or not, and if the carrying amount of the intangible asset exceeds its recoverable amount, the carrying amount of the intangible asset is reduced to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use. An impairment provision is reflected in the profit or loss statement within the same period.

Computer softwares

Computer softwares are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives of 3 - 15 years. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

Service concession arrangement

Service concession arrangements owned as a result of business combinations are recognised at their fair values at the acquisition date. The duration of the electricity distribution service concession arrangement and natural gas distribution service concession arrangement were determined to be 20 years for OEDAŞ and 22 years for Gazdaş and Trakya. The service concession arrangements is amortised during this time (Note 15).

Customer relationships

Customer relationships acquired as a result of business combinations related OEPSAŞ and Zorlu Tedarik are recognised at their fair value at the acquisition date. The duration of customer relationships is determined to be 20 years for OEPSAŞ and 16 years for Zorlu Tedarik. Customer relationships are amortised by straight line method in accordance these useful lives (Note 15).

Business combinations and goodwill

A business combination is the bringing together of separate legal entities or businesses into one reporting entity. Business combinations are recognised using the acqusition method in accordance with IFRS 3.

Cost of the acquisition incurred as a result of the acquisition of an enterprise is allocated to identifiable assets, obligations and contingent obligations of the enterprise on the date of acquisition. The difference between the cost of the acquisition and the fair value of identifiable assets, obligations and contingent obligations of the entity on the date of acquisition is recognised in the consolidated financial statement as goodwill. In business combinations the assets, intangible assets and contingent obligations that are not covered by the financial statements of the acquired entity but that could be separated from the goodwill are recognised in the consolidated statement of financial position at their fair values. The goodwill previously recognised in the financial statements of the acquiree is not considered to be an identifiable asset.

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

2.4 Summary of significant accounting policies (continued)

d) Intangible assets (continued)

If the Group's share of the net fair value of the identifiable assets, obligations and contingent obligations is more than the cost of the business combination the excess is accounted for in the consolidated statement of income in the related period.

Goodwill is tested for impairment annually and more frequently if impairment indicators are present. Carrying amount of goodwill and higher of fair value less costs of disposal and value in use compared. Impairment losses are recognized as an expense immediately in the consolidated statement of profit or loss and not reversible for subsequently periods (Note 2.7).

e) Receivable from service concession arrangements

IFRIC 12, "Service concession arrangements" regulate recognition of the arrangements for service concessions provided by public operators to private industry. The service concession agreements concerning electricity and gas distribution services are recognised within the framework of IFRIC 12 by the Group.

As the conditions of agreements based on the arrangements within the scope of IFRIC 12, the Group operates as a service provider with the title "operator". An operator builds and renovates the infrastructure used to provide a public service, operates the infrastructure during the determined period and maintains the infrastructure. The Group distributes electricity and gas within the scope of the service concession arrangement transferred from public to private sector.

The Group recognises investment expenditure related to distribution, under financial assets to the extent that it has unconditional rights arising from the contract concerning invoicing to subscribers in line with the instructions from the guarantor. The right to collect in return for distribution services is carried out by invoicing subscribers. The distribution element of the said invoices is regulated by distribution tariffs determined by EMRA. The difference between the annual collections from distribution and the revenue cap predetermined by EMRA is corrected by EMRA by revising the future tariff.

In scope of the IFRIC 12, all investments of the Group related to electricity and gas distribution operation is recognised as "Receivables from service concession arrangements" (Note 5). Service concession agreements related OEDAŞ disclosed under intangible assets are included in the consolidated financial statements in 2017 as a result of the business combination accounting applied in the scope of IFRS 3. Service concession agreements related Trakya and Gazdaş disclosed under intangible assets are included in the consolidated financial statements in 2018 as a result of the business combination accounting applied in the scope of IFRS 3.

Receivables from service concession arrangements are measured at amortized cost in accordance with IFRS 9, since they are composed of cash flows that only include principal and interest.

Receivables from service concession arrangements for electricity and natural gas distribution activities are depreciated over 10 and 22 years as per the concession arrangements, respectively (Note 5).

As per the concession arrangement for natural gas distribution companies, the Group accounts under intangible assets, investments of the first 8 years, carried out until the asset base developed, that it could not invoice to its customers (31 December 2021: contract cost, net TL51,321, 31 December 2020: contract cost, net TL54,743) and amortises for the duration of the remaining licence period (Note 15). The relevant amortization expense is accounted under cost of sales (as of 31 December 2021: depreciation expense is TL3,422 thousand and 31 December 2020: depreciation expense is TL3,422 (Note 15)).

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

2.4 Summary of significant accounting policies (continued)

f) Revenue Recognition

The Group recognizes revenue in accordance with IFRS 15 "Revenue from contracts with customers" standard when the goods or services is transferred to the customer and when performance obligation is fulfilled based on the following main principles:

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled

The Group recognized revenue from its customers only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- Group can identify each party's rights regarding the goods or services to be transferred,
- Group can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance,
- It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

At the beginning of an agreement the Group evaluates the services committed to the client in the agreement and defines each commitment to transfer services as a separate performance obligation. In addition, at the beginning of the agreement the Group identifies whether they will meet each obligation over time.

The Group considers agreement provisions and commercial customs in order to determine transaction price. Transaction price is the price which the Group expects to earn in return for services it committed to provide to a customer, excluding amounts (e.g. some sales taxes) collected on behalf of third parties.

The Group allocates a transaction price to each performance obligation (or different good or service) in an amount that shows how much the customer expects to have a right to in return for the transfer of goods or services committed to the client. In this allocation, the Group allocates the transaction price to each performance obligation specified in the agreement over a relative sales price, in this allocation, the Group determines the individual selling price of different goods or services that form the basis of each performance obligation at the beginning of the agreement and the transaction price is proportional to these individual sales prices.

The Group does not adjust the promised amount of consideration for the effects of a significant financing component since the Group expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. If the financing component is significant in revenue, future collections are discounted by the interest rate in financing component. The difference is recognised as income from operating activities in current period.

The Group's performance obligations consist of distibution of electricity and gas and electricity sales. The customer consumes the benefits of the Group simultaneously. Electricity sales are recognized as soon as electricity is delivered. Electricty and gas distribution services are recognized as soon as services are rendered. The Group recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to the customer.

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

2.4 Summary of significant accounting policies (continued)

f) Revenue Recognition (continued)

Retail and wholesale electricity sales income

Electricity sales revenue is accounted in the case of realization of electicity delivery on an accrual basis, through the invoiced amount.

Electricity distribution

- **Transmission system utilization**

The transmission tariff is prepared by the Turkey Electricity Transmission Company ("TETC") and includes prices, terms and conditions for the provision of transmission service to all users benefiting from the transmission of generated, imported or exported electricity over the transmission facilities, which will be employed on the basis of non-discriminatory conduct principle in accordance with the Electricity Market Law Article 13. Grid investments made by TETC and transmission surcharges are included in the transmission tariff. Transmission system utilization fees charged to the customers are the unit prices allocated by the entities holding electricity distribution license in order to compensate the transmission tariff charges invoiced by TETC to those entities.

- **Electricity dissipation and theft**

Electricity dissipation and theft cost is calculated using electricity dissipation and theft ratio applied to the projected electricity transfer quantity based on each distribution region and charged to each electricity consumers including the industrial plants connected to the electricity network as electricity dissipation and theft income.

- **Price equalization**

A price equalization mechanism is applied by EMRA to protect the consumers purchasing electricity over the regulated tariffs from the price differences partially or wholly due to the cost differences among the distribution regions. The amount to be provided to or collected from the entities holding electricity distribution license is calculated in accordance with a formula determined by EMRA for each distribution region and informed to the parties. These amounts are recognized in profit or loss.

- **Income from investment expenditures**

The Group makes investments in power line, facility and various construction activities in the electricity distribution system to fulfil demand estimates determined by EMRA. Revenue and costs related to the investment expenditure are recognised within the framework of IFRS 15. Income from investment expenditures is recognised as a single performance obligation and at a point in time.

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

2.4 Summary of significant accounting policies (continued)

f) Revenue Recognition (continued)

Electricity distribution (continued)

- **Distribution systems income**

Distribution revenue comprises distribution, meter reading, transmission, theft and loss. Electricity distribution and meter reading services are in the scope of the service concession agreement under EMRA regulations. As per Electricity Market Law, the Electricity Market Tariffs Regulation and other relevant regulations, the Group's distribution, transmission and meter reading services are subject to a revenue cap. Realized revenue includes operating expenses and investment needs related to distribution of electricity and meter reading services. Similarly, transmission revenue consists of the transmission costs allocated by Türkiye Elektrik İletim AŞ ("TEİAŞ"). This regulation guarantees the Group's revenue no matter the consumption level of the subscribers. Overcharges and undercharges by the Group are calculated at the end of each year and are adjusted through tariffs by EMRA two years later.

Distribution system income difference of tariff year is the difference between the revenue cap related to distribution system income and realized tariff year distribution income and is recognised as accrual basis.

- **Weighted average cost of capital ("WACC") correction**

Weighted average cost of capital ("WACC") correction related to the service concession agreements for meter reading and retail sales is recognised as per Service Concession Agreements (IFRIC 12). Interest income earned from receivables from concession agreements is recognised using the effective interest method.

- **Indexation difference on receivables from concession arrangements**

In accordance with "the Transfer of Operating Right" ("TOR") the Group takes into account the annual consumer price index (CPI) while regulating the price of the investment expenditures made by the EPDK distribution company. For this reason, the receivables from service concession arrangements, which are written as financial assets in accordance with IFRIC 12, will be updated in accordance with the CPI as of each reporting date.

- **Income from investment expenditures**

OEDAŞ makes investments in power line, facility and various construction activities in the electricity distribution system to fulfil demand estimates determined by EMRA. Revenue and costs related to the investment expenditure are recognised within the framework of IFRS 15. Income from investment expenditures is recognised as a single performace obligation and at a point in time.

- **General Lighting Income**

When electricity is delivered, electricity sales to general lighting customers is recognised on an accrual basis.

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

2.4 Summary of significant accounting policies (continued)

f) Revenue Recognition (continued)

Gas distribution

- **Income from investment expenditures**

Gazdaş and Trakya make investments in power line, facility and various construction activities in the gas distribution system to fulfil demand estimates determined by EMRA. Revenue and costs related to the investment expenditure are recognised within the framework of IFRS 15.

- **Natural gas sales income**

Gazdaş and Trakya, determine the amount of natural gas sales for the invoicing of subscribers based on the index value read by the customer counter. Counters are read periodically once a month and index values are recorded. Natural gas sales revenue is recognized on an accrual basis based on weighted average retail price determined by EMRA on the sales quantity calculated according to two index differences between the last reading date and the previous reading date and calculated on the basis of reading periods.

The retail price consists of the unit purchase price and the system usage price. According to the Natural Gas Market Distribution and Customer Services Regulation, Gazdaş and Trakya may not charge any fee to consumers other than the retail price approved by EMRA and other service fees determined by EMRA.

Gazdaş and Trakya reflects the sale of natural gas to subscribers to their consolidated financial statements in accordance with EMRA regulations. In this context, Gazdaş and Trakya invoice the natural gas they purchase to subscribers without adding a profit margin. Gazdaş and Trakya account the revenue as gross, since they are mainly responsible for ensuring subscribers are provided with natural gas.

- **Natural gas transmission income**

Wholesale companies, from whom individual consumers purchase natural gas, contact with distribution companies to sign transmission service agreements and delivery service agreements for their customers. The distribution companies provide natural gas transmission service to the wholesale companies in scope of the transmission service agreement and delivery service agreement.

As it is the case with its customers, the distribution company processes the amount of natural gas consumption for invoicing to the system records by reading the customer counter periodically every month. The sale of natural gas transportation service is accrued over the calculated natural gas consumption amount and the system usage fee notified to the distribution company by EMRA. The transmission service invoice is reflected to the wholesale companies by the distribution companies.

- **Interest income on financial assets**

The interest income portion of the revenue related to the service concession agreements for distribution is recognised as per Service Concession Agreements (IFRIC 12). Interest income earned from receivables from concession agreements is recognised using the effective interest method.

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

2.4 Summary of significant accounting policies (continued)

- **Indexation difference on receivables from concession arrangements**

In accordance with "the Transfer of Operating Right" ("TOR") the Group takes into account the annual consumer price index (CPI) while regulating the price of the investment expenditures made by the EPDK distribution company. For this reason, the receivables from service concession arrangements, which are written as financial assets in accordance with IFRIC 12, will be updated in accordance with the CPI as of each reporting date.

Sales of electricity from production

It is the revenue generated from electricity producted by the Group through its power plants. Since electricity is a service provided as a series that the client gets and consumes simultaneously, it is recognised as one performance, over time and through output method.

g) Assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position . The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

h) Deferred revenue

Electricity sales revenue in the period is subject to the correction in accordance with income ceiling determined by EMRA and described by tariff chart in Regulatory Accounting Guidelines ("RAG"). The excess/deficit parts occurred in revenue are recorded to the tariff determined by EMRA as correction at the end of second year of occurrence and are offset from tariffs 2 years later. The excess part for the period is classified under short-term and long-term liabilities in the consolidated financial statements and deficit parts are classified under income accrual.

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

2.4 Summary of significant accounting policies (continued)

i) Deposits received

Accounting policy for deposit received from electricity distribution segment

The Group receives deposits from the customers on behalf of the Turkish Electricity Distribution Corporation ("TEDAŞ") during subscription and these deposits are determined by the tariffs and methods announced by EMRA and they are recognized over their fair value at the time when they are received from the customers. In accordance with the decision of EMRA about "The Rules and Regulation related to the Update of Guarantee Payments in Electricity Market", the Group updates the deposits in accordance with the methods identified by EMRA and deposits are refunded to subscribers over their indexed values, where index is periodically updated by EMRA, upon termination of subscription of customers. Besides, in accordance with TOR agreement signed with TEDAŞ, the Group has to follow the deposits received from the subscribers and the refunded deposits and to pay the net balance to TEDAŞ in the year of 2036 that is the end of the license period. The Group reflects the net of deposits received from and refunded to the subscribers in its consolidated financial statements (Note 8).

Accounting policy for deposit received from gas distribution segment

In order to guarantee the receivables arising from the sale of gas, the Group collects deposits from the subscribers using the mechanical meter for a one-time period or receives a letter of guarantee. The deposits paid by a subscriber whose subscription is ending is refunded to the subscriber or their authorised representative within five days following a request on the condition that all debts are paid, and the deposit received in cash is updated within the framework of the relevant legislation.

The indexation of the deposits received is recognised under other operating expenses in the consolidated statement of income (Note 24).

j) Impairment of non-financial assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognized in the consolidated statement of comprehensive income.

Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which (at least a period of one year) are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are mostly ready for their intended use or sale.

All other borrowing costs are accounted in the consolidated statement of profit or loss in when they occur.

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

2.4 Summary of significant accounting policies (continued)

l) Provisions, contingent liabilities, contingent assets

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are treated as contingent assets or liabilities (Note 17).

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs.

m) Employment termination benefits

Provisions for employee termination benefits:

As per the existing labor law in Turkey, the Group is obliged to pay certain amounts to its employees, have completed one year of employment that left due to pension, the military or leaving death. Provision for employment termination benefits represents the present value of the estimated future probable obligation of the Group in case of retirement of employees. Provision for employment termination benefits is calculated as if all employees are subject to such payment and reflected on the accrual basis in the consolidated financial statements. The provision has been calculated based on the severance pay ceiling announced by the Government. As of 31 December 2021, the maximum amount of severance pay is TL 8.285 (31 December 2020: TL 7,117). The Group management has used some estimations in the calculation of provision for severance pay. The Group recognizes actuarial gains and losses in the other comprehensive income.

Under the Turkish Labour Law, according to IAS 19 "Employee termination benefits", the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees (Note 19).

n) Earnings/(loss) per share

Earnings per share are determined by dividing net profit by the weighted average number of shares that have been outstanding during the related year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and allowable reserves. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year (Note 28).

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

2.4 Summary of significant accounting policies (continued)

o) Current and deferred tax

Taxes include current period taxes and deferred taxes. Current year tax liability consists tax liability on period income calculated based on currently enacted tax rates as of reporting date and according to tax legislation in force and includes adjustments related to previous years' tax liabilities.

Deferred tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will impact taxable income in future periods based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred tax assets will be utilized or deferred tax liabilities will be settled, are used to determine deferred tax.

Deferred tax assets and liabilities are recognized to the extent that they will impact taxes to be paid in the periods that temporary differences will disappear. Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Carrying value of deferred tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilize deferred tax assets partially or fully.

Deferred tax assets and deferred tax liabilities related to taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities (Note 21).

s) Share premium

Share premium represents differences resulting from the sale of the Group's subsidiaries' and associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies (Note 20).

t) Offsetting

Financial assets and liabilities are offset and the net amount reported in the financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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

2.4 Summary of significant accounting policies (continued)

u) Financial assets and liabilities

Classification and measurement

The Group classifies the financial assets as three groups such as subsequently measured at "amortised cost", "fair value through profit or loss" and "fair value through other comprehensive income". The classification is made on the basis of the entity's business model for managing the financial assets/liabilities and contractual cash flow characteristics of the financial asset/liability. The Group classifies its financial assets and liabilities at the date which they are purchased.

Financial assets	Classification in accordance with IFRS 9
Cash and cash equivalents	Amortized cost
Trade receivables	Amortized cost
Derivative financial instruments	Fair value through other comprehensive income
Derivative financial instruments	Fair value through profit or loss
Receivables from service concession arrangements	Amortized cost
Other receivables	Amortized cost

Financial liabilities	Classification in accordance with IFRS 9
Derivative financial instruments	Fair value through other comprehensive income
Derivative financial instruments	Fair value through profit or loss
Borrowings	Amortized cost
Other payables	Amortized cost
Trade payables	Amortized cost

Financial assets and liabilities carried at amortized cost

"Financial assets measured at amortised cost", are the financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount standing, not have an active market and non-derivatives financial assets. "Cash and cash equivalents", "Trade receivables", "Other receivables" and "Receivables from service concession arrangements" are classified as financial assets and "Trade payables", "Other payables" and "Borrowings" are measured at amortised cost using the effective interest method. Gains and losses recognised as a result of the fair value adjustments of financial assets and liabilities amortised at cost and non-derivative financial assets are included in the consolidated statement of profit or loss.

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

2.4 Summary of significant accounting policies (continued)

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments without a significant risk over the change in their value, whose maturity at the time of purchase is three months or less (Note 4). Cash and cash equivalents used in cash flow statement comprise cash and cash equivalents with short-term maturities of less than 3 months, excluding accrued interest income and blocked deposits.

- **Trade receivables**

Short-term trade receivables are measured at the invoice amount unless the effect of interest accrual is significant. In the circumstances that there is a situation which indicates that the Group will not be able to collect all amounts due, a provision for impairment is established for the trade receivables. The amount of such provision is the difference between the book value of the receivable and the collectible amount. The collectible amount is the current value of the expected cash flow, including the amounts to be collected from guarantees and collaterals, which is discounted based on the original effective interest rate of the initial receivable (Note 7).

When calculating the impairment of trade receivables, which are recognised based on the cost amortised in financial statements and do not include an important financing component (with maturities less than one year), Group has chosen the "simplified approach" in IFRS 9 standard. In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason. The Group uses a provision matrix in the calculation of expected credit losses. Provision rate is calculated based on the overdue days of trade receivables and the rates are revised each reporting period if necessary. Since the change in expected credit loss provisions is not material, it is not accounted in the consolidated statement of profit or loss. For each reporting period, the allowance is reassessed.

The Group collects certain parts of its receivables through factoring. From the receivables subject to factoring transactions, the amounts assumed by the factoring company in the risk of collection are deducted from the related receivable accounts. Due to the fact that the time between the sales dates and maturities of trade receivables subject to factoring transactions is insignificant, the business model of the related trade receivables has not been changed and has been accounted over the amortized cost.

- **Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost. Short-term trade payables are measured at invoice amount due to insignificance of interest accrual effect.

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

2.4 Summary of significant accounting policies (continued)

- **Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The long-term portion of the borrowing of the Group can be included in the short-term liabilities unless the necessary covenants, which cause the recall of the borrowing given by the related financial institute (event of default exercises), are not met about the borrowing taken on and before the reporting date. Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

When the financial liabilities are modified and after the modification, financial liabilities do not meet the derecognition criterias, any costs or fees occured regarding these liabilities is deducted from the carrying amount of the liability and amortised during the terms of the modificated loan agreement.

Financial assets and liabilities at fair value through profit or loss

The financial assests of the Group which are carried at fair value include derivative instruments that are not subject to hedge accounting. Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Gains or losses arising from the valuation of these kinds of assets are recognized in the consolidated statement of profit or loss. Derivative instruments which are carried at fair value through profit or loss include cross currency swap transactions. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative.

Financial assets and liabilities at fair value through other comprehensive income

The financial assets of the Group which are carried at fair value include derivative instruments that are subject to hedge accounting. Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Gains and losses arising from the valuation of these kinds of assets are accounted as other comprehensive income/expense in the consolidated statement of comprehensive income related to cash flow hedge. Derivative instruments which are accounted in other comprehensive income include interest rate swap transactions and cross currency swap transactions. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative (Note 18).

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

2.4 Summary of significant accounting policies (continued)

- **Cash flow hedge**

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair values of derivatives that are designated as cash flow hedges and qualified as effective, are recognised in equity as "hedge reserves". The ineffective portion is recognised as profit or loss in profit for the period. Where the forecasted transaction or firm commitment results in the recognition of an asset or a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated statement of profit or loss in the period in which the hedged firm commitment or forecasted transaction affects the consolidated statement of profit or loss.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the consolidated statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in the consolidated statement of other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss (Note 18).

v) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

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

2.4 Summary of significant accounting policies (continued)

v) Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

y) Segment reporting

The Group management has determined the reportable segments of the Group as electricity distribution, natural gas distribution, retail and wholesale electricity sales, and production and trade according to activity groups. The Group management may change the structure of segment reporting, if they reach the conclusion that new structure may affect financial statement users' decisions and/or it will be useful during the review of financial statements. As the assets of the Group are located mainly in Turkey, no geographic segmental information is considered necessary (Note 3).

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

2.5 Going concern assumption

The gross profit and EBITDA of the Group are TL 1,863,112 and TL 3,708,673 respectively as at 31 December 2021. The Group has TL 131,726 of retained earnings and TL 146,774 of net loss for the equity holders of the parent as at and for the year ended 31 December 2021. Besides, the Group's current liabilities exceeds its current assets by TL 3,030,455.

In order to reduce short-term debts and to provide resources for new investments, the Company management, as per the material event disclosure dated 29 April 2021, pursuant to the authorization given by Article 6 of the Company's Articles of Association, the registered capital of the Company, determined as 6,000,000 TL. It has been decided to increase its issued capital, which is 2,000,000 TL, within the ceiling, to 2,500,000 TL by increasing it by 500,000 TL (25%) by being fully covered in cash. In the CMB's bulletin dated 5 August 2021 and numbered 2021/38, it was announced that the Company's registration statement regarding the paid capital increase was approved. In addition, the Company aims to extend the maturity of some of its short-term debts, with dividend income from its short-term long-term projects abroad and cash from domestic and foreign financing resources it focuses on. As per the material event disclosure dated 1 May 2021, the sale of the bond (Eurobond) with a nominal value of USD 300,000,000, which was issued by Zorlu Yenilenebilir Enerji AŞ, a 100% subsidiary of the Company, to be offered for sale abroad, was completed on 1 June 2021.

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

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

2.6 Comparatives and restatement of prior year financial statements

The 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. For the purposes of effective comparison, comparative consolidated financial statements can be reclassified when deemed necessary, where descriptions on significant differences are disclosed.

The Group has performed the following reclassifications:

- Payables amounts to TL 4,433 in short-term other payables to third parties and TL 17,503 in long-term other payables in the Group's consolidated statement of financial position as of 31 December 2020 are reclassified to short-term financial liabilities and long-term financial liabilities, respectively.
- Construction in progress related to OEDAŞ amounts to TL 79,639 in tangible assets in the Group's consolidated statement of financial position as of 31 December 2020 are reclassified to other contract assets.
- TL 61,738 of the investment inventories related to electricity and natural gas distribution segment amounts to TL 83,588 in tangible assets in the Group's consolidated statement of financial position as of 31 December 2020 is reclassified to inventories and remaining portion of TL 21.850 is reclassified to other current assets.

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

2.6 Comparatives and restatement of prior year financial statements (continued)

- Short term other receivables from related parties amounts to TL 3,066 in the Group's consolidated statement of financial position as of 31 December 2020, is reclassified to short term other receivables from third parties.
- Long term other receivables from related parties amounts to TL 102,395 in the Group's consolidated statement of financial position as of 31 December 2020, is reclassified to long term other receivables from third parties.

2.7 Critical accounting estimates, assumptions and judgments

The preparation of consolidated financial statement requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. 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 key assumption concerning the future and other key sources of estimation uncertainity at the reporting date and the significant judgments are set out below:

a) Deferred tax asset on cumulative tax losses

Deferred tax assets are accounted for only where it is likely that related temporary differences and accumulated losses will be recovered through expected future profits. When accounting for deferred tax assets it is necessary to make critical estimations and evaluations with regard to taxable profits in the future periods. As at 31 December 2021 according to the future projections, deferred tax assets are recognized on the carryforward tax losses amounts to TL 7,623,980 (31 December 2020: TL 3,687,055). Deferred tax asset is not recognized carryforward tax losses for the remaining TL 669,077 (31 December 2020: TL 509,637) (Note 21).

b) Cash flow hedge

As explained in Note 18, the Group uses bond and investment loans amounting USD 891,100 thousand and as a hedging instrument against the USD spot exchange rate risk the Group is exposed to due to highly probable YEKDEM sales income, and applies cash flow hedge accounting as a result of the effectiveness tests performed. The estimations in budgets for YEKDEM sales income used for effectiveness test include estimations such as sales quantities and production capacity.

c) Explanations for revaluation method and fair value measurement

Group has chosen revaluation method among application methods mentioned under IAS 16 with respect to measurement and disclosure of the Group's power plants at fair value commencing from 31 December 2013. On 31 December 2021, A A Baig & Co. Chartered Accountants was given the authority to determine the market value of the power plant belonging to Zorlu Enerji Pakistan, Aden Gayrimenkul Değerleme ve Danışmanlık AŞ ("Aden Gayrimenkul") was given the authority to determine the Zorlu Enerji, Zorlu Doğal, Zorlu Jeotermal and Rotor's power plants installed in Turkey. The cost method was used for the valuation of plants that belong to Zorlu Enerji, and the income method (Discounted cash flows-DCF) was used for the valuation of other plants.

Regarding the assumptions used in the valuation of power plants other than the power plant owned by Zorlu Enerji Pakistan; USD weighted average cost of capital ratio: 9.25%, and in the valuation of Zorlu Enerji Pakistan's power plant, USD weighted average cost of capital ratio: 9.92%.

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

2.7 Critical accounting estimates, assumptions and judgments (Continued)

Within the frame of these valuations, the following basic assumptions have been used:

					Valuation assumptions		
Companies	**Valuated power plant type**	**Valuation period**	**Valuation company**	**Valuation method**	**Weighted capital cost rate (%) (USD)**	**Electricity Sales Price (cent/kWh)(*)**	**Electricty Sales Volume (kWh/year)**
Zorlu Doğal	Kızıldere II Geothermal Energy Power Plant	31.12.2021	Aden Gayrimenkul	DCF	9.25	6.5 - 10.5 cent	448,687,200
Zorlu Doğal	Kızıldere III Geothermal Energy Power Plant	31.12.2021	Aden Gayrimenkul	DCF	9.25	6.5 - 11.2 cent	1,025,077,680 – 1,067,789,250
Zorlu Doğal	Tokat/Ataköy Hydroelectric Energy Power Plant	31.12.2021	Aden Gayrimenkul	DCF	9.25	6.5 - 8.5 cent	7,873,166
Zorlu Doğal	Eskişehir/Beyköy Hydroelectric Energy Power plant	31.12.2021	Aden Gayrimenkul	DCF	9.25	6.5 - 8.5 cent	43,488,144
Zorlu Doğal	Kars/Çıldır Hydroelectric Energy Power Plant	31.12.2021	Aden Gayrimenkul	DCF	9.25	6.5 - 8.5 cent	15,904,236
Zorlu Doğal	Rize/İkizdere Hydroelectric Energy Power Plant	31.12.2021	Aden Gayrimenkul	DCF	9.25	6.5 - 8.5 cent	109,750,615
Zorlu Doğal	Erzurum/Kuzgun Hydroelectric Energy Power Plant	31.12.2021	Aden Gayrimenkul	DCF	9.25	6.5 - 8.5 cent	22,542,218
Zorlu Doğal	Tunceli/Mercan Hydroelectric Energy Power Plant	31.12.2021	Aden Gayrimenkul	DCF	9.25	6.5 - 8.5 cent	72,169,610
Zorlu Doğal	Erzincan/Tercan Hydroelectric Energy Power Plant	31.12.2021	Aden Gayrimenkul	DCF	9.25	6.5 - 8.5 cent	36,240,120
Rotor	Gökçedağ Wind Energy Power Plant	31.12.2021	Aden Gayrimenkul	DCF	9.25	6.5 - 8.5 cent	349,458,300
Zorlu Jeotermal	Alaşehir I Geothermal Energy Power Plant	31.12.2021	Aden Gayrimenkul	DCF	9.25	6.5 - 10.5 cent	256,269,420 – 264,035,160
Zorlu Enerji Pakistan	Jhimpir Wind Energy Power Plant	31.12.2021	A A Baig & Co. Chartered Accountants	DCF	9.92	6.7 - 13.5 cent	159,010,000

(*) Represents the minimum and maximum sales volume which was used in DCF calculation.

Should the electricity prices used in the projections increased or decreased by 10% and if all other variables are held constant, property, plant and equipment amount recognised in consolidated financial statements would have been increased by TL1,153,989 or decreased by TL1,150,653. Should the electricity sales volumes increased or decreased by 10% and if all other variables are held constant, property, plant and equipment amount recognised in consolidated financial statements would have been increased by TL1,674,420 or decreased by TL1.676.291. Should the rate of weighted average cost of capital increased or decreased by 10% and if all other variables are held constant, property, plant and equipment amount recognised in consolidated financial statements would have been decreased by TL800,815 or increased by TL870,997.

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

2.7 Critical accounting estimates, assumptions and judgments (Continued)

d) Uninvoiced sales

The costs of active energy and retail sale services provided to the customer but not invoiced are recognised at estimated amounts. Unbilled electricity costs of active energy and retail sale services are reflected in the consolidated financial statements by multiplying the relevant period's tariff prices by the difference between the date of the customer's most recent meter reading and the last day of the relevant period.

e) Provisions

The Group management is reflecting the best estimation to the consolidated financial statements based on the best available data and results might differ when fulfilling the liabilities. As at 31 December 2021, the Group is subject to certain lawsuits. Depending on the reviews of legal counsels, Group is evaluating the probable results of these lawsuits and reserving required provisions in consolidated financial statements.

f) Goodwill impairment

In accordance with the aforementioned accounting policy in Note 2.4, the Group reviews the goodwill for impairment once a year or more frequently if the conditions indicate impairment. Recoverable values of cash generating units are determined based on the fair value calculations. Fair value calculations include cash flow projections after discounted tax, and these projections, which are determined in TL, are based on the long-term plans prepared by the Group management. As at 31 December 2021, the results of the impairment tests (details provided below) carried out on the basis of cash-generating units do not indicate goodwill impairment.

OEDAŞ:

OEDAŞ operations were found to be separate cash generating unit, and the recoverable amount of the cash generating units were determined based on fair value calculations. Fair value calculations included cash flow projections during the licence period, and the projections in TL were based on the long-term plans prepared by the Group. For the fair value calculations, the cost of capital rate for OEDAŞ was considered to be variable from year to year and to be between 26% and 17%, and the inflation rate was considered to be 39% for the year 2021, %24 for the year 2022 and to be variable from between %11 and % 16 for the further periods. The Group also considered cost efficiency in its said fair value calculations, and accepted that expense efficiency was fixed at an average of 26% annually. For the said fair value calculations, the inflation rate used to calculate discounted cash flows being 1% higher/lower causes a increase/decrease of TL308 million/ TL285 million, and cost of capital rate being 1% higher/lower causes an decrease/increase of TL106 million/ TL110 million in the equity value calculated on discounted cash flow of the OEDAS. Said expense efficiency being 1% higher/lower causes a TL25 million increase/decrease in the equity value calculated on discounted cash flow of the OEDAS. As a result of sensitivity analysis carried out on the basis of all scenario do not indicate goodwill impairment.

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

2.7 Critical accounting estimates, assumptions and judgments (Continued)

OEPSAŞ:

OEPSAŞ's activities are considered as separate cash generating units, and recoverable amount of these cash generating units were determined based on fair value calculations. Fair value calculations included cash flow projections during the licence period, and the projections in TL were based on the long-term plans prepared by the Group. In the cash flow projections used in the fair value calculations, the individual customer profit margin rate is 2.5% in 2021, stabilizied by the end of the license period and continues to trend downward. For OEPSAŞ, the cost of capital rate is variable by year and is considered to be 22%-14%. The individual customer profit margin rate used to calculate discounted cash flows being 1% lower/higher causes a decrease/increase of TL104 million in the equity value calculated on discounted cash flow of the OEPSAS. The cost of capital rate used in the said fair value calculations being 1% higher/lower causes a TL15 million/ TL16 million decrease/increase in the equity value calculated on discounted cash flow of the OEPSAS. As a result of sensitivity analysis carried out on the basis of all scenario do not indicate goodwill impairment.

TRAKYA:

Trakya's operations were found to be separate cash generating unit, and the recoverable amount of the cash generating units were determined based on fair value calculations. Fair value calculations included cash flow projections during the licence period, and the projections in TL were based on the long-term plans prepared by the Group. For the fair value calculations, the capital cost rate for Trakya was considered to be variable from year to year and to be between 17% and 14%, and the inflation rate was considered to be variable from year to year and to be between 36% and 11% after 2021. The Group also considered expense efficiency in its said fair value calculations, and accepted that expense efficiency was at an average of 1.97%. For the said fair value calculations, the inflation rate used to calculate discounted cash flows being 10% higher/lower causes a increase/decrease of TL539,433/TL262,003, and WACC being 10% higher/lower causes a decrease/increase of TL128,017/TL 149,480. Said expense efficiency being 10% higher/lower causes a decrease/increase of TL26,033/TL28,636.

GAZDAŞ:

Gazdaş's operations were found to be separate cash generating unit, and the recoverable amount of the cash generating units were determined based on fair value calculations. Fair value calculations included cash flow projections during the licence period, and the projections in TL were based on the long-term plans prepared by the Group. For the fair value calculations, the capital cost rate for Gazdaş was considered to be variable from year to year and to be between 17% and 14%, and the inflation rate was considered to be variable from year to year and to be between 36% and 11% after 2021. The Group also considered expense efficiency in its said fair value calculations, and accepted that expense efficiency was at an average of 2.73%. For the said fair value calculations, the inflation rate used to calculate discounted cash flows being 10% higher/lower causes a increase/decrease of TL461,199/TL212,654 and WACC being 10% higher/lower causes a decrease/increase of TL128,017/TL149,480. Said expense efficiency being 10% higher/lower causes a increase/decrease of TL16,531.

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

2.7 Critical accounting estimates, assumptions and judgments (Continued)

TEDARİK:

Zorlu Doğal Gaz Tedarik's operations were found to be separate cash generating unit, and the recoverable amount of the cash generating units were determined based on fair value calculations. Fair value calculations included cash flow projections during the licence period, and the projections in TL were based on the long-term plans prepared by the Group. For the fair value calculations, the capital cost rate for Zorlu Doğal Gaz Tedarik was considered to be fixed as 20.7%. For the said fair value calculations, the inflation rate used to calculate discounted cash flows being 10% higher/lower causes a increase/decrease of TL85,409 and WACC being 10% higher/lower causes a decrease/increase of TL108,030/TL145,560.

2.8 Seasonality of operations

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

2.9 Financial risk management

Financial risk factors

The Group is subject to with various financial risks including liquidity risk, market risk (foreign currency risk and interest rate risk), funding risk, capital risk management and credit risk. The Group's entire risk management program focuses on the unpredictability of financial markets and aims to minimize the potential negative effects on the Group's financial performance.

The Group also benefits from derivative financial instruments to hedge against various risks.

(a) Liquidity risk

The Group continuously monitors and manage the risks by conducting periodic analysis studies on the liquidity risks that the Group may be exposed to, such as not being able to provide sufficient cash and securities in the sense of business continuity, not finding sufficient funding in order to balance cash flow and weakening the ability to close open positions.

Table below is Group's breakdown of liabilities according to their contractual maturity is based on the maturity dates from the date. The Group management considers that all the financial assets shown above liquidity risk that are not impaired for each of the reporting dates under review are of good credit quality.

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

2.9 Financial risk management (continued)

(a) Liquidity risk (continued)

Non-derivative financial liabilities (1)(2):

As at 31 December 2021 and 2020, the analysis of Group's financial liabilities according to their maturities is as follows:

2021	Book value	Total cash outflows in accordance with contract	Less than 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	23,573,026	30,587,115	1,861,159	4,447,599	19,071,923	5,206,434
Lease liabilities	206,729	483,949	18,261	36,731	113,592	315,365
Trade payables	2,189,914	2,189,914	2,189,914	--	--	--
Other payables	1,242,163	1,242,163	1,235,798	--	6,365	--
	27,211,832	**34,503,141**	**5,305,132**	**4,484,330**	**19,191,880**	**5,521,799**

2020	Book value	Total cash outflows in accordance with contract	Less than 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	14,488,100	18,520,756	1,830,098	3,686,311	10,031,306	2,973,041
Lease liabilities	55,083	176,143	3,123	18,085	45,452	109,483
Trade payables	1,814,581	1,814,581	1,814,581	--	--	--
Other payables	1,334,410	1,334,410	1,334,410	--	--	--
	17,692,174	**21,845,890**	**4,982,212**	**3,704,396**	**10,076,758**	**3,082,524**

(1) Maturity analysis has been applied on financial instruments and this analyse does not include legal liabilities.

(2) Amounts above are cash flows which has not been discounted belongs to contracts. Since discounted amounts are on immetarial level, balances with maturity less than 3 months are equvivalent to their book value.

Derivative financial liabilities (1)(2):

2021	Book value	Less than 3 months	3-12 months	1-5 years	Over 5 years
Derivative financial liabilities held for hedging	(272,105)	(60,332)	(49,199)	(135,433)	(27,141)
Derivative financial assets held for hedging	57,115	--	57,115	--	--

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

2.9 Financial risk management (Continued)

(a) Liquidity risk (continued)

2020	Book Value	Less than 3 months	3-12 months	1-5 years	Over 5 years
Derivative financial liabilities held for hedging	(327,308)	(36,763)	(47,093)	(185,003)	(58,449)
Derivative financial assets held for hedging	3,749	--	3,749	--	--

(b) Market risk

Interest rate risk

The Group is exposed to interest risk at national and international markets due to its funding of its investments with various financing sources. Considering that corporate investments are financed from non-capital resources, an increase in interest rates seems to be an important risk factor. In order to minimize the foreign exchange risk, the Group has uses interest rate swap derivatives.

The Group's interest rate position is as of 31 December 2021 and 2020 as follows:

	2021	2020
Fixed interest rate financial instruments		
Cash and cash equivalents	619,270	438,507
Financial assets	264,187	244,922
Other receivables	713,934	493,300
Financial liabilities	(9,137,158)	(5,135,657)
Variable interest rate financial instruments		
Other receivables	2,963,860	1,576,978
Receivables from service concession arrangements	4,025,891	2,883,796
Other payables to related parties	(14,134)	(367,998)
Financial liabilities (*)	(14,642,597)	(9,407,526)
Security deposits received	(1,223,273)	(966,258)

(*) The borrowings with variable interest rates amounts to TL 6,644,841 whose interest rate is fixed are taken into consideration in the variable rate financial borrowings.

If interest rates of borrowings with floating rates had been 100 basis points higher/lower with all other variables held constant, loss before taxation of the Group would be TL 79,978 higher/lower (2020: TL 65,341 lower/ higher).

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

2.9 Financial risk management (Continued)

Foreign exchange risk

The sources used by the Group in financing its investments are predominantly foreign currency denominated. The Group is exposed to foreign exchange risk arising from the translation of the amounts denominated in USD and EUR. In order to eliminate these risks, protection policies are applied in order to use various derivative instruments. In addition, foreign exchange losses arising from borrowings of the Companies which sell electricy in scope of YEKDEM have been hedged by the foreign exchange gains arising from the sales indexed to USD mainly (Note 18).

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

	31 December 2021	**31 December 2020**
Assets	5,070,401	2,687,963
Liabilities	(20,222,978)	(11,076,039)
Net position of derivative instruments	188,706	(139,619)
Foreign currency position, (net)	**(14,963,871)**	**(8,527,695)**

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

2.9 Financial risk management (Continued)

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

	31 December 2021					31 December 2020				
	TL equivalent	**USD**	**Euro**	**NIS**	**JPY**	**TL equivalent**	**USD**	**Euro**	**NIS**	**JPY**
Cash and cash equivalents	959,262	71,845	1,824	26	1	446,200	58,948	1,495	11	1
Trade receivables	81,603	6,107	160	-	--	12,108	1,247	328	--	--
Due from related parties - short-term	789,836	54,926	5,067	632	--	890,346	91,583	24,210	--	--
Due from related parties - long-term	3,141,044	184,495	20,267	107,419	--	1,330,116	141,497	5,066	107,412	--
Other	98,656	6,938	587	-	--	9,193	829	345	--	--
Total assets	**5,070,401**	**324,311**	**27,905**	**108,077**	**1**	**2,687,963**	**294,104**	**31,444**	**107,423**	**1**
Trade payables	603,620	42,458	3,584	--	--	257,951	31,625	2,865	--	--
Short-term financial liabilities	3,458,278	250,191	14,400	--	--	2,440,448	275,764	46,204	--	--
Short term other payables	13	1	-	--	--	17,764	2,420	--	--	--
Due to related parties	6,365	490	-	--	--	21,127	2,878	--	--	--
Long-term financial liabilities	16,154,702	1,223,327	19,001	--	--	8,338,749	1,102,914	26,955	--	--
Total liabilities	**20,222,978**	**1,516,467**	**36,985**	**--**	**--**	**11,076,039**	**1,415,601**	**76,024**	**--**	**--**
Net position of derivative financial instruments	**188,706**	**14,541**	--	--	--	**(139,619)**	**(24,572)**	**4,524**	**--**	**--**
Net foreign currency position	**(14,963,871)**	**(1,177,615)**	**(9,080)**	**108,077**	**1**	**(8,527,695)**	**(1,146,069)**	**(40,056)**	**107,423**	**1**

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

2.9 Financial risk management (Continued)

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

	31 December 2021 Profit or loss		31 December 2021 Equity	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In case of 10% appreciation / depreciation USD against TL:				
USD net asset/(liability)	(1,528,250)	1,528,250	(1,528,250)	1,528,250
Amount hedged for USD risk (-)	1,156,425	(1,156,425)	-	-
USD net effect	**(371,825)**	**371,825**	**(1,528,250)**	**1,528,250**
In case of 10% appreciation / depreciation of EUR against TL:				
EUR net asset/(liability)	(13,332)	13,332	(13,332)	13,332
Amount hedged for EUR risk (-)	-	-	-	-
EUR net effect	**(13,332)**	**13,332**	**(13,332)**	**13,332**
In case of 10% appreciation / depreciation of NIS against TL:				
NIS net asset/(liability)	45,195	(45,195)	45,195	(45,195)
Amount hedged for NIS risk (-)	-	-	-	-
NIS net effect	**45,195**	**(45,195)**	**45,195**	**(45,195)**
Total net effect	**(339,962)**	**339,962**	**(1,496,387)**	**1,496,387**

As at 31 December 2021, the Group uses bond and investment loans amounting to USD 891,100 thousand (31 December 2020: USD 914,202 thousand) as a hedging instrument against the USD spot exchange rate risk the Group is exposed to due to highly probable YEKDEM sales income, and applies cash flow hedge accounting as a result of the effectiveness tests performed.

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

2.9 Financial risk management (Continued)

	31 December 2020 Profit or loss		31 December 2020 Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation / depreciation USD against TL:				
USD net asset/(liability)	(841,272)	841,272	(841,272)	841,272
Amount hedged for USD risk (-)	671,070	(671,070)	--	--
USD net effect	**(170,202)**	**170,202**	**(841,272)**	**841,272**
In case of 10% appreciation / depreciation of EUR against TL:				
EUR net asset/(liability)	(36,082)	36,082	(36,082)	36,082
Amount hedged for EUR risk (-)	--	--	--	--
EUR net effect	**(36,082)**	**36,082**	**(36,082)**	**36,082**
In case of 10% appreciation / depreciation of NIS against TL:				
NIS net asset/(liability)	24,585	(24,585)	24,585	(24,585)
Amount hedged for NIS risk (-)	--	--	--	--
NIS net effect	**24,585**	**(24,585)**	**24,585**	**(24,585)**
Total net effect	**(181,699)**	**181,699**	**(852,769)**	**852,769**

(c) Funding risk

The Group makes long term investments as a matter of normal course of business. The financing needs of these investments are met with liquid assets and and risks such as not being able to find funds on favorable terms for the project financing loan, the fact that the maturity of current loans can not be made according to the maturity of the assets and the lack of an optimum balance between assets and resources is being followed.

(d) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Group sets the amounts of capital in proportion to its overall financing structure i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid the shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

2.9 Financial risk management (Continued)

As of 31 December 2021 and 2020, nebt debt to equity ratio is as follows:

	31 December 2021	31 December 2020
Financial liabilities (Note 6)	23,779,755	14,543,183
Other payables to related parties (Note 27) (*)	14,134	61,562
Less: Cash and cash equivalents (Note 4)	(1,171,070)	(728,314)
Less: Financial assets (Note 11)	(298,976)	(258,578)
Net debt	**22,323,843**	**13,617,853**
Total equity	**7,194,503**	**3,370,157**
Net debt to equity ratio	**3.1**	**4.0**

(*) The financial debt which is a capital advance amounting to TL 306,436, incurred by Zorlu Holding, has not been taken into account in the calculation as of 31 December 2020.

(e) Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized at the financial position date.

The possession of financial instruments also carries the risk of not meeting the requirements of the other party. The Group management meets these risks by restricting the average risk for each negotiated counterparty and by obtaining collateral if necessary.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

2.9 Financial risk management (Continued)

	Receivables						
	Trade receivables		Service concession arrangements		Other receivables		
Credit risks exposed through types of financial instruments	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Cash at bank**
Maximum credit risk exposed as of balance sheet date as of 31 December 2021 (A+B+C+D)	**182,302**	**2,715,706**	**--**	**4,025,891**	**3,986,383**	**185,657**	**1,171,937**
- The part of maximum risk under guarantee with collaterals, etc	**--**	**1,060,279**	**--**	**--**	**--**	**--**	**--**
A. Net book value of financial assets that are neither past due nor impaired	182,302	2,128,653	--	4,025,891	3,986,383	185,657	1,171,937
B. Net book value of financial assets that are renegotiated, if not that will be accepted as part due or impaired	--	587,053	--	--	--	--	--
- The part under guarantee with collaterals, etc	--	396,500	--	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--	--	--
- Past due (gross carrying amount)	--	119,484	--	--	--	--	--
- Impairment (-)	--	(119,484)	--	--	--	--	--
- The part under guarantee with collaterals, etc	--	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- The part under guarantee with collaterals, etc	--	--	--	--	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--	--	--	--

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

2.9 Financial risk management (Continued)

		Receivables						
		Trade receivables		Service concession arrangements		Other receivables		
	Credit risks exposed through types of financial instruments	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Cash at bank**
	Maximum credit risk exposed as of balance sheet date as of 31 December 2020 (A+B+C+D)	**59,737**	**1,407,542**	**--**	**2,883,796**	**2,190,991**	**152,308**	**728,314**
-	**The part of maximum risk under guarantee with collaterals, etc**	**--**	**818,806**	**--**	**--**	**--**	**--**	**--**
A.	Net book value of financial assets that are neither past due nor impaired	59,737	972,613	--	2,883,796	2,190,991	152,308	728,314
B.	Net book value of financial assets that are renegotiated, if not that will be accepted as part due or impaired	--	434,929	--	--	--	--	--
-	The part under guarantee with collaterals, etc	--	347,953	--	--	--	--	--
C.	Net book value of impaired assets	--	--	--	--	--	--	--
-	Past due (gross carrying amount)	--	112,408	--	--	--	--	--
-	Impairment (-)	--	(112,408)	--	--	--	--	--
-	The part under guarantee with collaterals, etc	--	--	--	--	--	--	--
-	Not past due (gross carrying amount)	--	--	--	--	--	--	--
-	Impairment (-)	--	--	--	--	--	--	--
-	The part under guarantee with collaterals, etc	--	--	--	--	--	--	--
D.	Off-balance sheet items with credit risk	--	--	--	--	--	--	--

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

2.9 Financial risk management (Continued)

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The fair values of financial instruments that are not traded in an active market have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate fair value. Accordingly, the estimates presented herein may differ from the amounts the Group could realise in a current market exchange.

Monetary assets

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

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

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

Monetary liabilities

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

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

Fair value estimation:

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

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

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

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

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

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

2.9 Financial risk management (Continued)

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

Derivative financial instruments	31 December 2021	31 December 2020
Level 1	--	--
Level 2	(214,990)	(323,559)
Level 3	--	--
	(214,990)	**(323,559)**

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

Property, plant and equipment	31 December 2021	31 December 2020
Level 1	--	--
Level 2	439,985	255,838
Level 3	17,441,296	9,806,045
	17,881,281	**10,061,883**

NOTE 3 - SEGMENT REPORTING

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

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

1 January – 31 December 2021	Electricity Distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation Total
Revenue	1,493,648	2,612,161	6,560,882	3,444,641	(2,476,524)	11,634,808
Cost of sales	(1,304,598)	(2,646,749)	(6,320,146)	(1,954,486)	2,454,283	(9,771,696)
Gross profit	189,050	(34,588)	240,736	1,490,155	(22,241)	1,863,112
Operating expenses	(119,547)	(54,468)	(118,257)	(129,995)	22,326	(399,941)
Amortisation and depreciation expenses (*)	25,872	6,621	1,770	591,668	--	625,931
Interest income from distribution activities (**)	291,357	151,388	--	--	--	442,745
Indexation difference on receivables from service concession arrangements (**)	898,734	278,092	--	--	--	1,176,826
EBITDA	1,285,466	347,045	124,249	1,951,828	85	3,708,673

1 January – 31 December 2020	Electricity Distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation total
Revenue	1,367,436	1,813,401	4,468,484	2,523,880	(1,594,088)	8,579,113
Cost of sales	(1,052,274)	(1,798,878)	(4,224,548)	(1,586,033)	1,583,580	(7,078,153)
Gross profit	315,162	14,523	243,936	937,847	(10,508)	1,500,960
Operating expenses	(81,581)	(44,323)	(90,755)	(89,374)	4,950	(301,083)
Amortisation and depreciation expenses (*)	16,918	9,019	4,030	508,471		538,438
Interest income from distribution activities (**)	222,422	108,065	--	--	--	330,487
Indexation difference on receivables from service concession arrangement (**)	242,136	94,940	--	--	--	337,076
EBITDA	715,057	182,224	157,211	1,356,944	(5,558)	2,405,878

31 December 2021	Electricity distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation Total
Segment assets	4,044,728	3,522,755	1,805,915	34,686,020	(8,616,032)	35,443,386
Associates	--	--	--	1,181,148	--	1,181,148
Segment liabilities	2,475,458	3,628,217	1,333,922	24,824,183	(2,831,749)	29,430,031

31 December 2020	Electricity distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation Total
Segment assets	3,065,291	1,933,266	1,374,735	22,962,273	(7,338,803)	21,996,762
Associates	--	--	--	681,368	--	681,368
Segment liabilities	2,165,341	3,052,725	1,126,090	16,585,333	(3,621,516)	19,307,973

(*) The amortisation and depreciation expense amounts to TL 625,931 (31 December 2020: TL 538,438) has been presented in operating expenses, and amount of TL 140,075 (31 December 2020: TL 130,363) has been presented in other operating expenses.

(**) Interest income from distribution activities and indexation difference on receivables from service concession arrangement which are related to OEDAŞ, Gazdaş and Trakya amounts to TL 442,745 (31 December 2020: TL 330,487) and TL 1,176,826 (31 December 2020: TL 337,076) respectively which are presented in the other income are considered in EBITDA calculation.

NOTE 3 - SEGMENT REPORTING (Continued)

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

	31 December 2021	31 December 2020
EBITDA (*)	3,708,673	2,405,878
Amortisation and depreciation expenses	(766,006)	(668,801)
Financial income/(expenses), net	(2,965,052)	(1,688,957)
Other operating income/(expenses), net	(277,586)	(42,587)
Share of profit of associates	29,491	50,679
Income/(loss) before tax from continued operations	**(270,480)**	**56,212**

(*) The Group's Israel investments have been accounted using equity method and EBITDA related to these investments amounting TL 341,762 (31 December 2020: TL 265,825) was not taken into consideration in Group's total EBITDA.

NOTE 4- CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash	133	--
Banks		
- Time deposits	619,270	438,507
- Demand deposits	551,667	289,807
	1,171,070	**728,314**

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

	31 December 2021 (%)	31 December 2020 (%)
USD	0.30	0.05
PKR	5.65	5.71
TL	14.40	11.60
Euro	0.01	--

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

	31 December 2021	31 December 2020
Cash and cash equivalents	1,171,070	728,314
Less: Restricted cash (*)	(9,426)	(18,405)
	1,161,644	**709,909**

(*) Total restricted cash balance is TL 308,402 of Group together with the restricted cash amounts to TL 298,976 (Note 11) under the short-term financial investments.

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 - 31 December 2021	1 January - 31 December 2020
Indexation differences of deposits received (Note 8)	155,466	66,458
Amortisation of loan commissions	81,110	63,371
Income/expense from investment expenditures (Note 22, 23), net	(134,391)	(79,282)
Indexation differences of receivables from service concession agreements (Note 5)	(1,176,826)	(337,076)
Others	--	(1,676)
	(1,074,641)	**(288,205)**

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

	1 January - 31 December 2021	1 January - 31 December 2020
Commission paid related to borrowings	(148,741)	(92,169)
Change in restricted deposits	(31,419)	(257,284)
	(180,160)	**(349,453)**

NOTE 5 - RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT

	31 December 2021	31 December 2020
Short-term receivables from service concession arrangement	694,125	349,605
Long-term receivables from service concession arrangement	3,331,766	2,534,191
	4,025,891	**2,883,796**

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

As at 31 December 2021, TL 3,059,373 of the receivables from service concession arrangement is related to OEDAŞ (31 December 2020: TL 2,139,255) and TL966,518 is related to Gazdaş and Trakya (31 December 2020: TL744,541).

NOTE 5 - RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT (Continued)

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

	31 December 2021	31 December 2020
Up to 1 years	694,125	349,605
Between 1 to 3 years	1,388,250	699,210
Between 3 to 5 years	1,388,250	699,210
More than 5 years	555,266	1,135,771
	4,025,891	**2,883,796**

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

	1 January - 31 December 2021	1 January - 31 December 2020
Opening balance	**2,883,796**	**2,308,845**
Gross investments	604,625	593,554
Subscriber connection fee	(61,813)	(45,367)
Net investment	542,812	548,187
Collections (-)	(577,543)	(310,312)
Indexation differences	1,176,826	337,076
Closing balance	**4,025,891**	**2,883,796**

NOTE 6 - FINANCIAL LIABILITIES

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

	31 December 2021	31 December 2020
Short-term bank borrowings	905,107	1,020,878
Issued bonds	164,037	412,147
Other issued securities	165,978	119,773
Short-term financial payables to related parties (Note 27)	35,551	41,886
Total short-term financial liabilities	**1,270,673**	**1,594,684**
Short-term portion of long-term bank borrowings	3,277,643	2,661,172
Issued bonds (*)	1,006,354	214,299
Lease liabilities	50,888	19,922
Total short-term portion of long term financial liabilities	**4,334,885**	**2,895,393**
Long-term bank borrowings	14,337,735	9,969,103
Lease liabilities	155,841	35,161
Issued bonds (*)	3,680,621	48,842
Total long-term financial liabilities	**18,174,197**	**10,053,106**
Total financial liabilities	**23,779,755**	**14,543,183**

(*) On 1 June 2021, the Group has issued bonds amounting to USD 300,000 thousand with a maturity of 5 years, a coupon rate of 9% quoted on the Irish Stock Exchange and interest payment in every six months.

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

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
USD	24,922	37,665	8.23	7.77	323,425	276,480
EUR	--	749	--	5.94	--	6,747
TL	947,248	1,311,353	28.99	19.65	947,248	1,311,353
PKR	--	2,296	--	--	--	104
					1,270,673	**1,594,684**

NOTE 6 - FINANCIAL LIABILITIES (Continued)

The detail of short-term portion of long-term financial liabilities of the Group as at 31 December 2021 and 31 December 2020 is as follows:

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
USD	225,269	238,099	8.04	7.82	2,923,428	1,747,766
EUR	14,400	45,455	7.65	7.65	211,425	409,455
TL	1,182,545	729,029	18.47	17.94	1,182,545	729,029
PKR	221,904	201,130	10.55	9.88	16,037	9,143
NIS	347	--	5.50	--	1,450	--
					4,334,885	**2,895,393**

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

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
USD	1,223,327	1,102,914	8.70	8.04	15,875,724	8,095,940
EUR	19,001	26,955	7.79	5.88	278,978	242,809
TL	1,987,866	1,685,520	21.92	17.33	1,987,866	1,685,520
PKR	125,137	325,591	9.39	9.36	9,044	14,801
NIS	5,401	6,133	5.50	5.50	22,585	14,036
					18,174,197	**10,053,106**

Letters of guarantees given, pledges and mortgages related to financial liabilities are explained in Note 17.

The redemption schedule of the financial liabilities except lease liabilities as at 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021	31 December 2020
Up to 1 year	5,554,670	4,470,155
Up to 1 to 2 years	5,702,353	2,320,914
Up to 2 to 3 years	2,556,192	2,747,195
Up to 3 to 4 years	2,361,580	1,028,503
Up to 4 to 5 years	3,682,003	1,019,019
More than 5 years	3,716,228	2,902,314
	23,573,026	**14,488,100**

NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

	2021	2020
As at 1 January	**14,543,183**	**12,781,029**
Cash inflows from bank borrowings	1,729,274	1,779,144
Cash inflows from issued debt instruments	3,818,862	988,680
Cash outflows due to the repayment of bank borrowings	(4,118,492)	(2,404,997)
Cash outflows from debt repayments of issued debt instruments	(881,795)	(819,380)
Change of exchange differences and interest accuals	10,402,587	3,730,660
Interest paid	(1,795,838)	(1,467,992)
Cash outflows from debt repayments of lease agrrements	(40,027)	(30,352)
Payables related to lease liabilities	159,069	6,411
Interest interest expense of lease contract	30,563	8,778
Other classifications	(67,631)	(28,798)
31 December	**23,779,755**	**14,543,183**

The Group has an obligation to comply with the various loan commitments in the loan agreements. Financial ratios of the Group comply with the provisions of the loan agreements.

As of 31 December 2021, the carrying value of the variable rate financial liabilities are considered to approximate to their respective carrying values. As of 31 December 2021, the carrying value of fixed rate financial liabilities is TL 9,137,158 and fair value is TL 8,647,707.

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables:

	31 December 2021	31 December 2020
Trade receivables from related parties (Note 27)	182,302	59,737
	182,302	**59,737**
Trade receivables from third parties	2,777,999	1,470,247
Notes receivables and cheques	5,710	6,416
Less: Allowance for doubtful receivables	(119,484)	(112,408)
	2,664,225	**1,364,255**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movement for allowance for doubtful receivables is as follows:

	2021	2020
Opening Balance-1 January	**112,408**	**88,844**
Provisions related to the current period	27,888	31,072
Provision no longer required	(20,812)	(7,508)
Closing Balance-31 December	**119,484**	**112,408**

As of 31 December 2021, trade receivables amounting to TL119,484 (31 December 2020: TL112,408) have passed the due date and impaired. As of 31 December 2021 and 2020 the aging schedules are as follows:

	31 December 2021	31 December 2020
More than 12 months	119,484	112,408
	119,484	**112,408**

Past experience of the Group at collecting its receivables is considered in providing doubtful receivable provisions. The Group believes that no other trade receivable collection risk is present.

The Group has receivable that is past due but not impaired in the amount of TL587,053 (31 December 2020: TL434,929) and TL396,500 of the amount is under guarantee with collaterals (31 December 2020: TL347,953).

b) Long-term trade receivables:

	31 December 2021	31 December 2020
Income accruals for non-controlling expenses (*)	51,481	43,287
	51,481	**43,287**

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

c) Trade payables:

	31 December 2021	31 December 2020
Short term trade payables to related parties (Note 27)	80,775	54,024
Short term payables to third parties	2,109,139	1,760,557
	2,189,914	**1,814,581**

As of 31 December 2021 and 2020, the average maturity of trade payables is less than 3 months and unearned finance income from credit sales does not exist.

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

a) Short-term other receivables:

	31 December 2021	31 December 2020
Other receivables from related parties (Note 27)	911,429	933,287
Short-term other receivables	32,621	49,779
	944,050	**983,066**

b) Long-term other receivables:

	31 December 2021	31 December 2020
Other receivables from related parties (Note 27)	3,074,954	1,257,704
Long-term other receivables	153,036	102,529
	3,227,990	**1,360,233**

c) Short-term other payables:

	31 December 2021	31 December 2020
Deposit received	1,223,273	966,258
Other payables to related parties (Note 27)	7,769	367,998
Other short-term payables	4,756	154
	1,235,798	**1,334,410**

Movement for deposit received is as follows:

	2021	2020
1 January	**966,258**	**813,417**
Additions and payments, net	101,549	86,383
Indexation differences of deposits received (Note 24)	155,466	66,458
31 December	**1,223,273**	**966,258**

d) Long-term other payables:

	31 December 2021	31 December 2020
Other payables to related parties (Note 27)	6,365	--
	6,365	**--**

NOTE 9 - INVENTORIES

	31 December 2021	31 December 2020
Direct materials and merchandise	200,159	107,635
Trade goods and other	38,871	23,531
	239,030	**131,166**

NOTE 10 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 December 2021	31 December 2020
Insurance income accruals	76,068	38,294
Prepaid expenses	46,319	41,243
VAT receivable	38,577	25,725
Income accruals (*)	23,829	30,898
Investment inventories (**)	19,366	21,850
Assets related to current income tax	9,532	37
Other	6,722	11,077
	220,413	**169,124**

(*) Within the scope of inspection of TEDAŞ related to OEDAŞ for the years before 2017, an administrative fine amount to TL 23,829 was enacted regarding the invoices issued to general lighting customers, and the amount was fully paid as of 31 December 2021. Regarding the said administrative fine, OEDAŞ 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 OEDAŞ 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 for the portion amounts 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 OEDAŞ, 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.

(**) The investment inventories consist of the materials that have not been used in investments of the Company yet.

b) Other non-current assets:

	31 December 2021	31 December 2020
Revenue difference correction component (*)	11,069	13,283
Prepaid expenses	8,975	204
	20,044	**13,487**

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

NOTE 10 - OTHER ASSETS AND LIABILITIES (Continued)

c) Other current liabilities:

	31 December 2021	31 December 2020
Taxes and funds payable	176,699	125,036
Revenue difference correction component (*)	123,091	84,932
Due to personnel	18,272	17,415
Deferred revenue for non-controlling expenses	10,846	--
Deferred income	6,333	5,601
Advances received	3,950	1,015
Other	471	621
	339,662	**234,620**

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

NOTE 11 - FINANCIAL ASSETS

Short-term financial assets

	31 December 2021	31 December 2020
Financial assets (*)	298,976	258,578
	298,976	**258,578**

(*) The Group's total restricted deposits are TL 308,402 (31 December 2020: TL 276,983). TL 298,976 (31 December 2020: TL 258,578) of the restricted deposits are classified in the short-term financial investments and TL 9,426 (31 December 2020: TL 18,405) is classified in the cash and cash equivalents. The restricted deposits in financial investments are related to the bank borrowings which are 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") and Denizbank AŞ. amounts to TL 1,746 million, by Gazdaş and Trakya from Yapı Kredi Bankası ve Akbank TAŞ amounts to USD 216 million and by ZJ Ztrong from Bank Palestine amounts to NIS 6 million.
As at 31 December 2021, the weighted average interest rate for TL denominated time deposits amounts to TL 264,187 is 21.25% (31 December 2020:14.09%).

Long-term financial assets

	31 December 2021	31 December 2020
Long-term securities (*)	246	246
	246	**246**

(*) Zorlu Enerji participated with 246,291 shares (share amount: TL246) and in a ratio of 0.4% in the ownership of Enerji Piyasaları İşletme Anonim Şirketi (EPİAŞ) which is established with a capital of TL61,573 thousand.

The cost of the long-term securities converges to its fair value.

NOTE 12 – EQUITY ACCOUNTED INVESTEES

Movement of equity accounted investees for the period is as follows:

	2021	2020
1 January	**681,368**	**532,402**
Share of gain of equity accounted investees	29,491	50,679
Dividend payment	(65,780)	(51,227)
Change on equity accounted investees (*)	536,069	149,514
31 December	**1,181,148**	**681,368**

(*) As at 31 December 2021 change on equity accounted investees amounting to TL536,069 relates to the currency translation difference (31 December 2020: TL149,514).

The information of equity accounted investees of Dorad, Ezotech and Solad financial statements is summarized as follows:

31 December 2021	Dorad Energy Ltd.	Ezotech Electric Ltd.	Solad Energy Ltd.	Total
Total assets	18,594,924	5,234,970	109	23,830,003
Total Equity	4,724,592	(285,493)	(201,248)	4,237,851
Share (%)	25%	42.15%	42.15%	--
Group's share on total equity	1,181,148	--	--	1,181,148
Group's share on income for the year	29,491	--	--	29,491

31 December 2020	Dorad Energy Ltd.	Ezotech Electric Ltd.	Solad Energy Ltd.	Total
Total assets	10,589,462	3,044,371	634	13,634,467
Total Equity	2,725,473	(202,353)	(110,070)	2,413,050
Share (%)	25%	42.15%	42.15%	
Group's share on total equity	681,368	--	--	681,368
Group's share on income for the year	50,679	--	--	50,679

31 December 2021	Dorad Energy Ltd.	Ezotech Electric Ltd.	Solad Energy Ltd.	Total
Revenue	5,948,019	--	--	5,948,019
Financial income/ (expense), net	(601,968)	--	--	(601,968)
Amortisation and depreciation expenses	(638,125)	--	--	(638,125)
Tax expense	(34,002)	--	--	(34,002)

NOTE 12 – EQUITY ACCOUNTED INVESTEES (Continued)

31 December 2020	Dorad Energy Ltd.	Ezotech Electric Ltd.	Solad Energy Ltd.	Total
Revenue	4,914,081	--	--	4,914,081
Financial income/ (expense), net	(315,134)	--	--	(315,134)
Amortisation and depreciation expenses	(484,984)	--	--	(484,984)
Tax expense	(60,470)	--	--	(60,470)

As of 31 December 2021, the EBITDA of Dorad which is the equity accounted investment of the Group amounting to TL 341,672 equivalent to the shares Zorlu Enerji owns (31 December 2020: TL 265,825).

In the table presented above for the current period (31 December 2021), the financial statements of Dorad as of 31 December 2021, Ezotech and Solad as of 31 December 2020, which are the equity method investments were taken into consideration. Adnit, which was established in 2019 with the capital amounts to NIS 10.000 and 42.15% of its share owned by Zorlu Enerji, was not taken into account by considering its immaterial effect on equity accounted investees.

NOTE 13 - RIGHT OF USE ASSETS

As of 31 December 2021 and 31 December 2020, the details of right of use assets accounted in the consolidated financial statement are as follows:

	31 December 2021	31 December 2020
Land	103,295	26,242
Buildings	10,777	5,377
Plant and machinery	686	2,166
Vehicles	47,551	2,218
	162,309	**36,003**

NOTE 13 - RIGHT OF USE ASSETS (Continued)

The movements for the right of use assets are as follows:

	1 January 2021	Additions	31 December 2021
Cost			
Land	27,882	81,744	109,626
Buildings	8,077	9,774	17,851
Plant and machinery	2,471	1,044	3,515
Vehicles	33,004	66,507	99,511
	71,434	**159,069**	**230,503**
Accumulated depreciation			
Land	1,640	4,691	6,331
Buildings	2,700	4,374	7,074
Plant and machinery	305	2,524	2,829
Vehicles	30,786	21,174	51,960
	35,431	**32,763**	**68,194**
Net book value	**36,003**		**162,309**

	1 January 2020	Additions	31 December 2020
Cost			
Land	27,882	--	27,882
Buildings	8,077	--	8,077
Plant and machinery	--	2,471	2,471
Vehicles	29,064	3,940	33,004
	65,023	**6,411**	**71,434**
Accumulated depreciation			
Land	820	820	1,640
Buildings	889	1,811	2,700
Plant and machinery	--	305	305
Vehicles	14,780	16,006	30,786
	16,489	**18,942**	**35,431**
Net book value	**48,534**		**36,003**

The depreciation expenses related to right of use assets are presented in cost of sales and operating expenses.

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Additions (*)	Transfers (**)	Disposals	Currency translation difference	Revaluation increase	31 December 2021
Cost:							
Land	179,221	2,952	(2,883)	--	--	171,616	350,906
Land improvements	309,817	350	--	--	--	208,196	518,363
Buildings	79,402	--	26,143	--	--	49,139	154,684
Plant and machinery	11,743,906	28,749	228,889	--	475,753	7,376,165	19,853,462
Motor vehicles	16,602	13,689	--	(3,537)	--	--	26,754
Furniture and fixtures	47,080	5,883	41	(191)	225	--	53,038
Construction work in progress (*)	525,479	566,666	(268,166)	(735)	48,204	--	871,448
Leasehold improvements	15,522	158	4,811	--	--	--	20,491
	12,917,029	**618,447**	**(11,165)**	**(4,463)**	**524,182**	**7,805,116**	**21,849,146**
Accumulated depreciation:							
Land improvements	64,498	13,477	--	--	--	--	77,975
Buildings	11,781	2,338	--	--	--	--	14,119
Plant and machinery	2,268,961	556,814	--	--	173,042	--	2,998,817
Motor vehicles	11,516	2,882	--	(1,715)	--	--	12,683
Furniture and fixtures	39,631	4,299	--	(51)	323	--	44,202
Leasehold improvements	4,968	3,681	--	--	--	--	8,649
	2,401,355	**583,491**	**--**	**(1,766)**	**173,365**	**--**	**3,156,445**
Net book value	**10,515,674**						**18,692,701**

(*) The total investment made in the one year period is TL 880,057 including capitalized financial expense amounts to TL 291,234 TL and 275,432 of the amount is presented in tangible assets, TL 604,625 is presented in financial assets related to concession agreements (Note 5). Additions for construction work in progress in 2021 is related to rehabilitation work of Kızıldere II and III projects amounts to TL 188,845, Alaşehir I hybrid and Alaşehir II Project amounts to 34,919, Zes Digital charging station amounts to TL 21,859 and other projects of the Group amounts to TL 29,809.

(**) The total amount of investments transferred is TL 268,166 and TL 198,979 of this amount is related to Kızıldere II and III projects and transferred to plant and machinery, TL 34,391 is related to Zorlu Enerji investments and TL 23,260 of this amount is transferred to buildings and TL 11,131 is transferred to inventories, TL 16,608 is related to Alaşehir I investments and TL 16,587 of this amount is transferred to plant and machinery, TL 22 is transferred to rights, TL 13,397 is releated to charging station and TL 8.545 is transferred to plant and machinery, TL 41 is transferred to furniture and fixtures and TL 4,811 is transferred to leasehold improvements, TL 4,790 is related to Rotor investments and TL 4,778 is transferred to plant and machinery, TL 12 is transferred to rights. TL 2.883 is related to investments of Zorlu Enerji and transferred to buildings.

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2020	Additions (*)	Transfers (**)	Disposals	Currency translation difference	Revaluation increase	Effect of business combination	31 December 2020
Cost:								
Land	137,731	1,123	(1,020)	--	--	41,387	--	179,221
Land improvements	261,124	106	--	--	--	48,587	--	309,817
Buildings	47,983	313	9,860	--	--	21,246	--	79,402
Plant and machinery	9,190,593	43,615	306,319	(87,771)	121,856	2,169,294	--	11,743,906
Motor vehicles	17,486	185	--	(1,069)	--	--	--	16,602
Furniture and fixtures	43,056	4,038	--	(75)	61	--	--	47,080
Construction work in progress (*)	517,770	305,996	(310,953)	(1,124)	13,779	--	11	525,479
Leasehold improvements	15,402	4,338	(4,218)	--	--	--	--	15,522
	10,231,145	**359,714**	**(12)**	**(90,039)**	**135,696**	**2,280,514**	**11**	**12,917,029**
Accumulated depreciation:								
Land improvements	52,124	12,374	--	--	--	--	--	64,498
Buildings	10,266	1,515	--	--	--	--	--	11,781
Plant and machinery	1,804,053	485,693	--	(54,304)	33,519	--	--	2,268,961
Motor vehicles	9,018	2,878	--	(380)	--	--	--	11,516
Furniture and fixtures	33,777	5,870	--	(70)	54	--	--	39,631
Leasehold improvements	2,165	2,803	--	--	--	--	--	4,968
	1,911,403	**511,133**	**--**	**(54,754)**	**33,573**	**--**	**--**	**2,401,355**
Net book value	**8,319,742**							**10,515,674**

(*) The total investment made in the one year period in 2020 is TL 792,956 including capitalized financial expense amounts to TL 106,594 and TL 199,402 of the amount is presented in tangible assets, TL 593,554 is presented in financial assets related to concession agreements (Note 5). Additions for construction work in progress in 2020 is related to Kızıldere IV Project and rehabilitation work of Kızıldere II and III amounts to TL 164,297, Alaşehir II Project amounts to 19,693 and Solar Pakistan and Group's other projects amounts to TL 15,412.

(**) The total investment amount of the Group is TL 310,953 and TL 288,062 is related to Kızıldere II and III projects and transferred to plant and machinery, TL 21,966 is related to Zorlu Enerji investments and amounts to TL 13,126 transferred to plant and machinery, amounts to TL 8,840 transferred to buildings and amounts to TL 4 related to Rotor investments tranferred to rights, amounts to TL 917 related to Alaşehir investments and amounts to TL 913 transferred to plant and machinery, amounts to TL 4 to rights and amounts to TL 4 related to investments of Elektrik Toptan transferred to rights. Land amounst to TL 1,020 and leasehold improvements amounts to TL4,218 are related to Zorlu Enerji and transferred to buildings and plant and machinery, respectively.

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

As of 31 December 2021, the net book value of tangible assets acquired by the Group through finance lease amounts is TL71,139 (31 December 2020: TL37,740).

Group has chosen revaluation method among application methods mentioned under IAS 16 with respect to measurement and disclosure of the Group's power plants at fair value commencing from 31 December 2013. As at 31 December 2021, the Group has revalued its power plants and the revaluation fund has been accounted in the consolidated statement of financial position. The valuation studies related to the domestic power plants at the mentioned date have been performed by Aden Gayrimenkul Değerleme ve Danışmanlık AŞ and the valuation study related to the plant established in Pakistan has been performed by A A Baig & Co. Chartered Accountants.

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

1 January 2020	**3,211,890**
Revaluation surplus	1,819,800
Revaluation surplus of subsidiary sold	(201,378)
Depreciation transfer	(246,697)
31 December 2020	**4,583,615**
1 January 2021	**4,583,615**
Revaluation surplus	6,344,885
Depreciation transfer	(251,199)
31 December 2021	**10,677,301**

Collateral, pledges and mortgages on property, plant and equipment are presented in Note 17.

Breakdown of depreciation and amortisation expenses under cost of sales, operating expense and other operating expense have been presented in Note 23 and Note 24.

NOTE 15 - INTANGIBLE ASSETS

	1 January 2021	Additions	Transfers	Currency Translation	31 December 2021
Cost					
Rights	2,684,984	64,479	(2,231)	203	2,747,435
-Customer relationships	510,802	--	--	--	510,802
-Service concession arrangements	2,031,944	--	--	--	2,031,944
-Contract cost	90,472	--	--	--	90,472
-Other rights	51,766	64,479	(2,231)	203	114,217
Goodwill	660,780	--	--	--	660,780
Licenses	13,040	4,065	--	--	17,105
	3,358,804	**68,544**	**(2,231)**	**203**	**3,425,320**
Accumulated amortization					
Rights	482,794	148,563	(2,265)	138	629,230
-Customer relationships	69,655	27,693	--	--	97,348
-Service concession arrangements	347,140	112,382	--	--	459,522
-Contract cost	35,729	3,422	--	--	39,151
-Other rights	30,270	5,066	(2,265)	138	33,209
Licenses	3,847	1,189	--	--	5,036
	486,641	**149,752**	**(2,265)**	**138**	**634,266**
Net book value	**2,872,163**				**2,791,054**

NOTE 15 - INTANGIBLE ASSETS (Continued)

	1 January 2020	Additions	Transfers	Disposals	Currency Translation	Effect of business combination	31 December 2020
Cost							
Rights	2,525,446	1,554	12	(502)	209	158,265	2,684,984
-Customer relationships	352,574	--	--	--	--	158,228	510,802
-Service concession arrangements	2,031,944	--	--	--	--	--	2,031,944
-Contract cost	90,472	--	--	--	--	--	90,472
-Other rights	50,456	1,554	12	(502)	209	37	51,766
Goodwill	622,750	--	--	--	--	38,030	660,780
Licenses	12,253	787	--	--	--	--	13,040
	3,160,449	**2,341**	**12**	**(502)**	**209**	**196,295**	**3,358,804**
Accumulated amortization							
Rights	345,747	137,200	--	(196)	32	11	482,794
-Customer relationships	51,802	17,853	--	-	-	--	69,655
-Service concession arrangements	234,630	112,510	--	-	-	--	347,140
-Contract cost	32,307	3,422	--	-	-	--	35,729
-Other rights	27,008	3,415	--	(196)	32	11	30,270
Licenses	2,321	1,526	--	-	-	--	3,847
	348,068	**138,726**	**--**	**(196)**	**32**	**11**	**486,641**
Net book value	**2,812,381**						**2,872,163**

NOTE 16 - CONTRACT ASSETS

	31 December 2021	31 December 2020
Other contract assets (*)	19,377	79,639
	19,377	**79,639**

(*) A contract asset consist of investment expenditures related to ongoing investments. An entity presents the contract as a contract asset - excluding amounts presented as receivables from service concession arrangements - when it performs its performance related to ongoing investments before the submission of relevant investment expenditures as a part of Regulatory Asset Base for the approval of the grantor.

NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

17.1 Short-term other provision

	31 December 2021	31 December 2020
Short-term other provisions	15,540	13,817
	15,540	**13,817**

TL15,540 of short-term other provision (31 December 2020: TL13,373) consist of provision for legal disputes and the movement has been shown as below:

	2021	2020
1 January	**13,373**	**10,779**
Cancellations of provision for legal disputes / (payments), net	2,167	2,594
31 December	**15,540**	**13,373**

17.2 Long-term other provision

	31 December 2021	31 December 2020
Long-term provisions for employment benefits	68,296	44,000
	68,296	**44,000**

NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

17.3 Contingent assets

		31 December 2021		31 December 2020	
	Currency	Original amount	TL equivalent	Original amount	TL equivalent
Letters of guarantees received	TL	561,285	561,285	544,161	544,161
Letters of guarantees received	USD	4,511	58,542	5,567	40,865
Letters of guarantees received	EUR	252	3,700	2,402	21,637
Cheques received	TL	16,091	16,091	14,368	14,368
Cheques received	USD	133	1,726	782	5,740
Cheques received	EUR	241	3,538	176	1,585
			644,882		**628,356**

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

17.4 Guarantees, pledges and mortgages given by the Group

The Group's guarantees, pledges and mortgages ("GPM") as at 31 December 2021 and 31 December 2020 are summarized as follows:

		31 December 2021		31 December 2020	
	Original currency	Original amount	TL equivalent	Original equivalent	TL amount
GPM's given by the Group					
Total amount of GPM's given for companies' own legal entity	USD	128,805	1,671,567	254,565	1,868,634
	EUR	--	--	130,000	1,171,027
	TL	4,666,273	4,666,273	3,149,991	3,149,991
	PKR	4,796,483	346,642	7,525,652	342,116
Total amount of GPM given for the subsidiaries and associates in the full scope of consolidation	TL	2,070,205	2,070,205	1,237,771	1,237,771
	USD	7,954	103,223	7,550	55,421
	EUR	--	--	7,300	65,758
Total amount of GPM given for the purpose of maintaining operating activities	USD	20,060	260,329	19,810	145,415
	EUR	481	7,062	350	3,153
	NIS	7,298	30,518	7,298	16,702
	TL	--	--	--	--
Total amount of other GPMs given	--	--	--	--	--
			9,155,819		**8,055,988**

NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

17.4 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 is 0% as at 31 December 2021 (31 December 2020: 0%).

Details concerning the guarantees, pledges and mortgages that the Company and its subsidiaries gave within the scope of project finance loans and on behalf of their legal entities are given below:

Zorlu Doğal Elektrik Üretimi AŞ

On 27 October 2015, a loan agreement amounting to USD 815 million (USD 785 million in cash and USD 30 million guarantee limit) and having a 14 year term was signed on 27 October 2015 between Zorlu Doğal, Akbank TAŞ, Türkiye Garanti Bankası AŞ, Türkiye İş Bankası AŞ and Türkiye Sınai Kalkınma Bankası AŞ for the refinancing of Zorlu Doğal's debts and to finance the investment in the 1st unit of Kızıldere III geothermal power plant , which is planned to be constructed in Denizli. In addition to the said loan agreement, an account pledge, share pledge, assignment of receivables and assignment of shareholder receivables agreement were signed. Also, Zorlu Doğal signed a loan agreement amounting to USD 190 million with the European Bank for Reconstruction and Development ("EBRD"), Akbank TAŞ, Türkiye İş Bankası AŞ and Türkiye Sınai Kalkınma Bankası AŞ on 6 April 2017 for the purpose of financing the second unit (65,5 MW) of the Kızıldere III Geothermal Energy Plant. In addition to the loan contract, they also signed contracts for an account pledge, a share pledge, the transfer of receivables and stakeholder receivables transfers. Enerji Piyasaları İşletme AŞ's ("EPİAŞ") receivable transfer amount cap in the scope of the transfer of receivables agreement is TL 9,500,000. Since EPİAŞ's receivable transfer amount is the cap, it is not included in the collateral, pledges and mortgages given by the Group note, Zorlu Holding AŞ and Zorlu Enerji are guarantors for Zorlu Doğal's loan amounting to USD 975 million. The bank loans in respect of Tranche C has been prepaid early on 8 June 2021 with the proceeds of the Eurobond issuance. As at 31 December 2021, the outstanding loan amount after payments and with all adjustments related to reporting is amounting USD 705 million and TL 31 million.

Zorlu Jeotermal:

The outstanding project financing loan of Zorlu Jeotermal amounts to USD 79 million has been paid early on 13 July 2021 with the proceeds of Eurobond issuance. On 16 July 2021, assignment of EPİAŞ receivables, assignments of receivables, account pledge, share pledge, assignment of receivables under the subordinated loan agreement, guarantees and on 29 July 2021, mortgage agreement and commercial enterprise pledge for the project financing of Zorlu Jeotermal have been released after the bank loan has been prepaid early.

Zorlu Jeotermal is the guarantor for the USD 300 million of 9% bonds issued by Zorlu Yenilenebilir. On 30 July 2021 account pledge, share pledge and on 6 August 2021 assignment of EPİAŞ receivables and assignment of trade receivables agreements are signed by Zorlu Jeotermal as the collateral for the eurobond issuance. EPİAŞ receivable transfer amount cap in the scope of the assignment of EPİAŞ receivables is TL 6,000,000. Since EPİAŞ's receivable transfer amount is the cap, it is not included in the collateral, pledges and mortgages given by the Group note.

NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

Rotor:

The bank loan amounts to EUR 26 million has been prepaid early on 15 June 2021 with the proceeds of the Eurobond issuance, On 14 July 2021, mortgage agreement, commercial enterprise pledge, share pledge, account pledge, assignment of receivables and assignment of insurance receivables agreements and guarantees for the project financing of Rotor have been released after the bank loan has been paid early.

Rotor Elektrik Üretim is the guarantor for the USD 300 million of 9% bonds issued by Zorlu Yenilenebilir. On 30 July 2021 account pledge, share pledge and on 6 August 2021 assignment of EPİAŞ receivables and assignment of trade receivables agreements are signed by Rotor as the collateral for the Eurobond issuance. EPİAŞ receivable transfer amount cap in the scope of the assignment of EPİAŞ receivables is TL 6,000,000. Since EPİAŞ's receivable transfer amount is the cap, it is not included in the collateral, pledges and mortgages given by the Group note.

Zorlu Yenilenebilir:

Zorlu Yenilenebilir issued USD 300 million of 9% senior secured bonds guaranteed on a senior basis by Zorlu Jeotermal and Rotor with maturity due 1 June 2026. The bonds are listed on the Global Exchange Market of Euronext Dublin on 1 June 2021. The proceeds of the issuance is used for repayment of certain existing financial indebtedness as well as existing shareholder loans, funding new investments and general corporate purposes. On 31 July 2021, offshore account pledge, on 30 July 2021 account pledge, share pledge agreements and on 6 August 2021 assignment of trade receivables agreements are signed by Zorlu Yenilenebilir as the collateral for the Eurobond issuance. As at 31 December 2021, the outstanding bond amount after payments and with all adjustments related to reporting is amounting USD 291 million.

Zorlu Enerji Pakistan Ltd.

As at 26 October 2011, Zorlu Enerji Pakistan Ltd. subsidiary of Zorlu Enerji, signed a long term loan agreement with International Finance Corporation ("IFC"), the Asian Development Bank ("ADB"), Eco Trade and Development Bank ("ECO") and local consortium leader Habib Bank Limited ("HBL") amounting USD111million with a maturity of up to 12 years for financing of its wind energy power plant with a capacity of 56.4 MW in Pakistan/Jhimpir established in Jhimpir, the Sindh region of Pakistan. In addition to the loan agreement, account pledge, share pledge, transfer of insurance receivables, title deed pledge, assignment of project rights and mortgage establishment agreements on fixed assets have been signed. A mortgage amounting to USD 118,625 thousand and PKR 1,875 million has been established on the fixed assets of Zorlu Enerji Pakistan. Zorlu Holding is a guarantor for Zorlu Enerji Pakistan's aforementioned loan agreement. The outstanding balance after payments and with all adjustments related to reporting is amounting to USD 16 million and PKR 330 million.

Zorlu Enerji Elektrik Üretim AŞ

Since Yatırım Varlık Kiralama AŞ is the issuer and Zorlu Enerji is the beneficiary of the funds in the sukuk transaction, which amounts to TL 61,4 million and was issued on 30 July 2021, amounts to TL 62 million and was issued on 17 September 2021 and also amounts to TL 34 million and was issued on 27 October 2021, Zorlu Enerji and Zorlu Holding became the guarantor of Yatırım Varlık Kiralama AŞ.

NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

As per the sale of the Lüleburgaz steam generator of Zorlu Enerji, a sell and lease-back financial leasing agreement was signed between Şeker Finansal Kiralama AŞ and Zorlu Enerji on 24 August 2017. Zorlu Holding is guarantor for the financial leasing liabilities of Zorlu Enerji resulted from sell and lease back agreement signed for the sale of steam generator. The receivables of Zorlu Enerji arising from the steam agreement with Zorluteks Tekstil Tic. ve San. AŞ ("Zorluteks") were transferred to Şeker Finansal Kiralama AŞ in the scope of financial leasing transactions.

Zorlu Enerji has became a guarantor to provide the limit of Bank Mizrani for Adnit which is a 42.15% subsidiary of Zorlu Enerji.

Gazdaş

On 29 June 2015, a loan agreement with a term of 12 years for the amount of USD 102 million was signed with Akbank and Yapı ve Kredi Bankası for use in the expansion investments to be made by Gazdaş in the scope of natural gas distribution licence expansion in the Gaziantep region. In this agreement, Zorlu Holding is a guarantor, and Trakya and Gazdaş are guarantors for each other. In addition to the loan agreement, an account pledge agreement, transfer of consecutive receivables and a share collateral agreement, a licence transfer contract and an account pledge agreement worth TL 529,650 thousand were signed. The outstanding balance after payments and with all adjustments related to reporting is amounting to USD 42 million.

Trakya

On 29 June 2015, a loan agreement with a term of 12 years for the amount of USD 114 million was signed with Akbank and Yapı ve Kredi Bankası for use in the expansion investments to be made by Trakya in the scope of natural gas distribution licence expansion in the Gaziantep region. In this agreement, Zorlu Holding is a guarantor, and Trakya and Gazdaş are guarantors for each other. In addition to the loan agreement, an account pledge agreement, transfer of consecutive receivables and a share collateral agreement, a licence transfer contract and an account pledge agreement worth TL 431,000 thousand were signed. The outstanding balance after payments and with all adjustments related to reporting is amounting to USD 43 million.

OEDAŞ

OEDAŞ, the European Bank for Reconstruction and Development ("EBRD"), the International Finance Corporation ("IFC"), Nederlandse Financierings Maatschappij Voor Ontwikkelingslanden N.V. ("FMO") and Denizbank AŞ signed project financing aggrements. In addition to the loan aggrement, agreements for receivable transfer, account pledge, transfer of consecutive receivables and share collateral amounting to TL147,743 thousand were signed. Zorlu Enerji, Zorlu Holding and Zorlu Osmangazi were co-signers as the guarantors for OEDAŞ's loan in the amount of TL 1,746 million, which was provided from EBRD, IFC, FMO and Denizbank. And also, TL52,126 thousand and TL1,150,050 thousand shares pledge agreements were signed for OEPSAŞ and Zorlu Osmangazi, respectively. The outstanding balance after payments and with all adjustments related to reporting is amounting to USD 1,487 million.

NOTE 17 - CONTINGENT ASSETS AND LIABILITIES (Continued)

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

ZJ Strong

ZJ Strong and Bank of Palestine signed for 2 MW capacity solar power plant project financing aggrements amounted NIS 5 million on 28 August 2019 and with the additional contract signed amounted NIS on 4 June 2020, in total, it will provide resources up to 6 million NIS. The Company has signed a 13-year loan agreement with a nine-month grace period. In addition to the loan agreement, the account pledge agreement has been signed.

Zorlu Enerji, together with JDECO (Jeruselam District Electricity Company), which is a 25% shareholder, has vouched for this loan provided by ZJ Strong as a guarantor. The outstanding balance after payments and with all adjustments related to reporting is amounting to NIS 5,75 million.

17.5 Electricity purchase and sale commitments

Zorlu Elektrik Toptan

Zorlu Elektrik Toptan has committed to purchase 219,000 MWH related to 2022. Sales commitments of 157,440 MWh, within the scope of electricity energy purchase agreements with energy companies in 2021, it has committed to take and all of the energy undertaken has been taken. In relation to electricity purchase and sale operations and in the scope of the risk sharing agreements signed with energy firms in 2021, it carried out 178,560 MWh of transactions in 2021 and no committed to carry out of transactions in 2022.

Zorlu Enerji

Zorlu Enerji has committed to purchase 52,080 MWH related to 2022. Sales commitments of 230,640 MWh, within the scope of electricity energy purchase agreements with energy companies in 2021, it has committed to take and all of the energy undertaken has been taken. In relation to electricity purchase and sale operations and in the scope of the risk sharing agreements no signed with energy firms in 2021 and no committed to carry out of transactions in 2022.

OEDAŞ

OEDAŞ has no any energy selling commitment regarding other energy companies for the year 2021. Within scope of electricity selling agreements, OEDAŞ commited to buy 719,538 MWh energy for 2021 and has bought 679,608 MWh of energy buying commitment.

OEPSAŞ

OEPSAŞ has no any energy selling commitment regarding other energy companies as at 31 December 2021. Within scope of buying commitment among energy companies, the Company commited to buy 1,065,707 MWh energy for 2021 and fullfilled all energy buying commitment as at 31 December 2021. The Company has no any energy buying commitment for 2022.

17.6 Natural purchase and sale commitments

Trakya

Trakya has committed to purchase 668.9 million Sm^3 gas according to contract with Botaş releated to 2021. Actual consumption is 777.8 million Sm^3.

Gazdaş

Gazdaş has committed to purchase 450.8 million Sm^3 gas according to contract with Botaş releated to 2021. Actual consumption is 443.49 million Sm^3.

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments

	31 December 2021						
	Contract amount (USD)	**Contract amount (EUR)**	**Total contract amount (TL)**	**Fair value asset**	**Fair value liability**	**Carried at fair value through profit or loss**	**Carried at fair value under hedge reserves**
Cross currency swap agreements held for hedging	--	--	--	--	--	587	--
Forward agreements	14,541	--	188,706	57,115	--	78,145	--
Interest rate swap agreements held for hedging	738,000	--	9,577,395	--	(272,105)	(35,177)	(139,359)
	752,541	**--**	**9,766,101**	**57,115**	**(272,105)**	**43,555**	**(139,359)**

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

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognized asset or liability ("fair value hedge") or a hedge of a forecasted transaction or a firm commitment ("cash flow hedge"). Interest rate swap transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for hedging. Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognized in "Other comprehensive income/(expenses) to be reclassified to profit or loss" under "hedge reserves" whereas ineffective portion is recognized in the consolidated statement of profit or loss. Amounts recognized under equity are transferred to the consolidated statement of profit or loss in the period in which the hedged firm commitment or forecasted transaction affects the consolidated statement of profit or loss.

As at 31 December 2021, the Group has a forward purchase commitment amounts to USD 14,541 thousand (31 December 2020: USD 24,572 thousand) against a sale commitment of TL 146,278 (31 December 2020: TL 237,063). As of 31 December 2021, the Group has no purchase or sale commitment in Eur (31 December 2020: forward sales commitment amounts to USD 17,854 thousand against a purchase commitment of EUR 15,381 thousand. In additon, forward purchase commitment amounts to USD 12,637 thousand against a sale commitment of EUR 10,857 thousand).

Non-derivative financial instruments

	31 December 2021			31 December 2020		
	Original amount		Carried at fair value through other comprehensive income	Original amount		Carried at fair value through other comprehensive income
	USD	EUR	(TL) (*)	USD	EUR	(TL) (*)
Hedged amount for foreign currency risk	891,100	--	(7,410,865)	914,202	--	(3,667,006)
	891,100	**--**	**(7,410,865)**	**914,202**	**--**	**(3,667,006)**

(*) The Group uses bond and investment loans amounting to USD 891,100 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.

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The movements of derivative financial instruments are as follows:

	2021	2020
As at 1 January	**(323,559)**	**(145,019)**
Carried at fair value through profit or los		
- Gain/ (loss) on derivative instruments (Note 26)	43,555	(36,595)
Carried at fair value through other comprehensive income		
- Hedged amount for financial risk	65,014	(141,945)
31 December	**(214,990)**	**(323,559)**

The movements of non derivative financial instruments are as follows:

	2021	2020
As at 1 January	**(3,667,006)**	**(2,550,169)**
Carried at fair value through other comprehensive income		
- Hedged amount for financial risk	(3,723,513)	(1,116,837)
Transfers	(20,346)	--
31 December	**(7,410,865)**	**(3,667,006)**

NOTE 19 - PROVISIONS FOR EMPLOYMENT BENEFITS

Long - term provisions related to employee benefits

	31 December 2021	31 December 2020
Provision for employee termination benefits	68,296	44,000
	68,296	**44,000**

Movement of provision for employee termination benefits is as follows:

	2021	2020
1 January	**44,000**	**32,584**
Service cost	13,138	5,702
Interest cost	6,732	4,300
Termination benefits paid	(2,973)	(1,536)
Actuarial loss	7,399	2,950
31 December	**68,296**	**44,000**

NOTE 19 - PROVISIONS FOR EMPLOYMENT BENEFITS (Continued)

Provisions for employment termination benefits are allocated in accordance with the disclosures given below:

Under the Turkish Labour Law, companies are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to the length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL 8,285 for each year of service as of 31 December 2021 (31 December 2020: TL 7,117).

Termination benefits liability is not dependent on any funding legally and any funding requirement does not exist.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees.

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2021	2020
Discount rate (%)	4.1	4.2
Probability of retirement (%)	95.5	93.7

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation, The amount payable consists of one month's salary limited to a maximum of TL10,849 for each period of service as of 1 January 2021 (1 January 2020: TL7,639).

NOTE 20 - EQUITY

a) Share capital

	31 December 2021	31 December 2020
Limit on registered share capital	6,000,000	3,000,000
Issued capital (*)	2,500,000	2,000,000

(*) As per the decision of the Board of Directors of the company dated April 29, 2021, within the registered capital ceiling of the company, which was determined as 6,000,000 TL, it has been decided to increase the issued capital of TL 2,000,000 to TL 2,500,000 by increasing by TL 500,000, fully covered in cash. As per the material event disclosure dated 6 August 2021, it was announced that the registration statement for the Company's paid capital increase was approved in the CMB's bulletin dated 5 August 2021 and numbered 2021/38. The approved registration statement was notified to the Company on 9 August 2021 and published on the Public Disclosure Platform (KAP) on the same date. 193,564 TL portion of the capital increase of 500,000 TL was covered in cash in 2021, and the remaining 306.436 TL portion was paid in 2020 from the capital advance of Zorlu Holding, the main shareholder of the Company, in cash.

NOTE 20 – EQUITY (Continued)

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

	Share (%)	31 December 2021	Share (%)	31 December 2020
Zorlu Holding	47.08	1,177,018	45.97	919,365
Korteks	17.55	438,687	17.55	350,949
Publicly held (*)	34.97	874,295	34.73	694,512
Other	0.40	10,000	1.75	35,174
	100.00	**2,500,000**	**100.00**	**2,000,000**
Adjustment to share capital		**110,948**		**110,948**
Total		**2,610,948**		**2,110,948**

(*) TL 355,164 and the portion equivalent to 14.21% of the total capital represent the shares that belong to Zorlu Holding.

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

b) Legal Reserves

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

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

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

NOTE 21 - TAXES

	31 December 2021	31 December 2020
Current tax expense	93,751	114,362
Less: Prepaid taxes	(97,525)	(57,910)
Current income tax (assets)/liabilities, net	**(3,774)**	**56,452**

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

"The Law On Collection Procedure of Public Receivables" which has been published on the Official Gazette numbered 31462 and dated 22 April 2021, Article 11 of "the Law on the Amendment of Some Laws" and the provisional article 13 which has been added to the Law No 5520 Corporate Tax, the income tax rate will be applied as 25% for the corporate earnings related to the 2021 taxation period and 23% for the corporate earnings related to the 2022 taxation period. This change will be valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021. In accordance with that, deferred tax assets and liabilities in the consolidated financial statements as of 31 December 2021 are calculated at a tax rate of 23% for the portion of temporary differences that will have tax 2022 and 20% for temporary differences that will have tax effect in 2023 and after.

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

	31 December 2021	31 December 2020
Current period tax expense	(93,751)	(114,362)
Deferred tax income/ (expense)	144,470	25,738
Total tax income/(expense)	**50,719**	**(88,624)**

The reconciliation of taxation on income for the years ended 31 December 2021 and 2020 as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Profit / (loss) before tax	**(270,480)**	**56,212**
Tax rate	25%	22%
Tax calculated on basis of tax rate	67,620	(12,367)
Deductions and exemptions	361,092	121,956
Additions	(286,110)	(120,670)
Tax losses and other tax advantages, net effect	(224,143)	(55,230)
Effect of tax rate change	106,290	(36,119)
Share of equity accounted investees	7,373	11,149
Investment incentive income exception	19,094	3,842
Other	(497)	(1,185)
Total tax expense	**50,719**	**(88,624)**

NOTE 21 – TAXES (Continued)

Deferred taxes

	31 December 2021	31 December 2020
Deferred tax assets	675,112	494,245
Deferred tax liabilities	(1,516,838)	(939,565)
Deferred tax assets/(liabilities), net	**(841,726)**	**(445,320)**

	Temporary differences		Deferred tax assets/(liabilities)	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Tangible and intangible assets	8,286,956	2,518,025	(1,699,776)	(692,681)
Carry forward tax losses	(7,623,980)	(3,687,055)	1,563,790	737,411
Receivables from service concession arrangements	4,025,891	2,883,796	(824,022)	(576,759)
Credit commission and unearned credit finance expense	553,285	312,108	(66,447)	(62,422)
Indexation of deposits received	(516,962)	(361,496)	118,901	72,299
Derivative instruments	(214,990)	(323,559)	49,448	64,712
Investment incentive	(171,974)	(95,600)	42,994	19,120
Provision for employee termination benefits	(68,296)	(44,000)	13,660	8,800
Other	437,287	78,381	(40,274)	(15,800)
Deferred tax assets/(liabilities), net			**(841,726)**	**(445,320)**

As at 31 December 2021, the Group recognized deferred tax assets for the carry forward tax losses amounting to TL 7,623,980 (31 December 2020: TL 3,687,055) for which the Group believes it will utilize in the future. For the remaining carry forward tax losses amounting to TL 699,077 (31 December 2020: TL 509,637), the Group has not recognized deferred tax assets**.**

NOTE 21 – TAXES (Continued)

The movements in deferred tax assets and liabilities for the years ended 31 December 2021 and 2020 are as follows:

	2021	2020
1 January	**(445,320)**	**(286,886)**
Charged to statement of profit or loss	144,470	25,738
Charged to other comprehensive income	(540,876)	(152,526)
Deferred tax accounted due to acquisition	--	(31,646)
31 December	**(841,726)**	**(445,320)**

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

Due date	Losses
2022	360,349
2023	1,122,612
2024	971,117
2025	940,348
2026	4,229,554
	7,623,980

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

Due date	Losses
2022	302
2023	3,363
2024	3,263
2025	4,306
2026	657,843
	669,077

NOTE 22 – REVENUE

	1 January - 31 December 2021	1 January - 31 December 2020
Retail sales income	3,501,481	2,385,076
Natural gas sales income	2,406,939	1,594,913
Electricity sales income	2,361,461	1,841,782
Electricity wholesales income	1,527,225	1,149,492
Income from distribution activities	607,363	630,013
Income from investment expenditures (Note 5)	604,625	593,554
Other	625,714	384,283
	11,634,808	**8,579,113**

NOTE 23 - EXPENSES BY NATURE

	1 January - 31 December 2021	1 January - 31 December 2020
Retail electricity purchase expense	3,011,004	2,121,297
Natural gas purchase expense	2,359,511	1,587,178
Electricity generation and wholesale purchase expense	1,874,551	1,368,407
Depreciation and amortisation (*)	625,931	538,438
Expense from investment activities	470,234	514,272
Employee and personnel expenses (**)	342,767	269,228
Energy purchase related to distribution	346,552	237,528
System usage expenses	260,350	243,363
Other	880,737	499,525
	10,171,637	**7,379,236**

(*) The total amount of depreciation and amortization expense is TL 766,006 (31 December 2020: TL 668,801). TL 625,931 (31 December 2020: TL 538,438) of the amount is presented expense by nature and TL 140,075 (31 December 2020: TL 130,363) of the amount is presented in other operating expense (Note 24).

(**) The total amount of employee and personnel expenses is TL 342,767 (31 December 2020: TL 269,237) and TL 19,022 of the amount accounted under selling and marketing expenses (31 December 2020: TL16,012), TL 132,342 of amount accounted under general and administrative expense (31 December 2020: TL 102,816) and TL 191,403 of the amount is accounted under cost of sales (31 December 2020: TL 150,409).

NOTE 24 - OTHER OPERATING INCOME AND EXPENSE

a) Other operating income:

	1 January - 31 December 2021	1 January - 31 December 2020
Indexation difference on receivables from service concession arrangements (Note 5)	1,176,826	337,076
Interest income from distribution activities	442,745	330,487
Interest income from trading activities	64,075	33,496
Foreign exchange gain from trading activities	47,191	2,006
Gain on sale of property, plant and equipment	2,098	31,724
Gain on sale of subsidiary	--	40,160
TEDAŞ income accruals	--	30,898
Other	105,284	53,249
	1,838,219	**859,096**

NOTE 24 - OTHER OPERATING INCOME AND EXPENSE (Continued)

b) Other operating expense:

	1 January - 31 December 2021	1 January - 31 December 2020
Indexation of deposits received (*)	188,828	99,157
Foreign exchange loss from trading activities	112,963	4,318
Depreciation of service concession arrangements (Note15)	112,382	112,510
Indemnity payments	42,599	10,869
Interest expense from trading activities	41,864	36,368
Depreciation of customer relations (Note 15)	27,693	17,853
Non-operation power plant expenses (**)	27,347	--
Provisions expenses	22,816	36,649
Cancelation of TEDAŞ income accrual (Note 10)	7,069	--
Other	52,748	46,759
	636,309	**364,483**

(*) The balance consists of indexation effect of paid deposits amounts to TL 33,362 (31 December 2020: TL 32,699)

(*) The cost relates to expenses in Kızıldere I and also land permission and use fees for Tekkehamam project.

NOTE 25 - SHARE OF PROFIT OF EQUITY ACOUNTED INVESTEES

	2021	2020
Profit share in equity accounted investees	29,491	50,679

NOTE 26 - FINANCIAL INCOME AND EXPENSES

a) Financial income:

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gains	2,188,077	715,846
Interest income	285,066	247,252
Income on derivative instruments	43,555	--
	2,516,698	**963,098**

NOTE 26 - FINANCIAL INCOME AND EXPENSES (Continued)

b) Financial expense:

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange loss (*)	3,367,894	1,019,201
Interest expense (*)	1,986,723	1,510,149
Bank commission and other financial expenses	127,133	86,110
Loss on derivative instruments	--	36,595
	5,481,750	**2,652,055**

(*) As at 31 December 2021, capitalized borrowing cost on property, plant and equipments is TL 291,234 (31 December 2020: TL 106,594).

NOTE 27 - RELATED PARTY TRANSACTIONS

i) Related party balances:

a) Short-term trade receivables from related parties

	31 December 2021	31 December 2020
Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ ("Meta Nikel")	62,970	24,913
Vestel Savunma San. AŞ ("Vestel Savunma")	62,383	--
Korteks	29,781	5,785
Zorluteks Tekstil Ticaret ve Sanayi AŞ ("Zorluteks")	17,912	2,631
Vestel Ticaret AŞ ("Vestel Ticaret")	3,428	157
Vestel Elektronik Sanayi ve Ticaret AŞ ("Vestel Ticaret")	179	13,728
Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ("Vestel Beyaz Eşya")	--	10,887
Other	5,649	1,636
	182,302	**59,737**

NOTE 27 - RELATED PARTY TRANSACTIONS (Continued)

b) Short-term other receivables from related parties

	31 December 2021	31 December 2020
Zorlu Holding (*)	907,080	720,901
Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ ("Zorlu O&M ")	--	166,256
Zorlu Doğal Gaz İthalat İhracat ve Toptan AŞ ("Zorlu Doğal Gaz İthalat")	--	44,220
Other	4,349	1,910
	911,429	**933,287**

(*) The maturity of TL 907,080 portion of the Group's total receivables from Zorlu Holding amounts to TL 2,936,458 is less than one year. TL 122,277 and Eur 5,067 portion of short term receivables is back-to-back loans and the applied interest rate is 23.5% and7.5%, respectively. The interest rates for the remaining USD 54,742 thousand is 7% for financing purpoeses (31 December 2020: 7%).

c) Long-term other receivables from related parties

	31 December 2021	31 December 2020
Zorlu Holding (*)	2,029,378	957,765
Zorlu O&M (**)	467,034	--
Ezotech (***)	449,193	245,823
Zorlu Doğalgaz İthalat (****)	86,685	--
Other	42,664	54,116
	3,074,954	**1,257,704**

(*) TL 2,029,378 of Group's total receivables amounting to TL 2,936,458 from Zorlu Holding is more than one year. USD 18.781 thousand and EUR 20.267 thousand of the amount is back-to-back loans and the applied interest rates are 11.75% for USD, between 6.95% and 8.5% for EUR. The remaining long term receivables amounts to USD 114.666 thousand is provided for financing purpose and the applied interest rate that determined in market condition is 7% for USD (31 December 2020: 7%).

(**) USD 18,358 thousand of Group's total receivables amounting to TL 467,034 from Zorlu O&M is is provided for financing purpose and the applied interest rate that determined in market condition is 7% for USD. The remaining long term receivables amounts to USD 17,630 thousand is back-to-back loans and the applied interest rate is 11.75%.

(***) Financial receivable of the Group amounting to NIS 107,419 thousand consist of the amounts provided for the power plant projects in Israel.

(****) USD 6,680 thousand of Group's total receivables amounting from Zorlu Doğal Gaz Ithalat is more than one year. USD 6,680 thousand is provided for financing purpose and the applied interest rate that determined in market condition is 7% for USD.

NOTE 27 - RELATED PARTY TRANSACTIONS (Continued)

i) Related party balances (Continued):

d) Short-term trade payables to related parties

	31 December 2021	31 December 2020
Zorlu Yapı Yatırım AŞ	42,849	83
Zorlu O&M	31,080	15,740
Zorlu Holding	4,561	3,652
Zorlu Gayrimenkul Geliştirme ve Yatırım AŞ	163	10,512
Zorlu Dış Ticaret AŞ	--	10,512
Linens Pazarlama Ticaret AŞ	--	10,425
Other	2,122	3,100
	80,775	**54,024**

e) Short-term other payables to related parties

	31 December 2021	31 December 2020
Zorlu O&M	7,769	3,109
Zorlu Holding	--	332,620
Korteks	--	31,288
Other	--	981
	7,769	**367,998**

f) Short-term financial liabilities to related parties

	31 December 2021	31 December 2020
Zorlu Faktoring AŞ	35,551	41,886
	35,551	**41,886**

g) Long-term financial liabilities to related parties

	31 December 2021	31 December 2020
Zorlu O&M	6,365	--
	6,365	**--**

NOTE 27 - RELATED PARTY TRANSACTIONS (Continued)

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

All other transactions between the Company and its subsidiaries that are not specified in this note are eliminated during consolidation. The details of the transactions between the Group and other related parties are explained below.

	Sales	Purchases	Operating expenses and other income/ (expenses), net	Interest income/ (expenses), net	Foreign exchange income/(expenses), net
1 January - 31 December 2021					
Korteks	234,535	--	361	(1,851)	--
Zorluteks	98,151	(31)	(919)	1,388	--
Vestel Elektronik	69,075	--	(36)	4,189	(1,461)
Vestel Beyaz Eşya	52,395	--	--	2,386	4
Zorlu Tesis Yönetimi AŞ	48,277	--	(1,686)	--	--
Meta Nikel	32,163	--	(42)	8,487	--
Zorlu Holding	41	(435)	(9,436)	148,783	1,168,342
Zorlu O&M	516	(41,970)	(61)	45,171	341,120
Ezotech	--	--	--	19	203,350
Other	6,225	(1,308)	(16,041)	5,446	44,590
	541,378	**(43,744)**	**(27,860)**	**214,018**	**1,755,945**

	Sales	Purchases	Operating expenses and other income/ (expenses), net	Interest income/ (expenses), net	Foreign exchange income/(expenses), net
1 January - 31 December 2020					
Korteks	132,714	--	(259)	(5,778)	13
Zorluteks	73,002	(312)	(1,331)	(679)	--
Zorlu Tesis Yönetimi	21,832	--	(1,434)	--	--
Meta Nikel Kobalt	23,185	--	(38)	1,445	--
Vestel Beyaz eşya	23,703	--	--	112	--
Vestel Elektronik	37,173	--	--	141	--
Zorlu O/M Enerji	943	(63,885)	(123)	17,908	26,082
Zorlu Holding	325	(34)	(5,577)	167,454	401,333
Zorlu Doğal Gaz Tedarik	--	(307,912)	--	--	--
Zorlu Endüstriyel	--	(132)	(124)	3,497	25,954
Zorlu Doğal Gaz İthalat	--	(4,853)	(160)	1,418	(3,589)
Ezotech	--	--	--	--	61,462
Other	3,559	(7,732)	(16,047)	3,893	3,886
	316,436	**(384,860)**	**(25,093)**	**189,411**	**515,041**

NOTE 27 - RELATED PARTY TRANSACTIONS (Continued)

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

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

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

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

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

	1 January - 31 December 2021	1 January - 31 December 2020
Salaries	27,319	14,632

NOTE 28 – EARNINGS/(LOSS) PER SHARE

Income per share disclosed in the accompanying consolidated statement of income are determined by dividing net income/(expense) by the weighted average number of shares in existence during the year concerned.

	1 January - 31 December 2021	1 January - 31 December 2020
Net (loss)/ income for equity holders of the Group	(146,774)	3,232
Weighted average value of each of the issued share	216,666,667	200,000,000
Profit/ (loss) per 100 share (TL)	(0.068)	0.002

Nominal value of each of the issued share as of 31 December 2021 and 2020 is 1 Kr.

NOTE 29 - SUBSEQUENT EVENTS

As per the material event disclosure dated 3 January 2022, Rotor aims to establish a "Combined Renewable Electricity Generation Facility (Main Source GPP + Auxiliary Source SPP)" to generate electricity from solar energy in integration with the Gökçedağ wind power plant, which has an installed capacity of 135 MWm/135 MWe and license capacity of 150,6 MWm / 150,6 MWe in Osmaniye Bahçe. In this context, an application was made to the Energy Market Regulatory Authority to amend the current electricity generation license capacity of the power plant to 160,209 MWm / 150,6 MWe.

As per the material disclosure dated 11 January 2022, with the aim of expanding our activities including the sale, installation and operation of electric vehicle charging stations in Turkey to the European Union and surrounding countries and to operate within this scope in the relevant countries through our subsidiaries, a new company with the title of "Zorlu Energy Solutions (ZES) EOOD " was established in Bulgaria under 100% direct ownership of ZES N.V., a wholly-owned subsidiary of our Company established in the Netherlands.

NOTE 29 - SUBSEQUENT EVENTS (Continued)

As per the material disclosure dated 21 January 2022, with the aim of expanding our activities including the sale, installation and operation of electric vehicle charging stations in Turkey to the European Union and surrounding countries and to operate within this scope in the relevant countries through our subsidiaries, a new company with the title of "Zorlu Energy Solutions (ZES) I.K.E." was established in Greece under 100% direct ownership of ZES N.V., a wholly-owned subsidiary of our Company established in the Netherlands.

As per the material event disclosures dated 17 February 2022, with the aim of creating synergy in its Israeli operations and supporting its strategic and profitable growth, Zorlu Enerji Elektrik Üretim AŞ established a new company in Israel titled "Zador Israel Ltd." with a 100% shareholding. The company was founded with an initial capital of NIS 1 and has been incorporated and registered with the Israeli Trade Registry on February 16, 2022.

As per the material event disclosures dated 13 January 2022 and 21 February 2022, EMRA has approved the application of Zorlu Jeotermal to amend the pre-license of its Alaşehir 3 geothermal power plant project, for reducing the project's installed capacity from 50MWm/50MWe to 10MWm/10MWe for the purpose of effective management of the geothermal resource and reservoir.

As per the material event disclosures dated 13 January 2022 and 17 February 2022, the term of the pre-license for Kızıldere 4 geothermal power plant project, which is planned to be developed in Denizli and Aydın by Zorlu Doğal has been extended for twenty-three months with the approval of EMRA.

As per the material disclosure dated 21.01.2022, with the aim of expanding our activities including the sale, installation and operation of electric vehicle charging stations in Turkey to the European Union and surrounding countries and to operate within this scope in the relevant countries through our subsidiaries, a new company with the title of "ZES Spolka Z.O.O." was established in Poland under 100% direct ownership of ZES N.V. a wholly - owned subsidiary of our Company established in the Netherlands.

The merger with all assets and liabilities of Zorlu Trade as a whole, by taking over by Zorlu Toptan by applying the "Combination in the Faciliated Procedure" method, was registered with the Eskişehir Trade Registry on 28 February 2022. As a result of said merger transaction, Zorlu Trade is dissolved.

As per the material event disclosures dated 3 March 2022, Zorlu Doğal, will establish a solar power plant to be integrated to its existing Kızıldere 1 GPP (installed capacity :15 MWm / 15 MWe) in Sarayköy, Denizli, as a result of which, the facility will operate as a Hybrid Renewable Power Plant and generate electricity from both geothermal and solar energy (Main Source: Geothermal + Auxiliary Source: Solar). Accordingly, the Company applied to EMRA to amend the generation license of the Kızıldere 1 GPP to 15.99 MWm / 15 MWe.

OEDAŞ signed Project Finance Agreements with the European Bank for Reconstruction and Development ("EBRD"), International Finance Corporation ("IFC"), Nederlandse Financierings Maatschappij Voor Ontwikkelingslanden N.V. ("FMO"), Asian Infrastructure Investment Bank ("AIIB") and Denizbank AŞ for a TL-denominated loan up to a total amount of USD 375 million on 7 March 2022. The afore-mentioned loan will be used to finance the electricity distribution investments to be undertaken by OEDAŞ during the fourth tariff implementation period (2021-2025), which was announced by the EMRA.