



Çates Elektrik Üretim Anonim Şirketi
Realization and Evaluation Report Prepared by the
Board of Directors Regarding the Assumptions
Based on the Determination of the Public Offering
Price

Prepared in accordance with Article 29/5
of the Capital Markets Board's Equity
Communiqué No. VII-128.1.
May 20, 2024

1. General Information

Trade Name: Çates Elektrik Üretim Anonim Şirketi

Head Office: Şahinler Mahallesi Şahinler (Küme Evler) Yatağan Termik Santrali Sitesi
No: 259/1 Yatağan/Muğla

Corporate Website: www.cates.com.tr

Field of Activity:

1. To establish, commission, take over, lease, operate, lease out all kinds of facilities in order to generate electrical energy, to provide engineering, consultancy, survey, planning, project and feasibility services related to these facilities.
2. To sign sale and transfer of operating rights agreements to take over completed or to be completed facilities, to operate the facilities taken over, to make or have made necessary rehabilitation and additional investments.
3. To sell the generated electrical energy and/or capacity within the framework of the relevant legislation.
4. Without prejudice to the provisions of the Capital Markets Law on disguised profit transfer, to enter into an affiliate relationship with its established or to be established enterprises.

Traded on Stock Exchange: Borsa Istanbul A.Ş.

Registered Capital Ceiling : TRY 300.000.000

Issued Capital : TRY 165.200.000

Trade Registry No.: 8907

Tax Office : Yatağan Tax Office - Muğla

Tax No: 1650297639

2. Report Subject and Justification:

This report, which includes assessments regarding the realization of the assumptions taken as basis in determining the public offering price of Çates Elektrik Üretim Anonim Şirketi ("Çates" or "Company"), has been prepared by the Audit Committee in accordance with Article 29/5 of the Capital Markets Board's Equity Communiqué No. VII-128.1.

3. Remarks:

According to Article 29, Paragraph 5 of the Capital Markets Board's Communiqué on Shares No. VII-128.1, "It is obligatory for the corporation, whose shares are offered to public for the first time, to prepare a report within ten business days following the public disclosure of its financial statements for two years following the commencement of trading of its shares on the stock exchange, including assessments on whether the assumptions taken as basis in determining the public offering price have been realized or not, and if not, the reason thereof, and to publish the said report on the corporation's website and PDP. This obligation is fulfilled by the audit committee within the company. For the companies that are not obliged to establish an audit committee, this obligation is fulfilled by the board of directors." Pursuant to this provision, this report is prepared and disclosed to the public.

4. Methods Used in Price Determination Report:

Within the scope of the public offering brokerage agreement signed on August 9, 2023 and revised on September 21, 2023 between İno Yatırım Menkul Değerler A.Ş. (İno Yatırım), the intermediary for the public offering of the Company's shares, and Çates Elektrik Üretim Anonim Şirketi (Company), this report has been prepared to determine the value that will constitute the basis of the price in the public offering of the Company's shares in accordance with the International Valuation Standards in accordance with the Capital Markets Board's "Communiqué on Valuation Standards in Capital Markets" numbered III.62-1. On November 24, 2023, the valuation date of the price determination report published on PDP is September 6, 2023 and the report date is September 11, 2023. Company value and public offering price have been determined as follows.

In order to determine the value per share of Çates Elektrik Üretim Anonim Şirketi, the following valuation methods were analyzed.

- Income Approach Discounted Cash Flow Analysis
- Market Approach Market Multiples Analysis

Discounted Cash Flow Analysis

Discounted Cash Flow Analysis (DCF) is a valuation method based on discounting the cash flows that companies are likely to generate over the period of their operations. The ICA method focuses on finding the intrinsic value of a company's operations based on a number of assumptions, reflects its long-term potential and incorporates company-specific risks within a certain framework. Although the sensitivity of this method to assumptions may seem like a disadvantage, it is more suitable for non-static business models.

Market Multiples Analysis

Market multiples analysis is a valuation method based on comparing the current price levels of similar companies traded on stock exchanges with the ratios of certain data in their publicly disclosed financial statements. It is one of the most frequently used valuation methods because it is easy to apply and relatively objective. The disadvantages are that companies similar to the company subject to valuation cannot always be found and only the financial data of these companies for a certain period can be used as a basis for comparison. In addition, since it is very sensitive to current market pricing, valuations are volatile depending on the changing market risk appetite in different periods. It is not easy to capture the future prospects of companies exactly with market multiples. In addition, reducing dynamic business models to a static multiplier involves risks.

In this valuation method, the Firm Value/EBITDA (FD/EBITDA) multiplier, which is frequently used in the Company's sector, was used and the market value of the Company was calculated based on the EBITDA realized for the last 12 months (30.06.2022-30.06.2023).

5. Valuation Result

Market Multiplier Analysis is a reasonable method as it reflects the current market values of similar companies. One of the most important reasons for this is the significant levels of foreign currency denominated debt of energy companies and the significant levels of one-time financing income and expenses arising from exchange rate increases due to the currency hedged deposit mechanism. This situation prevents normalization of profits and prevents the formation of healthy F/S multiples. For these reasons, the valuation is based on FD/EBITDA multiplier only. In the EBITDA calculation, foreign exchange gains and losses arising from trading activities are also taken into account and included in the EBITDA calculation. Therefore, EBITDA including FX gains and losses arising from trading activities are used to determine FD/EBITDA multiples. While calculating the value from foreign multiples, since Bloomberg provides dollar-based multiples in the sample, the value was found with the Company's dollar-based data and the market value was determined at the USD/TL exchange rate on the valuation date.

Results of Valuation Methods

In the final value, 60% weight was given to İNA as it is considered to better reflect the company dynamics, while 40% weight was given to market multiples in order to take into account the market behavior model in the value. In addition to the international multiples, a value was found from the Çan Termik multiplier, which is exactly similar to the Company, and a certain weight was given to the multiplier value from the BIST-Termik sample in which the Company will be included. While İNA received the highest weighting as it most accurately reflects the dynamics of the company, the value of Çan Termik, which is exactly similar to the Company, was given 0% weight due to the fact that it is a single sample. Due to the fact that they are subject to different country risks, foreign peers are given 10% weight, while the BIST Termik sample is given 30% weight. While determining the share value according to traditional valuation methodologies, a 20% IPO discount was applied to the value obtained.

Değerleme Özeti	Değer (m\$)	Ağırlık	Pay Başı Değer (TL)
Metodolojiler			
İNA	309,1	60,0%	59,02
Çan2	440,0	0,0%	84,01
Yurtışı Çarpanlar	553,5	10,0%	105,69
BİST Termik	444,4	30,0%	84,85
Halka Arz Piyasa Değeri	374,1	100%	71,44
Halka Arz İskontosu	-20%		
Nihai Değer	299,3		57,15

Değer Çarpanları	2023/06	2023T
EV/EBITDA	5,5	6,6
F/K	11,7	m.d.
EV/Net Satış	1,9	m.d.
PD/DD	2,1	m.d.

6. Pre-IPO Discount Calculation

Public Offering Price (TRY/share)	57,15
Market Capitalization Before IPO Prices (m USD)	374,1
Pre-IPO Market Value Calculated by Valuation Methods (m USD)	299,3
Pre-IPO Discount Rates	%20

The public offering price was determined as TRY 57.15 by applying a 20% public offering discount to the value calculated by valuation methods.

7. Estimation and Realization Data

The estimated data for 2023 in the price determination report and the actual data for the same period are calculated as follows.

(Million TRY)	Price Determination Report 2023 End of Year Estimated	Realized - Except TAS 29	Realization Rate (%) - Excluding TAS 29	Realized - Including TAS 29	Realization Rate (%) - Including TAS 29
Total Revenues	4.269	4.140	97%	5.296	124%
<i>Electricity Sales Revenues</i>	<i>4.245</i>	<i>4.110</i>	<i>97%</i>	<i>5.259</i>	<i>124%</i>
<i>Other Income</i>	<i>24</i>	<i>30</i>	<i>126%</i>	<i>37</i>	<i>154%</i>
Cost of Sales + Operational Expenses (*)	(2.853)	(2.837)	99%	(3.618)	127%
EBITDA	1.416	1.303	92%	1.678	118%

(*) Calculated net of other operating income and expenses, excluding depreciation and amortization expenses and net foreign exchange gains on trading transactions.

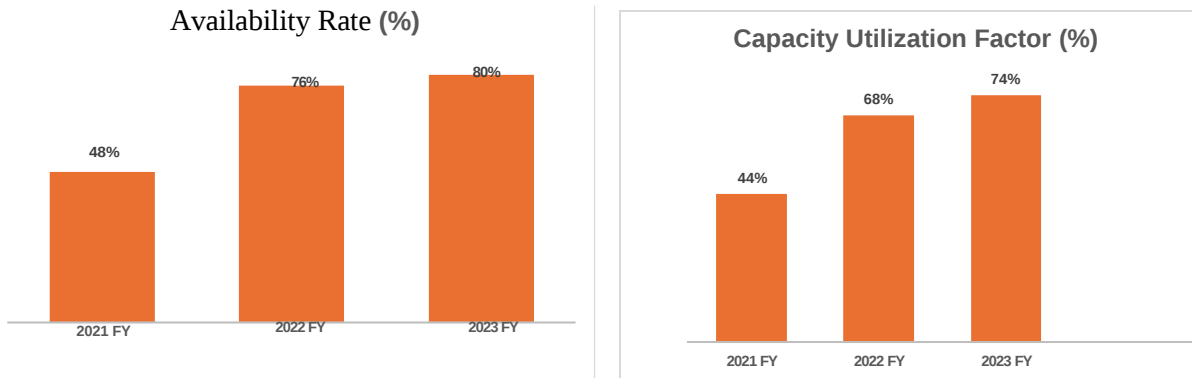
The 2023 targeted production volumes, production revenues and EBITDA generated were analyzed in line with the annual targets and the annual deviation shares were evaluated.

Revenue and profitability figures for generation plants on an annual basis;

- Electricity purchase guarantee prices varying according to the exchange rate
- Electricity purchase guarantee prices varying according to the inflation rate
- Bilateral agreement and maximum settlement price
- Capacity mechanism revenues with a different distribution by month

- Average electricity spot prices, which vary periodically depending on seasonal hydrological conditions, electricity supply and demand, and many other variables
- It directly affects production quantities that may vary on an annual basis according to production plans and periodic maintenance periods.

The Company's team of experts, supported by high quality equipment and well-established maintenance processes, ensures that the Company's portfolio achieves high levels of availability and capacity at low cost.



8. Conclusion and Evaluation

As of the end of the period 01.01.2023-31.12.2023, according to the tables containing the calculations made after the application of TAS 29 inflation accounting, the Company has outperformed the income statement projection stated in the Price Determination Report and framed during the public offering and has significantly met the expectations in the estimates according to the tables containing the calculations made with the TAS 29 non-inflation accounting.

Sincerely,

BOARD OF DIRECTORS

Hamdi ALP

President

(The originals have signatures.)

Mehmet Akif GÜL

Member

(The originals have signatures.)

Engin KAVAS

Member

(The originals have signatures.)

Emirhan KARAYAY

Member

(The originals have signatures.)

Rıdvan Edip AKDENİZ

Member

(The originals have signatures.)