

**(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S
REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2022 AND
INDEPENDENT AUDITOR'S REPORT**



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR’S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR’S REPORT

To the General Assembly of Akenerji Elektrik Üretim A.Ş.

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Akenerji Elektrik Üretim A.Ş. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRS”).

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the “SIA”) that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the “POA”). Our responsibilities under these standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the “Ethical Rules”) and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. 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. Key audit matters were addressed in the context of our independent 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.

Key Audit Matters	How the key audit matter was addressed in the audit
Accounting for the revaluation of property, plant and equipment	
The Group has adopted the revaluation method under TAS 16 “Property, plant and equipment” with respect to measurement of the operating power plants. As disclosed in Note 2.7, the Group has recognized a revaluation surplus of TL7,166,029,240 in the consolidated financial statements with respect to revaluation studies performed in 2022. We focused on this matter in our audit due to the following reasons: - Revaluation surplus recognized is material to the Group’s consolidated financial statements as at 31 December 2022, - In the valuation studies, there are significant management estimates and assumptions (prospective electricity price expectations, spark spreads, electricity production volume expectations, capacity utilization rates and discount rate) in cash flow projections, - Estimates and assumptions used in valuation studies may be affected by future industrial and economic changes, - The necessity of the use of valuation experts to review the valuation studies due to complex structure of inputs and calculations used.	We performed the following audit procedures in the accounting for the revaluation of property, plant and equipment: - The competence and objectivity of the valuation company that performed the valuation studies and consultancy firm that provided service in determining prospective electricity price expectations and spark spreads have been evaluated. - The valuation methods and technical data used in the valuation of property, plant and equipment were evaluated with the Group management and other management experts with the support of our valuation specialists, - The reasonableness of significant estimates (prospective electricity price expectations, spark spreads, electricity production volume expectations, capacity utilization rates and discount rate) used in the discounted cash flow studies of management were evaluated with the support of our valuation experts, - The electricity production volume and capacity utilization rates used in the projections were compared with the previous period performances of the Group. - Revaluation surplus determined based on the revaluation studies has been reconciled with the consolidated financial statements. - Compliance of the related disclosures on the accounting for the revaluation of property, plant and equipment with TFRS’s were evaluated.



4. Responsibilities of management and those charged with governance for the consolidated financial statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, 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 financial reporting process.

5. Auditor's responsibilities for the audit of the consolidated financial statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.



- Assess the 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 auditor's 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 independent auditor's 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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards 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 auditor's 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.



B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 6 March 2023.

Additional explanation for convenience translation into English

Turkish Financial Reporting Standards differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of IAS 29 - Financial Reporting in Hyperinflationary Economies by 31 December 2022. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position and results of operations of the Group in accordance with IFRS.

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

Çağlar Sürücü, SMMM
Partner

Istanbul, 6 March 2023

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
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AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2022

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

		Current period	Prior period
		Audited	Audited
	Notes	31 December 2022	31 December 2021
ASSETS			
Current assets			
Cash and cash equivalents	4	1.248.911.631	681.299.003
Financial investment	5	80.821.510	-
Derivative instruments	18	-	328.522.158
Trade receivables			
- Due from related parties	7,29	568.320.563	250.390.047
- Due from third parties	7	1.647.782.560	201.359.055
Other receivables			
- Due from third parties	8	6.388.819	1.241.120
Inventories	12	36.401.172	11.117.823
Prepaid expenses	11	125.214.113	36.989.194
Current income tax assets	21	2.008.870	1.093.049
Other current assets	13	38.692.237	16.234.262
Total current assets		3.754.541.475	1.528.245.711
Non - current assets			
Other receivables			
- Due from related parties	8,29	-	3.017.340
- Due from third parties	8	31.277.493	4.675.002
Financial investments	5	100.000	100.000
Inventories	12	26.130.255	19.156.626
Property, plant and equipment	14	18.304.784.854	11.383.275.666
Right of use assets	16	41.316.820	32.107.117
Intangible assets	15	149.586.152	104.650.668
Prepaid expenses	11	142.837.928	923.515
Deferred tax assets	21	5.814.865	169.548
Other non-current assets	13	122.313.398	35.514.581
Total non - current assets		18.824.161.765	11.583.590.063
TOTAL ASSETS		22.578.703.240	13.111.835.774

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

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AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

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

		Current period	Prior period
		Audited	Audited
	Notes	31 December 2022	31 December 2021
LIABILITIES			
Current liabilities			
Short - term portion of long - term borrowings			
- Bank loans	6	673.037.183	492.950.522
- Lease payables	6	28.848.894	20.545.662
Trade payables			
- Due to related parties	9, 29	221.018.207	77.243.319
- Due to third parties	9	2.110.965.786	509.926.486
Employee benefit obligations	19	5.073.874	1.625.824
Other payables			
- Other payables to third parties	10	208.276.779	97.674.351
Derivative instruments	18	20.733.192	329.940.405
Current income tax liabilities	21	1.609.716	2.157.194
Deferred income		21.671.026	152.651
Short term provisions			
- Provisions for employee benefits	19	20.010.000	9.212.905
- Other short - term provisions	17	71.547.325	52.639.592
Total current liabilities		3.382.791.982	1.594.068.911
Non - current liabilities			
Long - term borrowings			
- Bank loans	6	10.827.793.031	8.592.425.615
- Lease payables	6	160.241.385	138.560.518
Other payables			
- Due to third parties	10	430.338.432	230.329.959
Derivative instruments	18	1.634.321	20.251.696
Long term provisions			
- Provisions for employee benefits	19	34.611.874	12.210.016
Deferred tax liabilities	21	2.014.005.753	945.784.955
Total non - current liabilities		13.468.624.796	9.939.562.759
EQUITY			
Share capital	20	729.164.000	729.164.000
Adjustments to share capital	20	101.988.910	101.988.910
Share premiums		50.220.043	50.220.043
Other comprehensive income/(expense) not to be reclassified to profit/loss			
Gains/(losses) on revaluation and remeasurement			
- Gains on revaluation of property, plant and equipment	14	12.903.686.572	7.497.657.048
- Losses on re-measurement of defined benefit plans		(19.450.305)	(3.786.335)
Other comprehensive income/(expense) to be reclassified to profit/loss			
Losses on hedges			
- Losses on cash flow hedging		(1.949.699)	(4.433.563)
Restricted reserves			
- Legal reserves	20	12.053.172	12.053.172
- Other reserves		(4.322.722)	(4.322.722)
Accumulated losses		(6.473.542.581)	(4.270.074.525)
Net loss for the period		(1.570.560.928)	(2.530.261.924)
Total equity		5.727.286.462	1.578.204.104
TOTAL LIABILITIES AND EQUITY		22.578.703.240	13.111.835.774

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

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AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

		Current period	Prior period
		Audited	Audited
		1 January -	1 January -
	Notes	31 December 2022	31 December 2021
Revenue	22	17.046.511.134	3.917.844.338
Cost of sales (-)	22	(15.512.768.385)	(3.317.028.107)
Gross profit		1.533.742.749	600.816.231
General administrative expenses (-)	23	(141.354.741)	(101.199.929)
Other operating income	25	671.155.307	476.965.928
Other operating expenses (-)	25	(555.441.269)	(446.651.059)
Operating profit		1.508.102.046	529.931.171
Income from investing activities	26	12.662.776	25.704
Expenses from investing activities (-)	26	(85.051)	(52.016)
Operating profit before financial income/(expense)		1.520.679.771	529.904.859
Financial income	27	389.572.623	366.687.639
Financial expenses (-)	27	(3.844.750.203)	(3.774.929.098)
Loss before tax		(1.934.497.809)	(2.878.336.600)
Tax income/(expense)			
- Current income tax expense (-)	21	(3.398.460)	(2.352.631)
- Deferred tax income	21	367.335.341	350.427.307
Net loss for the period		(1.570.560.928)	(2.530.261.924)
Net loss attributable to:			
Equity holders of the parent		(1.570.560.928)	(2.530.261.924)
Earnings losses per share (1.000 shares)	28	(2,154)	(3,470)

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

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AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

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

		Current period	Prior period
		Audited	Audited
		1 January -	1 January -
	Notes	31 December 2022	31 December 2021
Net loss for the period		(1.570.560.928)	(2.530.261.924)
Other comprehensive income/(expense)			
To be reclassified to profit or loss			
Gains on cash flow hedging		3.104.831	3.104.844
Deferred tax effect	21	(620.967)	(620.972)
Not to be reclassified to profit or loss			
Increase on revaluation of property, plant and equipment	14	7.166.029.240	5.295.480.830
Deferred tax effect	21	(1.433.205.848)	(1.059.096.166)
Actuarial losses arising from defined benefit plans	19	(19.579.963)	(2.238.019)
Deferred tax effect	21	3.915.993	447.604
Other comprehensive income		5.719.643.286	4.237.078.121
Total comprehensive income		4.149.082.358	1.706.816.197

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

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AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

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

				Other comprehensive income /(expenses) not to be reclassified to profit or loss	Other comprehensive income /(expenses) to be reclassified to profit or loss						
				Increase on revaluation of property, plant and equipment	Gains/(losses) on re- measurement of defined benefit plans)	Gains/(losses) on cash flow hedging	Restricted reserves		Retained earnings/ (accumulated losses)	Net loss for the period	Total equity
Share capital	Adjustments to share capital	Share premiums	Other reserves				Legal reserves				
1 January 2021	729.164.000	101.988.910	50.220.043	3.433.690.830	(1.995.920)	(6.917.435)	(4.322.722)	12.053.172	(3.357.696.513)	(1.084.796.458)	(128.612.093)
Transfers	-	-	-	-	-	-	-	-	(1.084.796.458)	1.084.796.458	-
Total comprehensive income	-	-	-	4.236.384.664	(1.790.415)	2.483.872	-	-	-	(2.530.261.924)	1.706.816.197
Other adjustments (*)	-	-	-	(172.418.446)	-	-	-	-	172.418.446	-	-
31 December 2021	729.164.000	101.988.910	50.220.043	7.497.657.048	(3.786.335)	(4.433.563)	(4.322.722)	12.053.172	(4.270.074.525)	(2.530.261.924)	1.578.204.104
1 January 2022	729.164.000	101.988.910	50.220.043	7.497.657.048	(3.786.335)	(4.433.563)	(4.322.722)	12.053.172	(4.270.074.525)	(2.530.261.924)	1.578.204.104
Transfers	-	-	-	-	-	-	-	-	(2.530.261.924)	2.530.261.924	-
Total comprehensive income	-	-	-	5.732.823.392	(15.663.970)	2.483.864	-	-	-	(1.570.560.928)	4.149.082.358
Other adjustments (*)	-	-	-	(326.793.868)	-	-	-	-	326.793.868	-	-
31 December 2022	729.164.000	101.988.910	50.220.043	12.903.686.572	(19.450.305)	(1.949.699)	(4.322.722)	12.053.172	(6.473.542.581)	(1.570.560.928)	5.727.286.462

(*) As of 31 December 2022, the depreciation difference between the acquisition cost and the carrying values of the assets subject to revaluation method amounting to TL 326.793.868 (31 December 2021: TL 172.418.446), were reclassified to accumulated losses from revaluation fund of property, plant and equipment.

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

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AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current period	Prior period
		Audited	Audited
		1 January -	1 January -
	Notes	31 December 2022	31 December 2021
A. Cash flows from operating activities		2.096.120.531	1.010.934.607
Net loss for the period		(1.570.560.928)	(2.530.261.924)
Adjustments to reconcile net loss for the year		3.925.338.354	3.602.025.846
Adjustments for depreciation and amortization expenses	24	513.085.615	264.652.329
Adjustments for provisions			
- Adjustment for provisions for employee benefits	19	24.946.704	11.591.559
- Adjustments for litigation provisions	17	9.879.597	2.143.040
- Adjustments for other provisions	17	9.028.136	10.064.809
Adjustments for impairment		-	(67.753)
Adjustments for interest income		(56.410.589)	(24.367.947)
Adjustments for interest expense		1.213.366.667	822.335.727
Adjustments for unrealized foreign exchange differences		2.539.527.347	2.866.065.516
Fair value adjustments			
- Adjustments for fair value of derivative financial instruments		48.411.492	(2.368.774)
- Adjustments for fair value of derivative financial investments	26	(12.559.734)	-
Adjustments for tax (income)/expense	21	(363.936.881)	(348.074.676)
Adjustments for (gain)/loss on sale of property, plant and equipment	26	-	52.016
Changes in working capital		(242.467.422)	(52.045.743)
(Increase)/decrease in trade receivables from related parties		(317.930.516)	(234.869.629)
(Increase)/decrease in trade receivables from third parties		(1.446.423.505)	(118.581.744)
(Increase)/decrease in other receivables from related parties		3.017.340	5.990.560
(Increase)/decrease in other receivables from third parties		(31.750.190)	(1.511.051)
(Increase)/decrease in inventories		(32.256.978)	(5.909.448)
(Increase)/decrease in prepaid expenses		(88.358.540)	(8.858.056)
Increase/decrease in other assets		(109.256.792)	(34.030.435)
Increase/(decrease) in trade payables to related parties		143.774.888	55.569.006
Increase/(decrease) in trade payables to third parties		1.601.039.300	301.157.719
Increase/(decrease) in derivative financial instruments		(47.713.922)	(27.647.708)
Increase/(decrease) in deferred income		21.518.375	(1.315.151)
Increase/(decrease) in employee benefit obligations		3.448.050	712.000
Increase/(decrease) in other payables		58.425.068	17.248.194
Cash flows from operating activities		2.112.310.004	1.019.718.179
Payments related to provisions for employee benefits		(11.327.714)	(8.543.205)
Tax receipts/(payments)		(4.861.759)	(240.367)
B. Cash flows from investing activities		(518.791.626)	(160.891.011)
Cash inflows due to sale of property, plant and equipment		46.429	3.834.740
Cash outflows due to purchase of property, plant and equipment		(403.338.129)	(163.816.838)
Cash outflows due to purchase of intangible assets	15	(47.238.150)	(908.913)
Other cash outflows	5	(68.261.776)	-
C. Cash flows from financing activities		(1.008.167.734)	(399.578.588)
Cash outflows due to repayment of borrowings	6	(525.100.500)	(66.039.900)
Cash outflows due to repayment of lease payable	6	(27.080.656)	(14.098.241)
Interest paid	6	(513.945.710)	(327.307.530)
Interest received		56.410.589	24.367.947
Other cash inflows/(outflows) (*)		1.548.543	(16.500.864)
Net increase in cash and cash equivalents		569.161.171	450.465.008
Cash and cash equivalents at the beginning of the period (*)	4	617.938.309	167.473.301
Cash and cash equivalents at the end of the year (*)	4	1.187.099.480	617.938.309

(*) Cash and cash equivalents at the beginning of the period and at the end of the period does not include interest accruals and restricted deposits, and the changes in restricted deposits are provided in "Other cash inflows/(outflows)".

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

NOTE 1 - ORGANISATION OF GROUP AND NATURE OF OPERATIONS

The Company was established by Akkök Sanayi Yatırım ve Geliştirme A.Ş. in 1989 (Akkök Sanayi Yatırım ve Geliştirme A.Ş. is registered as Akkök Holding A.Ş. on 13 May 2014). Akenerji Elektrik Üretim A.Ş. ("the Company" or "Akenerji") is engaged in establishing, renting and operating facilities of electrical energy production plant, producing electricity and trading electricity to the customers. Since 14 May 2009, the Company has become a joint venture between Akkök Holding A.Ş. and CEZ a.s.

The Company is registered in Turkey and its registered address is as follows:

Miralay Şefik Bey Sokak No:15 Akhan Kat: 3 - 4 Gümüşsuyu/Istanbul - Turkey.

The Company is registered to the Capital Markets Board ("CMB"), and its shares are publicly traded in Istanbul Stock Exchange ("ISE"). As of 31 December 2022, 25,28% the publicly listed shares are 25,28% of total shares (31 December 2021: 25,28%).

As of 31 December 2022, the number of employees employed Akenerji and its subsidiaries (Akenerji and its subsidiaries will be referred as the "Group") is 291 (31 December 2021: 269).

These consolidated financial statements for the year ended 31 December 2022 have been approved for the issue by the Board of Directors at 06 March 2023.

The nature of business and registered addresses of the entities included in the consolidation ("Subsidiaries") are presented below:

Subsidiaries and branches	Nature of business	Registered address
Akenerji Elektrik Enerjisi İthalat - İhracat ve Toptan Ticaret A.Ş. ("Akenerji Toptan")	Electricity trading	Gümüşsuyu/Istanbul
Akel Kemah Elektrik Üretim ve Ticaret A.Ş. ("Akel Kemah")	Electricity production and trading	Gümüşsuyu/Istanbul
Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş. ("Akenerji Doğalgaz")	Natural gas trading	Gümüşsuyu/Istanbul
Akel Sungurlu Elektrik Üretim A.Ş. ("Akel Sungurlu")	Electricity production	Gümüşsuyu/Istanbul
5ER Enerji Tarım Hayvancılık A.Ş. ("5ER Enerji")	Electricity production	Gümüşsuyu/Istanbul
Akenerji Company For Electric Energy Import And Export and Wholesale Trading/Contribution Branch ("Akenerji Toptan Khabat")	Electricity trading	Erbil/Irak

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The accompanying consolidated financial statement are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, no: 14.1 "Basis of Financial Reporting in Capital Markets", which was published in the Official Gazette No: 28676 on 13 June 2013. The accompanying consolidated financial statements have been prepared in accordance with TFRS that have been put into effect by POA under Article 5 of the Communiqué.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

The condensed consolidated financial statements are presented in accordance with "Announcement regarding with TAS/TFRS Taxonomy" which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

POA made an announcement on January 20, 2022 in order to eliminate the hesitations about for the entities which apply Turkish Financial Reporting Standards ("TFRS") will apply TAS 29, "Financial Reporting in Hyperinflationary Economies" (IAS 29 Financial Reporting in Hyperinflationary Economies) or not for the year ended 31 December 2021. In accordance with the announcement, companies that apply TFRS shall not adjust financial statements for TAS 29 - Financial Reporting in Hyperinflationary Economies. Afterwards, no new statement was made by the POA about the TMS 29 application. As of the preparation date of the consolidated financial statements, POA did not make an additional announcement and no adjustment was made to the consolidated financial statements in accordance with TAS 29.

The Group and its subsidiaries, associates and joint ventures 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 issued by CMB. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions except for the derivative financial instruments, financial investments and revaluated property, plant and equipment presented a fair value, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

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 Akenerji and the presentation currency of the Group.

Offsetting

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

2.2 Basis of consolidation

- a) The consolidated financial statements include the accounts of the parent company, Akenerji, and its Subsidiaries on the basis set out in sections (b) to (c) 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 TAS/TFRS 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.
- b) Subsidiaries are companies in which Akenerji has the power to control the financial and operating policies for the benefit of itself, either through the power to exercise more than 50% of voting rights related to shares in the companies as a result of shares owned directly and/or indirectly by itself.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

The table below sets out all subsidiaries and demonstrates the proportion of ownership interest and effective interest rate of the Group over the subsidiary as of 31 December 2022 and 2021:

Subsidiaries and branches	Effective shareholding (%)		Ownership interest (%)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Akenerji Toptan	100,00	100,00	100,00	100,00
Ak-el Kemah	100,00	100,00	100,00	100,00
Akenerji Doğalgaz	100,00	100,00	100,00	100,00
Akel Sungurlu (*)	-	-	100,00	100,00
5ER Enerji (*)	-	-	100,00	-
Akenerji Toptan Khabat (**)	-	-	100,00	-

(*) As of 31 December 2022, Akenerji Toptan has a free purchase options of Akel Sungurlu and 5ER Enerji's shares at any time and Akenerji Toptan has the controlling power within the scope of the capacity lease agreement and usufruct right agreement, so Akel Sungurlu and 5ER Enerji has been consolidated in the financial statements using the full consolidation method.

(**) Branch of the Subsidiary, which operate in a different country, are separately presented.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are deconsolidated from the date that the control ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Carrying values of the Subsidiaries' shares held by the Company are eliminated against the related equity of subsidiaries. Intercompany transactions and balances between Akenerji and its subsidiaries are eliminated on consolidation. Dividends arising from shares held by the Company in its subsidiaries are eliminated from income for the period and equity, respectively.

c) The minority shareholders' share in the net assets and results of subsidiaries for the period are separately classified as non-controlling interest in the consolidated statement of financial position and statements of comprehensive income. There are no minority shares in subsidiaries of the Company.

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and Turkey Financial Reporting Interpretations Committee's ("TFRIC") interpretations effective as of 1 January 2022.

i) The new standards, amendments and interpretations which are effective as at 31 December 2022 are as follows

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021),
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.

The amendments did not have a significant impact on the financial position or performance of the Group.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

ii) Standards, amendments and improvements issued but not yet effective and not early adopted as at 31 December 2022

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8,
- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction,
- Amendment to IFRS 16 – Leases on sale and leaseback,
- Amendment to IAS 1 – Non-current liabilities with covenants,
- IFRS 17, 'Insurance Contracts', as amended in December 2021.

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

2.4 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

2.5 Summary of significant accounting policies

Significant accounting policies adopted in the preparation of consolidated financial statements are summarized below:

Financial assets

Classification and measurement:

Group classified its financial assets in three categories as financial assets carried at amortized cost, financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. Financial assets of the Group carried at amortized cost comprised of "trade receivables", "other receivables" and "cash and cash equivalents" in the statement of financial position.

i. Trade and other receivables

Trade and other receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate is measured at the original invoice amount unless the effect of imputed interest is significant.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

ii. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short - term highly liquid investments with original maturities of 3 months or less. For the purpose of consolidated statements of cash flows, cash and cash equivalents includes cash and cash equivalents with original maturities less than 3 months, excluding the interest accruals. If any provision provided to the cash and cash equivalents as a result of a specific events, Group measures expected credit loss from these cash and cash equivalents by the life - time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost on its consolidated financial statements. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, the Group measures expected credit loss from these receivables by the life - time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications.

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non - current assets. The Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative financial instruments" and "short-term financial investments" in the statement of financial position. Group's financial instruments at fair value through profit or loss consist of interest rate swap contracts, forward contracts and forward term electricity purchase and sale contracts, and short term financial investments consist of currency protected time deposits.

- Derivatives held for trading

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The fair value of forward contracts calculated by calculating forward exchange rate, for remainder of agreement related foreign currency's prevailed market interest rate, and comparing it to reporting date forward exchange rate.

Forward exchange contracts are recorded as assets or liabilities in the balance sheet, respectively, depends on whether their fair values are positive or negative. Gains and losses arising from changes in the fair value of forward exchange contracts are recognized as income and expense in the income statement.

ii) Financial investments

The Group maintains a foreign currency protected time deposit account for hedging against interest rate and currency risk. The currency protected TL time deposit account is a deposit product that offers foreign currency protection in the event that the USD and EUR exchange rate in TL increase more than the interest rate at maturity. Currency protected time deposit products are measured at their fair value. Gains and losses arising from changes in fair values are recognized as income and expense in the consolidated statement of profit or losses.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

Financial liabilities

Non - derivative financial liabilities of the Group comprised of "borrowings", "trade payables" and "other payables" in the statement of financial position.

i. Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

In the case of a financial liability modification, any costs or fees occurred regarding these liabilities is deducted from the carrying amount of the liability and amortized during the terms of the modified loan agreement by being.

If financing costs arising from the loans are associated with acquisition or construction of qualifying assets, they are included in cost value of qualifying assets. Qualifying assets refer to assets which require a long time to be available for use or sales as intended. Other borrowing costs are accounted in statement of profit or loss in the period they occur.

ii. Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Recognition and de - recognition of financial instruments

All purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are the purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass - through" arrangement; or
- (c) The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the consolidated financial statements.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

Revenue recognition

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following 5 main principles:

- (a) Identification of customer contracts
- (b) Identification of performance obligations
- (c) Determination of transaction price in the contract
- (d) Allocation of price to performance obligations
- (e) Recognition of revenue when the performance obligations are fulfilled

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

- (a) 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,
- (b) Group can identify each party's rights regarding the goods or services to be transferred,
- (c) Group can identify the payment terms for the goods or services to be transferred;
- (d) The contract has commercial substance,
- (e) 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 contract inception date, the Group evaluates the goods and services committed to be provided to the customer based on the contract and identifies each commitment as a separate performance obligation. In addition to that, the Group determines whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The group is a principal if it controls a promised good or service before the group transfers the good or service to a customer. When a group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The group is an agent if its performance obligation is to arrange for the provision of goods or services by another party and in such a position, the Group does not recognize the revenue of the consideration at gross amount.

The Group determines the transaction price in accordance with contract terms and customs of trade. Transaction price is the amount of consideration which is expected to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The performance obligations of the Group in accordance with TFRS 15 "Revenue from Contracts with Customers" consists of electricity sales and electricity sales related ancillary services provided. The electricity sold is transferred to the customer by the electricity transmission lines. The customer consumes the economic benefit of the performance obligation of the Group at the same time it is transferred. Revenue of the electricity sold and electricity sales related side services provided are recognized at the time of the delivery.

Electricity sales revenues

Electricity sales revenues consist of invoiced amounts on an accrual basis, in the event of electricity delivery.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

Sharing of instability

As the Group Responsible for Balance, it consists of savings sharing revenues arising from minimizing the positive or negative imbalance costs that the companies will be exposed to.

Loading instruction revenues

It is the income generated when a balancing power plant sells electricity to the system by increasing the generation of the power plant in line with the instructions given by the National Load Dispatch Center (MYTM).

Secondary frequency control revenues

Secondary Frequency Control (SFC) Revenues, in other words, automatic generation control, consist of the revenues paid to the power plants that won the SFC tender by Türkiye Elektrik Üretim İletim A.Ş. (TEİAŞ), arising from the management of the load distribution between the available power plants in operation.

Capacity mechanism revenues

It consists of the revenues paid by TEİAŞ, for the establishment and/or continuance of sufficient capacity, including the reserve capacity required to ensure supply security in the electricity market.

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income/expenses and other operating income/expenses in the consolidated statements of profit or loss.

Inventories

Inventories are valued at the lower of cost or net realizable value less costs to sell. Cost of inventories is comprised of the purchase cost and the cost of bringing inventories into their present location and condition. Inventories comprise of spare parts, lubricants and chemical materials required for the maintenance of the machines and equipment, and expensed as they are used. The cost of inventories is determined using the moving weighted average method.

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.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the normal course of business.

Property, plant and equipment

The Group, has chosen the revaluation method among application methods mentioned under IAS 16 for lands, land improvements, buildings, machinery and equipment belonging its power plants commencing from 30 September 2015. As at 31 December 2022, the Group used as a base fair value determined an independent valuation company licensed by CMB for lands, land improvements, buildings, machinery and equipment. Motor vehicles, furniture and fixtures, and leasehold improvements are presented on consolidated financial statements at their carrying amounts. Fair value of land, land improvements, buildings, machinery and equipment are subjected to valuation is determined by using "Income Approach - discounted cash flow analysis".

Increase in property, plant and equipment due to the revaluation are credited after netting of the deferred tax effect in "increase on revaluation of property, plant and equipment" account under shareholders' equity in the balance sheet. 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 "retained earnings/(losses) account from the "increase on revaluation of property, plant and equipment" account after netting of the deferred tax effect on a yearly basis. The same method is also applicable for disposals of property, plant and equipment.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is performed.

Land is not depreciated as it is deemed to have an indefinite useful 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. The useful lives of assets are presented below:

	Years
Buildings	30 - 50
Land improvements	2 - 46
Machinery and equipment	2 - 40
Motor vehicles	2 - 10
Furniture and fixtures	2 - 50
Leasehold improvements	4 - 37

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Expenses for the repair of property, plant and equipment are normally charged as expense. They are, however, capitalized 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.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

Intangible assets

Intangible assets are carried at cost less accumulated depreciation and impairment losses. Intangible assets comprise licenses and computer software.

Commercial business licenses

Commercial business licenses which obtained separately are recorded as cost values. Licenses are amortized on a straight - line basis over their estimated useful lives of 13 - 49 years. Commercial business licenses have a limited useful life and are followed up with their future values accumulated amortization from cost is deducted from the time the license term start to be used

Computer software

Computer software are recorded at acquisition cost and amortized 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.

Leases

The Group – as a lessee

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 assess whether:

- a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly,
- b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified,
- c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use,
- d) The Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
 - i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

At inception of a contract that contains a lease, the Group recognizes a right of use asset and a lease liability in its financial statements.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- a) Amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the Group,
- d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Group re - measure the right of use asset:

- a) After netting - off depreciation and reducing impairment losses from right of use asset,
- b) Adjusted for certain re - measurements of the lease liability recognized at the present value.

The Group depreciates right-of-use assets using the straight-line method based on their useful life. The usage periods of the Group's right-of-use assets vary between 3 and 38 years.

The Group applies TAS 36 Impairment of Assets Standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

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

- a) Fixed payments, including in - substance fixed payments,
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
- c) The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable 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 to terminate early.

After initial recognition, the lease liability is measured:

- a) Increasing the carrying amount to reflect interest on lease liability,
- b) Reducing the carrying amount to reflect the lease payments made,
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in - substance fixed lease payments. The Group adjusts the right of use asset in accordance with the reassessment of the lease liability.

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

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

Exemptions and simplifications

Short - term lease payments with a lease term below 12 months and payments for leases of low - value assets like IT equipment (mainly printers, laptops and mobile phones etc.) are not included in the measurement of the lease liabilities in the scope of exemptions provided in TFRS 16 "Leases". Lease payments of these contracts are continued to be recognized in profit or loss in the related period. The Group applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

The Group - as a lessor

The Group does not have significant operations as a lessor.

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 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.

Provisions, contingent liabilities and 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 financial tables and are treated as contingent assets or liabilities.

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 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 financial statements of the period in which the change occurs.

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

Provisions for employee benefits

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise.

Provision for unused vacation rights

The Group is required to pay to the employee, whose employment is terminated due to any reasons, or to its inheritors, the wage of the deserved and unused vacation rights over the prevailing wage at the date the contract is terminated. Accordingly, the Group recognizes a provision for unused vacation days as a long term employee benefits. Provision for unused vacation days is measured on an undiscounted basis and are expensed as the related service is provided.

Current and deferred taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date and includes adjustments related to previous years' tax liabilities.

Deferred income 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 income tax assets will be utilized or deferred income tax liabilities will be settled, are used to determine deferred income tax.

Deferred income 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 income tax liabilities are recognized for all taxable temporary differences, where deferred income 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 income tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilize deferred income tax assets partially or fully.

Deferred income tax assets and deferred income tax liabilities related to income 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.

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

Deferred tax relating to items recognized directly in equity is recognized in equity.

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

Share premium

Share premium represents differences resulting from the sale of the Company's Subsidiaries' 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.

Reporting of cash flows

In the consolidated statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

Cash flows from operating activities indicate cash flows due to the Group's operations.

Cash flows from investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

Cash flows from financing activities indicate the cash obtained from financial arrangements and used in their repayment.

Subsequent events

Subsequent events consist of all events between balance sheet date and date of authorization for validity, even if they have been existed after public explanation of an announcement about profit or other financial information. In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the financial statements.

Earnings/(losses) per share

Earnings per share are determined by dividing net gain 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.

2.6 Comparatives and restatement of prior year financial statements

The Group prepares comparative consolidated financial statements, to enable readers to determine financial position and performance trends. For the purposes of effective comparison, comparative financial statements can be reclassified when deemed necessary by the Group, where descriptions on significant differences are disclosed.

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

2.7 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. Although, the estimates and assumptions are based on the best of knowledge of events and transactions of the Group management, those may not be equal to the related actual results.

The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities are addressed below:

Deferred tax assets for the carry forward 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 or will be offsetted from the deferred tax liabilities incurred on the temporary differences will be recovered at the same date.

As a result of the studies performed, the Group recognized no deferred tax assets on carry forward tax losses (31 December 2021: None) as of 31 December 2022. Carry forward tax losses amounting to TL 1.947.611.587 (31 December 2021: TL 1.772.510.100) (Note 21). As of 31 December 2022, the deferred tax asset has not been calculated by taking into account the foreseeable future profit expectations prepared by the Group and the deferred tax liabilities in the relevant periods.

Explanations for revaluation method and fair value measurement

The Group has chosen revaluation method instead of historical cost model as an accounting policy among application methods mentioned under TAS 16 for lands, land improvements, buildings, machinery and equipment belonging to its power plants commencing from 30 September 2015.

An independent valuation firm has been authorized for revaluation because using of long-term price expectation, electricity generation expectation, discount rate, profit margin between electricity and natural gas prices ("spark spread"), and capacity utilization rate forecasts which are sensitive to sectoral and economic variables and also complexity of inputs and calculations. As of 31 December 2022, the fair value which is determined with valuation study by an independent valuation company which has CMB license, is used for lands, land improvements, buildings, machinery and equipment. In the aforementioned valuation and impairment studies, "income reduction method - discounted cash flow analysis" was applied.

Income Approach, discounted cash flow analysis (Level 3) is used by the valuation company for valuation reports of 31 December 2022 aims to determine fair value of lands, land improvements, buildings, machineries and equipment of Uluabat hydroelectric power plant (HPP), Ayyıldız wind farm power plant (WFPP), Burç HPP, Feke I HPP, Feke II HPP, Bulam HPP, Gökkaya HPP, Sungurlu biomass power plant (BPP), Himmetli HPP and Erzin Natural Gas Combined Cycle Power Plant (NGCCPP) which are belong to Akenerji assets.

Since long term electricity prices and spark spreads are the most important inputs of "Income Approach - discounted cash flow analysis", an independent consultancy and technology firm, which operates in energy market, has been hired. The most important inputs of model determine long term electricity prices are; long term electricity demand, entrance of new plants, exit of old plant, renewable total capacity, evolution of capacity factor, carbon market expectations, natural gas and coal prices, evolution of electricity import - export, and development in the efficiency of thermal plants.

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

Change in the spark spreads used in model affect the generation for Erzin natural gas combined cycle power plant. For generation, feasibility studies, which is calculated with 50-year hydrology information and historical data used for hydros, Sungurlu and Ayyıldız. The discount rate used in valuation models prepared on the basis of USD has been determined as reel 10,28% which is in line with the current macroeconomic market conditions. The increase in the discount rate has a negative effect on the fair value of the power plants.

According to the valuation report as of 31 December 2022, increase in the book value of tangible assets which are subject to revaluation is TL 7.166.029.240. The additional amount of 7.166.029.240 was represented in revaluation fund in equity by netting of the deferred tax affect which is TL 5.732.823.392. The revaluation fund movement as of 31 December 2022 is disclosed in Note 14.

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

Valuation assumptions

Valuated power plant type	Weighted capital cost rate (%)	Installed capacity (MW)	Capacity utilization rate(%)
Uluabat HES	10,28	100	35,13
Feke II HES	10,28	70	23,34
Gökkaya HES	10,28	30	34,39
Feke I HES	10,28	30	34,51
Burç Bendi HES	10,28	28	30,85
Himmetli HES	10,28	27	36,01
Bulam HES	10,28	7	35,59
Ayyıldız RES	10,28	28	34,12
Sungurlu BES	10,28	2,17	82,50

Valuated power plant type	Weighted capital cost rate (%)	Installed capacity (MW)	Capacity utilization rate(%)
Erzin DGKÇS	10,28	904	33 -78

The electricity sales prices used are 80-175 USD/MWh for HEPPs and WPP. In case the electricity prices used in the valuation models prepared for HEPPs and WPP increased or decreased by 10% and if all other variables are held constant, property, plant and equipment amount for HEPPs, WPP and BES recognized in consolidated financial statements would have been increased by TL 1.571 million or decreased by TL 1.507 million. In case the sales volume increased or decreased by 10%, if all other variables are held constant, property, plant and equipment amount for HEPPs and WPP recognized in consolidated financial statements would have been increased by TL 1.528 million or decreased by TL 1.462 million. In case the weighted capital cost ratio increased or decreased by 100 basis point, if all other variables are held constant, property, plant and equipment amount for HEPPs, WPP and BES recognized in consolidated financial statements would have been decreased by TL 803 million or increased by TL 926 million.

The spark spread used in the Erzin NGCCPP is (12)-14 USD/MWh. In case the forward-looking spark spread estimates used in the valuation model of Erzin NGCCPP increased or decreased by 10% during the operating hours, and if all other variables are held constant, property, plant and equipment amount for Erzin NGCCPP recognized in consolidated financial statements would have been increased by TL 1.052 million or decreased by TL 1.024 million. In case the weighted capital cost ratio increased or decreased by 100 basis point, and if all other variables are held constant, property, plant and equipment amount for Erzin NGCCPP recognized in consolidated financial statements would have been decreased by TL 239 million or increased by TL 255 million.

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

2.8 Going concern

The Group prepares its consolidated financial statements on a going concern basis in a foreseeable future.

In 2022, the Group maintained its successful performance from 2021, leveraging its balanced, efficient, and flexible production portfolio, as well as its extensive trading experience in domestic and international markets. As a result, the Group achieved record levels of operational profitability. As of 31 December 2022, the Group's earnings before interest, taxes, depreciation, and amortization (EBITDA) reached TL 2.021.187.661 (31 December 2021: TL 794.583.500) and the cash flows generated from its operations amounted to TL 2.112.310.004 (31 December 2021: TL 1.019.718.179). The Group has met all its obligations to banks for the year 2022 using the cash flows generated from its operations. In addition, the Group has reduced its future financial obligations by paying off 20 million USD of its debt early using its cash surplus. During the period that ended on 31 December 2022, the Group's total production volume decreased compared to the same period in the previous year due to planned maintenance at the Erzin Natural Gas Combined Cycle Power Plant during the spring months. Despite revenue losses caused by the "Support Mechanism Based on Resources" introduced in April 2022, delayed collections by TEİAŞ, and low electricity demand, the Group has managed to significantly increase its consolidated gross profit through the high level of operational efficiency achieved in providing ancillary services (Secondary Frequency Control, 0-1 coded instructions, Capacity Mechanism, etc.). Furthermore, the Group has continued its physical electricity export and financial electricity product transactions in 2022, concentrating its commercial activities in this area and significantly increasing its foreign currency income.

As part of its daily operations, the Group considers all opportunities that could be in favor of the Group and may positively affect the cash flows of the Group. The Group prepares its consolidated financial statements with the assumption that the business will continue its activities in a predictable future, as a result of the actions it has taken to increase its operational profitability and cash flows from its operations, and Group does not foresee any risk regarding the continuity of the business.

Natural gas purchases have an important place in the production costs due to the production activities of the Group's Erzin Combined Cycle Power Plant. As of 2022, due to the cost increases in the European Gas Markets, gas supply was provided by Botaş, the most cost-effective supplier, making a positive contribution to the gross profit and the Group minimized potential opportunity losses. In addition, developments in the gas market for the coming periods will continue to be followed closely and new supply opportunities will be evaluated.

The Group has been extended its liabilities to 13 years by restructuring its USD 859 million loan and also restructuring the payment of the loan condition to 1.5 year without any payment as TL and USD on 11 November 2019 which signed with Yapı ve Kredi Bankası A.Ş. as the implementation of "Financial Restructuring". With the aforementioned Loan Agreement, the repayment schedule of the loan was arranged according to the estimated cash-generating capacity of the Group, which has been a factor that reduced the pressure on the cash flow, thereby positively affecting the financial sustainability and competitive strength of the Group. In addition, decreasing the tranches of USD liabilities within total bank loans from 87% to 55% has also significantly reduced the foreign currency risk the Group is exposed to.

2.9 Seasonality of Group's operations

Business volume shows seasonal changes according to the structure of the industry in which the Group operates. In the hydroelectric power plants, business volumes are higher in the second quarters and for the wind power plant, business volume are higher in the first quarters of the year. Seasonality does not have a significant impact on the remaining business volume of the Group.

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NOTE 3 - SEGMENT REPORTING

The Group does not have reportable segments activities. The activity of the Group consists only of electricity production and trade.

NOTE 4 - CASH AND CASH EQUIVALENTS

The details of the cash and cash equivalents of the Group as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Cash	6.315	11.779
Banks		
- Demand deposits	1.066.433.324	542.295.120
- Time deposits	182.471.992	138.992.104
	1.248.911.631	681.299.003
Restricted cash	(61.724.417)	(63.353.207)
Interest accrual	(87.734)	(7.487)
Cash and cash equivalents provided in statement of cash flows	1.187.099.480	617.938.309

As of 31 December 2022, TL 1.000.809.797 of the Group's demand deposits are in foreign currency and details of the original currency is stated in Note 30.

As of 31 December 2022, the average effective interest rate for TL time deposits is 16,78% (2021: 14,07%). As of 31 December 2022, there is no EUR and USD time deposits (31 December 2021 EUR time deposit rate: 0,01%).

The remaining day to maturity of time deposits as of 31 December 2022 is shorter than one month.

As of 31 December 2022, the Group's restricted cash at Takasbank amounting to TL 61.724.417 (2021: TL 63.353.207) is related with the electricity and natural gas sales operations, trading and debt reserve account of the Group.

NOTE 5 - FINANCIAL INVESTMENTS

a) Short-term financial investments

	31 December 2022	31 December 2021
Exchange rate protected TL time deposits (*)	80.821.510	-
	80.821.510	-

(*) Exchange rate-protected TL time deposit is a deposit product that provides foreign exchange hedging in case the USD and EUR exchange rates against TL are increased more than the interest rate at the end of the term. Exchange rate-protected TL time deposits are accounted as financial assets at fair value through profit or loss.

As of 31 December 2022, the nominal and fair value amounts of exchange rate-protected TL time deposit accounts:

	31 December 2022	
Currency	Nominal amount (Original currency)	Fair value (TL Equivalent)
TL	68.261.776	80.821.510

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NOTE 5 - FINANCIAL INVESTMENTS (Continued)

b) Long-term financial investments

	31 December 2022	31 December 2021
Long - term securities	100.000	100.000
Total	100.000	100.000

Akenerji Toptan, a subsidiary of the Group, has participated to Enerji Piyasaları İşletme Anonim Şirketi ("EPIAŞ") who is established with a share capital TL 61.572.770, by 0,16% with 100.000 C Type shares. (31 December 2021: TL 100.000).

NOTE 6 - BORROWINGS

The details of borrowings of the Group as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Short-term portion of long term borrowings		
- Bank loans	673.037.183	492.950.522
- Lease liabilities	28.848.894	20.545.662
Total short-term portion of long term borrowings	701.886.077	513.496.184
Long term borrowings		
- Bank loans	10.827.793.031	8.592.425.615
- Lease liabilities	160.241.385	138.560.518
Total long term borrowings	10.988.034.416	8.730.986.133
Total short term and long term borrowings	11.689.920.493	9.244.482.317

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

As of 31 December 2022 and 2021, the original currencies and weighted average interest rates for short and long-term financial liabilities are as follows:

			31 December 2022	
	Currency	Effective Interest rate %	Original Amount	Amount in TL
Short - term portion of long - term bank loans	USD	7,92	35.994.565	673.037.183
Short - term portion of long - term lease liabilities	EUR	3,40	1.420.291	28.313.363
Interest cost of short - term portion of long - term lease liabilities (-)	EUR	3,40	(232.741)	(4.639.663)
Short - term portion of long - term lease liabilities	TL	18,45	5.175.194	5.175.194
Total short - term borrowings				701.886.077
Long - term bank loans	USD	7,92	407.946.823	7.627.912.080
Long - term bank loans	TL	12,28	3.199.880.951	3.199.880.951
Long - term lease liabilities	EUR	3,40	7.225.092	144.031.482
Interest cost of long - term lease liabilities (-)	EUR	3,40	(1.180.309)	(23.529.337)
Long - term lease liabilities	TL	18,45	39.739.240	39.739.240
Total long - term borrowings				10.988.034.416

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NOTE 6 - BORROWINGS (Continued)

31 December 2021				
	Currency	Effective Interest rate %	Original Amount	Amount in TL
Short - term portion of long - term bank loans	USD	7,92	36.983.308	492.950.522
Short - term portion of long - term lease liabilities	EUR	3,40	1.435.867	21.662.500
Interest cost of short - term portion of long - term lease liabilities (-)	EUR	3,40	(268.405)	(4.049.350)
Short - term portion of long - term lease liabilities	TL	17,46	2.932.512	2.932.512
Total short-term borrowings				513.496.184
Long term bank loans	USD	7,92	430.835.620	5.742.607.978
Long term bank loans	TL	12,28	2.849.817.637	2.849.817.637
Long - term lease liabilities	EUR	3,40	8.535.108	128.766.615
Interest cost of long - term lease liabilities (-)	EUR	3,40	(1.413.049)	(21.318.254)
Long - term lease liabilities	TL	17,46	31.112.157	31.112.157
Total long-term borrowings				8.730.986.133

As of 31 December 2022, all of the Euro finance lease liabilities of the Group are subject to floating interest rate of Euribor + 3,4% (31 December 2021: All of the Euro finance lease liabilities of the Group are subject to floating interest rate of Euribor + 3,4%).

The details of redemption schedule of the long term bank borrowings as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Up to 1 - 2 years	5.711.101.659	442.143.840
Up to 2 - 3 years	688.419.290	4.788.931.670
Up to 3 - 4 years	747.722.356	452.248.941
Up to 4 - 5 years	783.134.801	491.207.391
More than 5 years	2.897.414.925	2.417.893.773
	10.827.793.031	8.592.425.615

The principal repayment schedule of the Group's long - term finance lease obligations as at 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
Up to 1 - 2 years	26.013.197	19.116.830
Up to 2 - 3 years	25.398.259	18.886.255
Up to 3 - 4 years	24.220.183	18.166.102
Up to 4 - 5 years	24.023.431	18.023.766
Up to 5 - 6 years	25.694.547	18.646.643
Up to 6 - 7 years	960.866	19.280.762
Up to 7 - 8 years	425.819	1.262.493
Up to 8 - 9 years	347.074	78.798
Up to 9 - 10 years	390.477	91.784
More than 10 years	32.767.532	25.007.085
	160.241.385	138.560.518

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NOTE 6 - BORROWINGS (Continued)

Compliance with the financial covenants

According to the Loan Agreement signed at 11 November 2019, under the terms of the loan agreement, the Group is required to comply with the financial covenant included of having a debt service cover ratio greater than 1,05 until end of the term of the contract. As of 31 December 2022, the Group is compliant with the financial covenant.

As of 31 December 2022, and 2021, the movements of borrowings are as follows:

	2022	2021
1 January	9.244.482.317	6.082.363.432
Cash flow impact	(1.066.126.866)	(407.445.671)
Change in unrealized foreign exchange differences	2.539.527.347	2.866.065.516
Change in interest accruals and amortization commission	958.076.003	696.760.751
Changes in lease liabilities	13.961.692	6.738.289
31 December	11.689.920.493	9.244.482.317

NOTE 7 - TRADE RECEIVABLES

a) Short term trade receivables

	31 December 2022	31 December 2021
- Trade receivables from related parties (Note 29)	568.320.563	250.390.047
- Trade receivables from third parties	1.667.425.965	221.004.920
	2.235.746.528	471.394.967
Provision for doubtful receivables	(19.643.405)	(19.645.865)
	2.216.103.123	451.749.102

As of 31 December 2022, trade receivable maturities which less than 1 months and unearned finance income from credit sales does not exist (31 December 2021: None).

The movements for provision for doubtful receivables are as follows:

	2022	2021
1 January	19.645.865	19.713.618
Provisions for the period (Note 25)	-	144.753
No longer subject to provision	(2.460)	(212.506)
31 December	19.643.405	19.645.865

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NOTE 7 - TRADE RECEIVABLES (Continued)

As of 31 December 2022, the amount of receivables which are overdue and impaired is TL 19.643.405 (31 December 2021: TL 19.645.865). The aging list of these receivables as of 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
3 to 12 months	-	142.293
More than 12 months	19.643.405	19.503.572
	19.643.405	19.645.865

The Group recognizes the impairment of trade receivables, weighting the lifetime expected credit losses by default (Probability of Default) for all trade receivables on each customer basis and including non - overdue receivables.

The amount of trade receivables that are past due but not impaired is TL 543.400.206 as of 31 December 2022 (31 December 2021: TL 3.242.000). The aging list of these receivables as of 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
1 to 3 months	540.157.982	-
3 to 12 months and over	3.242.224	3.242.000
	543.400.206	3.242.000

NOTE 8 - OTHER RECEIVABLES

a) Short - term other receivables

	31 December 2022	31 December 2021
- Other receivables from third parties	6.388.819	1.241.120
	6.388.819	1.241.120

As of 31 December 2022 and 2021, the details of short - term receivables of the Group from third parties are as follows:

	31 December 2022	31 December 2021
Receivables from tax office	5.494.209	1.028.975
Receivables from various public institutions	47.691	79.694
Deposits and guarantees given	18.500	500
Short - term other receivables	828.419	131.951
	6.388.819	1.241.120

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NOTE 8 - OTHER RECEIVABLES (Continued)

b) Long - term other receivables

	31 December 2022	31 December 2021
- Other receivables from third parties (Note 29)	-	3.017.340
- Other receivables from related parties	31.277.493	4.675.002
	31.277.493	7.692.342

As of 31 December 2022 and 2021, the details of long - term receivables of the Group from third parties are as follows:

	31 December 2022	31 December 2021
Deposits and guarantees given	31.277.493	4.675.002
	31.277.493	4.675.002

NOTE 9 - TRADE PAYABLES

a) Short - term trade payables

	31 December 2022	31 December 2021
- Trade payables to third parties	2.110.965.786	509.926.486
- Trade payables to related parties (Note 29)	221.018.207	77.243.319
	2.331.983.993	587.169.805

As of 31 December 2022, the average maturity of trade payables is 30 days.

NOTE 10 - OTHER PAYABLES

a) Short - term other payables

	31 December 2022	31 December 2021
- Other payables to third parties	208.276.779	97.674.351
	208.276.779	97.674.351

As of 31 December 2022, and 2021, details of short - term other payables of the Group are as follows:

	31 December 2022	31 December 2021
Payables to DSI (*)	111.335.587	51.295.097
Taxes and funds payable	84.119.441	42.136.407
Deposit and guarantees taken	30.912	30.912
Other payables	12.790.839	4.211.935
	208.276.779	97.674.351

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NOTE 10 - OTHER PAYABLES (Continued)

b) Long - term other payables

	31 December 2022	31 December 2021
- Other payables to third parties	430.338.432	230.329.959
	430.338.432	230.329.959

The details of long - term other payables of the Group as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Payables to DSİ (*)	390.316.396	230.310.407
Other long - term trade payables	40.022.036	19.552
	430.338.432	230.329.959

- (*) The Group signed an agreement with the General Directorate of State Hydraulic Works (DSİ) Department of Investigation and Planning for the Water Usage of Ulubat Power Tunnel and Hydroelectric Energy Power Plant within the scope of the Emet - Orhaneli Çınarcık Dam Project on 6 June 2005. In accordance with the agreement, the liabilities relating to the Energy Share Contribution Fee to be paid for the project are incurred at the commissioning date, and the payments will start after 5 years and with 10 equal installments, where these liabilities are subject to indexation with the Producer Price Index (PPI). Based on the letter received from DSİ on October 8, 2019, the number of common facility installments that have been published in the Official Gazette has been revised as 15 installments. As of the balance sheet date, 7 installments reported by DSİ have been paid and the remaining installments are indexed by PPI and the amount reclassified as short - term other payables to third parties amounting to TL 111.335.587 (31 December 2021: TL 51.295.097) and long - term other payables to third parties amounting to TL 390.316.396 (31 December 2021: TL 230.310.407).

NOTE 11 - PREPAID EXPENSES

Prepaid expenses as of 31 December 2022 and 2021 are as follows:

a) Short - term prepaid expenses

	31 December 2022	31 December 2021
Prepaid expenses for following months	91.270.466	20.946.773
Advances given for purchases	33.943.647	16.042.421
	125.214.113	36.989.194

b) Long - term prepaid expenses

	31 December 2022	31 December 2021
Advances given for fixed asset purchases	142.629.633	800.177
Prepaid expenses for following years	208.295	123.338
	142.837.928	923.515

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NOTE 12 - INVENTORIES

a) Short - term inventories

	31 December 2022	31 December 2021
Raw materials	28.629.371	3.435.677
Spare parts	6.066.953	6.360.934
Work in progress	330.743	880.652
Other raw materials	1.374.105	440.560
	36.401.172	11.117.823

b) Long - term inventories

	31 December 2022	31 December 2021
Spare parts (*)	26.130.255	19.156.626
	26.130.255	19.156.626

(*) TL 26.130.255 (31 December 2021: TL 19.156.626) of spare parts classified in long - term inventories with an amount of TL 17.826.392 (31 December 2021: TL 13.856.285) are related to the Erzin combined natural gas cycle power plant held within the scope of long - term maintenance contracts and remaining spare parts amounting to TL 8.303.863 (31 December 2021: TL 5.300.341) belongs to the other power plants of the Group are held for the purpose of repair and maintenance necessities. Such spare parts are reclassified under long term inventories by considering their estimated usage period interval. The Group manages the level of its spare parts by considering the planned maintenance schedule and the ability of intervening the incidents immediately.

NOTE 13 - OTHER ASSETS

a) Other current assets

	31 December 2022	31 December 2021
Deferred VAT	37.685.046	15.973.938
Personnel advances	735.038	138.022
Job advances	272.153	122.302
	38.692.237	16.234.262

b) Other non-current assets

	31 December 2022	31 December 2021
Deferred VAT	122.313.398	35.514.581
	122.313.398	35.514.581

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2022	Additions	Disposals	Revaluation fund	31 December 2022
Cost					
Lands	477.108	-	-	558.769	1.035.877
Land improvements (*)	5.697.107.633	15.510.636	-	5.106.977.982	10.819.596.251
Buildings	1.488.895.630	3.929.228	-	570.899.745	2.063.724.603
Machinery and equipment (**)	5.576.803.115	80.827.415	-	1.487.592.744	7.145.223.274
Motor vehicles	3.403.627	1.533.444	-	-	4.937.071
Furnitures and fixtures	15.699.486	2.975.948	(49.160)	-	18.626.274
Leasehold improvements	5.508.880	6.642.269	-	-	12.151.149
Construction in progress	57.531.476	149.289.556	-	-	206.821.032
	12.845.426.955	260.708.496	(49.160)	7.166.029.240	20.272.115.531
Accumulated depreciation					
Land improvements	(547.938.338)	(191.186.736)	-	-	(739.125.074)
Buildings	(104.809.321)	(43.423.980)	-	-	(148.233.301)
Machinery and equipment	(796.804.228)	(267.662.212)	-	-	(1.064.466.440)
Motor vehicles	(1.317.430)	(910.598)	-	-	(2.228.028)
Furnitures and fixtures	(9.949.645)	(1.697.696)	2.731	-	(11.644.610)
Leasehold improvements	(1.332.327)	(300.897)	-	-	(1.633.224)
	(1.462.151.289)	(505.182.119)	2.731	-	(1.967.330.677)
Net book value	11.383.275.666				18.304.784.854

(*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through finance lease on 27 January 2017 is amounting to TL 495.485. As of 31 December 2022, the total amount of accumulated depreciation of related land improvement is TL 78.234.

(**) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through finance lease on 27 January 2017 is amounting to TL 49.219.854. As of 31 December 2022, the total amount of accumulated depreciation of the related machinery and equipment is TL 29.531.912.

Current period depreciation expense amounting to TL 503.704.638 has been included in cost of sales and TL 1.477.481 has been included in general administrative expenses.

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2021	Additions	Disposals	Revaluation fund	31 December 2021
Cost					
Lands	281.604	-	-	195.504	477.108
Land improvements (*)	3.548.054.553	27.600.384	(2.715.579)	2.124.168.275	5.697.107.633
Buildings	768.945.929	19.642.621	(1.250.702)	701.557.782	1.488.895.630
Machinery and equipment (**)	3.023.010.773	84.233.073	-	2.469.559.269	5.576.803.115
Motor vehicles	1.614.793	1.932.199	(143.365)	-	3.403.627
Furnitures and fixtures	12.432.469	3.274.627	(7.610)	-	15.699.486
Leasehold improvements	4.387.138	1.121.742	-	-	5.508.880
Construction in progress	31.519.284	26.012.192	-	-	57.531.476
	7.390.246.543	163.816.838	(4.117.256)	5.295.480.830	12.845.426.955
Accumulated depreciation					
Land improvements	(438.057.666)	(109.974.313)	93.641	-	(547.938.338)
Buildings	(83.690.735)	(21.156.486)	37.900	-	(104.809.321)
Machinery and equipment	(670.791.066)	(126.013.162)	-	-	(796.804.228)
Motor vehicles	(1.002.251)	(410.756)	95.577	-	(1.317.430)
Furnitures and fixtures	(9.106.818)	(846.209)	3.382	-	(9.949.645)
Leasehold improvements	(1.069.298)	(263.029)	-	-	(1.332.327)
	(1.203.717.834)	(258.663.955)	230.500	-	(1.462.151.289)
Net book value	6.186.528.709				11.383.275.666

(*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through finance lease on 27 January 2017 is amounting to TL 495.485 As of 31 December 2021, the total amount of accumulated depreciation of related land improvement is TL 65.195.

(**) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through finance lease on 27 January 2017 is amounting to TL 49.219.854 As of 31 December 2021, the total amount of accumulated depreciation of the related machinery and equipment is TL 24.609.928.

Current period depreciation expense amounting to TL 257.907.034 has been included in cost of sales and TL 756.921 has been included in general administrative expenses.

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

There are no capitalized borrowing costs on construction in progress for the year ended 31 December 2022 (31 December 2021: None).

If the Group has not adopted the revaluation model according to TAS 16 tangible fixed assets, the net book values of asset as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Lands	131.325	131.325
Land improvements	768.032.507	1.006.450.418
Buildings	269.714.965	274.310.280
Machinery and equipment	1.028.152.788	782.624.157

Details of the guarantees, pledges and mortgages on property, plant and equipment as of 31 December 2022 and 2021 are explained in Note 17.

As of 31 December 2022 and 2021 the movements for increase on revaluation of property, plant and equipment are as follows:

	2022	2021
1 January	7.497.657.048	3.433.690.830
Land	558.769	195.504
Land improvements	5.106.977.982	2.124.168.275
Buildings	570.899.745	701.557.782
Machinery and equipment	1.487.592.744	2.469.559.269
	14.663.686.288	8.729.171.660
Adjustments of deferred tax related to increase on revaluation of property, plant and equipment	(1.433.205.848)	(1.059.096.166)
Depreciation and amortization transfers	(326.793.868)	(172.418.446)
31 December	12.903.686.572	7.497.657.048

NOTE 15 - INTANGIBLE ASSETS

	1 January 2022	Additions	31 December 2022
Cost			
Rights	8.045.421	419.195	8.464.616
Licenses	126.819.925	46.818.955	173.638.880
	134.865.346	47.238.150	182.103.496
Accumulated amortization			
Rights	(6.686.334)	(378.066)	(7.064.400)
Licenses	(23.528.344)	(1.924.600)	(25.452.944)
	(30.214.678)	(2.302.666)	(32.517.344)
Net book value	104.650.668		149.586.152

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NOTE 15 - INTANGIBLE ASSETS (Continued)

	1 January 2021	Additions	31 December 2021
Cost			
Rights	7.948.834	96.587	8.045.421
Licenses	126.007.599	812.326	126.819.925
	133.956.433	908.913	134.865.346
Accumulated amortization			
Rights	(6.267.299)	(419.035)	(6.686.334)
Licenses	(21.662.872)	(1.865.472)	(23.528.344)
	(27.930.171)	(2.284.507)	(30.214.678)
Net book value	106.026.262		104.650.668

Current period amortization expense amounting to TL 367.324 (31 December 2021: TL 346.096) has been included in cost of sales and remaining TL 1.935.342 (31 December 2021: TL 1.938.411) has been included in general administrative expenses.

NOTE 16 - RIGHT OF USE ASSETS

	1 January 2022	Additions	Disposals	31 December 2022
Cost				
Land (*)	25.985.005	8.050.230	-	34.035.235
Buildings	6.011.900	1.898.830	-	7.910.730
Motor vehicles	6.577.714	5.005.031	(1.695.590)	9.887.155
	38.574.619	14.954.091	(1.695.590)	51.833.120
Accumulated depreciation				
Land	(1.870.225)	(1.223.962)	-	(3.094.187)
Buildings	(2.250.945)	(1.644.967)	-	(3.895.912)
Motor vehicles	(2.346.332)	(2.731.901)	1.552.032	(3.526.201)
	(6.467.502)	(5.600.830)	1.552.032	(10.516.300)
Net defter book value	32.107.117			41.316.820

(*) Comprised of land rent and forest permit.

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NOTE 16 - RIGHT OF USE ASSETS (Continued)

	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Land (*)	23.841.871	2.143.134	-	25.985.005
Buildings	5.773.568	3.101.320	(2.862.988)	6.011.900
Motor vehicles	4.024.855	4.162.859	(1.610.000)	6.577.714
	33.640.294	9.407.313	(4.472.988)	38.574.619
Accumulated depreciation				
Land	(1.173.513)	(696.712)	-	(1.870.225)
Buildings	(2.208.759)	(1.265.998)	1.223.812	(2.250.945)
Motor vehicles	(1.968.290)	(1.741.157)	1.363.115	(2.346.332)
	(5.350.562)	(3.703.867)	2.586.927	(6.467.502)
Net deffer book value	28.289.732			32.107.117

(*) Comprised of land rent and forest permit.

Current period depreciation expense of amounting to TL 1.223.962 (31 December 2021: TL 696.713) has been included in cost of sales and TL 4.376.868 (31 December 2021: TL 3.007.154) has been included in general administrative expenses.

NOTE 17 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Other short - term provisions

As of 31 December 2022, there are various lawsuits against or in favor of the Group. The Group management estimates the outcomes of these lawsuits and the financial effects thereof, and the required provisions are accounted for based on these estimates. The amount of provisions for the lawsuits as of 31 December 2022 is TL 48.553.907 (31 December 2021: TL 38.674.310).

	31 December 2022	31 December 2021
Litigation provision	48.553.907	38.674.310
Periodical maintenance provisions	22.993.418	13.965.282
	71.547.325	52.639.592

The movements of litigation provision are as follows:

	2022	2021
1 January	38.674.310	36.531.270
Current period provision (Note 25)	12.661.200	2.661.189
Interest charges of litigation provision	111.144	1.118.847
Released provisions (Note 25)	(2.892.747)	(1.636.996)
31 December	48.553.907	38.674.310

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NOTE 17 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

b) Contingent liabilities

- Guarantees given

The commitments and contingent liabilities of the Group those are not expected to be resulted in a significant loss or liability to the Group are summarized below:

	Original currency	31 December 2022		31 December 2021	
		Original Amount	TL equivalent	Original Amount	TL Equivalent
Letters of guarantees given	TL	184.134.136	184.134.136	108.800.927	108.800.927
	USD	624.456	11.676.266	624.456	8.323.374
	EUR	4.200.000	83.726.580	200.000	3.017.340
			279.536.982		120.141.641

Guarantees given, in general, are comprised of the letters of guarantees given to the several institutions and organizations within the operations of the Group (to EMRA, vendors whom electricity purchased and electricity transmission and distribution related government authorities) and to the judicial authorities for some of the on - going lawsuits.

Guarantees, pledges, mortgages ("GPM") given by the Group as of 31 December 2022 and 2021 are as follows:

		31 December 2022		31 December 2021	
	Currency	Original currency	TL equivalent	Original currency	TL equivalent
GPMs given by the Group					
A. GPMs given					
for companies' own legal entity	TL	6.602.594.980	6.602.594.980	6.527.261.770	6.527.261.770
	USD	918.140.056	17.167.658.209	918.140.056	12.237.888.806
	EUR	4.200.000	83.726.580	200.000	3.017.340
B.Total amount of GPM given for the subsidiaries and associates in the scope of consolidation					
		-	-	-	-
C.Total amount of GPM given for the purpose of maintaining operating activities					
		-	-	-	-
D.Total other GPMs given					
		-	-	-	-
i) Total amount of CPMB's given on behalf of the majority shareholder		-	-	-	-
ii) Total amount of CPMB's given to on behalf of other which are not in scope of B and C.		-	-	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C.		-	-	-	-
		23.853.979.769		18.768.167.916	

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NOTE 17 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Details of the guarantees given by Akenerji for its own legal entity as of 31 December 2022 are as follows:

As of 11 November 2019, within the scope of financial restructuring between our company Akenerji ("Borrower") and Yapı ve Kredi Bankası A.Ş., a total of USD 859 million refinancing loan agreement for the maturity of 13 years has been concluded, in order to provide refinancing and maturity extension of all existing debts of our company. In addition to the related loan agreement, Akenerji signed agreements for the Transfer of Receivables, Transfer of Epiaş Receivables, Real Estate and Supreme Rights to constitute the collateral of the refinancing loans amounting to USD 465 million and TL 2.271.037.258. In accordance with the Movable Pledge Agreements signed between Akenerji and the Bank, a movable pledge with a total value of TL 6.418.460.843 and a second order of USD 917.515.600 has been established, creating an upper limit for Akenerji. In addition, Yapı ve Kredi Bankası A.Ş. has been determined as a pledge creditor in the insurance policies of power plants as a crew.

As of 31 December 2022, GPMs given by the Group to equity ratio is 416%(31 December 2021: 1.189%).

- Sales and purchase commitments

Electricity sales and purchase commitments:

Within the scope of electricity energy sales agreements made with energy companies, the Group has committed to sell 2.687.554 MWh of energy physically in 2022, and within the scope of the related commitment, 2.687.554 MWh of energy has been sold as of 31 December 2022.

The Group has committed to purchase 321.129 MWh of physical electricity energy within the scope of electricity energy purchase agreements with energy companies in 2022 and as of 31 December 2022, 321.129 MWh of the electricity energy was committed to be purchased is completed.

As of 31 December 2022, there are 66.120 MWh sales contracts that the Group has committed to be executed in the following periods, and there is no purchase commitment.

Natural gas purchase commitments

The Group has completed its take or pay commitment of 622 mcm for 2022 period. Within the framework of the new contract signed for 2023, there is a total take-or-pay obligation of 550 mcm, and in the light of market conditions and general consumption estimation, missing consumption which is below the take or pay amount is not foreseen.

Other matters

Kemah Hydroelectric Power Plant project in the Group, which is 198 MW of installed power higher, reservoir capacity, and also with Turkey's leading locations of hydropower projects. The State Hydraulic Works Final Project approval process of the project, which is planned to be established in Erzincan and expected to generate an average of 560 GWh of electricity per year, was completed in 2017, the license was modified in 2020 and the pre - construction period was extended. The currently working Kemah HPP passes through the lake area will be under water (inundated) after the completion of the project. The relocation of this line will be made by the state as a public investment, and it will be included in the upcoming investment plan by Turkey Republic State Railways and the Ministry of Transport. The Group plans to make the necessary preparatory work for the project after mentioned relocation plan realized. As of 31 December 2022, the carrying value of the related investment in the statement of financial position of the Group is TL 85.367.972.

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NOTE 17 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) Contingent Assets

Guarantees received

	Currency	31 December 2022		31 December 2021	
		Original Currency	TL Equivalent	Original currency	TL Equivalent
Letters of guarantees received	TL	505.277.251	505.277.251	51.724.699	51.724.699
	EURO	17.750	353.844	-	-
	USD	5.194.000	97.118.970	229.000	3.052.341
Notes of guarantees received	TL	1.752.432	1.752.432	1.752.432	1.752.432
	USD	590.544	11.042.169	590.544	7.871.361
	EURO	33.800	673.800	33.800	509.930
	GBP	5.675	127.626	5.675	101.961
Cheques of guarantees received	TL	106.000	106.000	106.000	106.000
	USD	16.650	311.327	16.650	221.928
Mortgages received	TL	3.242.000	3.242.000	3.242.000	3.242.000
		620.005.419		68.582.652	

Letters of guarantees received, in general, comprised of the letters of guarantees received from the customers in relation to the Group's electricity sales operations.

NOTE 18 - DERIVATIVE INSTRUMENTS

	31 December 2022		31 December 2021	
	Contract amount	Fair value	Contract amount	Fair value
Forward contracts				
- Short - term	-	-	64.154.970	17.609.139
Forward term electricity purchase and sale contracts				
- Short - term	-	-	194.200.945	310.913.019
Derivative financial assets	-	-	258.355.915	328.522.158
Interest rate swaps				
- Short - term	771.323.573	7.339.152	522.730.058	19.253.373
- Long - term	-	-	549.834.579	20.251.696
Forward contracts				
- Short - term	273.127.981	13.394.040	-	-
- Long - term	12.828.646	1.634.321	-	-
Forward term electricity purchase and sale contracts				
- Short - term	-	-	214.777.082	310.687.032
Derivative financial liabilities	1.057.280.200	22.367.513	1.287.341.719	350.192.101

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NOTE 18 - DERIVATIVE INSTRUMENTS (Continued)

Movement of derivative instruments during the period is as follows:

	2022	2021
1 January	21.669.943	51.686.425
To be reclassified to profit or loss		
- Financial expense/(income)	923.557	(29.467.686)
- Other operating income	(225.987)	(548.796)
31 December	22.367.513	21.669.943

NOTE 19 - EMPLOYEE BENEFITS

a) Employee benefit obligations

	31 December 2022	31 December 2021
Social security payment	4.826.130	1.107.255
Due to personnel	247.744	518.569
	5.073.874	1.625.824

b) Short - term provisions for employee benefits

	31 December 2022	31 December 2021
Bonus provision	20.010.000	9.212.905
	20.010.000	9.212.905

The movements of bonus provision are as follows:

	2022	2021
1 January	9.212.905	7.983.571
Current year charges	20.010.000	9.212.905
Payments during the year	(8.913.967)	(7.110.813)
Provisions no longer required	(298.938)	(872.758)
31 December	20.010.000	9.212.905

c) Long - term provisions for employee benefits

	31 December 2022	31 December 2021
Provisions for employee termination benefits	30.115.820	10.095.079
Provisions for unused vacation rights	4.496.054	2.114.937
	34.611.874	12.210.016

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NOTE 19 - EMPLOYEE BENEFITS (Continued)

Under the Turkish Labor 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 and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 15.371,40 for each year of service as of 31 December 2022 (31 December 2021: TL 8.284,51).

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.

In accordance with Turkish Labor Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future, the provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial gains and losses are accounted in equity as other comprehensive income or loss.

TFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans, The Group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension, this provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2022	2021
Discount rate (%)	0,5	4,45
Turnover rate related the probability of retirement (%)	93,58	94,49

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi - annually, the maximum amount of full TL 19.982,83 (1 January 2022: full TL 10.848,59) which is effective from 1 January 2023 has been taken into consideration in calculating the reserve for employment termination benefits of the Group.

The movements of provisions for employment termination benefits are as follows:

	2022	2021
1 January	10.095.079	6.741.483
Interest cost	1.072.097	1.449.419
Service cost	1.367.197	881.738
Actuarial losses	19.579.963	2.238.019
Payments during the year	(1.998.516)	(1.215.580)
31 December	30.115.820	10.095.079

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NOTE 19 - EMPLOYEE BENEFITS (Continued)

The movements of provisions for unused vacation rights are as follows:

	2022	2021
1 January	2.114.937	1.411.494
Current year provision	2.796.348	920.255
Payment during the year	(415.231)	(216.812)
31 December	4.496.054	2.114.937

NOTE 20 - EQUITY

Share capital

Akenerji adopted the registered capital system applicable to the companies registered on the CMB and defined a limit to its registered capital for shares. As of 31 December 2022 and 2021 the share capital held is as follows:

	31 December 2022	31 December 2021
Limit on registered share capital (historical)	1.500.000.000	1.500.000.000
Issued capital	729.164.000	729.164.000

The Company's shareholders and shareholding structure as of 31 December 2022 and 2021 are as follows:

	31 December 2022		31 December 2021	
	Share (%)	Amount	Share (%)	Amount
CEZ a.s.	37,36	272.425.943	37,36	272.425.943
Akkök Holding A.Ş.	20,43	148.989.090	20,43	148.989.090
Akarsu Enerji Yatırımları San. ve Ticaret A.Ş. ("Akarsu")	16,93	123.436.852	16,93	123.436.852
Publicly held	25,28	184.312.115	25,28	184.312.115
		729.164.000		729.164.000
Adjustment to share capital		101.988.910		101.988.910
Total paid - in capital		831.152.910		831.152.910

The share capital of the Company consists of 72.916.400.000 shares with a nominal value of 1 Kr for each where no privilege rights are provided for any kind of shares.

Share premium

Share premiums presented in the consolidated financial statements represent the proceeds from the excess of the amount of shares compared to their nominal values.

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NOTE 20 - EQUITY (Continued)

Reserves

	31 December 2022	31 December 2021
Legal reserves	12.053.172	12.053.172
	12.053.172	12.053.172

Turkish Commercial Code stipulates that the legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid - in share capital. Other legal reserve is appropriated out of 10% of the distributable income after 5% dividend is paid to shareholders. Under the TCC, legal reserves can only be used for compensating losses, continuing operations in severe conditions or preventing unemployment and taking actions for relieving its effects in case general legal reserves does not exceed half of paid - in capital or issued capital.

Dividend distribution

Dividends are distributed according to Communiqué Serial: IV, No: 27 on "Principles Regarding Distribution of Interim Dividends for quoted entities subject to Capital Market Board Law", principles on corporate articles and dividend distribution policy which is declared by Companies.

In addition to the CMB, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué II - 14,1 that sufficient reserves exist in the stand alone statutory books.

The remaining current year income and the reserves of the Group that can be subject to the dividend distribution does not exist (31 December 2021: None).

NOTE 21 - TAX ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
Current income tax expenses	3.398.460	2.352.631
Prepaid taxes	(3.797.614)	(1.288.486)
Current income tax liabilities/ (Current income tax assets), net	(399.154)	1.064.145

Corporation tax

The Group is subject to corporate tax in Turkey. Necessary provisions have been made in the financial statements for the estimated tax liabilities of the Group related to the current period activity results.

The corporate tax rate in Turkey is 20%. However, in accordance with the provisional article 10 added to the Corporate Tax Law, the corporate tax rate of 20% will be applied as 25% for the corporate earnings for the 2021 taxation period and 23% within the corporate income for the 2022 taxation period. Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances. Losses can be carried forward for offset against future taxable income for up to 5 years. However, the resulting losses cannot be deducted retrospectively from the profits of previous years.

In Turkey, there is no practice to reconcile with the tax authority on taxes payable. The corporate tax return is submitted until the evening of the 30th day of the fourth month following the end of the accounting period and is paid until the end of the month.

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NOTE 21 - TAX ASSETS AND LIABILITIES (Continued)

Companies in Turkey calculate temporary tax at the rate of 20% over their quarterly financial profits (23% for the taxation period of 2022, 20% for the following years) and declared until the 17th day of the second month following that period. pay by the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated over the corporate tax return to be submitted in the following year. Despite the deduction, if there is an amount of advance tax paid, this amount can be refunded or deducted in cash.

Income tax withholding

Limited taxpayer that earn income through by a permanent establishment or permanent representative and paid to companies (dividends) resident in Turkey not subject to withholding tax. Dividend payments made to persons other than these are subject to 15% withholding tax. The profit included to the capital is not a profit distribution.

The details of tax income/(expense) for the year ended 31 December 2022 and 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Deferred tax income	367.335.341	350.427.307
Current income tax expense (-)	(3.398.460)	(2.352.631)
	363.936.881	348.074.676

As of 31 December 2022 and 2021 the reconciliation of tax income stated in consolidated profit or loss statement is as follows:

	2022	2021
Loss before tax	(1.934.497.809)	(2.878.336.600)
Tax rate (%)	23	25
Tax income calculated at domestic tax rate	444.934.496	719.584.150
Tax exemptions	968.829	323.731
Expenses not deductible for tax purposes	(65.270.363)	(53.051.826)
Temporary differences not subject to deferred tax calculation	(61.450.035)	(273.723.031)
Utilized carry forward tax losses	-	2.520.229
Effect of different tax rate	87.083.416	(23.536.163)
Investment incentives	(49.812.045)	(22.637.970)
Other	7.482.583	(1.404.444)
Current year tax income	363.936.881	348.074.676

Deferred taxes

	31 December 2022	31 December 2021
Deferred tax assets	5.814.865	169.548
Deferred tax liabilities	(2.014.005.753)	(945.784.955)
Deferred tax liabilities, net	(2.008.190.888)	(945.615.407)

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising from its financial statements prepared in compliance with TAS and its statutory tax financial statements. The temporary differences usually result from the recognition of revenue and expenses in different reporting periods according to TAS and Tax Laws.

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NOTE 21 - TAX ASSETS AND LIABILITIES (Continued)

The tax rate used in the calculation of deferred tax assets and liabilities is 20% for temporary differences expected to close in the following years.

The breakdown of cumulative temporary differences and the resulting deferred tax assets/liabilities provided using principal tax rates is as follows:

	Total temporary differences		Deferred tax assets/(liabilities)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Investment incentives (*)	(503.932.204)	(254.871.979)	100.786.441	50.974.396
Provisions for lawsuits	(530.200)	(1.946.519)	106.040	447.699
Provision for employment termination benefit	(23.675.671)	(7.351.045)	4.735.133	1.470.209
Adjustments to property, plant and equipment	10.529.679.217	5.043.009.996	(2.105.935.843)	(1.009.566.716)
Adjustments to borrowings	34.726.504	(56.066.434)	(6.945.283)	11.279.661
Other	4.686.877	907.988	(937.376)	(220.656)
Deferred tax assets/(liabilities), net			(2.008.190.888)	(945.615.407)

(*) Within the scope of former Article 19 of Income Taxation Law, the related amount of investment incentive is mainly due to investment expenditures of Uluabat HEPP.

The movements of deferred tax assets and liabilities for the year ended 31 December 2022 and 2021 are as follows:

	2022	2021
1 January	(945.615.407)	(236.773.180)
Recognized in statement of profit or loss	367.335.341	350.427.307
Recognized in other comprehensive income	(1.429.910.822)	(1.059.269.534)
31 December	(2.008.190.888)	(945.615.407)

Details of tax losses on which deferred taxes are not recognized, along with the year it is incurred and the maximum year it can be utilized, are provided below:

Year incurred	Year can be used	31 December 2022	31 December 2021
2017	2022	-	43.471.558
2018	2023	148.406.201	148.406.201
2019	2024	133.261.859	133.261.859
2020	2025	262.766.427	262.948.530
2021	2026	1.181.821.985	1.184.421.952
2022	2027	221.355.115	-
		1.947.611.587	1.772.510.100

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NOTE 22 - REVENUE AND COST OF SALES

a) Revenue

	1 January - 31 December 2022	1 January - 31 December 2021
Electricity sales revenue	10.197.948.980	2.787.310.178
Revenue on sharing of instability	4.234.097.406	597.877.606
Revenue on secondary frequency control	1.265.026.695	247.476.920
Revenue on loading orders	1.186.313.895	160.947.046
Revenue on capacity mechanism	114.266.146	82.706.943
Other revenues	48.858.012	41.525.645
	17.046.511.134	3.917.844.338

b) Cost of sales

	1 January - 31 December 2022	1 January - 31 December 2021
Direct raw materials consumed and cost of electricity purchased (*)	14.633.824.295	2.872.253.127
Depreciation and amortization expenses	505.295.924	258.949.843
Maintenance and repair expenses	151.113.745	103.535.263
Personnel expenses	96.601.681	46.532.727
Insurance expenses	27.915.165	19.008.959
Other materials and spare parts consumed	27.773.309	7.613.666
Other expenses	70.244.266	9.134.522
	15.512.768.385	3.317.028.107

(*) Direct raw materials consumed comprised of cost of natural gas purchased, cost of energy purchased, imbalance sharing costs, system usage costs, and etc.

NOTE 23 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	70.996.601	37.942.346
Taxes and duties	13.985.427	8.269.767
IT expenses	11.461.842	5.945.611
Consultancy expenses	9.487.114	27.160.077
Depreciation and amortization expenses	7.789.691	5.702.486
Office expenses	6.193.815	3.190.094
Vehicle expenses	3.300.095	988.998
Legal and notary expenses	3.113.330	1.078.818
Travel expenses	2.985.925	754.202
Advertising and sponsorship expenses	1.123.840	5.788.473
Insurance expenses	614.885	385.803
Other expenses	10.302.176	3.993.254
	141.354.741	101.199.929

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NOTE 24 - EXPENSES BY NATURE

	1 January - 31 December 2022	1 January - 31 December 2021
Direct raw materials consumed and cost of electricity purchased	14.633.824.295	2.872.253.127
Depreciation and amortization expenses (*)	513.085.615	264.652.329
Personnel expenses (**)	167.598.282	84.475.073
Maintenance and repair expenses	151.113.745	103.535.263
Insurance expenses (***)	28.530.050	19.394.762
Other materials and spare parts consumed	27.773.309	7.613.666
Taxes and duties	13.985.427	8.269.767
IT expenses	11.461.842	5.945.611
Consultancy expenses	9.487.114	27.160.077
Office expenses	6.193.815	3.190.094
Vehicle expenses	3.300.095	988.998
Legal and notary expenses	3.113.330	1.078.818
Travel expenses	2.985.925	754.202
Advertising and sponsorship expenses	1.123.840	5.788.473
Other expenses	80.546.442	13.127.776
	15.654.123.126	3.418.228.036

(*) Depreciation and amortization expenses amounting to TL 505.295.924 (31 December 2021: TL 258.949.843) is classified in cost of sales, TL 7.789.691 (31 December 2021: TL 5.702.486) of amortization and depreciation expenses is classified in general administrative expenses.

(**) Personnel expenses amounting to TL 96.601.681 (31 December 2021: TL 46.532.727) is classified in cost of sales, TL 70.996.601 (31 December 2021: TL 37.942.346) is classified in general and administrative expenses.

(***) Insurance expenses amounting to TL 27.915.165 (31 December 2021: TL 19.008.959) is classified in cost of sales, TL 614.885 (31 December 2021: TL 385.803) is classified in general and administrative expenses.

Fees for Services Received from Independent Auditor / Independent Audit Firms

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter POA dated August 19, 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows:

	1 January - 31 December 2022(*)	1 January - 31 December 2021(*)
Audit and assurance fee	923.000	441.790
Other assurance services fee	39.620	9.499
	962.620	451.289

(*) The fees above have been determined through including the legal audit and other related service fees of all subsidiaries.

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NOTE 25 - OTHER OPERATING INCOME AND EXPENSES

a) Other operating income

	1 January - 31 December 2022	1 January - 31 December 2021
Gain on risk sharing contracts	463.202.301	389.237.704
Foreign exchange gains from trading activities	80.621.139	53.790.219
Delay interests charged (*)	63.844.285	452
Income from insurance compensation	36.061.962	205.254
Gain on futures and options markets	10.701.705	14.327.435
Provisions no longer required (**)	3.278.327	2.944.151
Income from compensation	-	2.965.092
Other income	13.445.588	13.495.621
	671.155.307	476.965.928

(*) Comprised of delay interests charges for trade receivables which are not collected at their due dates. As of 31 December 2022, the applied interest rate is 2,50% per month, unless there is a different interest rate agreed by the parties.

(**) As of 31 December 2022, TL 2.892.747 (31 December 2021: TL 1.636.996) of the provisions no longer required comprised of released provisions of litigation provisions, TL 298.938 of premium provisions (31 December 2021: TL 872.758), and TL 86.642 of other provisions (31 December 2021: TL 386.486). As of December 2022, there is no released provisions of doubtful receivables (31 December 2021: TL 47.911).

b) Other operating expenses

	1 January - 31 December 2022	1 January - 31 December 2021
Losses on risk sharing contracts	463.165.746	390.636.383
Foreign exchange losses from trading activities	44.294.287	42.444.051
Provisions for litigations	12.661.200	2.661.189
Losses on futures and options market	11.172.103	8.787.861
Doubtful trade receivables profitability	-	144.753
Other expenses	24.147.933	1.976.822
	555.441.269	446.651.059

NOTE 26 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

a) Income from investing activities

	1 January - 31 December 2022	1 January - 31 December 2021
Fair value difference gain on exchange rate protected deposit accounts	12.644.785	-
Dividend income	17.991	25.704
	12.662.776	25.704

b) Expenses from investing activities

	1 January - 31 December 2022	1 January - 31 December 2021
Fair value difference losses on exchange rate protected deposit accounts	85.051	-
Loss on sale of property, plant and equipment	-	52.016
	85.051	52.016

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NOTE 27 - FINANCIAL INCOME AND EXPENSES

a) Financial income

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gains	269.608.367	243.595.861
Gain on derivative instruments	63.473.420	98.721.748
Interest income	56.490.836	24.370.030
	389.572.623	366.687.639

b) Financial expenses

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange losses	2.470.317.794	2.824.402.792
Interest and commission expenses	1.061.106.450	774.849.886
Losses on derivative instruments	54.733.205	50.048.995
Other financial expenses (*)	258.592.754	125.627.425
	3.844.750.203	3.774.929.098

(*) For the period 1 January - 31 December 2022, other financial expenses contain indexation differences amounting to TL 252.185.833, calculated by PPI on the remaining payables of Uluabat's in relation to DSI Water Use Agreement (1 January - 31 December 2021: TL 122.470.132). As the payables are expected to be paid by dividing into long-term installments starting from 2015 as per agreement and subject to PPI indexation, the Group considered these payables as a borrowing instrument and therefore, respective indexation differences are accounted under financial expenses.

NOTE 28 - LOSSES PER SHARE

	31 December 2022	31 December 2021
Weighted average number of issued shares	72.916.400.000	72.916.400.000
Net loss for the period	(1.570.560.928)	(2.530.261.924)
Loss per share - TL (1.000 shares)	(2,154)	(3,470)

Nominal value of each of the issued share as of 31 December 2022 and 2021 is 1 Kr.

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NOTE 29 - RELATED PARTY DISCLOSURE

a) Transaction with related parties

- Purchases from related parties

	1 January - 31 December 2022	1 January - 31 December 2021
Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş") ^{(1) (****)}	568.894.928	91.601.481
CEZ a.s. ^{(2) (*)}	463.835.612	88.143.830
Dinkal Sigorta Acenteliği A.Ş. ("Dinkal") ^{(3) (**)}	85.859.878	32.966.851
Aksa Akirlik Kimya Sanayi A.Ş. ("Aksa") ^{(4) (**)}	26.148.885	6.319.328
Aktek Bilgi İletişim Tek. San. ve Tic. A.Ş. ("Aktek") ^{(5) (**)}	13.415.736	7.755.548
Ak-Han Bak. Yön. Serv. Hiz. Güv. Malz. A.Ş. ("Ak-Han") ^{(6) (**)}	9.083.746	3.849.726
Akkök Holding A.Ş. ("Akkök") ^{(7) (*)}	1.021.262	785.307
	1.168.260.047	231.422.071

- (1) Comprised of purchase of electricity and sharing of instability.
(2) Comprised of purchase of electricity and risk sharing.
(3) Comprised of insurances purchased from insurance companies by the intermediary of Dinkal.
(4) Comprised of sharing of instability.
(5) Comprised of IT services and equipment received.
(6) Comprised of office maintenance and management service received.
(7) Comprised of rent service received.

- Sales to related parties

	1 January - 31 December 2022	1 January - 31 December 2021
Sepaş ^{(1) (****)}	6.386.805.498	1.827.820.299
CEZ a.s. ^{(2) (*)}	729.380.980	112.273.945
Aksa ^{(3) (**)}	41.099.647	9.925.751
Akcez Enerji Yat. San. ve Tic. A.Ş. ("Akcez") ^{(4) (****)}	127.610	93.780
CEZ a.s. Turkey Daimi Tem. ^{(5) (***)}	84.248	64.783
Other	497.263	79.422
	7.157.995.246	1.950.257.980

- (1) Comprised of sales of electricity and sharing of instability.
(2) Comprised of sales of electricity and risk sharing contracts.
(3) Comprised of sharing of instability.
(4) Comprised of consultancy services provided.
(5) Comprised of rent services provided.

- (*) Shareholder.
(**) Akkök Holding group company.
(***) CEZ a.s. group company.
(****) Akkök Holding and CEZ a.s. group company.

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NOTE 29 - RELATED PARTY DISCLOSURES (Continued)

b) Balances with related parties

- Short - term trade receivables from related parties

	31 December 2022	31 December 2021
Sepař (1) (****)	507.553.855	218.683.718
CEZ a.s. (2) (*)	56.840.901	28.469.183
Aksa (3) (**)	3.807.294	3.155.715
Akcez (4) (****)	12.489	9.222
CEZ a.s. Turkey Daimi Tem. (5) (****)	10.839	7.007
Other	95.185	65.202
	568.320.563	250.390.047

- (1) Comprised of receivables from sales of electricity and sharing of instability.
(2) Comprised of receivables from sales of electricity and risk sharing.
(3) Comprised of receivables from sharing of instability.
(4) Comprised of receivables from comprised of consultancy services provided.
(5) Comprised of receivables from sales of rental income.

The average maturity days of trade receivables from related parties is 20 days.

- Other receivables from related parties

	31 December 2022	31 December 2021
CEZ a.s. (*)	-	3.017.340
	-	3.017.340

- Short - term trade payables to related parties

	31 December 2022	31 December 2021
Dinkal (1) (**)	81.100.936	27.388.992
Sepař (2) (****)	80.539.877	14.343.760
CEZ a.s (3) (*)	46.977.870	27.441.061
CEZ a.s. Turkey Daimi Tem. (4) (****)	4.198.184	3.177.178
Aksa (5) (**)	2.971.709	1.260.766
Aktek (6) (**)	2.456.992	815.116
Akkök (7) (*)	1.787.289	1.787.289
Ak-Han (8) (**)	985.350	586.887
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş (9) (**)	-	442.270
	221.018.207	77.243.319

- (1) Comprised of payables to Dinkal for the insurances purchased from insurance companies by the intermediary of Dinkal.
(2) Comprised of the payables related to electricity and sharing of instability.
(3) Comprised of payables on risk sharing.
(4) Comprised of the payables related to consultancy services received.
(5) Comprised of the payables related to electricity and sharing of instability.
(6) Comprised of the payables related to IT services and equipment purchased.
(7) Comprised of the payables related to consultancy and rent services received.
(8) Comprised of the payables related to office maintenance and management services received.
(9) Comprised of the payables related to aviation services received.

- (*) Shareholder.
(**) Akkök Holding group company.
(***) CEZ a.s. group company.
(****) Akkök Holding and CEZ a.s. group company.

The average maturity days of trade payables from related parties is 30 days.

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NOTE 29 - RELATED PARTY DISCLOSURES (Continued)

c) Key management compensation

For the purpose of these 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 2022	1 January - 31 December 2021
Salaries and benefits	9.932.974	5.798.302
Bonus	4.575.002	4.335.110
Attendance fee	1.240.186	901.072
	15.748.162	11.034.484

NOTE 30 - FINANCIAL RISK MANAGEMENT

Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks. These risks are liquidity risk, market risk (foreign exchange risk, interest risk), credit risk and funding risks.

Management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses financial instruments to hedge certain risk exposures.

Risk management is carried out by Finance and Financial Affairs Deputy General Manager where policies are approved by the Board of Directors, Finance and Financial Affairs Deputy General Manager identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

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NOTE 30 - FINANCIAL RISK MANAGEMENT (Continued)

a) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions, due to the dynamic nature of business, the group aims to maintain flexibility in funding by keeping committed credit lines available. The Group, as aware of all of its short term and long term liabilities, has been taking the necessary actions and has been benefiting from all opportunities by communication with the financial institutions to maintain its operations in a healthy financial structure, to adjust the maturities of its liabilities in accordance with its cash flows and to provide a positive effect on its cash flows within the framework its proactive approach. In 2019, with the restructuring of loans within the scope of Financial Restructuring, the short - term liabilities of the Group decreased significantly and spread over the long term.

The following tables detail the Group's contractual maturities for its non - derivative financial liabilities as of 31 December 2022 and 2021. The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes both interest and principal amounts. These amounts are contractual undiscounted cash flows. Balances with maturities less than 3 months are equal to their carrying values due to the negligible discounting effect.

31 December 2022						
Maturities in accordance with contract	Carrying value	Total contractual cash outflow (I-II-III-IV)	Demand or up to 3 months (I)	3 months - 1 year (II)	1 - 5 years (III)	5 years and over (IV)
Non - derivative financial liabilities						
Borrowings	11.689.920.493	16.135.214.154	17.050.511	725.298.678	9.941.787.128	5.451.077.837
Trade payables	2.331.983.993	2.331.983.993	2.331.983.993	-	-	-
Other payables	638.615.211	638.615.211	104.713.123	103.563.656	275.542.260	154.796.172
Derivative financial liabilities						
Derivative financial instrument	22.367.513	22.367.513	1.595.355	19.137.837	1.634.321	-
	14.682.887.210	19.128.180.871	2.455.342.982	848.000.171	10.218.963.709	5.605.874.009
31 December 2021						
Maturities in accordance with contract	Carrying value	Total contractual cash outflow (I-II-III-IV)	Demand or up to 3 months (I)	3 months - 1 year (II)	1 - 5 years (III)	5 years and over (IV)
Non - derivative financial liabilities						
Borrowings	9.244.482.317	13.505.238.429	12.767.976	530.879.213	8.235.446.888	4.726.144.352
Trade payables	587.169.805	587.169.805	587.169.805	-	-	-
Other payables	328.004.310	328.004.310	51.897.337	45.777.014	131.605.947	98.724.012
Derivative financial liabilities						
Derivative financial instrument	350.192.101	350.192.101	77.671.763	252.268.642	20.251.696	-
	10.509.848.533	14.770.604.645	729.506.881	828.924.869	8.387.304.531	4.824.868.364

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NOTE 30 - FINANCIAL RISK MANAGEMENT (Continued)

b) Market risk

- Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group manages interest rate risk by using fixed or floating interest bearing assets and liabilities by considering the borrowing market conditions and expectations. In order to minimize the interest rate risk, the Group utilize borrowings with the most favorable conditions in line with the analysis of fixed and floating interest rates. The Group has converted a significant portion of its existing loans into fixed interest rates thanks to the refinancing it has made within the scope of Financial Restructuring on 11 November 2019, thereby significantly reducing the interest rate risk. Interest rate risk arising from assets and liabilities exposed to floating interest rate are managed through interest rate swap agreements. The Group invests, cash and cash equivalents which are not used, in time deposits.

The table of the interest position of the Group as of 31 December 2022 and 2021 is as follows:

	31 December 2022	31 December 2021
Financial instruments with fixed interest rates		
Borrowings	11.508.046.877	9.090.032.618
Trade payables	2.331.983.993	587.169.805
Trade receivables	2.216.103.123	451.749.102
Cash and cash equivalents	182.471.992	138.992.104
Other receivables	37.666.312	8.933.462
Other debts	133.144.055	46.675.095
Financial instruments with floating interest rates		
Other payables	505.471.156	281.329.215
Financial liabilities	181.873.616	154.449.699

The Group has analyzed various scenarios including refinancing the existing situation alternative financing options and to avoid the hedging risk. According to these scenarios, if annual interests of floating interest rated loans were 100 basis point high/low with all the other parameters are constant, current year income before tax have been TL 642.788 lower/higher as a result of interest expense of floating interest rated loans and swap transactions (2021: TL 595.623).

- Foreign exchange risk

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated assets and liabilities to local currency. Foreign exchange risk arises from future obligations as well as foreign currency denominated assets and liabilities. These risks are monitored and limited by the monitoring of the foreign currency position. In order to manage this risk, foreign exchange purchases are made from spot markets and derivative instruments are used. The management limits the foreign currency position of the Group through analyzing it. The Group has reduced its exposure to currency risk by converting a significant portion of its USD denominated loans into TL with the refinancing it has made within the scope of Financial Restructuring on 11 November 2019. In addition to these, the Group has reduced its exposure to currency risk by creating a natural hedge mechanism from USD based revenues obtained within the scope of Turkish Renewable Energy Resources Support Mechanism.

The details of the foreign currency assets and liabilities as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Assets	1.101.040.226	722.918.542
Liabilities	(8.687.143.057)	(6.439.469.773)
Net financial position	(7.586.102.831)	(5.716.551.231)
Net position of derivative instruments	(285.956.628)	64.154.970
Foreign currency position (net)	(7.872.059.459)	(5.652.396.261)

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NOTE 30 - FINANCIAL RISK MANAGEMENT (Continued)

Assets and liabilities denominated in foreign currency held by the Group at 31 December 2022 and 2021 and their TL equivalent are as follows:

	31 December 2022				31 December 2021			
	TL Equivalent	USD	Euro	Other	TL Equivalent	USD	Euro	Other
Trade receivables	69.223.686	613.713	2.896.844	-	185.955.883	11.815.343	1.887.038	-
Monetary financial assets	1.000.809.797	48.182.833	5.009.945	(1)	529.751.142	36.069.333	3.246.741	22
Current assets	1.070.033.483	48.796.546	7.906.789	(1)	715.707.025	47.884.676	5.133.779	22
Monetary financial assets	31.006.743	-	1.555.400	-	7.211.517	3.400	475.001	-
Non-current assets	31.006.743	-	1.555.400	-	7.211.517	3.400	475.001	-
Total assets	1.101.040.226	48.796.546	9.462.189	(1)	722.918.542	47.888.076	5.608.780	22
Trade payables	189.264.305	6.914.230	3.008.787	4	74.633.027	5.232.306	324.234	-
Financial liabilities	696.710.883	35.994.565	1.187.550	-	510.563.671	36.983.309	1.167.462	-
Other monetary liabilities	12.731.616	680.897	-	-	4.211.404	315.958	-	-
Short-term liabilities	898.706.804	43.589.692	4.196.337	4	589.408.102	42.531.573	1.491.696	-
Financial liabilities	7.748.414.225	407.946.823	6.044.783	-	5.850.056.339	430.835.620	7.122.059	-
Other monetary liabilities	40.022.028	2.140.410	-	-	5.332	400	-	-
Long-term liabilities	7.788.436.253	410.087.233	6.044.783	-	5.850.061.671	430.836.020	7.122.059	-
Total liabilities	8.687.143.057	453.676.925	10.241.120	4	6.439.469.773	473.367.593	8.613.755	-
Net Asset /(Liability) Position of Statement of Financial Position Derivative Instruments	(285.956.628)	(15.293.189)	-	-	64.154.970	4.700.000	100.000	-
Off statement of financial position foreign currency derivative assets	-	-	-	-	64.154.970	4.700.000	100.000	-
Off statement of financial position foreign currency derivative liabilities	(285.956.628)	(15.293.189)	-	-	-	-	-	-
Net foreign currency asset(liability) position	(7.872.059.459)	(420.173.568)	(778.931)	(5)	(5.652.396.261)	(420.779.517)	(2.904.975)	22
Net foreign currency asset(liability) position of monetary items	(7.586.102.831)	(404.880.379)	(778.931)	(5)	(5.716.551.231)	(425.479.517)	(3.004.975)	22
Total fair value of financial instruments used for foreign currency hedging	(281.004.802)	(15.028.361)	-	-	17.609.139	1.311.603	8.404	-
Export	560.456.004	71.215	32.507.029	-	112.229.921	-	9.574.674	-
Import	382.807.379	2.791.485	20.043.889	1.123	167.497.865	10.706.220	5.549.631	7.712

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NOTE 30 - FINANCIAL RISK MANAGEMENT (Continued)

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and EURO. As of 31 December 2022 and 31 December 2021, the following table details of Group's sensitivity to a 10% increase and decrease in the TL against relevant foreign currencies, all other variables held constant. The sensitivity analysis includes only monetary items in open foreign currency at the end of the year, and the positive effect of Turkish Renewable Energy Resources Support Mechanism revenues in foreign currency on operating profit is not taken into account in this calculation.

	31 December 2022			
	Profit /Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
+/- 10% fluctuation of USD rate				
1- USD net asset/liability	(757.057.479)	757.057.479	(757.057.479)	757.057.479
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(757.057.479)	757.057.479	(757.057.479)	757.057.479
+/- 10% fluctuation of EUR rate				
4- EUR net asset/liability	(1.552.791)	1.552.791	(1.552.791)	1.552.791
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(1.552.791)	1.552.791	(1.552.791)	1.552.791
+/- 10% fluctuation of other currencies rate against to TL				
7- Other currencies net asset/liability	(11)	11	(11)	11
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	(11)	11	(11)	11
Total (3+6+9)	(758.610.281)	758.610.281	(758.610.281)	758.610.281

	31 December 2021			
	Profit /Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
+/- 10% fluctuation of USD rate				
1- USD net asset/liability	(567.121.648)	567.121.648	(567.121.648)	567.121.648
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(567.121.648)	567.121.648	(567.121.648)	567.121.648
+/- 10% fluctuation of EUR rate				
4- EUR net asset/liability	(4.533.516)	4.533.516	(4.533.516)	4.533.516
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(4.533.516)	4.533.516	(4.533.516)	4.533.516
+/- 10% fluctuation of other currencies rate against to TL				
7- Other currencies net asset/liability	40	(40)	40	(40)
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	40	(40)	40	(40)
Total (3+6+9)	(571.655.124)	571.655.124	(571.655.124)	571.655.124

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NOTE 30 - FINANCIAL RISK MANAGEMENT (Continued)

c) Funding risk

The funding risk of the current and future debt requirements is managed through rendering the availability of the qualified lenders. The Group's bank loans are provided by financially strong financial institutions.

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 monitors capital on the basis of the ratio of net debt to total equity. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total equity is calculated as the difference between assets and liabilities. Additionally, the Group calculates the total equity/total assets ratio. Group's construction in progress is financed by miscellaneous potential financial institutions as mentioned in the funding risk. Completion periods and cash outflows of investments are assessed and valorized within capital risk management by the Group. The periods after the completion of investments expect a significant reduction in the ratio of net debt/total capital.

Net debt/total equity ratio as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Total borrowings	11.689.920.493	9.244.482.317
Trade payables to related parties and third parties	2.331.983.993	587.169.805
Other payables	638.615.211	328.004.310
Total debt	14.660.519.697	10.159.656.432
Less: Cash and Cash Equivalents (Note 4)	(1.248.911.631)	(681.299.003)
Net debt	13.411.608.066	9.478.357.429
Total equity	5.727.286.462	1.578.204.104
Net debt/total equity ratio	234%	601%

e) Credit risk

Credit risk consists of cash and cash equivalents, deposits held in banks and customers exposed to credit risk, which includes uncollected receivables.

The Group is exposed to credit risks due to its open receivable position with future collection dates and time deposits. If counterparties fail on the fulfillment of the agreement, the Group is exposed to the risk upon holding the financial instruments. Management covers the risk by limiting the average risk of counterparties (except for related parties) on agreements and by obtaining guarantees if necessary.

The Group has internal credit procedures, the credit rating system and internal policies for credit risk management related with the trade receivables from its customers. According to these procedures, the Group separately approves, increase or decrease the credit limits for customers with significant balances. The credit limits are determined in accordance with the historical payment performances, financial strengths, commercial relations, commercial growth potential, and management styles. Credit limits are reviewed every year and the group use bank guarantees, marketable securities and other guarantees for the customers which considered as high risk.

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NOTE 30 - FINANCIAL RISK MANAGEMENT (Continued)

The exposure of the Group to credit risk as of 31 December 2022 and 2021 based on types of financial instruments is as follows:

	Trade receivables		Other receivables		Cash at banks	Derivative financial instruments
	Related parties	Third parties	Related parties	Third parties		
31 December 2022						
Maximum exposure to credit risk as of reporting date (*) (A+B+C+D+E)	568.320.563	1.647.782.560	-	37.666.312	1.248.905.316	-
- Secured with guarantees	-	363.809.239	-	-	-	-
A.Net book value of neither past due nor impaired financial assets (**)	568.320.563	1.104.382.354	-	37.666.312	1.248.905.316	-
- Secured with guarantees	-	328.321.714	-	-	-	-
B.Net book value of restructured financial assets	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
C.Net book value of past due but not impaired financial assets	-	543.400.206	-	-	-	-
- Secured with guarantees	-	35.487.525	-	-	-	-
D.Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross net book value)	-	19.643.405	-	-	-	-
- Impairment (-)	-	(19.643.405)	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
- Not past due (gross net book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
E.Collective provision for impairment (-)	-	-	-	-	-	-

(*) In determining the amount, the increase in credit reliability such as guarantees received are not taken into account.

(**) As of 31 December 2022, trade receivables from third parties categorized on neither past due nor impaired financial assets amounting to TL 1.260.074.670 are comprised of receivables from EPIAŞ and TEİAŞ within the scope of electricity trading operations.

Maturity of expected credit loss

31 December 2022	Not due	Overdue up to 1 months	Overdue 1-3 months	Overdue 3 -12 months	Overdue more than 1 year	Total
Closing balance	1.672.702.917	-	-	543.400.206	19.643.405	2.235.746.528
Credit loss rate (%)	0%	0%	0%	0%	100%	1%
Expected credit losses	-	-	-	-	(19.643.405)	(19.643.405)

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NOTE 30 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2021	Trade receivables		Other receivables		Cash at banks	Derivative financial instruments
	Related parties	Third parties	Related parties	Third parties		
Maximum exposure to credit risk as of reporting date (*) (A+B+C+D+E)	250.390.047	201.359.055	3.017.340	5.916.122	681.287.224	328.522.158
- Secured with guarantees	-	49.301.426	-	-	-	-
A.Net book value of neither past due nor impaired financial assets (**)	250.390.047	198.117.055	3.017.340	5.916.122	681.287.224	328.522.158
- Secured with guarantees	-	46.059.426	-	-	-	-
B.Net book value of restructured financial assets	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
C.Net book value of past due but not impaired financial assets	-	3.242.000	-	-	-	-
- Secured with guarantees	-	3.242.000	-	-	-	-
D.Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross net book value)	-	19.645.865	-	-	-	-
- Impairment (-)	-	(19.645.865)	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
- Not past due (gross net book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
E. Collective provision for impairment (-)	-	-	-	-	-	-

(*) In determining the amount, the increase in credit reliability such as guarantees received are not taken into account.

(**) As of 31 December 2021, trade receivables from third parties categorized on neither past due nor impaired financial assets amounting to TL 143.813.495 are comprised of receivables from EPIAŞ and TEİAŞ within the scope of electricity trading operations with a due date less than 1 month.

Maturity of expected credit loss

31 December 2021	Not due	Overdue up to 1 months	Overdue 1-3 months	Overdue 3-12 months	Overdue more than 1 year	Total
Closing balance	448.507.102	-	-	3.384.293	19.503.572	471.394.967
Credit loss rate (%)	0%	0%	0%	4%	100%	4%
Expected credit losses	-	-	-	(142.293)	(19.503.572)	(19.645.865)

NOTE 31 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments 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 the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

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

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NOTE 31 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS (Continued)

Financial assets

The carrying values of financial assets including cash and cash equivalents which are accounted with their costs are estimated to be their fair values since they are short term.

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

Financial liabilities

The fair values of short-term bank borrowings and other monetary liabilities are considered to approximate to their respective carrying values. The carrying values of the long-term bank loans of the Group reflect their fair values due to the repricing of the loans within the scope of the Financial Restructuring made on 11 November 2019.

Fair value hierarchy table

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three - level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contain observable market inputs

As of 31 December 2022, the Group has short - term and long - term liabilities from derivative financial instruments amounting to TL 20.733.192 (31 December 2021: TL 329.940.405) and TL 1.634.321 (31 December 2021: TL 20.251.696) respectively. As of 31 December 2022, the Group does not have assets from derivative financial instruments (31 December 2021: TL 328.522.158).

Fair value of the lands, land improvements, buildings, machinery and equipment of the Group's power plants were measured by a professional independent valuation company on 31 December 2022 through other valuation techniques involving direct and indirect observable inputs (Level 3) (Note 2.7).

NOTE 32 - SUBSEQUENT EVENTS

The Group is in the process of assessing the potential financial impact of the earthquakes that occurred on February 6th, 2023 with the epicenter in the Pazarcık district of the Kahramanmaraş province, which affected several provinces. The Erzin NGCCPP, Feke 1, Feke 2, Gökkaya, Himmetli, Bulam, and Burç HEPPs, owned by the Group and located in the earthquake zone, did not experience any casualties, and no damage has been identified that would require the suspension of production activities according to the inspections conducted. The Group believes that the earthquakes have not had a significant impact on the financial statements prepared as of 31 December 2022. The developments regarding the natural disaster are being closely monitored and assessments are ongoing. Group management has evaluated this situation as a non-adjusting subsequent event that does not require adjustment in its consolidated financial statements.