

**CONVENIENCE TRANSLATION OF THE REPORT AND  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN  
TURKISH**

**ÇATES ELEKTRİK ÜRETİM ANONİM ŞİRKETİ**

**Financial statements as of and for the periods ended  
December 31, 2023 the Independent Auditor's Report**

(Convenience translation of a report and financial statements originally issued in Turkish)

## INDEPENDENT AUDITOR'S REPORT

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

### A) Report on the Audit of the Financial Statements

#### 1) Opinion

We have audited the financial statements of Çates Elektrik Üretim A.Ş. ("the Company"), which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards ("TFRS").

#### 2) Basis for Opinion

We conducted our audit in accordance with the Independent Auditing Standards ("InAS") which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") and adopted within the framework of Capital Markets Board of Turkey ("CMB") regulations. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") as issued by the POA and other ethical principles included in CMB legislation, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 3) Emphasis of Matter

We draw attention to Note 3, which explains the Company's 66% of total sales was made to the Company's related parties which is amounting to 3.486.818.962 TL as at December 31, 2023. However, our opinion is not modified in respect of this matter.

**(Convenience translation of a report and financial statements originally issued in Turkish)**

**4) Key Audit Matters**

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

<b>Key audit matter</b>	<b>How key audit matter addressed in the audit</b>
<b><i>Valuation of power plants</i></b>	
<p>Power plants comprises 73% of total assets of the Company as at 31 December 2023. The Company measures power plants using the revaluation method as stated in Note 8 in the financial statements; therefore, management makes estimates and uses assumptions to determine fair value of power plant. The fair value of the power plants is determined, as explained in Note 8, based on appraisal reports by independent and external appraisers. The basic assumptions and estimates used in valuations includes estimates and discount of expected future cash flows taking into account the related risks.</p> <p>In addition, in accordance with the TMS 36 Impairment of Assets standard, at the end of each reporting period, the Company evaluates whether there is any indication that an asset may be impaired. If such an indication is present; the Company estimates the recoverable amount of the asset.</p> <p>Detailed explanations in relation to power plants are explained in Note 8.</p> <p>Since the valuation methods applied in the valuation of power plants involve significant estimates and assumptions and the carrying value of power plants are significant to the financial statements, the valuation of power plants is considered as a key audit matter by us.</p>	<p>Our audit procedures include the following;</p> <p>We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management.</p> <p>We have evaluated the appropriateness of the information and assumptions used by valuation experts, such as price estimates, production estimates and discount rates, which form the basis for fair values of the power plants. In order to check the conformity of the assumptions used by independent appraisers during the valuation with market data, valuation experts from another entity that is included in the same audit network with our organization were included in the studies. In this context, the methods used in the valuation reports of power plants have been evaluated as acceptable.</p> <p>We evaluated whether the cash flow estimates were reasonable and whether they contained impairment by comparing with previous financial performance results.</p> <p>In addition, we have assessed the appropriateness of the disclosures in the financial statements and notes regarding the above mentioned accounting policy, estimates used and the valuation methodology and their conformity to TFRS.</p>

(Convenience translation of a report and financial statements originally issued in Turkish)

Key audit matter	How key audit matter addressed in the audit
<p><b><i>Existence, recoverability and valuation of trade receivables</i></b></p> <p>Trade receivables are considered as an important balance sheet item as they represent 7% of total assets in the statement of financial position as at December 31, 2023. Besides, the collectability of trade receivables is one of the key elements for the Company's credit risk and working capital management and includes significant management judgments and estimates.</p> <p>As of December 31, 2023, trade receivables carried in the statement of financial position is amounting to 736.164.399 TL.</p> <p>Determining the collection risk and provision for trade receivables or determining whether a specific trade receivable is collectible requires significant management judgment. In this regard, the Company management evaluates all other information together with the aging of trade receivables, analyzing the risk of ongoing lawsuits by receiving letters from company lawyers, the qualifications of the collaterals within the scope of credit risk management and collection performances both in the current and the period after the balance sheet date.</p> <p>Given the size of the amounts and the judgments required for the collectability assessments of trade receivables and the complexity and the comprehensive applications of TFRS 9, the existence and collectability of trade receivables are considered a key audit matter.</p> <p>The details of trade receivables are disclosed in Note 4 to the financial statements.</p>	<p>Following procedures have been applied for the audit of provisions on trade receivables.</p> <ul style="list-style-type: none"> <li>- Understanding and evaluating the Company's process regarding the collection of receivables and the relevant internal controls,</li> <li>- Analytical review of receivables aging,</li> <li>- Testing trade receivable balances by sending confirmation letters through sampling,</li> <li>- Testing the collections made in the subsequent period through sampling,</li> <li>- Testing the guarantees received for receivables through sampling and evaluating ability to be converted into cash,</li> <li>- Evaluating the reasonableness and appropriateness of the key judgments and estimates used by the management and the methods and data sources used in the impairment calculation, within the scope of the "TFRS 9 Financial Instruments" standard,</li> <li>- Investigating disputes and lawsuits regarding receivables and obtaining confirmation letters from legal advisors regarding ongoing receivables follow-up cases,</li> <li>- Evaluation of the adequacy of explanations regarding trade receivables and impairment of trade receivables and their compliance with TFRS.</li> </ul>

(Convenience translation of a report and financial statements originally issued in Turkish)

Key audit matter	How key audit matter addressed in the audit
<p><b><i>Application of the hyperinflationary accounting</i></b></p> <p>As stated in Note 2.2 to the financial statements, the Company has started to apply “TAS 29 Financial Reporting in Hyperinflation Economies” since the functional currency of the Company (Turkish Lira) is the currency of a hyperinflationary economy as per TAS 29 as of December 31, 2023.</p> <p>In accordance with TAS 29, financial statements and corresponding figures for previous periods have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of Turkish Lira as of the reporting date.</p> <p>In accordance with the guidance in TAS 29, the Company utilised the Turkey consumer price indices to prepare inflation adjusted financial statements. The principles applied for inflation adjustment are explained in Note 2.2.</p> <p>Given the significance of the impact of TAS 29 on the reported result and financial position of the Company, we have assessed the hyperinflation accounting as a key audit matter.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> <li>- We inquired management responsible for financial reporting on the principles, which they have considered during the application of TAS 29, identification of non-monetary accounts and tested TAS 29 models designed.</li> <li>- We have tested the inputs and indices used, to ensure completeness and accuracy of the calculations.</li> <li>- We have audited the restatements of corresponding figures as required by TAS 29.</li> <li>- We assessed the adequacy of the disclosures in inflation adjusted financial statements for compliance with TAS 29.</li> </ul>

## 5) Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company’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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

**(Convenience translation of a report and financial statements originally issued in Turkish)**

## **6) Auditor's Responsibilities for the Audit of the Financial Statements**

In an independent audit, our responsibilities as the auditors are:

Our objectives are 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**(Convenience translation of a report and financial statements originally issued in Turkish)**

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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) Report on Other Legal and Regulatory Requirements**

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code 6102 ("TCC") is submitted to the Board of Directors of the Company on May 7, 2024.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2023 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Seçkin Özdemir.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Seçkin Özdemir, SMMM  
Partner

May 7, 2024  
İstanbul, Türkiye

<b>INDEX</b>	<b>PAGE</b>
<b>STATEMENT OF BALANCE SHEET</b>	<b>1-2</b>
<b>STATEMENT OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>3</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>4-5</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>7-75</b>



(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)  
**Çates Elektrik Üretim Anonim Şirketi**  
Statement of financial position  
as of December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

	Notes	Audited, prior period December 31, 2023	Audited, prior period December 31, 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	27	1.143.827.226	40.945.410
Financial Investments	24	28.486.641	35.122.695
Trade receivables		736.164.399	908.494.702
- Due from related parties	3,4	656.543.274	892.889.265
- Due from third parties	4	79.621.125	15.605.437
Other receivables		3.146.738	61.917.379
- Due from related parties	3,5	-	61.232.453
- Due from third parties	5	3.146.738	684.926
Inventories	6	230.195.011	239.038.925
Prepaid expenses	7	31.632.671	95.527.738
Other current assets	14	21.070	-
<b>Total current assets</b>		<b>2.173.473.756</b>	<b>1.381.046.849</b>
<b>Non-current assets</b>			
Other receivables		1.651.846	2.546.345
- Due from third parties	5	1.651.846	2.546.345
Property, plant and equipment	8	8.563.979.704	10.299.217.764
- Mining assets	8	243.174.552	124.435.634
- Other tangible assets	8	8.320.805.152	10.174.782.130
Right-of-use assets	10	95.260.394	71.622.403
Intangible assets	9	335.670.158	344.899.323
- Other intangible assets	9	335.670.158	344.899.323
Prepaid expenses	7	4.067.999	207.558.825
<b>Total non-current assets</b>		<b>9.000.630.101</b>	<b>10.925.844.660</b>
<b>TOTAL ASSEST</b>		<b>11.174.103.857</b>	<b>12.306.891.509</b>

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

**(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)**  
**Çates Elektrik Üretim Anonim Şirketi**  
**Statement of financial position**  
**as of December 31, 2023 and 2022**

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

Notes	Audited, prior period December 31, 2023	Audited, prior period December 31, 2022
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Lease liabilities	7.802.643	8.316.501
Short term portion of long term borrowings	1.218.770.708	9.928.007
Trade payables	420.033.683	425.065.761
- Trade payables to related parties	29.611.567	140.549.968
- Trade payables to third parties	390.422.116	284.515.793
Employee benefit obligations	22.449.397	6.545.456
Other payables	238.996.131	22.269.241
- Other payables to related parties	237.155.033	20.121.843
- Other payables to other parties	1.841.098	2.147.398
Current income tax liabilities	45.676.733	-
Short-term provisions	18.772.787	20.382.389
-Provisions for employment benefits	4.642.133	2.740.645
-Other short-term provisions	14.130.654	17.641.744
Other current liabilities	21.244.152	29.135.113
<b>Total current liabilities</b>	<b>1.993.746.234</b>	<b>521.642.468</b>
<b>Non-current liabilities</b>		
Long term borrowings	-	3.799.820.690
Lease liabilities	42.357.993	27.387.195
Long-term provisions	20.764.884	26.189.227
- Provisions for employment benefits	20.764.884	26.189.227
Deferred tax liabilities	1.034.281.256	1.987.890.749
<b>Total non-current liabilities</b>	<b>1.097.404.133</b>	<b>5.841.287.861</b>
<b>TOTAL LIABILITIES</b>	<b>3.091.150.367</b>	<b>6.362.930.329</b>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Paid-in share capital	165.200.000	85.440.000
Adjustment to share capital	377.566.727	346.047.484
Contributions of shareholders	1.289.591.920	1.289.591.920
Share premiums	1.150.663.873	-
Other comprehensive income not to be reclassified to profit or loss	(8.395.353)	680.964.969
- Gains on remeasurements of defined benefit plans	(8.395.353)	(4.815.824)
- Gains on remeasurements of tangible assets	-	685.780.793
Retained earnings	3.586.886.039	1.004.822.598
Net profit/ (loss) for the period	1.521.440.284	2.537.094.209
<b>Total equity</b>	<b>8.082.953.490</b>	<b>5.943.961.180</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11.174.103.857</b>	<b>12.306.891.509</b>

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

**(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)**  
**Çates Elektrik Üretim Anonim Şirketi**  
Statement of profit or loss and other comprehensive income for the period  
ended December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

	Notes	Audited, prior period January 1 - December 31, 2023	Audited, prior period January 1 - December 31, 2022
<b>Profit and Loss</b>			
Revenue	16	5.295.914.841	6.414.685.218
Cost of sales (-)	17	(4.458.030.253)	(5.054.472.499)
<b>Gross profit/ (loss)</b>		<b>837.884.588</b>	<b>1.360.212.719</b>
General administrative expenses (-)	18	(222.353.652)	(153.278.939)
Other operating income	20	379.864.010	189.365.554
Other operating expenses (-)	20	(15.909.410)	(9.807.362)
<b>Operating profit/ (loss)</b>		<b>979.485.536</b>	<b>1.386.491.972</b>
Income from investing activities	24	-	6.896.243
Expenses from investing activities (-)	24	(583.586.451)	-
<b>Operating profit before financial income and expense</b>		<b>395.899.085</b>	<b>1.393.388.215</b>
Financial income	21	69.361.848	9.566.244
Financial expense (-)	21	(482.723.134)	(843.470.264)
Gains/(losses) on net monetary position		1.028.038.164	2.308.658.582
<b>Financing expenses, net</b>		<b>614.676.878</b>	<b>1.474.754.562</b>
<b>Profit before tax</b>		<b>1.010.575.963</b>	<b>2.868.142.777</b>
<b>Tax income/ (expense)</b>		<b>510.864.321</b>	<b>(331.048.568)</b>
- Current tax expense	22	(219.168.569)	--
-Deferred tax income / (expense)	22	730.032.890	(331.048.568)
<b>Profit before tax from continued operations</b>		<b>1.521.440.284</b>	<b>2.537.094.209</b>
<b>Net profit for the period</b>		<b>1.521.440.284</b>	<b>2.537.094.209</b>
<b>Other comprehensive income / (expense)</b>			
<b>- Total other comprehensive income not to be classified to profit or loss</b>		<b>(644.391.090)</b>	<b>680.964.969</b>
- Gains / (losses) on remeasurements of tangible assets	8	(801.014.451)	857.225.991
- Gains / (losses) on remeasurements of tangible assets, tax effect	8, 22	160.202.890	(171.445.198)
- Gains / (losses) on remeasurements of defined benefit plans	13	(5.174.024)	(6.019.780)
- Gains / (losses) on remeasurements of defined benefit plans, tax effect	22	1.594.495	1.203.956
<b>Other comprehensive income/ (expense)</b>		<b>(644.391.090)</b>	<b>680.964.969</b>
<b>Total comprehensive income/ (expense)</b>		<b>877.049.194</b>	<b>3.218.059.178</b>
Earnings per 100 share -common stock (TL)	28	1.097,68	3.191,69
Earnings per 100 shares from total comprehensive income	28	632,77	4.048,35

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

(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)

**Çates Elektrik Üretim Anonim Şirketi**

**Statement of Changes in Shareholders' Equity**

as at December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

	Paid-in capital	Adjustment to share capital	Additional contributions of the shareholders (*)	Share premiums (***)	Defined benefit plans	The revaluation increments of tangible fixed assets	Retained earnings	Net profit/ (loss) for the period	Total equity
Other comprehensive income/expense not to be reclassified to profit or loss									
<b>Balances as of January 1, 2022</b>	<b>48.000.000</b>	<b>312.299.032</b>	<b>1.289.591.920</b>	-	-	-	<b>1.004.822.598</b>	-	<b>2.654.713.550</b>
<b>Profit and Loss</b>									
Net profit for the year	-	-	-	-	-	-	-	2.537.094.209	<b>2.537.094.209</b>
<b>Other comprehensive income/(loss)</b>									<b>680.964.969</b>
Gains / (losses) on remeasurements of defined benefit plans	-	-	-	-	(4.815.824)	685.780.793	-	-	(4.815.824)
Increases in the revaluation of property, plant and equipment	-	-	-	-	-	685.780.793	-	-	685.780.793
<b>Total comprehensive income/(loss)</b>								<b>2.537.094.209</b>	<b>3.218.059.178</b>
Capital increase	37.440.000	33.748.452	-	-	(4.815.824)	685.780.793	-	-	71.188.452
Transfer of depreciation related to revaluations fund	-	-	-	-	-	-	-	-	-
<b>Balance as of September 30, 2022</b>	<b>85.440.000</b>	<b>346.047.484</b>	<b>1.289.591.920</b>	-	<b>(4.815.824)</b>	<b>685.780.793</b>	<b>1.004.822.598</b>	<b>2.537.094.209</b>	<b>5.943.961.180</b>
<b>Balances as of January 1, 2023</b>	<b>85.440.000</b>	<b>346.047.484</b>	<b>1.289.591.920</b>	-	<b>(4.815.824)</b>	<b>685.780.793</b>	<b>1.004.822.598</b>	<b>2.537.094.209</b>	<b>5.943.961.180</b>
<b>Profit and Loss</b>									
Net profit for the year	-	-	-	-	-	-	-	1.521.440.284	<b>1.521.440.284</b>
<b>Other comprehensive income/(loss)</b>									<b>(644.391.090)</b>
Gains / (losses) on remeasurements of defined benefit plans	-	-	-	-	(3.579.529)	(640.811.561)	-	-	(3.579.529)
Increases in the revaluation of property, plant and equipment	-	-	-	-	-	640.811.561	-	-	(640.811.561)
<b>Total comprehensive income/(loss)</b>								<b>1.521.440.284</b>	<b>877.049.194</b>
Capital increase (**)	79.760.000	31.519.243	-	1.150.663.873	-	-	-	-	1.261.943.116
Depreciation transfers related to revaluation of property, plant and equipment	-	-	-	-	-	(44.969.232)	44.969.232	-	-
Transfers	-	-	-	-	-	-	2.537.094.209	(2.537.094.209)	-
<b>Balance as of September 30, 2023</b>	<b>165.200.000</b>	<b>377.566.727</b>	<b>1.289.591.920</b>	<b>1.150.663.873</b>	<b>(8.395.353)</b>	-	<b>3.586.886.039</b>	<b>1.521.440.284</b>	<b>8.082.953.490</b>

\* Capital, reserves and other equity items are explained in footnote 15.

\*\* Çates Elektrik Üretim A.Ş.'s partner Aydem Holding A.Ş. provided a capital advance of 71.188.452 TL (noted at 37.440.000 TL based on purchasing power as of December 31, 2023) on June 24, 2022. The addition of this amount to the capital was registered in accordance with the Turkish Commercial Code on June 28, 2022, and the registration of the capital increase transaction was announced in the Trade Registry Gazette with issue number 10609 dated June 29, 2022. Parla Enerji Yatırımları A.Ş. ("Parla EYAŞ") was established on December 1, 2022, as a wholly-owned subsidiary of Aydem Holding. On December 29, 2022, the Company's shares were transferred from Aydem Holding to Parla EYAŞ. Parla EYAŞ provided a capital advance of 84.921.080 TL (noted at 54.965.000 TL based on purchasing power as of December 31, 2023) on January 27, 2023, and the addition of this amount to the capital was certified on January 31, 2023. The amount of 26.358.163 TL (noted at 24.795.000 TL based on purchasing power as of December 31, 2023) obtained from the Company's public offering on November 22, 2023, was used for the capital increase. As of December 31, 2023, the Company's paid-in capital amounted to 165.200.000 TL nominal value, with 80% of the Company's shares belonging to Parla Enerji Yatırımları A.Ş. As of December 31, 2023, the Company has no unpaid capital or preferred shares.

\*\*\* As a result of increasing the Company's capital from 516.408.564 TL to 542.766.727 TL, a total of 33.050.000 shares, consisting of 24.795.000 shares with a nominal value of 1 TL each to be increased and 8.255.000 shares with a nominal value of 1 TL each currently owned by existing shareholder Parla Enerji Yatırımları A.Ş., were offered to the public on November 22, 2023. The amount of 24.795.000 TL (noted at 26.358.163 TL based on purchasing power as of December 31, 2023) obtained from this offering was used for the capital increase, and the remaining portion was recorded under share premium. The net effect of the increase due to share-based transactions, after offsetting transaction costs amounting to 303.354.595 TL arising from the public offering process, is 1.150.663.873 TL.

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

**(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)**  
**Çates Elektrik Üretim Anonim Şirketi**  
**Statement of Cash Flows for the Period January 1 - December 31, 2023**  
**and 2022**

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

	Notes	Audited 1 January- 31 December2023	Audited 2 January- 31 December2022
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>1.748.513.476</b>	<b>702.077.532</b>
<b>Profit for the period from continuing operations</b>		<b>1.521.440.284</b>	<b>2.537.094.209</b>
<b>Adjustments to reconcile profit for the year</b>			
Adjustments to depreciation and amortization	19	731.688.056	638.320.314
Adjustments for provisions		15.254.054	9.643.700
Adjustments for provisions for employee benefits	13	9.819.684	5.699.411
Adjustment for lawsuits and/ or penalty provisions	11	5.434.370	3.944.289
Adjustments for impairment / (cancellation) of receivables	4	(5.782)	(332.015)
Adjustments for tax expense	22	(510.864.321)	331.048.568
Adjustments for interest income	21	(69.361.848)	(9.566.244)
Adjustments for interest expenses	13, 21	436.507.813	609.258.041
Deferred financing expense/(income) arising from purchases/sales	20	(3.788.128)	1.009.001
Adjustment related to impairment of fixed asset	24	583.586.451	-
Effects related to unrealized live currency conversion differences		-	59.592.114
Adjustments for other items that give rise to cash flows from investing or financing activities		73.620.097	202.388.312
Adjustment related to gains of sales of tangible and intangible assets, net	8	1.597.638	-
Monetary (gain) / loss		(1.645.549.838)	(2.720.062.701)
<b>Total adjustments</b>		<b>(387.315.808)</b>	<b>(878.700.910)</b>
Decrease / (increase) in trade receivables from related parties	3	<b>236.345.991</b>	<b>(892.715.093)</b>
Decrease / (increase) in trade receivables from third parties	4	(62.443.593)	191.462.436
Decrease / (increase) in inventories	6	8.843.914	(93.579.792)
Decrease / (increase) in trade payables due to related parties	3, 8	13.456.037	(6.241.680)
Decrease / (increase) in trade payables due to third parties	4	109.694.451	72.631.882
(Increases)/decreases in other receivables from related parties related to operations	3	126.839.264	(29.564.174)
Increase/(decreases) in other payables to related parties related to operations		217.033.190	(75.013.595)
Decrease / (increase) in prepaid expenses		128.702.768	(151.618.391)
Increase / (decrease) in employee benefits		15.903.941	(218.738)
Decrease/(increase) in other receivables related to operations related adjustments		(1.588.383)	16.353.249
Increase/(decrease) in other payables related to operations related adjustments		(25.548.719)	(16.392.373)
Payments of employee termination benefits	13	(6.723.779)	(1.315.149)
Taxes paid	22	(152.762.136)	-
Decrease / (increase) in financial investments	24	6.636.054	29.895.651
<b>Net cash from operating activities</b>		<b>614.389.000</b>	<b>(956.315.767)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(356.114.335)</b>	<b>(248.008.900)</b>
Cash outflows from the purchase of tangible assets (-)	7, 8	(355.370.371)	(246.892.302)
Cash outflows from the purchase of intangible assets (-)	9	(743.964)	(1.116.598)
<b>C. NET CASH FROM FINANCING ACTIVITIES</b>		<b>(273.421.515)</b>	<b>(417.463.118)</b>
Proceeds from capital increase	15	111.279.243	71.188.452
Interest received	21	3.755.037	1.377.469
Interest paid	23	(507.990.614)	(37.684.464)
Cash inflows from share issuance, net		1.088.884.655	-
Repayment of borrowings (-)	23	(958.171.714)	(442.160.042)
Cash outflows related to lease agreements (-)	23	(11.178.122)	(10.184.533)
<b>D. EFFECT OF NET MONETARY POSITION DIFFERENCES GAINS / (LOSSES) ON CASH AND CASH EQUIVALENTS</b>		<b>(16.095.810)</b>	<b>(7.406.978)</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		<b>1.102.881.816</b>	<b>29.198.536</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	27	<b>40.945.410</b>	<b>11.746.874</b>
<b>Cash and cash equivalents at the end of the year (A+B+C+D)</b>	27	<b>1.143.827.226</b>	<b>40.945.410</b>

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

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 1 Company's organization and nature of operations

Çates Elektrik Üretim A.Ş. (the "Company") was established on September 19, 2014. Pursuant to the decision of the Supreme Council of Privatization dated July 21, 2014 and numbered 2014/64, the Company purchased the Çatalağzı Thermal Power Plant ("Power Plant") and the parts and outbuildings of this Power Plant from Elektrik Üretim A.Ş. with the transfer agreement signed on December 22, 2014.

The Company get the license dated December 18, 2014 and numbered EÜ/5358-1/03178 from the Energy Market Regulatory Authority ("EPDK") for a period of 49 years as of December 22, 2014 related with generating electricity for the power plant with a total installed capacity of 314.68 MWe located in Çatalağzı district of Zonguldak province.

The Company operates its activities in accordance with the Electricity Market Law No. 6446, EPDK's Electricity Market License Regulation and the Electricity Market Balancing and Settlement Regulation ("DUY") and other relevant legislation. The Company registered with Energy Markets Management Inc. ("EPIAŞ") with the user code PK8360 within the scope of DUY. The company operates at integrated energy group.

On November 22, 2023, the Company obtained approval from the Capital Markets Board (SPK) for the public offering of shares with a nominal value of 33.050.000 Turkish Lira. Subsequently, starting from December 7, 2023, the shares offered to the public began trading on the Borsa Istanbul under the ticker symbol "CATES."

The Company's registration address is "Şahinler M., Şahinler Küme Evler Yatağan Termik San. Sit. N:259/1 Yatağan / Muğla.

As of December 31, 2023, the Company had 381 employees (December 31, 2022: 373).

#### *Laws / regulations*

Depending on its electricity generation and sales activities, the Company is subject to the Electricity Market Law No. 6446 dated March 14, 2013, which entered into force with the Official Gazette No. 28603 on March 30, 2013, as well as the regulations and communiqués published by the Energy Market Regulatory Board ("EPDK").

#### *Approval of financial statements:*

Financial statements were approved by the Board of Directors and authorized to be published on May 7, 2024. These financial statements will be finalised following their approval in the General Assembly.

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

## 2 Basis of Presentation of Financial Statements

### 2.1 Basis of presentation

The accompanying financial statements are prepared on a historical cost basis, with the exception of some assets and liabilities and the power plant assets that are presented with revaluation amounts and presented under tangible assets.

### 2.2 Statement of Compliance with TAS

The accompanying financial statements 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 were published in the Official Gazette No:28676 on June 13, 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards Turkish Financial Reporting Standards and interpretations ("TAS/IFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué. Communiqué is updated in order to provide consistency with the changes in International Financial Reporting Standards ("IFRS").

The company account and prepares its statutory books and statutory financial statements in accordance with the accounting principles determined by the Turkish Commercial Code and tax legislation. The Company 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. Financial statements are based on the statutory records, which are maintained under historical cost conventions except for the revaluated power plants, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TFRS.

In addition, the Company has prepared its financial statements prepared pursuant to the TCC in accordance with the accounting policies expressed under Footnote 2 in order to ensure the presentation in accordance to TFRS. The accompanying consolidated financial statements are presented in accordance with the "Announcement regarding to TAS Taxonomy" which was published on October 4, 2022 by POA and the format and mandatory information recommended by CMB.

### Adjusting Financial Statements in High Inflation Periods

Businesses applying TFRS began implementing inflation accounting according to IAS 29 Financial Reporting in Hyperinflationary Economies, as announced by the Public Oversight Accounting and Auditing Standards Authority (KGK) on November 23, 2023, starting from financial statements for annual reporting periods ending on or after December 31, 2023. IAS 29 is applied to financial statements, including consolidated financial statements, of entities whose functional currency is the currency of a hyperinflationary economy.

The attached financial statements are prepared on the historical cost basis except for the power plant, which is measured at revalued amounts.

All comparative amounts for the prior period in these financial statements have been adjusted for changes in the general purchasing power of the Turkish lira in accordance with IAS 29 and ultimately expressed in terms of the purchasing power of the Turkish lira at December 31, 2023.

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

### 2 Basis of Presentation of Financial Statements (continued)

#### 2.2 Statement of Compliance with TAS (continued)

##### Adjusting Financial Statements in High Inflation Periods (continued)

In implementing IAS 29, the entity utilized adjustment coefficients derived from the Consumer Price Index (CPI) published by the Turkish Statistical Institute, as directed by the Public Oversight Accounting and Auditing Standards Authority (KGK). Since January 1, 2005, when the Turkish lira ceased to be classified as the currency of a hyperinflationary economy, the adjustment coefficients corresponding to the CPI for both current and past periods are as follows:

Year End	Index	Index%	Adjustment Coefficient
2004	113,86	13,86	16,33
2005	122,65	7,72	15,16
2006	134,49	9,65	13,82
2007	145,77	8,39	12,75
2008	160,44	10,06	11,58
2009	170,91	6,53	10,87
2010	181,85	6,40	10,22
2011	200,85	10,45	9,25
2012	213,23	6,16	8,72
2013	229,01	7,40	8,11
2014	247,72	8,17	7,50
2015	269,54	8,81	6,89
2016	292,54	8,53	6,35
2017	327,41	11,92	5,67
2018	393,88	20,30	4,72
2019	440,50	11,84	4,22
2020	504,81	14,60	3,68
2021	686,95	36,08	2,70
2022	1.128,45	64,27	1,64
2023	1.859,38	64,77	1,00



## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

## 2 Basis of Presentation of Financial Statements *(continued)*

### 2.2 Statement of Compliance with TAS *(continued)*

#### Adjusting Financial Statements in High Inflation Periods *(continued)*

In accordance with IAS 29, to make the necessary adjustments in the financial statements, assets and liabilities were initially segregated into monetary and non-monetary categories. Non-monetary assets and liabilities were further classified into those measured at current values and those measured at historical cost. Monetary items (excluding those indexed to an index) and non-monetary items measured at their current values at the end of the reporting period were already expressed in terms of the current measurement unit as of December 31, 2023, and therefore were not subject to inflation adjustment. Non-monetary items not expressed in terms of the measurement unit as of December 31, 2023, were adjusted for inflation using the appropriate coefficient. When the inflation-adjusted value of non-monetary items exceeded their recoverable amount or net realizable value as of December 31, 2023, the carrying amount was reduced in accordance with the relevant TFRS. Additionally, inflation adjustments were made to all items in equity components and in the income statement, including profit or loss and other comprehensive income.

The application of IAS 29 necessitated adjustments in the income statement's profit or loss section for Net Monetary Position Gains (Losses) due to the decrease in the purchasing power of the Turkish Lira. During inflation periods, entities holding more monetary assets than monetary liabilities experience a weakening in purchasing power, while entities holding more monetary liabilities than monetary assets experience an increase in purchasing power, unless the value of monetary assets or liabilities is tied to changes in an index. Net monetary position gains or losses are derived from the adjustment differences of non-monetary items, equity, items in the income statement, and indexed monetary assets and liabilities.

Additionally, during the initial application of IAS 29 in the reporting period, the provisions of the Standard are applied assuming that there is always high inflation in the relevant economy. Therefore, for subsequent reporting periods, to serve as a basis, the financial position statement dated January 1, 2022, was adjusted for inflation as of the comparative earliest period. The inflation-adjusted amount of retained earnings in the financial position statement dated January 1, 2022, was derived from the balance sheet equilibrium that should be obtained after adjusting the other items in the said statement for inflation.

In the unadjusted financial position statement dated January 1, 2022, the revaluation increments of tangible fixed assets and defined benefit plans were transferred to retained earnings and reset to zero.

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 2 **Basis of Presentation of Financial Statements** *(continued)*

##### 2.3 **Functional and Presentation Currency**

The financial statements of the Company is prepared in the currency of the primary economic environment (its functional currency). For the purpose of the financial statements, the results and financial position is expressed in Turkish Lira ("TL"), which is the functional currency of the Company, and the presentation currency for the financial statements.

During the preparation of the financial statements, transactions in foreign currencies (currencies other than TL) are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into TL using the exchange rates prevailing at the financial statement date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

##### 2.4 **Changes in accounting policies**

Accounting policy changes resulting from the initial application of a new TAS/IFRS are retrospectively or prospectively applied in accordance with any transitional provisions of the respective TAS/IFRS, if applicable. Changes without any transitional provisions, significant voluntary changes in accounting policies, or identified accounting errors are retrospectively applied, and previous period financial statements are restated.

Changes in accounting estimates are applied prospectively if they relate to only one period. If they relate to future periods, they are applied both in the period of change and prospectively.

##### 2.5 **Comparative information and reclassification of prior period financial statements**

The Company's financial statements are presented together with the comparatives for the previous year enabling comparison of the financial condition, performance and cash flow trends. Where necessary, comparative figures of the financial statements have been reclassified to conform to changes in presentation of the current period financial statements. The Company management considered that it is appropriate to have such reclassifications when they provide more relevant information to users of the financial statements.

##### 2.6 **Changes and errors in accounting estimates**

Changes in accounting estimates are applied in the current period in which changes are made. If changes in accounting estimates are related to future periods, the accounting misstatements which are identified are applied prospectively. The significant changes that were made on accounting policies applied retrospectively and the financial statements of preceding period are restated.

##### 2.7 **Going concern**

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

##### 2.8 **Periodicity of the company's operations**

No significant variation has been observed in the Company's operations throughout the year.

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

### 2 **Basis of Presentation of Financial Statements** (*continued*)

#### 2.9 **The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the financial statements as of December 31, 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2023 and thereafter. The effects of these standards and interpretations the Company's financial position and performance have been disclosed in the related paragraphs.

**i) The new standards, amendments and interpretations which are effective as at January 1, 2023 are as follows:**

- Amendments to TAS 8- Definition of Accounting Estimates
- Amendments to TAS 1- Disclosure of Accounting Policies
- Amendments to TAS 12- Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to TAS 12- International Tax Reform – Pillar Two Model Rules

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

**ii) Standards issued but not yet effective and not early adopted**

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

- Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- TFRS 17- The new Standard for insurance contracts
- Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to TFRS 16- Lease Liability in a Sale and Leaseback
- Amendments to TFRS 7- Disclosures: Supplier Finance Arrangements

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

**iii) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)**

- Amendments to IAS 21– Non-convertibility

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

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

**2 Basis of Presentation of Financial Statements (continued)**

**2.10 Summary of significant accounting policies**

**Related parties**

A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- i) has control or joint control over the reporting entity;
- ii) has significant influence over the reporting entity; or
- iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii) Both entities are joint ventures of the same third party.
- iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity. The entity is controlled or jointly controlled by a person identified in (a).
- vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

### 2 **Basis of Presentation of Financial Statements** (*continued*)

#### 2.10 **Summary of significant accounting policies** (*continued*)

##### **Related parties** (*continued*)

Transactions with related parties are transfers of resources, services, or obligations between the reporting entity and a related party, regardless of whether there is consideration exchanged. Unless the transactions with related parties are required to be measured at fair value, the transactions are accounted for based on the transaction amounts.

In accordance with the purpose of financial statements, shareholders, key management personnel, members of the Board of Directors, their families, and entities controlled by them or to which they are affiliated, subsidiaries, associates, and joint ventures, as well as Aydem Holding Group companies and key management personnel of the reporting entity or its parent company, are considered and disclosed as related parties.

##### **Revenue**

The operations of the Company are regulated under Electricity Market Law No. 6446, the Regulation on Electricity Market License of Energy Market Regulatory Authority (EMRA), the Electricity Market Balancing and Settlement Regulation ("BSR") and other related legislative provisions. The Company registered with the Market Financial Settlement Center with the user code PK8360 under the BSR.

##### *Electricity sales*

The electricity sold by the Company to customers is produced and sold simultaneously, and accordingly, sales and costs are incurred at the time of use since electricity cannot be stored. The revenue obtained from electricity sales to customers is measured after deducting the returns.

In order for revenue to be recognized, the risks and benefits associated with the product must be transferred to customers. The transfer of risks and benefits depends on the electricity consumption of customers.

Even though the electricity sales invoices reflected to Company or from the Company are issued in the following month, they are accounted for as income and expense accruals in the relevant month.

The company recognizes revenue in the financial statements in line with the following 5 basic principles:

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

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

### 2 **Basis of Presentation of Financial Statements** *(continued)*

#### 2.10 **Summary of significant accounting policies** *(continued)*

##### **Revenue** *(continued)*

The Company recognizes a contract with its customers as revenue if all of the following conditions are met:

- a) The contract has been approved by the parties to the contract; (in writing, orally or in accordance with other commercial practices) and undertaken to fulfill their own actions,
- b) Each party's rights in relation to the goods or services to be transferred can be identified;
- c) The payment terms for the goods or services to be transferred can be identified;,
- d) The contract has commercial substance; and
- e) It is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

At the beginning of the contract, the Company evaluates the goods or services committed in the contract with the customer and defines each commitment it makes to transfer to the customer as a separate performance obligation. The Company also determines, at the beginning of the contract, whether it fulfills each performance obligation over time or at a point in time.

When another party is involved in the provision of goods or services to the customer, the Company determines that the nature of its commitment is a performance obligation to provide the specified goods or services itself (principal) or to act as an intermediary for those goods or services provided by the other party (agent). The company is principal if it controls specified goods or services before transferring those goods or services to the customer. In this case, when it fulfills (or fulfills) its performance obligation, it recognizes revenue in the financial statements equal to the gross amount of the consideration it expects to be entitled to in return for the specified goods or services transferred. The Company 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 Company does not recognize the revenue of the consideration at gross amount.

The Company takes into account the terms of the contract and commercial practices in order to determine the transaction price. The transaction price is the price that the Company expects to be entitled to in return for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, some sales taxes).

The Company's performance obligations consist of wholesale electricity sales and ancillary services related to electricity sales. The electricity sold is transmitted to the customer via transmission lines and the customer simultaneously consumes the benefit obtained from the Company's performance. Revenue consists of electricity sales and ancillary services related to electricity sales is accounted for the content at a point in time.

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

### 2 **Basis of Presentation of Financial Statements** (*continued*)

#### 2.10 **Summary of significant accounting policies** (*continued*)

##### **Inventories**

Inventories are stated at the lower of cost or net realizable value.

Inventory costs measure using the weighted average cost method, and the purchase cost of inventories includes other costs incurred to become to their current condition and location.

Net realizable value represents to the amount by deducting the estimated selling price from the estimated cost of completion and the estimated selling expenses necessary to make the sale. Inventories consist of coal and chemicals, operating materials and spare parts required for electricity generation.

##### **Property, plant and equipment**

###### *Recognition and measurement*

The company, has adopted the revaluation method in accordance with TAS 16 for its entire power plants. Power plants are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Other tangible assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Construction in progress is also stated at cost, net of accumulated impairment losses, if any.

The frequency of revaluations depends on the changes in the fair values of property, plant and equipment subject to revaluation. As of January 1, 2021, the company has adopted the revaluation method in accordance with TAS 16 for power plant assets. As of December 31, 2021, June 30, 2022 and December 31, 2022, the Company revalued the property, plant and equipment consisting of the power plant.

The revaluation fund is recorded under other comprehensive income and is recognized as debit to the revaluation fund under equity. However, the increase is recognized in profit or loss if it reverses the valuation deficit of the same asset previously recognized in profit or loss. The revaluation deficit is recognized under the statement of profit or loss, except that offsetting the existing increase on the same asset, which is recognized under the revaluation increases on property, plant and equipment.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated using the straight-line method over property, plant and equipment. Land is not depreciated on the basis that it has an indefinite life.

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

### 2 **Basis of Presentation of Financial Statements** (continued)

#### 2.10 **Summary of significant accounting policies** (continued)

##### **Property, plant and equipment** (continued)

*Recognition and measurement (continued)*

##### *Mining assets*

Mining assets consist of the costs of purchased mining rights and tangible assets attributed to stripping costs. Mining assets are recognized in the financial statements with their net book value after deducting the accumulated depreciation and permanent impairment, if any, from acquisition costs. Mining assets amortization is calculated with the production.

Costs incurred during production are capitalized as long as they are directly related to the development of the mine site. Production-related costs are reflected as expense in the statement of profit or loss and other comprehensive income. In cases where mining site development expenses cannot be distinguished from research and evaluation expenses, the said expenses are recorded as expense in the profit or loss and other comprehensive income statement in the period they occur. The large-scale and important revision works carried out at the said mine, which will increase the economic benefits to be obtained during the life of the relevant mine, are capitalized. Maintenance and repair expenses, excluding large-scale and significant revisions, that can be evaluated within this scope are recorded as expense in the profit or loss and other comprehensive income statement of the period in which they occur.

The Company does not have any obligations regarding the mining for which the Company holds a license.

##### *Depreciation*

##### *Mining assets*

Mining assets are depreciated when their capacity is ready to be used fully and their physical conditions meet the production capacity determined by the Company management. Mine development costs are capitalized in cases where it is highly probable to obtain economic benefit in the future and are subject to depreciation considering the economic benefit.

Turkuaz Linyit Kömür İşletmeleri A.Ş., which is a royalty holder in the mining site before the transfer date of the mining sites. The existing crushing-screening facilities were built by the royalty company Turkuaz Linyit Kömür İşletmeleri A.Ş. to increase the coal quality. Mining assets are depreciated when capacity is ready to be used fully and physical conditions meet the production capacity determined by the Company Management. Mine development costs are capitalized in cases where it is highly probable to obtain economic benefit in the future and are subject to depreciation considering the economic benefit. Mine development costs are distributed to the parts to the extent that can be defined on the basis of the relevant mining areas recorded.



**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

**2 Basis of Presentation of Financial Statements (continued)**

**2.10 Summary of significant accounting policies (continued)**

**Property, plant and equipment (continued)**

*Recognition and measurement (continued)*

The estimated useful lives of significant property, plant and equipment as of December 31, 2023 are as follows:

	<u>Years</u>
Power Plants (*)	14,5
Other tangible assets	4-20

(\*) The Company has classified all tangible assets related with power plants as a separate group under the name of "Power Plant Assets". Power plants consist of assets with similar characteristics used in the activities and includes land, buildings, machinery, equipment and fixtures. The estimated useful life of the Power Plant Assets has been revised as of January 1, 2021 and determined as the end on June 30, 2038. The remaining life as of December 31, 2023 is 14 years and 6 months.

A property, plant and equipment is derecognised upon disposal (i.e., at the date the buyer get control) or when no future economic benefits are expected from use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized under the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Repair and maintenance costs are recognised in profit or loss as incurred.

Power plants consist of groups of assets with similar natures used in the operations and include land, buildings, machinery, equipment, furniture and fixtures.

Maintenance expenses of property, plant and equipment are recognized as expense. However, maintenance expenses are capitalized if there is a result in benefits or significant improvements in the economic life of the relevant assets.

**Right of use assets**

Since the Company has recognized the simplified retrospective approach, the right-of-use assets are transferred as of January 1, 2019, based on financial lease agreements signed before 1 January 2019, which is the first application date of TFRS 16. Based on agreements within the scope of TFRS 16 signed after January 1, 2019, right-of-use assets are recognized on the date the lease agreement begins (for example, as of the date the relevant asset becomes available for use). Right-of-use assets are calculated at cost less accumulated depreciation and impairment losses.

The cost of right-of-use assets include the amount of the obligation, the direct costs incurred at the beginning, and the rental payments made on or before the start date.

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

### 2 **Basis of Presentation of Financial Statements** (continued)

#### 2.10 **Summary of significant accounting policies** (continued)

##### **Right of use assets** (continued)

The cost of right-of-use assets includes the following:

- (a) the 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 Company,

Unless, the transfer of ownership of the right of asset to the Company is not certain at the end of the lease term; the Company depreciates the right-of-use asset from the start date of the lease until the end of the useful life. The useful life of right-of-use assets range varies from 1 year to 45 years.

Right-of-use assets consist of land, estate and vehicles and are subject to impairment assessment.

##### **Lease Liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) Fixed payments,
- (b) ariable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- (c) amounts expected to be paid under residual value guarantees
- (d) exercise price of a purchase option reasonably certain to be exercised by the Company
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments which is not related to index or rate are recognized as an expense in the period in which the event or condition that triggered the payment occurred.

The Company uses the revised discount rate for the remaining portion of the lease term as the interest rate implicit in the lease if it can be easily determined; if it cannot be easily determined, it is determined as the Company's alternative borrowing interest rate on the date of reassessment. The Company used an interest rate of 14,82% - 24,85% for all lease agreements which are denominated in TL.

After the commencement date, Company measures the lease liability by:

- (a) increasing the carrying amount to reflect interest on the lease liability, and
- (b) reducing the carrying amount to reflect the lease payments made.

In addition, in the event of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

### 2 **Basis of Presentation of Financial Statements** (*continued*)

#### 2.10 **Summary of significant accounting policies** (*continued*)

##### **Intangible assets**

###### *Recognition and measurement*

Other intangible assets purchased by the Company that have a certain useful life are measured by deducting accumulated depreciations and permanent impairments, if any, from their acquisition costs.

###### *Subsequent costs*

Subsequent costs are capitalized only if they have the effect of enhancing the future economic benefit of the intangible assets to which they are associated. All other expenses are recognized in profit or loss when they are incurred.

###### *Amortization*

Intangible assets are recognized in profit or loss using the linear amortization method over their useful life from the date they are available for use.

Amortization methods, useful lives and residual values are examined as of each reporting period and redetermined when necessary.

The estimated useful lives of significant intangible asset items in the current period are as follows:

	<u>Years</u>
Rights (*)	5-49

(\*) The majority of the Company's intangible assets consists of EPDK electricity generation license, which has a life span of 49 years, and the rest consists of software licenses. As of December 31, 2023, the remaining life is 39 years and 3 months.

##### **Impairment of assets**

###### *Financial assets accounted for at amortized cost*

The Company evaluates the impairment indicators for assets both at asset level and collectively. All major assets are assessed for significant impairment. Assets with no significant impairment as a separate asset alone are collectively subjected to impairment testing for realized but not yet determined impairment. Assets that are not important alone are grouped as assets with similar risk characteristics and are subjected to impairment testing in aggregate.

While the company evaluates the impairment collectively, the company realizes the recovery timing and loss amounts considering the past trends. When making this assessment, the Company management makes corrections when necessary, using the opinion that the losses incurred by considering the current economic situation and credit conditions should be more or less than the impairment reserve allocated according to past trends.

Impairment refers to the difference between the carrying value of the asset and the reduction of the expected future cash flows to the present value and the original effective interest rate. Losses are recorded under profit or loss and recognized under provision account. The relevant amounts are deducted when the company has no realistic expectations of asset recovery. If an event that occurs after the impairment has been recognized, impairment is recognized under profit or loss.

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

### 2 **Basis of Presentation of Financial Statements** *(continued)*

#### 2.10 **Summary of significant accounting policies** *(continued)*

##### **Impairment of assets** *(continued)*

###### ***Non-financial assets***

The Company evaluates whether there is any indication for probable impairment on non-financial assets, other than inventories, deferred tax assets and investment properties at each reporting date. If any such indication exists, then the assets recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of a cash-generating unit (CGU) related with an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less selling costs. Value in use is estimated by discounting future cash flows at the pre-tax discount rate in line with the current market assessments reflecting the time value of money and the risks specific to that asset.

If the carrying amount of the CGU related to an asset exceeds its recoverable amount, the impairment expense is recorded.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

##### **Financial instruments**

###### ***Non-derivative financial assets and financial liabilities***

The company classifies non-derivative financial assets into the following categories: Financial assets at amortized cost and fair value through in profit or loss.

The Company classifies non-derivative financial liabilities into borrowings, trade payables and other payables.

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

### 2 **Basis of Presentation of Financial Statements** (*continued*)

#### 2.10 **Summary of significant accounting policies** (*continued*)

##### **Financial instruments** (*continued*)

###### ***Non-derivative financial assets and financial liabilities – recognition and off-balance sheet***

The Company recognizes loans and receivables on the date they occur. The entity records all other financial assets and liabilities only and only on the date of the transaction, to which the financial instrument concerned is a party to the contractual conditions.

The Company derecognizes the financial asset from records when the rights related to the cash flows that occur in accordance with the contract related to the financial assets expire or when the Company transfer rights to the ownership of all risks and returns related to this financial asset through a transaction. Any rights created or held are accounted as a separate asset or liability.

In cases where contractual liabilities are fulfilled, canceled or terminated; the Company derecognises the financial liability from records. The Company clarifies financial assets and liabilities only when the Company has a legal right to offsetting and if the intention is to perform the transaction on a net basis or to realize the fulfillment of the liability and realization of the asset and present the net amount under financial statements.

###### ***Non-derivative financial assets and financial liabilities – measurement***

###### **Loans and receivables**

Assets are first recognized by adding transaction costs that can be directly associated with fair value. After initial recording, loans and receivables are recognized by deducting impairments from the amortized costs of future principal and interest cash flows using effective interest rates.

###### **Cash and cash equivalents**

Cash and cash equivalents include accounts at the bank, which are repayable upon request and which are part of the Company's cash management under the cash flows table.

###### ***Non-derivative financial liabilities***

Financial liabilities are recognized on the transaction date when the Company becomes a party to the contractual terms of the relevant financial instrument. In cases where contractual liabilities are fulfilled, canceled or terminated; the company removes the financial liabilities from accounts. The Company classifies its non-derivative financial liabilities into the category of other financial liabilities. This financial liabilities are initially recognized at fair value by including transaction costs, which are directly attributable to their fair value. Following initial recognition, financial liabilities are carried at amortized cost using effective interest rates for future principal and interest cash flows. Other financial liabilities consist of trade and other payables and payables to related parties.

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

**2 Basis of Presentation of Financial Statements (continued)**

**2.10 Summary of significant accounting policies (continued)**

**Transactions in foreign currency**

Transactions made in a foreign currency are translated at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into valid currency by the exchange rates at the end of the reporting period. Currency translation difference profit or loss of monetary items refers to the difference between the amortized cost of the current currency amount at the beginning of the period and the amortized cost of the amortized cost at the end of the period, and the amount converted from the period end exchange rate. Non-monetary foreign currency items that are measured at their historical costs are converted into valid currency using exchange rates at the date of the transaction.

With the "Announcement on the Subsequent Measurement of Monetary Items in Foreign Currency Accordance with Turkish Accounting Standards" made by the POA on March 15, 2021, the next measurement of monetary items is not based on the exchange rates announced by the Central Bank of the Republic of Turkey ("CBRT") on December 30; at the spot rates announced on December 31 and at the current purchase rate of monetary assets in foreign currency as of the end of the reporting period; It was also reported that monetary liabilities in foreign currency should be valued at the current sales rate as of the end of the reporting period. The CBRT exchange rate information used by the company is as follows:

<b>December 31, 2023</b>	<b><u>CBRT Foreign Exchange Buying</u></b>	<b><u>CBRT Foreign Exchange Sales</u></b>
USD	29,4382	29,4913
EUR	32,5739	32,6326

<b>December 31, 2022</b>	<b><u>CBRT Foreign Exchange Buying</u></b>	<b><u>CBRT Foreign Exchange Sales</u></b>
USD	18,6983	18,7320
EUR	19,9349	19,9708

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

## 2 Basis of Presentation of Financial Statements *(continued)*

### 2.10 Summary of significant accounting policies *(continued)*

#### **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

#### **Provisions, contingent liabilities and contingent assets**

The amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount amount is recognized as other expenses from the operations.

#### **Income taxes**

Income tax comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except items recognized under equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax liabilities in respect of previous years.

Deferred tax is calculated over the temporary differences between the carrying values of assets and liabilities in the financial statements and the values used in the tax base. Deferred tax is not recognized for temporary differences, if any:

- Temporary differences arising in the initial recognition of assets or liabilities resulting from a business combination that does not affect neither accounting profit nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities that are unlikely to reverse within a foreseeable future.

Deferred tax is measured by the tax rate effective at the end of the reporting period or the tax rate close to enforcement.

Deferred tax assets and deferred tax liabilities can be offset if there is a legal right to set off current tax assets against current tax liabilities and the deferred tax asset and the deferred tax liability are the same taxpayer imposed by the same tax authority.

Deferred tax asset is recognized if it is probable that there will be sufficient taxable income for the past year financial losses, tax advantages and deductible temporary differences that will be sufficient to be offset in the future. Deferred tax assets are reviewed in each reporting period and deferred tax assets are reduced where tax benefit is not likely to be used.

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

### 2 **Basis of Presentation of Financial Statements** (*continued*)

#### 2.10 **Summary of significant accounting policies** (*continued*)

##### **Income taxes** (*continued*)

###### *Transfer pricing arrangements*

In Turkey, the transfer pricing provisions of the Corporate Tax Law "disguised profit distribution via transfer pricing" is stated in Article 13 entitled. The communiqué of 18 November 2007 on disguised profit distribution through transfer pricing regulates the details of the application.

###### *Tax risk*

By determining the amount of current and deferred tax, the Company consider the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Additional information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

###### *Transfer pricing regulations*

Transfer pricing is disclosed in the 12th clause of the Corporate Tax Law under the heading "veiled shifting of profit" via transfer pricing. The application details are stated in the "general communiqué regarding veiled shifting of profits via transfer pricing" published. Veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax.

For debt used in the business to be considered as hidden equity:

- It must be obtained directly or indirectly from a shareholder or a person related to a shareholder.
- It must be used in the business,
- At any time during the financial year, it must exceed three times the equity of the institution.

##### **Subsequent Events after the Reporting Date**

Between the reporting date and the authorization date for the issuance of financial statements, events that occur in favor of or against the entity are indicated. Subsequent events are divided into two categories:

- New evidence regarding the existence of events as of the reporting date; and
- Evidence indicating that the relevant events occurred after the reporting date (events that do not require adjustment after the reporting date).

In the event of new evidence indicating the existence of events as of the reporting date or events emerging after the reporting date, and if these events necessitate the correction of financial statements, the Company adjusts its financial statements accordingly. If these events do not require the correction of financial statements, the Company discloses them in the relevant footnotes.



## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

## 2 Basis of Presentation of Financial Statements (continued)

### 2.10 Summary of significant accounting policies (continued)

#### Employee benefits

##### *Termination and retirement benefits*

Under the Turkish Labour Law, the Company is required to pay employment termination benefits to each employee who has qualified for such benefits as the employment ended. Also, employees who are entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2422 dated March 6, 1981 and No: 4447 dated August 25, 1999 and the amended Article 60 of the existing Social Insurance Code No: 506. Some transition provisions related to the pre-retirement service term were excluded from the law since the related law was changed as of May 23, 2002. Provisions related to pre-retirement terms of service were excluded from the Law by amending the relevant law on May 23, 2002. As of December 31 2023, ceiling is amounting to TL 23.489,83 (December 31, 2022: TL 15.371,40).

The severance pay liability is not legally subject to any funding. The provision for severance pay is calculated by estimating the present value of the Company's future probable obligation arising from the retirement of employees. IAS 19 ("Employee Benefits") envisages the development of the Company's obligations using actuarial valuation methods within the scope of defined benefit plans. Accordingly, the actuarial assumptions used in the calculation of total liabilities are as follows.

	'December 31, 2023	'December 31, 2022
Interest rate (%)	25,05	21,44
Inflation rate (%)	20,75	17,78
Expected in coming years possibility of leaving job without compensation (%)	4,03	3,84

The Company has considered the ceiling amount of 23.489,83 TL, which became effective from January 1, 2024, in the calculation of the severance pay provision (January 1, 2023: 10.848,59 TL).

Actuarial losses or gains are recognized under other comprehensive income and expense.

##### *Provision for unused vacation rights*

The Company 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 Company recognizes a provision for unused vacation days as a short term employee benefits. Provision for unused vacation days is measured on an undiscounted basis and are expensed as the related service is provided.

The provision for leave is a short-term employee benefit obligation provided to employees and is measured without discounting, and it is recognized as an expense in profit or loss as the related service is rendered.

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

## 2 **Basis of Presentation of Financial Statements** (*continued*)

### 2.10 **Summary of significant accounting policies** (*continued*)

#### **Statement of cash flow**

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Company's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Company (tangible and intangible assets and financial assets).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Company and the repayments of these funds.

#### **Share capital and dividends**

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

#### **Earnings per share**

Earnings per share disclosed in the income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

### 2.11 **Significant accounting judgments estimates and assumptions**

#### **Significant accounting judgments estimates and assumptions**

In the preparation of financial statements, the Company management requires the use of estimates and assumptions that may affect the reported amounts of assets and liabilities and the amounts of income and expenses reported during the accounting period. Actual results may differ from estimates.

The important estimates and assumptions used by the Company in preparing its financial statements are expressed under the footnotes as follows:

Footnote 4 – Trade receivables

Footnotes 8-9 – Tangible and intangible assets

Footnote 10 – Right of use assets

Footnote 11 – Provisions

Footnote 13 – Provisions for employee benefits

Footnote 22 – Income taxes

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

3

#### Related party disclosures

Aydem Holding ("formerly Bereket Energy Group Inc., changed its title to Aydem Energy at the beginning of 2020 and merged its twelve subsidiaries under the Aydem Holding") is the ultimate shareholder and controlling party of the Company. Parla Energy Investments Inc. ("Parla EYAŞ"), a 100% subsidiary of Aydem Holding, is a 100% shareholder of the Company.

Transactions with related parties are classified according to the following groups and include all related party disclosures in this note:

- (1) Aydem Holding Group Companies
- (2) Ultimate shareholder
- (3) Subsidiaries of other company of the main shareholders

Trade receivables from related parties usually arise from sales transactions. The majority of the receivables are guaranteed. Trade payables to related parties generally arise from purchase transactions and there is not any interest.

As of the end of each month, other receivables and payables are considered by using current interest rates determined according to market conditions. Other receivables from related parties mainly arise from financial transactions. At the end of each three months, interest is accrued using market interest rates for other receivables and payables, which are determined using the Group external cost of borrowing.

#### 3.1 Related party balances

As of December 31, 2023 and December 31, 2022, trade receivables from related parties are as follows:

	December 31, 2023	December 31, 2022
Aydem Elektrik Perakende Satış A.Ş. ("Aydem EPSAŞ")(1) (*)	656.543.274	892.889.265
	<b>656.543.274</b>	<b>892.889.265</b>

(\*) As of December 31, 2023, The Company has guarantees which is amounting to TL 1.177.528.000 (December 31, 2022: None.)

Under the authority granted by the Electricity Market Law, EPDK (Energy Market Regulatory Authority) issued the "Principles and Procedures Regarding the Determination and Implementation of the Support Price Based on Source" ("Principles and Procedures") decision numbered 10866 dated March 17, 2022. Changes were made to the "Principles and Procedures" with the Decision numbered 10887 dated March 29, 2022. According to this, it is stipulated that fixed-price and approved bilateral agreements entered into the market management system, which is a system where all contracts in the market are entered, before March 8, 2022, for February 1 and beyond, may be exempted if they are submitted to EPIAŞ (Energy Stock Exchange Market) with the information and documents specified in the Principles and Procedures. According to the regulation, bilateral agreements included in the exemption scope will not be subject to the support price debt amount application. Following the timely submission of the exemption application by the Company in accordance with the Principles and Procedures, and after the necessary information and documents were examined by EPIAŞ, the Company was officially notified of the acceptance of its exemption application through a formal letter. The Company has continued to conduct bilateral agreement transactions related to this exemption in accordance with the relevant Principles and Procedures in the ongoing process.

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 3 Related party disclosures (continued)

##### 3.1 Related party balances (continued)

At the end of the initial 6-month implementation period from April to September 2022, the Regulation Decision numbered 11269 dated September 29, 2022 of the Energy Market Regulatory Authority (EPDK) amended Article 7, Paragraph 1 of the Rules and Principles to enter into force on October 1, 2022. With the amended version of the article, the exemption scope including fixed-price bilateral agreements has been expanded to cover agreements up to the final consumer. On January 13, 2023, the Company was notified of EPDK Board Decision numbered 11574-13 dated January 12, 2023. In this Board Decision, it was reported that the Company was found to have unjustly failed to pay support payment debts totaling 518,766,980 TL for the April-September 2022 period (not expressed as of December 31, 2023 based on purchasing power), and it was decided to collect these amounts. In accordance with the contracts it has made, the Company will pass on any additional costs arising from transactions within the scope of bilateral agreements to Aydem Elektrik Perakende Satış A.Ş., a subsidiary of Aydem Holding Group.

In accordance with the EMRA Board Decision No. 11574-13 dated January 12, 2023, the Company made an EPIAŞ refund which is amounting to TL 562.534.473 as of December 31, 2023, and reflected the same amount to Aydem EPSAŞ in accordance with the bilateral agreement.

According to the installment amounts determined in the support fee debt payment agreement signed between the Company and EPIAŞ on January 17, 2023, the total principal payment which is amounting to TL 157.609.466 TL has not yet been paid as of the balance sheet date, was re-installed with the agreement signed on October 13, 2023, and the interest on the said amount is will be paid in 12 installments and will continue to be reflected simultaneously to Aydem EPSAŞ.

As of December 31, 2023 and December 31, 2022, other short-term receivables from related parties are as follows:

	December 31, 2023	December 31, 2022
ADM Elektrik Dağıtım A.Ş. ("ADM EDAŞ")(1)	-	44.006.272
Aydem EPSAŞ(1)	-	9.201.518
GDZ EDAŞ(1)	-	7.230.901
Gediz Elektrik Perakende Satış A.Ş. ("Gediz EPSAŞ")(1)	-	793.762
	-	<b>61.232.453</b>

As of December 31, 2022, short-term other receivables from related parties include the additional losses reflected by the Company's offsetting with EÜAŞ and TEİAŞ settlements, as well as other receivables from Group companies, and statutory interest. The interest rates used in the calculation of statutory interest are the alternative borrowing interest rates of the Company at the same date.

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

### 3 Related party disclosures (continued)

#### 3.1 Related party balances (continued)

As of December 31, 2023 and December 31, 2022, trade payables to related parties are as follows:

	December 31, 2023	December 31, 2022
Aydem Holding(2)	28.533.972	6.196.620
Yatağan(1)	203.473	609.782
Entek Elektrik İnşaat A.Ş.("Entek")(3)	822.836	1.491.394
Tümaş Mermer (1) (*)	-	132.174.897
Aydem Yenilenebilir Enerji A.Ş. ("Aydem Yenilenebilir")(1)	-	45.248
Other related parties	51.286	32.027
	-	-
	<b>29.611.567</b>	<b>140.549.968</b>

(\*) As of December 31, 2022, the balance consists of trade payable arising from getting the license and operating rights of the Çankırı Orta and Zonguldak Bağlık-İnağzı coal fields on December 19, 2022 and November 28, 2022, respectively. The payment was made in 2023.

As of December 31, 2023 and December 31, 2022, other payables to related parties are as follows:

	December 31, 2023	December 31, 2022
Aydem Holding(2)(*) (**)	236.859.920	19.773.119
Gdz Enerji Yatırımları A.Ş. ("Gdz Enerji")(1)(*)	295.113	348.724
	-	-
	<b>237.155.033</b>	<b>20.121.843</b>

(\*) As of December 31, 2023, the debt represents the service fee related to the success bonus reflected through the measurement/calculation of the benefit arising from the Company's ability to repay its loans converted from US Dollars to Turkish Lira after the public offering of the Company's shares in 2023, in line with market benchmarks by Aydem Holding A.Ş. As of December 31, 2022, the debt includes the amounts borrowed by the Company for financing purposes. The Company calculates statutory interest on these debts. The interest rates used in the calculation of statutory interest are the alternative borrowing interest rates of the Company at the same date. The average statutory interest rate used for 2022 is 14.72%.

(\*\*) These are the debts borrowed by the Company for financing purposes. The Company calculates statutory interest on these debts. The interest rates used in the calculation of statutory interest are the alternative borrowing interest rates of the Company at the same date. The average statutory interest rate used for 2023 is 24.09% (January 1 – December 31, 2022: 14.72%).

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 3 Related party disclosures (continued)

#### 3.2 Related party transactions (continued)

##### Key management compensation

As of December 31, 2023 and December 31, 2022, the details of key management compensation are as follows:

	January 1, December 31, 2023	January 1, December 31, 2022
Key management compensation	14.145.770	3.283.272
	<b>14.145.770</b>	<b>3.283.272</b>

As of December 31, 2023 and December 31, 2022, income and expense transactions with related parties are as follows:

Sales of goods and services	January 1, December 31, 2023	January 1, December 31, 2022
Aydem EPSAŞ (1) (*)	3.485.498.787	6.034.703.349
Yatağan (1)	1.318.139	1.294.988
Gdz Enerji Yatırımları A.Ş. ("Gdz Enerji")(1)(*)	-	18.954
Other	2.036	-
	<b>3.486.818.962</b>	<b>6.036.017.291</b>

(\*) The Company started selling electricity primarily to Aydem EPSAŞ through bilateral agreements in 2022 since the electricity purchase agreement with EÜAŞ was not renewed. The Company continued to sell electricity to Aydem EPSAŞ during the first nine months of 2023 and started selling to the market in the last quarter of 2023.

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 3 Related party disclosures (continued)

##### 3.2 Related party transactions (continued)

<b>Financial income</b>	<b>January 1, December 31, 2023</b>	<b>January 1, December 31, 2022</b>
ADM EDAŞ	2.331.035	48.927.986
Yatağan(1)	517.087	-
Aydem EPSAŞ(1)	451.193	17.582.133
GDZ EDAŞ(1)	383.025	9.207.217
Gediz EPSAŞ(1)	67.421	749.291
Parla Enerji(1)	5.276	-
	<b>3.755.037</b>	<b>76.466.627</b>

  

<b>Other income</b>	<b>January 1, December 31, 2023</b>	<b>January 1, December 31, 2022</b>
Aydem EPSAŞ (1) (*)	349.701.488	136.022.925
	<b>349.701.488</b>	<b>136.022.925</b>

(\*) The relevant transaction includes net exchange rate gain revenues related to commercial activities conducted during the period and delay penalty revenues related to commercial transactions.

Between January 1 and December 31, 2022, 67.954.565 TL of the financial income consist additional loss income and has been presented by offsetting against exchange rate expenses under financial expenses. In the same period, the portion amounting to 7.134.393 TL relates to maturity interest income.

<b>Purchases of goods and services</b>	<b>January 1, December 31, 2023</b>	<b>January 1, December 31, 2022</b>
Aydem EPSAŞ(1)	136.722.402	353.301.199
Aydem Holding(2)	55.011.254	37.555.941
Yatağan(1)	19.760.489	58.781.236
Entek (3)	13.843.990	13.933.542
Gdz Enerji(1)	4.484.526	3.229.776
Tümaş Mermer(1)	-	147.354.361
Aydem Yenilenebilir (1)	-	169.525
Other	392.267	152.975
	<b>230.214.928</b>	<b>614.478.555</b>

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

**3 Related party disclosures (continued)**

**3.2 Related party transactions (continued)**

<b>Financial expenses</b>	<b>January 1, December 31, 2023</b>	<b>January 1, December 31, 2022</b>
Aydem Holding(2) (*)	15.265.052	18.989.002
	<b>15.265.052</b>	<b>18.989.002</b>

(\*) The relevant transactions include bail and interest expenses.

<b>Other transactions</b>	<b>January 1, December 31, 2023</b>	<b>January 1, December 31, 2022</b>
Aydem Holding(2) (*)	4.588.324	-
Other	38.200	-
	<b>4.626.524</b>	<b>-</b>

(\*) For the period ended December 31, 2023, the transaction includes donations and aid which is amounting to TL 4.588.324 made through Aydem Holding for disaster areas following the earthquakes that occurred in Kahramanmaraş on February 6, 2023.

**4 Trade receivables and payables**

**Short- term trade receivables**

As of December 31, 2023 and December 31, 2022, the details of short- term trade receivables are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Trade receivables from related parties (Note 3)	656.543.274	892.889.265
Trade receivables from third parties	82.033.503	19.589.910
	<b>738.576.777</b>	<b>912.479.175</b>
Provision for doubtful trade receivables	(2.412.378)	(3.984.473)
	<b>736.164.399</b>	<b>908.494.702</b>

As of December 31, 2023, the average maturity of trade receivables is 45 days. (December 31, 2022: 45 days).

As of December 31, 2023 and December 31, 2022, the details of trade receivables from related parties are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Receivables arising from the sale of energy	656.543.274	892.889.265
	<b>656.543.274</b>	<b>892.889.265</b>



## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

### December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 4 Trade receivables and payables (continued)

As of December 31, 2023, and December 31, 2022, short-term trade receivables from third parties consist of the following items:

	December 31, 2023	December 31, 2022
Receivables arising from the sale of energy	76.961.068	15.605.437
Doubtful trade receivables	2.412.378	3.984.473
Provision for doubtful trade receivables (-)	(2.412.378)	(3.984.473)
Other trade receivables	2.660.057	-
	<b>79.621.125</b>	<b>15.605.437</b>

As of December 31, 2023, doubtful receivables, which has not possibility of collection is foreseen, are written off from the records along with their related provisions which is amounting to TL 2.412.378 (December 31, 2022: TL 3.984.473).

The movement of allowance for doubtful receivables for the periods ended December 31, 2023 and December 31, 2022 are as follows:

	January 1, 2023	January 1, 2022
<b>Opening balance</b>	3.984.473	6.926.535
Provisions no longer required (Note 20)	(5.782)	(332.015)
Monetary gain/(loss)	(1.566.313)	(2.610.047)
<b>Closing balance</b>	<b>2.412.378</b>	<b>3.984.473</b>

As of December 31, 2023, The Company has overdue trade receivables and that receivables have not been impaired. The aging of trade receivables is as follows:

	December 31, 2023	December 31, 2022
Not overdue	300.649.235	893.452.519
1-30 days past due	1.923.567	7.835.229
1-3 months past due	432.264.906	7.202.270
3-12 months past due	1.326.691	4.684
	<b>736.164.399</b>	<b>908.494.702</b>

The liquidity and exchange rate risk that the Company is exposed in relation with trade receivables are explained under Footnote 25.

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

**4 Trade receivables and payables (continued)**

**Short-term trade payables**

As of December 31, 2023, and December 31, 2022, the details of short-term trade payables are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Trade payables to the related parties (Note 3)	29.611.567	140.549.968
Trade payables to the third parties	390.422.116	284.515.793
	<b>420.033.683</b>	<b>425.065.761</b>

As of December 31, 2023, the amount of short-term trade payables to third parties, totaling 193.261.742 TL, consists of support payment liabilities to be paid to EPIAŞ. Details are disclosed in Note 3.

As of December 31, 2023 and December 31, 2022, the details of short-term trade payables to third parties are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Trade payables	395.834.595	286.140.144
Deferred financing income from forward purchases (-)	(5.412.479)	(1.624.351)
	<b>390.422.116</b>	<b>284.515.793</b>

The liquidity and exchange rate risk that the Company is exposed in relation with trade payables are explained under Footnote 25.

As of December 31, 2023, the average maturity of trade payables is 30 days. (December 31, 2022: 30-75 days).

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

5

#### Other receivables and payables

##### Other short term receivables

As of December 31, 2023 and December 31, 2022, the details of other short – term receivables are as follows:

	December 31, 2023	December 31, 2022
Other receivables from related parties (Note 3)	-	61.232.453
Other receivables from third parties	3.146.738	684.926
	<b>3.146.738</b>	<b>61.917.379</b>

As of December 31, 2023 and December 31, 2022, the breakdown of other receivables are as follows:

	December 31, 2023	December 31, 2022
Receivables from the tax office	2.914.401	381.497
Deposits and guarantees given	-	130.368
Other	232.337	173.061
	<b>3.146.738</b>	<b>684.926</b>

As of December 31, 2023 and December 31, 2022, the details of other long – term receivables are as follows:

	December 31, 2023	December 31, 2022
Deposits and guarantees given	1.651.846	2.546.345
	<b>1.651.846</b>	<b>2.546.345</b>

##### Other short term payables

As of December 31, 2023, and December 31, 2022, the short-term other liabilities of the Company are as follows:

	December 31, 2023	December 31, 2022
Other payables to the related parties (Note 3)	237.155.033	20.121.843
Other payables to the third parties (*)	1.841.098	2.147.398
	<b>238.996.131</b>	<b>22.269.241</b>

(\*) As of December 31, 2023 and December 31, 2022, the other payables to third parties comprises deposits and guarantees received from third parties.

The liquidity and exchange rate risk that the Company is exposed in relation with other receivables and liabilities are explained under Footnote 25.

(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

6

### Inventories

As of December 31, 2023 and December 31, 2022, the details of inventories are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Raw materials and supplies (*)	117.632.218	172.451.681
Other inventories (**)	112.562.793	66.587.244
	<b>230.195.011</b>	<b>239.038.925</b>

(\*) A significant part of the raw material and supplies consists of coal.

(\*\*) Other inventories consist of spare parts items such as pipes, plates, cables and consumables.

As of December 31, 2023, there is not any inventory as collateral for liabilities (December 31, 2022: None).

As of December 31, 2023, there is no impairment on inventories (December 31, 2022: None).

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

**7 Prepaid expenses and deferred income**

**Short term prepaid expenses**

As of December 31, 2023 and December 31, 2022, the details of short-term prepaid expenses are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Advances given (*)	216.665	78.341.308
Prepaid expenses (**)	31.385.854	17.186.430
Business advances	30.152	-
	<b>31.632.671</b>	<b>95.527.738</b>

(\*) As of December 31, 2022, the advances given consist advances to coal suppliers.

(\*\*) As of December 31, 2023, prepaid expenses consist insurance policies.

**Long term prepaid expenses**

As of December 31, 2023 and December 31, 2022, the details of long-term prepaid expenses are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Advances given (*)	3.359.126	207.558.825
Prepaid expense for the following months	708.873	-
	<b>4.067.999</b>	<b>207.558.825</b>

(\*) As of December 31, 2022, the portion of advances amounting to 68.875.700 TL (not expressed in terms of purchasing power as of December 31, 2023: 40.153.846 TL) is composed of advances provided to coal suppliers, while the remaining portion includes advances given for the investment in coal crushing, screening, drying, and stockpiling facilities to be established in the Çankırı-Orta coal field. The advances made in 2022 for the Çankırı-Orta coal field were utilized for the addition of plant, machinery, and equipment to tangible fixed assets of the mine in 2023.

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 8 Property, plant and equipment

The Company's tangible assets consist of mining assets and other fixed assets. As of December 31, 2023 and December 31, 2022, the details of net book values are as follows:

	December 31, 2023	December 31, 2022
Mining assets (*)	243.174.552	124.435.634
Other tangible assets	8.320.805.152	10.174.782.130
	<b>8.563.979.704</b>	<b>10.299.217.764</b>

(\*) The company acquired the mining licenses and operating rights for the Çankırı Orta and Zonguldak Bağlık-İnağzı coal fields on December 19, 2022, and November 28, 2022, respectively, which is amounting to 46.329.277 TL (not expressed in terms of purchasing power as of December 31, 2023: 28.117.046 TL) for the Çankırı Orta field and 78.065.161 TL (not expressed in terms of purchasing power as of December 31, 2023: 46.823.646 TL) for the Zonguldak Bağlık-İnağzı coal mine. The payments for the acquisition of these coal fields were made in 2023. As of December 31, 2023, production had not yet started at the Zonguldak Bağlık-İnağzı field. In 2023, a drying, screening, and crushing stock facility amounting to 138.149.543 TL was established at the Çankırı-Orta field.

The movements of mining assets for the periods ended December 31, 2023 and December 31, 2022, are as follows:

<u>Cost</u>	<u>January 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2023</u>
Mining asset	124.435.634	142.232.276	-	266.667.910
<i>Mining rights</i>	124.394.438	-	-	124.394.438
<i>Machinery, plant and equipment</i>	-	138.149.543	-	138.149.543
<i>Other tangible assets</i>	41.196	4.082.733	-	4.123.929
Deferred mining cost (*)	-	11.015.248	-	11.015.248
	<b>124.435.634</b>	<b>153.247.524</b>	-	<b>277.683.158</b>
<u>Accumulated depreciation</u>	<u>January 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2023</u>
Mining asset	-	(34.508.606)	-	(34.508.606)
<i>Mining rights</i>	-	(16.097.470)	-	(16.097.470)
<i>Machinery, plant and equipment</i>	-	(17.877.472)	-	(17.877.472)
<i>Other tangible assets</i>	-	(533.664)	-	(533.664)
	-	<b>(34.508.606)</b>	-	<b>(34.508.606)</b>
<b>Net book value</b>	<b>124.435.634</b>	-	-	<b>243.174.552</b>

(\*) Deferred mining cost comprises the expenses related to drilling, analysis, and project costs in the Zonguldak Bağlık-İnağzı coal field.

(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

### 8 Property, plant and equipment (continued)

<u>Cost</u>	<u>January 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2022</u>
Mining asset	-	124.435.634	-	124.435.634
<i>Mining rights</i>	-	124.394.438	-	124.394.438
<i>Machinery, plant and equipment</i>	-	-	-	-
<i>Other tangible assets</i>	-	41.196	-	41.196
	-	<b>124.435.634</b>	-	<b>124.435.634</b>
<u>Accumulated depreciation</u>	<u>January 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2022</u>
Mining asset	-	-	-	-
<i>Mining rights</i>	-	-	-	-
<i>Machinery, plant and equipment</i>	-	-	-	-
<i>Other tangible assets</i>	-	-	-	-
	-	-	-	-
<b>Net book value</b>	-	-	-	<b>124.435.634</b>

(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

**8 Property, plant and equipment (continued)**

The movements of other tangible assets for the periods ended December 31, 2023 and December 31, 2022, are as follows:

	Power plant	Construction in progress	Other	Total
<b>Cost</b>				
<b>January 1, 2022</b>	15.625.705.659	69.840.498	69.150.477	15.764.696.634
Additions	26.474.610	79.425.579	2.267.792	108.167.981
Transfers	93.236.116	(93.236.116)	-	-
Revaluation fund	1.593.857.309	-	-	1.593.857.309
<b>December 31, 2022</b>	<b>17.339.273.694</b>	<b>56.029.961</b>	<b>71.418.269</b>	<b>17.466.721.924</b>
<b>January 1, 2023</b>	17.339.273.694	56.029.961	71.418.269	17.466.721.924
Additions	155.011.322	58.387.963	3.012.249	216.411.534
Disposals	(1.761.391)	-	-	(1.761.391)
Transfers	20.130.774	(20.130.774)	-	-
Revaluation fund	(1.489.342.076)	-	-	(1.489.342.076)
Impairment	(759.082.324)	-	-	(759.082.324)
<b>December 31, 2023</b>	<b>15.264.229.999</b>	<b>94.287.150</b>	<b>74.430.518</b>	<b>15.432.947.667</b>
<b>Accumulated depreciation</b>				
<b>January 1, 2022</b>	(5.888.690.429)	-	(39.049.922)	(5.927.740.351)
Additions	(619.937.365)	-	(7.630.760)	(627.568.125)
Revaluation fund	(736.631.318)	-	-	(736.631.318)
<b>December 31, 2022</b>	<b>(7.245.259.112)</b>	<b>-</b>	<b>(46.680.682)</b>	<b>(7.291.939.794)</b>
<b>January 1, 2023</b>	(7.245.259.112)	-	(46.680.682)	(7.291.939.794)
Additions	(679.133.600)	-	(5.056.372)	(684.189.972)
Disposals	163.753	-	-	163.753
Revaluation fund	688.327.625	-	-	688.327.625
Impairment	175.495.873	-	-	175.495.873
<b>December 31, 2023</b>	<b>(7.060.405.461)</b>	<b>-</b>	<b>(51.737.054)</b>	<b>(7.112.142.515)</b>
<b>Net book value as of December 31, 2022</b>	<b>10.094.014.582</b>	<b>56.029.961</b>	<b>24.737.587</b>	<b>10.174.782.130</b>
<b>Net book value as of December 31, 2023</b>	<b>8.203.824.538</b>	<b>94.287.150</b>	<b>22.693.464</b>	<b>8.320.805.152</b>

As of December 31, 2023, the Company's insurance coverage amount for fixed assets is 550.000.000 US Dollars (December 31, 2022: 366.775.855 US Dollars). The Company currently has mortgages and commercial enterprise/movable pledges provided for loans extended by Yapı ve Kredi Bankası A.Ş. Denizli Commercial Branch and Halk Bankası A.Ş. Denizli Commercial Branch consortium ("Lenders"). As of December 31, 2023, the Company has pledges and mortgages in favor of the Lenders amounting to 17.758.639.051 TL and 544.716.185 US Dollars on its tangible fixed assets (December 31, 2022: 17.758.639.051 TL and 544.716.185 US Dollars).



## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 8 **Property, plant and equipment** (*continued*)

The Company has classified all tangible assets related with power plants as a separate group under the name of "Power Plant Assets". Power plants consist of assets with similar characteristics used in the activities and includes land, buildings, machinery, equipment and fixtures. The estimated useful life of the Power Plant Assets has been revised as of January 1, 2021 and determined as the end on June 30, 2038. The remaining life as of December 31, 2023 is 14 years and 6 months.

The Company has adopted the revaluation model in accordance with IAS 16 for power plant assets reported under property, plant, and equipment since January 1, 2021. As of January 1, 2021, the net carrying amount of power plant assets, which was 497.681.440 TL, has been revalued to 1.467.832.676 TL based on a valuation report obtained from an independent valuation company. This revaluation was classified as "Level 3" fair value measurement due to significant unobservable inputs used in the valuation. Additionally, these power plant assets have been carried forward with accumulated depreciation deducted until December 31, 2023, December 31, 2022, June 30, 2022 and December 31, 2021, based on their fair values measured after January 1, 2021. As of December 31, 2023, the power plant assets are recognized in the financial statements at the revalued amount which is amounting to 8.440.684.461 TL (December 31, 2022: 10.094.014.582 TL).

The tangible fixed assets identified with revaluation increments and defined benefit plans have been reset by transferring them to retained earnings in the financial statements as of January 1, 2022, without correction for inflation.

The Company applied the "Income Reduction Method- DCF Analysis" in its valuation and impairment studies. Given that long-term electricity market prices are the most important factor in the "DCF Analysis," the Company collaborated with an independent consultant providing services to companies operating in the energy market. When determining long-term electricity prices, the most important inputs in the model were the forecasted trends in demand, capacity, capacity factor development, electricity export & import trends, and coal prices. The most important assumptions in the income reduction method are, respectively, electricity prices, projected production volume, weighted average cost of capital, discount rate, and exchange rates. The Company does not expect significant changes in the forecasts and assumptions used in the valuation reports. In the income reduction method, the Company discounted its estimated revenues until 2038 based on the useful life of the power plant. Since it is expected that the discounted value of estimated revenues from 2038 until the expiration of the license will be higher than the discounted cost impact of estimated investments needed, the financial impact of the years after 2038 was not considered in the valuation as a precautionary measure.

(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

**8 Property, plant and equipment (continued)**

Power plant	Valuation Method	Weighted Average Cost of Capital	January 1 - December 31, 2023 Production Volume (MWh/Yıl)	Generation amount after the reporting period (MWh/Year)
Çates Termik	Discounted cash flow	%13,1	2.033.391	30.266.575

Power plant	Valuation Method	Weighted Average Cost of Capital	January 1 - December 31, 2022 Production Volume (MWh/Yıl)	Generation amount after the reporting period (MWh/Year)
Çates Termik	Discounted cash flow	%12	1.900.151	33.089.616

The movement of revaluation increases of power plant for the periods ended December 31, 2023 and December 31, 2022, are as follows:

	January 1- December 31,2023	January 1- December 31,2022
<b>Opening balance</b>	<b>685.780.793</b>	-
Revaluation of power plant assets - cost	(1.489.342.076)	1.593.857.309
Revaluation of power plant assets - accumulated depreciation	688.327.625	(736.631.318)
Deferred tax impact from revaluation of power plant assets	160.202.890	(171.445.198)
Depreciation Transfers Related to intangible assets revaluation	(44.969.232)	-
<b>Closing balance</b>	<b>-</b>	<b>685.780.793</b>

The Company has revalued its tangible and intangible fixed assets in its tax-based financial statements under the provisions of the Tax Procedure Law Article 298/Ç and provisional Article 32. According to the revaluations made until September 30, 2023, the deferred tax impact amounting to 903.681.989 TL arising from the net revaluation of 3.614.727.957 TL related to the Power Plant assets, along with the tax expense of (56.750.121) TL incurred in the current period due to the increase in the corporate tax rate from 20% to 25% as per the amendment to Corporate Tax Law No. 5520, have been accounted for in the income statement.

According to the provisional Article 33 of the Tax Procedure Law, no inflation adjustment will be made for the fiscal periods of 2021 and 2022, as well as for the provisional tax periods of 2023, regardless of whether the conditions stipulated in Article 298/A of the Tax Procedure Law are met. However, it is stipulated that the financial statements dated December 31, 2023, prepared in accordance with the Tax Procedure Law, will be subject to adjustment without any conditions. Accordingly, the financial statements dated December 31, 2023, prepared in accordance with the Tax Procedure Law, have been adjusted for inflation.

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

9

**Intangible assets**

The movements of intangible assets for the periods ended December 31, 2023 and December 31, 2022, are as follows:

	<b>Rights</b>	<b>Total</b>
<b><u>Cost</u></b>		
<b>January 1, 2022</b>	415.768.189	415.768.189
Additions	1.116.598	1.116.598
<b>December 31, 2022</b>	<b>416.884.787</b>	<b>416.884.787</b>
<b>January 1, 2023</b>	416.884.787	416.884.787
Additions	743.964	743.964
<b>December 31, 2023</b>	<b>417.628.751</b>	<b>417.628.751</b>
<b><u>Accumulated depreciation</u></b>		
<b>January 1, 2022</b>	(62.712.330)	(62.712.330)
Additions	(9.273.134)	(9.273.134)
<b>December 31, 2022</b>	<b>(71.985.464)</b>	<b>(71.985.464)</b>
<b>January 1, 2023</b>	(71.985.464)	(71.985.464)
Additions	(9.973.129)	(9.973.129)
<b>December 31, 2023</b>	<b>(81.958.593)</b>	<b>(81.958.593)</b>
<b>Net book value as of December 31, 2022</b>	<b>344.899.323</b>	<b>344.899.323</b>
<b>Net book value as of December 31, 2023</b>	<b>335.670.158</b>	<b>335.670.158</b>

The majority of the Company's intangible assets consists of EPDK electricity generation license, which has a life span of 49 years, and the rest consists of software licenses.

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

10

**Right of use assets**

The movements of right-of-use assets for the periods ended December 31, 2023 and December 31, 2022 are as follows:

	<b>Land</b>	<b>Vehicles</b>	<b>Total</b>
<b><u>Cost</u></b>			
<b>January 1, 2022</b>	66.916.036	3.254.798	70.170.834
Additions	5.960.931	2.328.529	8.289.460
Disposals	-	(346.843)	(346.843)
<b>December 31, 2022</b>	<b>72.876.967</b>	<b>5.236.484</b>	<b>78.113.451</b>
<b>January 1, 2023</b>	72.876.967	5.236.484	78.113.451
Additions	25.459.252	1.195.088	26.654.340
<b>December 31, 2023</b>	<b>98.336.219</b>	<b>6.431.572</b>	<b>104.767.791</b>
<b><u>Accumulated depreciation</u></b>			
<b>January 1, 2022</b>	(4.386.557)	(972.279)	(5.358.836)
Additions	(386.289)	(1.092.766)	(1.479.055)
Disposals	-	346.843	346.843
<b>December 31, 2022</b>	<b>(4.772.846)</b>	<b>(1.718.202)</b>	<b>(6.491.048)</b>
<b>January 1, 2023</b>	(4.772.846)	(1.718.202)	(6.491.048)
Additions	(1.931.268)	(1.085.081)	(3.016.349)
<b>December 31, 2023</b>	<b>(6.704.114)</b>	<b>(2.803.283)</b>	<b>(9.507.397)</b>
<b>Net book value as of December 31, 2022</b>	<b>68.104.121</b>	<b>3.518.282</b>	<b>71.622.403</b>
<b>Net book value as of December 31, 2023</b>	<b>91.632.105</b>	<b>3.628.289</b>	<b>95.260.394</b>

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

11

**Provisions**

As of December 31, 2023 and December 31, 2022, the details of short-term provisions are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Provision for lawsuit (*)	14.130.654	17.641.744
Short-term provision for employee termination benefits (Note 13)	4.642.133	2.740.645
	<b>18.772.787</b>	<b>20.382.389</b>

(\*) The provision for litigation is for possible cash outflows related to lawsuits. The provision has been calculated as a result of the evaluation of the cases with a high probability of being concluded against the Company by the Company's management.

The movement of provision for lawsuit for the periods ended December 31, 2023 and December 31, 2022, are as follows:

	<b>January 1, December 31, 2023</b>	<b>January 1, December 31, 2022</b>
<b>Provision for lawsuit movement</b>		
<b>Opening balance</b>	17.641.744	23.257.002
Provision (cancelled) during period (Note 20)	5.434.370	3.944.289
Monetary gain	(8.945.460)	(9.559.547)
<b>Closing balance</b>	<b>14.130.654</b>	<b>17.641.744</b>

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

12

#### Commitments and contingencies

##### Collaterals-Pledges-Mortgages ("CPM")

As of December 31, 2023 and December 31, 2022, the original balances of the collaterals/pledge/mortgage ("CPM") are as follows:

	December 31, 2023			December 31, 2022		
	Original currency			Original currency		
	TRY Equivalent	TL	USD	TRY Equivalent	TL	USD
A. Total amounts of CPM given on behalf of its own legal entity (*)	368.853.673.935	257.396.371.168	3.779.328.235	328.183.551.028	257.389.174.536	3.779.328.235
B. Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation	-	-	-	-	-	-
C. Total amounts of CPM given in order to guarantee third parties debts for routine trade operations	-	-	-	-	-	-
D. Total amounts of other CPM given	-	-	-	-	-	-
i. Total amount of CPM given on behalf of the Parent	-	-	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies not covered in B and C	-	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties not covered in C	-	-	-	-	-	-
<b>Total</b>	<b>368.853.673.935</b>	<b>257.396.371.168</b>	<b>3.779.328.235</b>	<b>328.183.551.028</b>	<b>257.389.174.536</b>	<b>3.779.328.235</b>

(\*) Guarantees given by the Company on behalf of its own legal entity comprises collaterals, mortgage, EPIAŞ receivables, receivables transfer and pledges to Electricity Generation Inc., Türkiye Halk Bankası A.Ş., Yapı ve Kredi Bankası A.Ş., TEİAŞ General Directorate, Zonguldak OBM, Turkish Hard Coal Authority, Turkey Electricity Trade and Contracting Inc., Energy Markets Management Inc. ("EPIAŞ"), Republic of Turkey State Railways ("TCDD") and Çatalağzı Municipality.

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

12

### Commitments and contingencies (continued)

As of December 31, 2023 and December 31, 2022, the details of the mortgage/pledge/collaterals are as follows:

GPM	December 31, 2023			December 31, 2022		
	Total TL Equivalent	TL	USD	Total TL Equivalent	TL	USD
Mortgage	170.784.718.652	95.740.801.331	2.544.612.049	143.406.474.233	95.740.801.331	2.544.612.049
Pledge	80.861.178.760	44.447.793.326	1.234.716.185	67.576.496.908	44.447.793.326	1.234.716.185
Transfer of EPIAŞ Receivables	88.702.413.892	88.702.413.892	-	88.702.413.892	88.702.413.892	-
Commercial Pledge	28.304.808.500	28.304.808.500	-	28.304.808.500	28.304.808.500	-
Letter of Guarantee given	200.554.119	200.554.119	-	193.357.487	193.357.487	-
<b>Total CPM</b>	<b>368.853.673.923</b>	<b>257.396.371.168</b>	<b>3.779.328.234</b>	<b>328.183.551.020</b>	<b>257.389.174.536</b>	<b>3.779.328.234</b>

### Collaterals-Pledges-Mortgages

As of December 31, 2023, the Company has a letter of guarantee from payables which is amounting to TL 1.194.087.564 (December 31, 2022: TL 87.942.139). As of December 31, 2023, the Company has a letter of guarantee which is amounting to TL 1.177.528.000 received from Aydem EPSAŞ (December 31, 2022: None).

## 13 Employee benefits

### Short-term liabilities for employee benefits

As of December 31, 2023 and December 31, 2022, the short-term liabilities for employee benefits are as follows:

	'December 31, 2023	'December 31, 2022
Social security premiums payable (*)	12.134.168	4.005.546
Taxes on personnel	4.124.818	2.442.617
Due to personnel	6.190.411	97.293
	<b>22.449.397</b>	<b>6.545.456</b>

(\*) As of December 31, 2023, the increase of social security premium payable is due to the change in wages and benefits made by the Collective Labor Agreement signed in August.

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

13

**Employee benefits** (continued)

**Provisions for employee benefits**

**Short term provisions**

As of December 31, 2023 and December 31, 2022, the short-term provisions are as follows:

	'December 31, 2023	'December 31, 2022
Provision for unused vacation (Note 11)	4.642.133	2.740.645
	<b>4.642.133</b>	<b>2.740.645</b>

The movement of provision for unused vacation for the periods ended December 31, 2023 and December 31, 2022 are as follows:

<b>The movement of the provision for unused vacation</b>	<b>January 1, December 31, 2023</b>	<b>January 1, December 31, 2022</b>
Opening balance	2.740.645	2.345.417
Provision for the current period /(cancellation)	4.272.212	1.641.321
Monetary gain/(loss)	(2.370.724)	(1.246.093)
<b>Closing balance</b>	<b>4.642.133</b>	<b>2.740.645</b>

**Long term provisions**

As of December 31, 2023 and December 31, 2022, the long-term provisions are as follows:

	'December 31, 2023	'December 31, 2022
Allowance for retirement pay	20.764.884	26.189.227
	<b>20.764.884</b>	<b>26.189.227</b>



**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

13

**Employee benefits** (continued)

The movement of provision for employment termination benefits for the periods ended December 31, 2023 and December 31, 2022 are as follows:

	January 1 - December 31, 2023	January 1 - December 31, 2022
<b>Employee termination benefits</b>		
<b>Opening balance</b>	26.189.227	24.342.106
Service cost	5.547.472	4.058.090
Interest cost	4.295.561	4.344.462
Severance paid	(6.723.779)	(1.315.149)
Actuarial loss / (gain)	5.174.024	6.019.780
Monetary gain	(13.717.621)	(11.260.062)
<b>Closing balance</b>	<b>20.764.884</b>	<b>26.189.227</b>

The sensitivity analysis of the important assumptions used in the calculation of the provision for employee termination benefits is as follows:

	Discount rate		Possibility of separation	
	%0,50 increase	%0,50 decrease	%0,50 increase	%0,50 decrease
31 December 2023	(1.194.378)	1.322.881	446.398	(428.152)
31 December 2022	(875.068)	952.558	779.938	(709.656)

14

**Other assets and liabilities**

**Current assets**

As of December 31, 2023 and December 31, 2022 other current assets are as follows:

	December 31, 2023	December 31, 2022
Other	21.070	-
	<b>21.070</b>	<b>-</b>

**Current liabilities**

As of December 31, 2023 and December 31, 2022 other short-term liabilities are as follows:

	December 31, 2023	December 31, 2022
Taxes and funds payables	20.610.207	28.704.894
Other	633.945	430.219
	<b>21.244.152</b>	<b>29.135.113</b>

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

15

#### Share capital, reserves and other equity

##### Paid- in capital

As of December 31, 2023, the paid-up capital of the Company was divided into 165.200.000 shares with a nominal value of TL 1 each (December 31, 2022: 85.440.000 shares).

The Company's capital structure as of December 31, 2023 and December 31, 2022 is as follows:

Shareholders	December 31, 2023		December 31, 2022	
	Share rate	Share amount	Share rate	Share amount
Parla Enerji Yatırım A.Ş.(*)	80	132.150.000	100	85.440.000
Publicly Traded	20	33.050.000	-	-
<b>Total paid-in capital</b>	<b>100</b>	<b>165.200.000</b>	<b>100</b>	<b>85.440.000</b>
Adjustment to share capital (**)		377.566.727		346.047.484
<b>Total capital</b>		<b>542.766.727</b>		<b>431.487.484</b>

(\*) On June 24, 2022, a capital advance amounting to 71.188.452 TL was sent by Aydem Holding A.Ş., a shareholder of Çates Elektrik Üretim A.Ş. The addition of this amount to the capital was registered on June 28, 2022, in accordance with the Turkish Commercial Code, and the capital increase transaction was announced in the Trade Registry Gazette with number 10609 dated June 29, 2022. On December 1, 2022, Parla Enerji Yatırımları A.Ş. ("Parla EYAŞ") was established as a wholly-owned subsidiary of Aydem Holding. On December 29, 2022, the shares of the Company were transferred from Aydem Holding to Parla EYAŞ. On January 27, 2023, Parla EYAŞ sent a capital advance amounting to 84.921.080 TL, and the addition of this amount to the capital was certified on January 31, 2023. The obtained amount of 24.795.000 TL was used in the capital increase. As of December 31, 2023, the paid-in capital of the Company is amounting to 542.766.727 TL, and 80% of the Company's shares belong to Parla Enerji Yatırımları A.Ş.

(\*\*) Capital correction differentials represent the difference between the total amounts corrected for inflation accounting of cash and cash equivalents additions to equity and their amounts before correction. There is no use of capital correction differentials other than adding them to equity.

##### Defined benefit plans re-measurement losses

With the amendment in the IAS 19 "Employee Benefits" standard, actuarial gains and losses arising from changes in actuarial assumptions in the calculation of severance pay provisions are not allowed to be recognized in the income statement. Instead, these gains and losses resulting from changes in actuarial assumptions are recognized within equity under the "Remeasurements of Defined Benefit Obligations" account.

##### Dividend distribution

Companies distribute their profits in accordance with the dividend distribution policy determined by the General Assembly and the General Assembly resolution and the relevant legislation. According to the Turkish Commercial Code, legal reserves can be distributed as dividends after reaching 50% of the paid-in capital of the Companies. Companies pay dividends according to their articles of association or dividend distribution policies. Additionally, dividends can be paid in installments of equal or different amounts, and cash dividend advances can be distributed on profits.

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 15 Share capital, reserves and other equity (continued)

##### Premiums related to shares

As of December 31, 2023, 1.392.239.250 TL total public offering price as stated in Note 3, the success premium of 236.859.920 TL related to Aydem Holding, the underwriting commission of 48.356.294 TL, and the expenses for advertising, legal consultancy, membership, and similar matters related to the public offering, amounting to 18.138.381 TL, have been deducted. Additionally, the deferred tax impact amounting to 61.779.218 TL related to share-based premiums has been recognized and accounted.

##### Increase due to other changes

According to Article 6/3-a of Law No. 7326 on the Restructuring of Certain Receivables and Amendments to Some Laws, as of December 31, 2020, the Company's debts to shareholders arising from transactions outside its main business activities (due to lending and similar reasons) amounting to a nominal value of 279.880.520 TL have been written off and recognized as income (expressed in terms of purchasing power as of December 31, 2023: 1.289.591.920 TL). The Group management, in accordance with IFRS, assessed that similar transactions with shareholders should be accounted for in equity rather than in the income statement. Therefore, they adjusted the equity change statement for the year ending December 31, 2021, treating the contributions from shareholders as additional contributions and presented it in the financial statements.

According to the Tax Procedure Law and the relevant Communiqué published in the Official Gazette dated December 30, 2023, and numbered 32415 (2nd Repeat), the balance sheet dated December 31, 2023, prepared in accordance with the Tax Procedure Law, was corrected using the Producer Price Index (PPI) published by the Turkish Statistical Institute within the scope of inflation accounting. The attached financial statements, on the other hand, were adjusted for inflation using the Consumer Price Index (CPI) published by the Turkish Statistical Institute in accordance with IAS 29, and ultimately, the amounts for the current and previous reporting periods were expressed in terms of purchasing power as of December 31, 2023. Due to the use of different indices in the inflation accounting application under the Tax Procedure Law and IAS 29, differences have arisen between the amounts in the balance sheet prepared according to the Tax Procedure Law under the "Capital Correction Differences" item and the amounts in the financial statements prepared in accordance with TAS/IFRS. These differences have been reflected in the "Retained Earnings" item in the TAS/IFRS financial statements, and details of these differences are provided below:

	December 31, 2023
	<b>Capital Adjustment Differences</b>
<b>According to the TAS/IFRS Financial Statements</b>	377.566.727
<b>According to the Turkish Tax Procedure Law</b>	596.004.964
<b>Difference</b>	218.438.237

As of January 1, 2022, the unadjusted "Prior Years Losses" is amounting to 1.757.662.951 TL, while the "Prior Years Gains" amount adjusted for purchasing price index as of December 31, 2023, under IAS29, is amounting to 1.004.822.598 TL.

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

**16 Revenue**

The details of revenue for the periods ended December 31, 2023 and December 31, 2022, are as follows:

	<b>January 1, January 1, December December 31, 2023</b>	<b>31, 2022</b>
Electricity sales revenues	5.259.100.353	6.376.431.409
Capacity mechanism revenues	--	19.789.046
Proceeds from the sale of goods and services	36.814.488	18.464.763
	<b>5.295.914.841</b>	<b>6.414.685.218</b>

**17 Cost of sales**

The details of the cost of sales for the periods ended December 31, 2023 and December 31, 2022, are as follows:

	<b>January 1, December 31, 2023</b>	<b>January 1, December 31, 2022</b>
Raw materials and supplies	(2.644.408.031)	(3.298.535.828)
Amortization and depreciation expenses (Note 8,9,10)	(672.540.308)	(586.720.170)
Electricity expenses	(381.989.613)	(739.481.871)
Personnel expenses	(293.105.154)	(175.585.870)
General production and service expenses	(202.039.637)	(117.566.087)
System usage expenses from production	(196.943.517)	(91.744.738)
Maintenance expenses	(23.027.884)	(18.735.604)
Insurance expenses	(27.889.857)	(16.162.883)
Rent expenses	(12.888.398)	(9.045.475)
License and dues expenses	(3.197.854)	(893.973)
	<b>(4.458.030.253)</b>	<b>(5.054.472.499)</b>

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

18

**General administrative expenses**

The details of the general administrative expenses for the periods ended December 31, 2023 and December 31, 2022 are as follows:

	<b>January 1, December 31, 2023</b>	<b>January 1, December 31, 2022</b>
Consultancy expenses	(75.822.678)	(48.778.425)
Amortization and depreciation expenses (Note 8, 9, 10)	(59.147.748)	(51.600.144)
Administrative expenses	(31.307.998)	(19.371.001)
Personnel expenses	(30.540.022)	(20.128.593)
Audit service expense	(14.027.556)	(5.454.552)
Tax expenses	(3.916.222)	(4.364.355)
Rent expenses	(2.427.062)	(1.274.771)
Legal and consultancy expenses	(1.985.372)	(825.096)
Technical administrative consultancy service expense	(1.627.875)	(1.271.227)
Other expenses	(1.551.119)	(210.775)
	<b>(222.353.652)</b>	<b>(153.278.939)</b>

19

**Expenses by nature**

The details of expenses by nature for the periods ended December 31, 2023 and December 31, 2022 are as follows:

	<b>January 1, December 31, 2023</b>	<b>January 1, December 31, 2022</b>
Raw materials and supplies	(2.644.408.031)	(3.298.535.828)
Amortization and depreciation expenses (Note 8, 9,10)	(731.688.056)	(638.320.314)
Electricity expenses	(381.989.613)	(739.481.871)
Personnel expenses	(323.645.176)	(195.714.463)
System usage expenses from production	(196.943.517)	(91.744.738)
General production and service expenses	(202.039.637)	(117.566.087)
Consultancy expenses	(75.822.678)	(48.778.425)
Maintenance expenses	(23.027.884)	(18.735.604)
Administrative expenses	(31.307.998)	(19.371.001)
Insurance expenses	(27.889.857)	(16.162.883)
Rent expenses	(15.315.461)	(10.320.246)
Denetim hizmet gideri	(14.027.557)	(5.454.552)
Other expenses	(12.278.440)	(7.565.426)
	<b>(4.680.383.905)</b>	<b>(5.207.751.438)</b>

(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

19

### Expenses by nature (continued)

The functional breakdowns of depreciation and amortisation for the periods ended December 31, 2023 and December 31, 2022 are as follows:

	January 1, December 31, 2023	January 1, December 31, 2022
Cost of sales	(672.540.308)	(586.720.170)
General Administrative Expenses	(59.147.748)	(51.600.144)
	<b>(731.688.056)</b>	<b>(638.320.314)</b>

The functional breakdowns of depreciation and amortisation for the periods ended December 31, 2023 and December 31, 2022 are as follows:

	January 1, December 31, 2023	January 1, December 31, 2022
Tangible assets	(684.189.972)	(627.568.125)
Intangible assets	(9.973.129)	(9.273.134)
Mining assets	(34.508.606)	-
Right of use assets	(3.016.349)	(1.479.055)
	<b>(731.688.056)</b>	<b>(638.320.314)</b>

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

20

#### Other operating income and expense

##### Other operating income

The details of other operating income for the periods ended December 31, 2023 and December 31, 2022 are as follows:

	January 1, December 31, 2023	January 1, December 31, 2022
Foreign exchange income relating with trading activities, net (*)	330.522.157	174.536.973
Proceeds from scrap sales	3.211.536	6.417.721
Late payment interest income related with operations	31.474.926	7.134.393
Unearned financing income from sales	3.788.128	-
Provisions no longer required (Note 4)	5.782	332.015
Other income	10.861.481	944.452
	<b>379.864.010</b>	<b>189.365.554</b>

(\*) The majority part of net exchange income arise from receivable and transactions related with sales to Aydem EPSAŞ (Footnote 3).

##### Other operating expense

The details of other operating expenses for the periods ended December 31, 2023 and December 31, 2022 are as follows:

	January 1, December 31, 2023	January 1, December 31, 2022
Litigations provision expenses (Note 11)	(5.434.370)	(3.944.289)
Donations and aids (*)	(4.588.324)	-
Deferred financing expense arising from purchases	-	(1.009.001)
Late payment interest expense related to operating activities	-	(661.003)
Other expenses	(5.886.716)	(4.193.069)
	<b>(15.909.410)</b>	<b>(9.807.362)</b>

(\*) For the period ending on December 31, 2023, the transaction includes donations and aids amounting to TL 4.588.324 made for disaster areas following the earthquakes that occurred on February 6, 2023, centered in Kahramanmaraş and affecting 10 provinces.

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

21

#### Financial income and expense

##### Financial income

The details of the financial income for the periods ended December 31, 2023 and December 31, 2022 are as follows:

	January 1, December 31, 2023	January 1, December 31, 2022
Interest income from time deposits	65.606.811	8.188.775
Interest income from related parties	3.755.037	1.377.469
	<b>69.361.848</b>	<b>9.566.244</b>

##### Financial expense

The details of the financial expense for the periods ended December 31, 2023 and December 31, 2022 are as follows:

	January 1, December 31, 2023	January 1, December 31, 2022
Loan interest expenses (*)	(414.860.794)	(585.924.577)
Exchange difference expenses, net	(48.617.715)	(234.385.923)
Bank commission fees	(867.761)	(2.583.383)
Interest expense from related parties	(988.927)	(6.903.221)
Letters of guarantee fees	(1.025.406)	(1.587.379)
Other interest expenses (**)	(16.362.531)	(12.085.781)
	<b>(482.723.134)</b>	<b>(843.470.264)</b>

(\*) As of December 31, 2023, an interest expense arising from leasing transactions which is amounting to TL 13.880.875 are presented under loan interest expenses. (January 1 –December 31, 2022: TL 9.718.396).

(\*\*) Other financial expenses include guarantee commissions and other interest expenses.

22

#### Taxes on income

##### Corporate Tax

The company is subject to the corporate tax applicable in Turkey. The corporate tax rate for December 31, 2023 is 25%.

The Company is subject to corporation tax applicable in Turkey. The corporate tax rate is generally 25%, Corporate tax rate to be accrued on the taxable corporate income is determined by adding the expenses that cannot be deducted from the tax base in the determination of the commercial income and deducting gains from the tax, non-taxable income and other discounts (previous year losses, if any, and investment discounts used, if preferred).

In Turkey, provisional tax is calculated and accrued on a quarterly basis. The provisional tax rate that should be calculated on corporate earnings during the taxation phase of 2023 corporate earnings as of temporary tax periods is 25% (31 December 2022: 23%). However, in accordance with the Provisional Article 10 added to the Corporate Tax Law, the 25% corporate tax rate will be applied as 23% for the 2022 taxation period and 25% for the corporate earnings of the 2023 and later taxation periods.



## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

22

#### Taxes on income (continued)

##### *Corporate Tax*

Losses can be carried forward for a maximum of 5 years to be deducted from the taxable profit that will occur in the coming years. However, the losses cannot be deducted retrospectively from previous years' profits.

There is no clear and definitive agreement on tax assessment procedures in Turkey. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. These declarations and the accounting records that are the basis of these declarations can be examined and changed by the Tax Office within 5 years.

##### *Deferred tax*

The Company accounts for deferred tax assets and liabilities arising from temporary timing differences between tax-based statutory financial statements and financial statements prepared in accordance with IFRS. In calculating these differences, the Company uses the indexed statutory financial statements in accordance with Tax Procedure Law General Communiqué No. 555. These differences generally stem from certain income and expense items appearing in different periods in tax-based financial statements compared to financial statements prepared in accordance with IFRS, and these differences are detailed below.

As of December 31, 2023, a tax rate of 25% was used for temporary differences that are expected to occur after December 2023 period at the deferred tax calculation (December 31, 2022: 23% for temporary differences expected to occur during and after 2023).

##### *Income withholding tax*

Dividend distributions are subject to withholding tax obligations, and this withholding tax liability accrues at the time of dividend payment. Dividend payments made to resident companies or individuals in Turkey, excluding those derived through a permanent establishment or representative office, are subject to a withholding tax rate of 15%. In the application of withholding tax rates for dividend payments to resident companies and individuals, the rates specified in the relevant Double Taxation Avoidance Agreements are also taken into account. The allocation of profits from previous years to capital is not considered as dividend distribution; hence, it is not subject to withholding tax.

##### *Transfer pricing arrangements*

In Turkey, the transfer pricing provisions of the Corporate Tax Law "disguised profit distribution via transfer pricing" is stated in Article 13 entitled. The communiqué of 18 November 2007 on disguised profit distribution through transfer pricing regulates the details of the application.

If the taxpayer purchases or sells goods or services at a price or price that they determine in contradiction with the principle of conformity with peers, the gain is deemed to be completely or partially distributed implicitly through transfer pricing. Disguised profit distribution through such transfer pricing is considered an unacceptable expense for corporate tax.

##### *Transfer pricing regulations*

Transfer pricing is disclosed in the 13th clause of the Corporate Tax Law under the heading "veiled shifting of profit" via transfer pricing. The application details are stated in the "general communiqué regarding veiled shifting of profits via transfer pricing" published on 18 November 2007. Veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax.

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

22

#### Taxes on income (continued)

##### Discretionary capital

The provisions regarding discretionary capital are regulated by Article 12 of the Corporate Tax Law. According to this, any debt that corporations acquire directly or indirectly from their shareholders or persons related to the shareholders and use in their operations, which exceeds three times the beginning-of-period equity of the corporation at any time during the accounting period, is considered hidden capital for the relevant accounting period.

For debt used in the business to be considered as discretionary capital:

- It must be obtained directly or indirectly from a shareholder or a person related to a shareholder.
- It must be used in the business,
- At any time during the financial year, it must exceed three times the equity of the institution.

The detail of tax expense for the periods ended December 31, 2023, and December 31, 2022, is as follows:

	January 1, December 31, 2023	January 1, December 31, 2022
Current tax expense	(219.168.569)	-
Deferred tax income / (expense)	730.032.890	(331.048.568)
<b>Income tax recognized under profit or loss</b>	<b>510.864.321</b>	<b>(331.048.568)</b>
Deferred tax income recognized under other comprehensive income/ (expense)	161.797.385	(170.241.242)
Recognized in equity deferred tax income	61.779.218	-
<b>Total tax income/ (expense)</b>	<b>734.440.924</b>	<b>(501.289.810)</b>

  

	January 1, December 31, 2023	January 1, December 31, 2023
Current tax expense	219.168.569	-
Prepaid taxes (-)	(152.762.136)	-
Monetary gain	(20.729.700)	-
<b>Current income tax (asset) / liability, net</b>	<b>45.676.733</b>	-

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

22

**Taxes on income** (continued)

*Reconciliation of the effective tax rate*

The provision for income taxes reported for the periods ended December 31, 2023, and December 31, 2022, differs from the amount computed by applying the statutory income tax rate to income before taxes. The reconciliation of this difference is as follows:

	January 1, December 31, 2023	January 1, December 31, 2022
Profit/ (Loss) for the period	1.521.440.284	2.537.094.209
Tax expense / (income)	(510.864.321)	331.048.568
<b>Profit before tax</b>	<b>1.010.575.963</b>	<b>2.868.142.777</b>
Effective tax rate (%)	25	23
<b>Tax calculated using effective tax rate</b>	<b>(252.643.991)</b>	<b>(659.672.839)</b>
Different tax rate effect	(24.128.853)	(16.400.107)
Exemptions and discounts	378.103.047	953.908
Disallowable expenses	(382.608.668)	(10.010.522)
Tax impact over the previous years retained earnings	114.261.288	-
In accordance with the provisions of the TPL, inflation arising from inflation accounting deferred tax effect of temporary differences	97.971.264	-
Other	1.820.012	-
Monetary gain / loss	578.090.222	354.080.992
<b>Current tax income / (expense)</b>	<b>510.864.321</b>	<b>(331.048.568)</b>

The redemption schedule of carry forward tax losses which are considered and not considered in deferred tax calculation is as follows:

	Deferred tax		Deferred tax	
	Recognized	Not Recognized	Recognized	Not Recognized
	December 31, 2023	December 31, 2023	December 31, 2022	December 31, 2022
Expires in 2026	-	-	-	766.296
Expires in 2025	-	-	-	-
Expires in 2024	-	-	-	-
Expires in 2023	-	-	-	-
Expires in 2022	-	-	-	-
Expires in 2021	-	-	-	-
<b>Toplam</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>766.296</b>

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

22

**Taxes on income** (continued)

*Deferred tax liability*

As of December 31, 2023 and December 31, 2022, the details of deferred tax liability are as follows:

<b>Deferred Tax Liabilities / Assets</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Impairment effect of tangible assets	(1.105.670.814)	(1.958.161.911)
Provision for employee termination benefits	6.351.754	5.785.974
Lawsuit provision	3.532.664	3.528.349
Rediscount on trade receivables	61.955.528	-
Provisions for doubtful receivables	(34.242)	(45.138)
Adjustments to borrowings	(457.749)	(31.817.962)
Accumulated losses	-	153.259
Rediscount income / expenses	(1.353.120)	(324.870)
Other	1.394.723	(6.855.191)
	<b>(1.034.281.256)</b>	<b>(1.987.737.490)</b>
Deferred tax provision	-	(153.259)
<b>Deferred tax (liabilities)/ assets , net</b>	<b>(1.034.281.256)</b>	<b>(1.987.890.749)</b>

The movement of deferred tax liability for the periods ended December 31, 2023 and December 31, 2022, are as follows:

<b>Movement of deferred tax</b>	<b>January 1, December 31, 2023</b>	<b>January 1, December 31, 2022</b>
Opening balance	(1.987.890.749)	(1.486.600.939)
Deferred tax income recognized under other comprehensive income	161.797.385	(170.241.242)
Effect of deferred tax	730.032.890	(331.048.568)
Recognized in equity (Note 15)	61.779.218	-
	<b>(1.034.281.256)</b>	<b>(1.987.890.749)</b>

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

23

#### Borrowings

##### Financial borrowings

As of December 31, 2023 and December 31, 2022, the details of financial borrowings are as follows:

	December 31, 2023	December 31, 2022
Short term portion of long-term bank loans	1.218.770.708	9.928.007
<b>Short-term bank loans</b>	<b>1.218.770.708</b>	<b>9.928.007</b>
Long-term bank loans	-	3.799.820.690
<b>Long-term bank loans</b>	<b>-</b>	<b>3.799.820.690</b>
<b>Total bank loans</b>	<b>1.218.770.708</b>	<b>3.809.748.697</b>

As of December 31, 2023 and December 31, 2022, the repayments of loan agreements according to their original terms are as follows:

	December 31, 2023	December 31, 2022
Due within one year	1.218.770.708	9.928.007
One to two years	-	3.652.761.289
Two to three years	-	9.076.866
Three to four years	-	8.457.435
Four to five years	-	7.924.162
Over five years	-	121.600.938
	<b>1.218.770.708</b>	<b>3.809.748.697</b>

The Company performed a cash sweeping operation by making an excess principal repayment of 17 million USD over the loan installment payment it was supposed to make according to the 2022 loan repayment schedule.

On December 26, 2023, the Company repaid a total of 1.299.723.679 TL of debts owed by Çates Elektrik Üretim A.Ş., which constituted the existing loan liabilities under the Credit Agreement dated June 21, 2019, using the proceeds from the public offering. Additionally, the Company also repaid a total of 5.468.805 USD of foreign currency debt from its internal sources.

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

23

**Borrowings** (continued)

As of December 31, 2023 and December 31, 2022, the financial borrowings are as follows:

<b>December 31, 2023</b>				
<b>Currency</b>	<b>Average interest rate (%)</b>	<b>Original Amount</b>	<b>Short term</b>	<b>Long term</b>
TL	12	1.218.770.708	1.218.770.708	-
			<b>1.218.770.708</b>	<b>-</b>
<b>December 31, 2022</b>				
<b>Currency</b>	<b>Average interest rate (%)</b>	<b>Original Amount</b>	<b>Short term</b>	<b>Long term</b>
TL	12	3.648.033.944	-	3.648.033.944
USD	6	8.633.075	9.928.007	151.786.746
			<b>9.928.007</b>	<b>3.799.820.690</b>

The liquidity and exchange rate risk that the Company is exposed in relation with financial borrowings are explained under Footnote 25.

The table of movement of financial borrowings is as follows:

	<b>January 1 - December 31, 2023</b>	<b>January 1 - December 31, 2022</b>
<b>Opening balance</b>	<b>3.809.748.697</b>	<b>6.137.177.913</b>
Repayment of financial liabilities	(958.171.714)	(442.160.042)
Interest accrued in the period	400.979.919	576.206.181
Interest paid	(507.990.614)	(37.684.464)
Exchange rate difference change	73.620.097	261.980.426
Monetary gain/(loss)	(1.599.415.677)	(2.685.771.317)
		-
<b>Closing balance</b>	<b>1.218.770.708</b>	<b>3.809.748.697</b>

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

23

**Borrowings (continued)**

**Lease liabilities**

As of December 31, 2023 and December 31, 2022, the details of the lease liabilities are as follows:

	December 31, 2023	December 31, 2022
Short term lease payables	7.802.643	8.316.501
<b>Short term lease payables</b>	<b>7.802.643</b>	<b>8.316.501</b>
Long term lease payables	42.357.993	27.387.195
<b>Long term lease payables</b>	<b>42.357.993</b>	<b>27.387.195</b>
<b>Total lease payables</b>	<b>50.160.636</b>	<b>35.703.696</b>

The details of lease liabilities are as follows:

Currency	Average interest rate (%)	Original amount	December 31, 2023	
			Short term	Long term
TL	14,82 - 24,85	50.160.636	7.802.643	42.357.993
			<b>7.802.643</b>	<b>42.357.993</b>

Currency	Average interest rate (%)	Original amount	December 31, 2022	
			Short term	Long term
TL	21,77 - 24,85	35.703.696	8.316.501	27.387.195
			<b>8.316.501</b>	<b>27.387.195</b>

The movement of lease liabilities is as follows:

	January 1 - December 31, 2023	January 1 - December 31, 2022
<b>Opening balance</b>	<b>35.703.696</b>	<b>44.902.986</b>
Additions	26.654.340	8.289.460
Interest expense	13.880.875	9.718.396
Payments	(11.178.122)	(10.184.533)
Monetary gain/(loss)	(14.900.153)	(17.022.613)
<b>Closing balance</b>	<b>50.160.636</b>	<b>35.703.696</b>

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 24 Income and expense from investing activities

As of December 31, 2023 and December 31, 2022, financial investments are as follows:

	December 31, 2023	December 31, 2022
Restricted bank balances (*)	28.486.641	35.122.695
	<b>28.486.641</b>	<b>35.122.695</b>

(\*) As of December 31, 2023, restricted bank balances consist of cash collateral given to Takasbank against electricity purchased from Energy Markets Operation Joint Stock Company ("EPIAŞ"). (December 31, 2022: restricted bank balances consist of cash collateral given to Takasbank against electricity purchased from Energy Markets Operation Joint Stock Company ("EPIAŞ")).

For the period ending on December 31, 2022, the income from Currency Protected Deposit accounts amounted to 6.896.243 TL. This amount has been accounted for under investment income.

The details of investment activity expenses for the periods ended December 31, 2023, and 2022, are as follows:

	January 1, December 31, 2023	January 1, December 31, 2023
Impairment of fixed asset (Note 8)	583.586.451	-
	<b>583.586.451</b>	-

#### 25 Nature and level of risks from financial instruments

The Company's main financial instruments consist of bank loans, cash and demand deposits. The main purpose of these financial instruments is to finance the Company's operations. The Company also has other financial instruments such as trade payables and trade receivables arising directly from operations.

##### 25.1 Capital risk management

The Company manages its capital with the goal of ensuring that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company's capital structure consists of liabilities, cash and cash equivalents, paid-in capital, reserves and equity items including retained earnings.

In order to maintain and reorganize its capital structure, the Company determines the amount of dividends payable to shareholders, may issue new shares and may sell assets to reduce borrowing.

The debt/equity ratio as of December 31, 2023 and December 31, 2022 are as follows:

	31 December 2023	31 December 2022
Total current liabilities (Note 23)	1.268.931.344	3.845.452.393
Cash and cash equivalents (Note 27)	(1.143.827.226)	(40.945.410)
Net debt	125.104.118	3.804.506.983
Equity	8.082.953.490	5.943.961.180
<b>Net Debt/ equity ratio</b>	<b>0,02</b>	<b>0,64</b>



## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 25 Nature and level of risks deriving from financial instruments (continued)

##### 25.2 Financial risk factors

The main risks posed by the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The management of the Company and the board of directors review and adopt the policies regarding to manage following risks. The Company also considers the market value risk for all financial instruments.

##### 25.2.1 Credit risk

The risk of financial loss of the Company due to the failure to the financial instrument to fulfill its contractual obligation is defined as credit risk. Net book value of financial assets indicate the maximum credit risk exposure.

As of December 31, 2023, the exposure of financial assets to credit risk is as follows:

December 31, 2023	Receivables				Time Deposits
	Trade Receivables		Other Receivables		
	Related party	Other party	Related party	Other party	
Maximum exposed credit risk as of reporting date (A+B+C+D+E)	656.543.274	79.621.125	-	4.798.584	1.143.827.226
- Secured portion of the maximum credit risk by guarantees, etc.	1.177.528.000	-	-	-	-
<b>A. Net book value of financial asset neither are not due or nor impaired</b>	223.951.340	76.697.894	-	4.798.584	1.143.827.226
<b>B. Net book value of financial assets that are past due but not impaired</b>	432.591.934	2.923.231	-	-	-
<b>C. Net book value of impaired assets</b>	-	-	-	-	-
- Past due (gross carrying amount)	-	2.412.378	-	-	-
- Impairment (-)	-	(2.412.378)	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
<b>D.Off-balance sheet items with credit risk</b>	-	-	-	-	-

As of December 31, 2022, the exposure of financial assets to credit risk is as follows:

December 31, 2022	Receivables				Time Deposits
	Trade Receivables		Other Receivables		
	Related party	Other party	Related party	Other party	
Maximum exposed credit risk as of reporting date (A+B+C+D+E)	892.889.265	15.605.437	61.232.453	3.231.271	40.945.410
- Secured portion of the maximum credit risk by guarantees, etc.	-	-	-	-	-
<b>A. Net book value of financial asset neither are not due or nor impaired</b>	885.686.995	7.765.524	61.232.453	3.231.271	40.945.410
<b>B. Net book value of financial assets that are past due but not impaired</b>	7.202.270	7.839.913	-	-	-
<b>C. Net book value of impaired assets</b>	-	-	-	-	-
- Past due (gross carrying amount)	-	3.984.473	-	-	-
- Impairment (-)	-	(3.984.473)	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
<b>D.Off-balance sheet items with credit risk</b>	-	-	-	-	-

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

**25 Nature and level of risks deriving from financial instruments (continued)**

**25.2 Financial risk factors (continued)**

25.2.2 Liquidity risk

The liquidity risk management of the Company is provided by the fund management to meet the current and future debt requirements by keeping sufficient funding resources available. Controls liquidity reserves and cash and cash equivalents with estimated cash flows:

<u>December 31, 2023</u>	<u>Book value</u>	<u>Contractual cash outflow</u>	<u>0-3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>≥ 5 years</u>
<b>Non-derivative financial liabilities</b>						
Financial liabilities	1.268.931.344	1.615.043.619	7.802.643	1.290.044.636	317.196.340	-
Trade payables to related parties	29.611.567	29.611.567	29.611.567	-	-	-
Trade payables to third parties	390.422.116	434.938.806	268.208.622	166.730.184	-	-
Other payables to related parties	237.155.033	237.155.033	-	237.155.033	-	-
Other trade payables to third parties	1.841.098	1.841.098	1.841.098	-	-	-
<b>Toplam</b>	<b>1.927.961.158</b>	<b>2.318.590.123</b>	<b>307.463.930</b>	<b>1.693.929.853</b>	<b>317.196.340</b>	<b>-</b>
<u>December 31, 2022</u>	<u>Book value</u>	<u>Contractual cash outflow</u>	<u>0-3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>≥ 5 years</u>
<b>Non-derivative financial liabilities</b>						
Financial liabilities	3.845.452.393	4.608.415.175	8.316.501	10.420.421	4.408.719.902	180.958.351
Trade payables to related parties	140.549.968	140.549.968	140.549.968	-	-	-
Trade payables to third parties	284.515.793	286.140.144	286.140.144	-	-	-
Other payables to related parties	20.121.843	20.121.843	-	20.121.843	-	-
Other trade payables to third parties	2.147.398	2.147.398	2.147.398	-	-	-
<b>Toplam</b>	<b>4.292.787.395</b>	<b>5.057.374.528</b>	<b>437.154.011</b>	<b>30.542.264</b>	<b>4.408.719.902</b>	<b>180.958.351</b>

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 25 Nature and level of risks deriving from financial instruments (continued)

##### 25.2 Financial risk factors (continued)

###### 25.2.3 Market risk

Market risk; changes in the market, such as exchange rates, interest rates, or prices of instruments traded in the securities markets, are a risk of changing the value of the Company's income or financial assets. Market risk management aims to optimize return while controlling market risk exposure within acceptable limits.

###### 25.2.3.1 Foreign exchange risk

As of December 31, 2023 and December 31, 2022, the foreign currency assets and liabilities of the Company in original and TRY equivalents amounts are as follows:

December 31, 2023	TL Equivalent	USD	EURO	GBP
1. Trade receivables	314.179.626	10.649.693	3.258	-
2a. Monetary financial assets (including cash on hand, bank deposits)	29.704.633	976.821	27.485	-
2b. Other non- monetary assets	-	-	-	-
3. Other	-	-	-	-
4. <b>Current assets (1+2+3)</b>	<b>343.884.259</b>	<b>11.626.514</b>	<b>30.743</b>	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. <b>Non-current assets (5+6+7)</b>	-	-	-	-
9. <b>Total assets (4+8)</b>	<b>343.884.259</b>	<b>11.626.514</b>	<b>30.743</b>	-
10. Trade payables	59.576.270	1.029.393	895.125	210
11. Financial liabilities	-	-	-	-
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. <b>Short term liabilities (10+11+12)</b>	<b>59.576.270</b>	<b>1.029.393</b>	<b>895.125</b>	<b>210</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. <b>Long term liabilities (14+15+16)</b>	-	-	-	-
18. <b>Total liabilities (13+17)</b>	<b>59.576.270</b>	<b>1.029.393</b>	<b>895.125</b>	<b>210</b>
19. <b>Net asset / (liability) position of off-balance sheet derivatives (19a+19b)</b>	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-
20. <b>Net foreign currency asset / (liability) position (9+18+19)</b>	<b>284.307.989</b>	<b>10.597.121</b>	<b>(864.382)</b>	<b>(210)</b>
21. <b>Net foreign currency asset / (liability) position of monetary items (=1+2a+5+6a+10+11+12a+14+15+16a)</b>	<b>284.307.989</b>	<b>10.597.121</b>	<b>(864.382)</b>	<b>(210)</b>

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 25 Nature and level of risks deriving from financial instruments (continued)

#### 25.2 Financial risk factors (continued)

##### 25.2.3 Market risk (continued)

##### 25.2.3.1 Foreign exchange risk (continued)

	Döviz pozisyonu tablosu TL karşılığı (fonksiyonel para birimi) (endeksli değerler)	Döviz pozisyonu tablosu TL karşılığı (fonksiyonel para birimi) (tarihi değerler)	USD	EURO	GBP
<b>December 31, 2022</b>					
1. Trade receivables	353.966.410	214.820.744	11.468.116	-	-
2a. Monetary financial assets (including cash on hand, bank deposits)	37.194.545	22.573.215	1.193.702	10.655	-
2b. Other non- monetary assets	-	-	-	-	-
3. Other	-	-	-	-	-
4. <b>Current assets (1+2+3)</b>	<b>391.160.955</b>	<b>237.393.959</b>	<b>12.661.818</b>	<b>10.655</b>	-
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. <b>Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9. <b>Total assets (4+8)</b>	<b>391.160.955</b>	<b>237.393.959</b>	<b>12.661.818</b>	<b>10.655</b>	<b>-</b>
10. Trade payables	170.110.368	103.239.276	4.865.781	605.558	-
11. Financial liabilities	9.928.007	6.025.266	321.656	-	-
12a. Other monetary liabilities	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-
13. <b>Short term liabilities (10+11+12)</b>	<b>180.038.375</b>	<b>109.264.542</b>	<b>5.187.437</b>	<b>605.558</b>	<b>-</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	151.786.746	92.118.746	4.917.721	-	-
16a. Other monetary liabilities	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-
17. <b>Long term liabilities (14+15+16)</b>	<b>151.786.746</b>	<b>92.118.746</b>	<b>4.917.721</b>	<b>-</b>	<b>-</b>
18. <b>Total liabilities (13+17)</b>	<b>331.825.121</b>	<b>201.383.288</b>	<b>10.105.158</b>	<b>605.558</b>	<b>-</b>
19. <b>Net asset / (liability) position of off-balance sheet derivatives (19a+19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. <b>Net foreign currency asset / (liability) position (9+18+19)</b>	<b>59.335.834</b>	<b>36.010.671</b>	<b>2.556.660</b>	<b>(594.903)</b>	<b>-</b>
21. <b>Net foreign currency asset / (liability) position of monetary items (=1+2a+5+6a+10+11+12a+14+15+16a)</b>	<b>59.335.834</b>	<b>36.010.671</b>	<b>2.556.660</b>	<b>(594.903)</b>	<b>-</b>

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 25 Nature and level of risks deriving from financial instruments (continued)

##### 25.2 Financial risk factors (continued)

###### 25.2.3 Market risk (continued)

###### 25.2.3.1 Foreign exchange risk (continued)

###### Sensitivity analysis

The Company is exposed to foreign exchange risk arising primarily with respect to the US Dollar. The following table details the Company's sensitivity to a 10% increase and decrease in US Dollar and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to senior management and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>December 31, 2023</b>				
In case of 10% appreciation / depreciation of USD against TL				
1- USD net asset/liability	31.252.288	(31.252.288)	-	-
2- Portion protected from USD risk (-)	-	-	-	-
<b>3- USD net effect (1+2)</b>	<b>31.252.288</b>	<b>(31.252.288)</b>	-	-
	-	-	-	-
In case of 10% appreciation / depreciation of EUR against TL	-	-	-	-
4- EUR net asset/liability	(2.820.702)	2.820.702	-	-
5- Portion protected from EUR risk (-)	-	-	-	-
<b>6- EUR net effect (4+5)</b>	<b>(2.820.702)</b>	<b>2.820.702</b>	-	-
	-	-	-	-
In case of 10% appreciation / depreciation of other currencies against TL				
7- Other currencies net asset/liability	(789)	789	-	-
8- Portion protected from other currencies risk (-)	-	-	-	-
<b>9- Other currencies net effect (7+8)</b>	<b>(789)</b>	<b>789</b>	-	-
	-	-	-	-
<b>TOTAL (3+6+9)</b>	<b>28.430.797</b>	<b>(28.430.797)</b>	-	-

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

#### 25 Nature and level of risks deriving from financial instruments (continued)

#### 25.2 Financial risk factors (continued)

##### 25.2.3 Market risk (continued)

##### 25.2.3.1 Foreign exchange risk (continued)

##### Sensitivity analysis (continued)

	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>December 31, 2022</b>				
In case of 10% appreciation / depreciation of USD against TL				
1- USD net asset/liability	7.891.199	(7.891.199)	-	-
2- Portion protected from USD risk (-)	-	-	-	-
<b>3- USD net effect (1+2)</b>	<b>7.891.199</b>	<b>(7.891.199)</b>	-	-
In case of 10% appreciation / depreciation of EUR against TL				
4- EUR net asset/liability	(1.957.616)	1.957.616	-	-
5- Portion protected from EUR risk (-)	-	-	-	-
<b>6- EUR net effect (4+5)</b>	<b>(1.957.616)</b>	<b>1.957.616</b>	-	-
In case of 10% appreciation / depreciation of other currencies against TL				
7- Other currencies net asset/liability	-	-	-	-
8- Portion protected from other currencies risk (-)	-	-	-	-
<b>9- Other currencies net effect (7+8)</b>	<b>-</b>	<b>-</b>	-	-
<b>TOTAL (3+6+9)</b>	<b>5.933.583</b>	<b>(5.933.583)</b>	-	-

##### 25.2.3.2 Interest rate risk

Fixed-rate items	31 December 2023	31 December 2022
Financial liabilities	1.268.931.344	3.845.452.393
Time deposits	1.139.630.275	36.971.121

The Company exposes to interest rate risk, since the Company's borrowings are fixed and variable interest rates. The Company makes interest rate change contracts with maturity from time to time in order to be protected against the fluctuation effects that may arise in interest rates in International markets. These risks are managed using inherent methods that arise as a result of netting interest rate-dependent assets and liabilities. Interest rates on financial assets and liabilities are disclosed in the relevant notes. As of December 31, 2023 and December 31, 2022, TL 1.218.770.708 and TL 3.809.748.697 of financial liabilities are fixed-rate bank loans, respectively, while TL 50.160.636 TL and 35.703.696 TL are fixed-rate financial lease liabilities, respectively.

**Financial instruments (fair value disclosures)**

Fair Value of Financial Instruments

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

If the inputs used to measure the fair value of an asset or liability can be classified to a different level of the fair valuation hierarchy, that fair valuation is classified to the same level of the fair valuation hierarchy that includes the smallest amount of the inputs that is significant to the overall measurement.

The Company recognizes transfers between levels regarding to the fair valuation hierarchy at the end of the reporting period in which the change occurs.

Fair value is the amount of a financial asset that occurs in a sale transaction between two parties willing to buy and sell, except in the case of a forced sale or liquidation, and can be measured most closely by its fair value price.

The Company has assumed that the net book values of financial instruments with remaining maturities that are short or are initially recognized close to the reporting date will be close to the fair values of the respective assets. Additionally, it has been acknowledged that within the financial instruments, the fair value of foreign currency assets and liabilities converted into Turkish Lira at year-end rates approximates the recorded value.

However, since judgment is required to estimate fair value, fair value measurements may not reflect values that could be realized under current market conditions. Therefore, aside from the mentioned assumptions, the Company's management utilizes judgment in reasonable value analysis, relying on data that does not rely on observable market data (non-observable data) regarding financial assets or liabilities. Long-term financial borrowings for comparative reasonable value analysis are classified under Level 3 valuation methodology, as defined in the classification scope.

The Company's power plant assets have been measured at fair values determined by an independent professional valuation firm using other valuation techniques that involve indirect or direct observable inputs as of January 1, 2021, December 31, 2021, June 30, 2022, December 31, 2022, and December 31, 2023 (Level 3).

**Çates Elektrik Üretim Anonim Şirketi**

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

**26 Financial instruments (fair value disclosures) (continued)**

Fair Value of Financial Instruments (continued)

The table below represents the book value and fair value of financial assets and liabilities. The fair value of cash and cash equivalents, trade and other receivables states their book value according to term. The fair value of financial liabilities with fixed interest rate is calculated by finding discounted cash flows using the market interest rate valid as of the reporting date. The fair value of foreign currency floating rate financial liabilities is calculated by discounting future cash flows at estimated market interest rates.

	December 31, 2023		December 31, 2022	
	Total carrying amount	Total fair value	Total carrying amount	Total fair value
<b>Financial assets</b>				
Cash and cash equivalents	1.143.827.226	1.143.827.226	40.945.410	40.945.410
Trade receivables from related parties	656.543.274	656.543.274	892.889.265	892.889.265
Trade receivables from third parties	79.621.125	79.621.125	15.605.437	15.605.437
Other receivables from related parties	--	--	61.232.453	61.232.453
Other receivables from third parties	4.798.584	4.798.584	3.231.271	3.231.271
<b>Financial liabilities</b>				
Borrowings	1.268.931.344	1.268.931.344	3.845.452.393	3.845.452.393
Trade payables to related parties	29.611.567	29.611.567	140.549.968	140.549.968
Trade payables to third parties	390.422.116	390.422.116	284.515.793	284.515.793
Other payables to third parties	1.841.098	1.841.098	2.147.398	2.147.398
<b>Net financial assets / (liabilities)</b>	<b>193.984.084</b>	<b>193.984.084</b>	<b>(3.258.761.716)</b>	<b>(3.258.761.716)</b>

*Derivative instruments*

The Company uses derivative financial instruments (mainly exchange rate forward contracts) to hedge currency risk. Derivative financial instruments are calculated at fair value on the date of the contract and recalculated at fair value in subsequent reporting periods. Changes in the fair value of derivative financial instruments are recognized under the profit or loss statement for the period. The Company does not have derivative financial instruments.



## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

### December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

27

#### Cash and cash equivalents

As of December 31, 2023 and December 31, 2022, the breakdown of cash and cash equivalents is as follows:

	December 31, 2023	December 31, 2022
Banks	1.143.827.226	40.945.410
- Demand deposits	4.196.951	3.974.289
- Time deposits	1.139.630.275	36.971.121
	<b>1.143.827.226</b>	<b>40.945.410</b>

As of December 31, 2023, the Company has 26.821 US Dollars equivalent to 789.564 TL, 27.485 Euros equivalent to 895.297 TL, and demand deposits amounting to 2.512.090 TL in its bank accounts (as of December 31, 2022: 70.702 US Dollars equivalent to 1.324.390 TL (2.182.235 TL as of December 31, 2023, in terms of purchasing power), 10.655 Euros equivalent to 212.789 TL (350.619 TL as of December 31, 2023, in terms of purchasing power), and demand deposits amounting to 874.801 TL (1.441.435 TL as of December 31, 2023, in terms of purchasing power)

As of December 31, 2023, the details of the Company's term deposits are as follows:

Currency	Interest Rate (%)	Maturity	Foreign Exchange Amount	TL Equivalent
TL	25,00 - 38,00	3 days	1.139.630.275	1.139.630.275
Total				1.139.630.275

As of December 31, 2022, the details of the Company's term deposits are as follows:

Currency	Interest Rate (%)	Maturity	Foreign Exchange Amount	TL Equivalent
TL	17,50	3 days	22.437.620	22.437.620
Total				22.437.620

As of December 31, 2023 and December 31, 2022, the Company has not blockages or restrictions on cash and cash equivalents balances.

Financial risk and currency risk disclosures related to cash and cash equivalents are presented under Note 25.

28

#### Earnings per share

Earnings per share is calculated by dividing the current year's net profit attributable to the parent shareholding by the weighted average number of shares traded during the year.

In Turkey, companies have the right to increase their capital through the distribution of bonus shares to be covered from the revaluation increase fund or accumulated profits. In calculating earnings per share, these increases were considered as shares distributed as dividends. Dividend distributions added to the capital are also evaluated in the same way. Therefore, when calculating the average number of shares, it was assumed that such shares were in circulation for the whole year. For this reason, the weighted average of the number of shares used to calculate the earnings per share has been determined by considering the retrospective effects.

## Çates Elektrik Üretim Anonim Şirketi

### Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

28

#### Earnings per share (continued)

The Company's earnings per share as of December 31, 2023 and December 31, 2022, are as follows:

	January 1 - December 31, 2023	January 1 - December 31, 2022
Net profit attributable to the owners of the Group	1.521.440.284	2.537.094.209
Weighted average number of shares certificates	138.604.589	79.490.630
<b>Earnings per 100 share</b>	<b>1.097,68</b>	<b>3.191,69</b>
Total comprehensive income attributable to the owners of the Group	877.049.194	3.218.059.178
<b>Earnings per 100 shares from total comprehensive income</b>	<b>632,77</b>	<b>4.048,35</b>

  

	Number of shares	Time weighting (days)
<b>December 31, 2023</b>		
Outstanding ordinary shares as of 1 January 2023	85.440.000	30
Outstanding ordinary shares as of 31 January 2023	140.405.000	295
Outstanding ordinary shares as of 22 November 2023	165.200.000	40
<b>Weighted average for the period</b>	<b>138.604.589</b>	<b>365/365</b>

  

	Number of shares	Time weighting (days)
<b>December 31, 2022</b>		
Outstanding ordinary shares as of 1 January 2022	48.000.000	58
Outstanding ordinary shares as of 28 June 2022	85.440.000	307
<b>Weighted average for the period</b>	<b>79.490.630</b>	<b>365/365</b>

29

#### Segment reporting

The Company is managed as a single reporting unit covering electricity sales and ancillary services related to electricity sales. The decision-making authority of the Company is the Board of Directors. Resource allocation decisions are made from a single center based on two units. The purpose of resource allocation decisions is to keep the financial results as profitable as possible. All other assets and liabilities are related to the Company's single reportable department, which is prepared in an integrated manner.

(Convenience Translation of The Report and Financial Statements Originally Issued in Turkish)

## Çates Elektrik Üretim Anonim Şirketi

Notes to the Financial Statements for the period ended

December 31, 2023 and 2022

(Amounts expressed in terms of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023, unless otherwise indicated)

30

### Indepented auditor's fee

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Audit fee	11.828.071	7.709.611
Other assurance services fees	49.446	45.384
	<b>11.877.517</b>	<b>7.754.995</b>

For the period ending December 31, 2023, the audit fee amounted to 11.828.071 TL, of which 49.446 TL pertains to additional audit services conducted within the scope of the audit for the period ending December 31, 2023.

31

### Events after the balance sheet date

As per the Electricity Market Capacity Mechanism Regulation published in the Official Gazette dated January 20, 2018, and numbered 30307, the Company has applied for and been accepted into the Capacity Mechanism for the year 2024.