

Energy, Our World...



ÇAN2 TERMİK

Annual Report 2022



Energy, Our World...

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01

CHAPTER

ÇAN2 OVERVIEW



INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT OF THE BOARD OF DIRECTORS

*To the General Assembly of
Çan2 Termik A.Ş.*

1) Opinion

We have audited the annual report of Çan2 Termik A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2023 period.

In our opinion, financial information contained in the annual report of the board of directors and analysis made by the Board of Directors about the Company's situation are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2) Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit give sufficient and appropriate basis for our opinion.

3) Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 26 March 2024 on the full set consolidated financial statements for the 1 January - 31 December 2023 period.

4) Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly.

b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also, in the report, developments and possible risks which the Company may encounter are clearly indicated. The assessments of the Board of Directors in regard to these matters are also included in the report.

c) to include the matters below in the annual report:

- ▼ events of particular importance that occurred in the Company after the operating year,
- ▼ the Group's research and development activities
- ▼ financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Customs and Trade and other relevant institutions.

5) Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of Turkish Commercial Code provisions regarding whether or not the financial information and the analysis made by the Board of Directors are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the International Independent Audit Standards. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information in the annual report and the analysis made by the Board of Directors are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

As Bağımsız Denetim ve YMM A.Ş.
(Member of NEXIA INTERNATIONAL)

O. Tuğrul Özsüt
Partner

26.03.2024
İstanbul, Turkey



GENERAL INFORMATION ABOUT THE COMPANY

Trade Name: an2 Termik A.Ş.

Company's Registered Address: Barbaros Mah. Bařak Cengiz Sokak
Varyap Meridian Sitesi No1/D Villa 4 Batı Atařehir, İstanbul

Affiliated Trade Registry Office: İstanbul Ticaret Sicili Memurluęu

Trade Registry Number: 886148

Trade Registry Registration Date: 27.05.2003

Tax Office: Kozyataęı Vergi Dairesi

Tax Number: 2280761419

Registered Capital Ceiling: 1,262,050,000 TL

Paid-in Capital: 320,000,000 TL



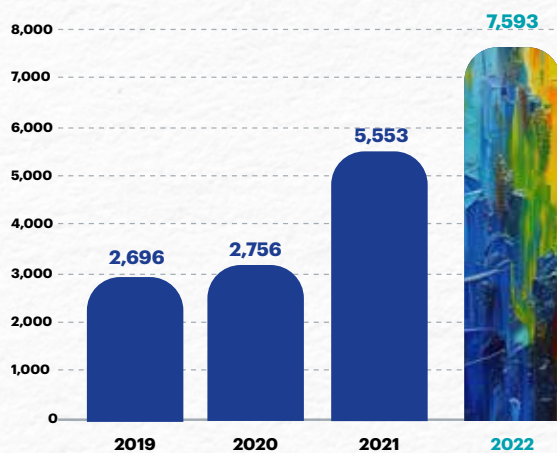


FINANCIAL HIGHLIGHTS

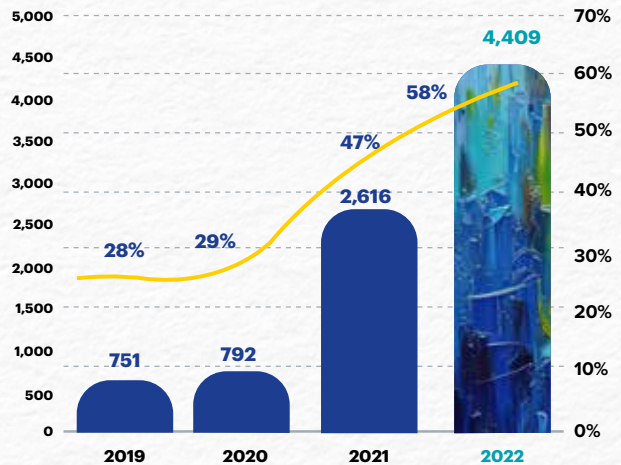
Consolidated Financial Figures (TRY Mn)	2019	2020	2021	2022
Net Sales	742	740	1,993	5,812
Net Profit	167	212	328	2,076
EBITDA	213	261	367	2,225
Cash and Cash Equivalents	3	1	24	209
Short-Term Financial Liabilities	397	331	628	295
Long-Term Financial Liabilities	949	1,296	1,671	1,931
Shareholders' Equity	1,343	1,626	2,275	2,018
Total Assets	751	792	2,616	4,409
Net Debt	2,696	2,756	5,553	7,593
KPIs	2019	2020	2021	2022
EBITDA Margin (%)	23%	29%	16%	36%
Net Debt / Shareholders' Equity (x)	29%	35%	18%	38%
Net Debt / EBITDA (x)	1,8	2,1	0,9	0,5
Shareholders' Equity / Total Assets (%)	6,3	6,2	6,2	0,9
Equity / Total Assets (%)	28%	29%	47%	58%

Total Assets

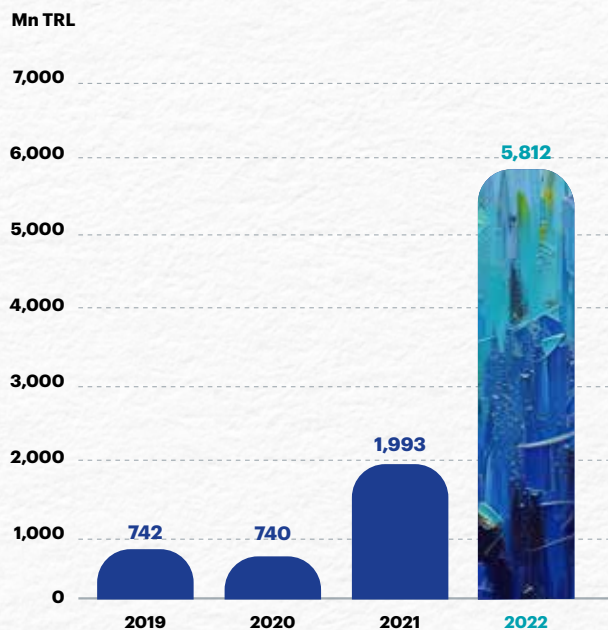
Mn TRL



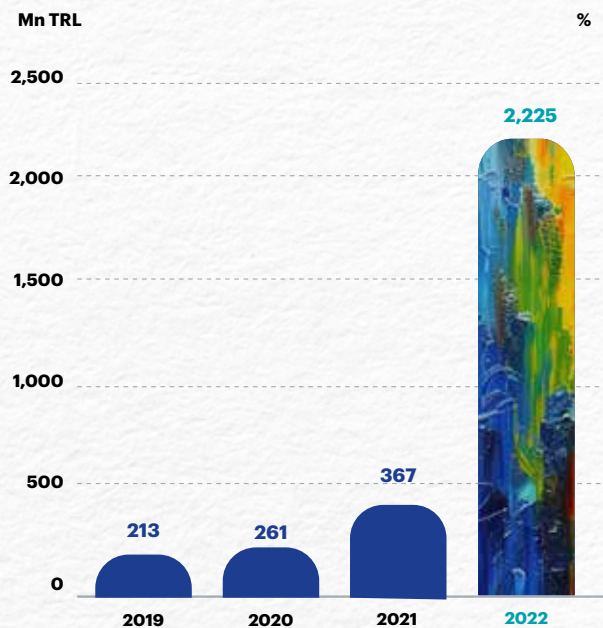
Shareholders' Equity / Total Assets (%)



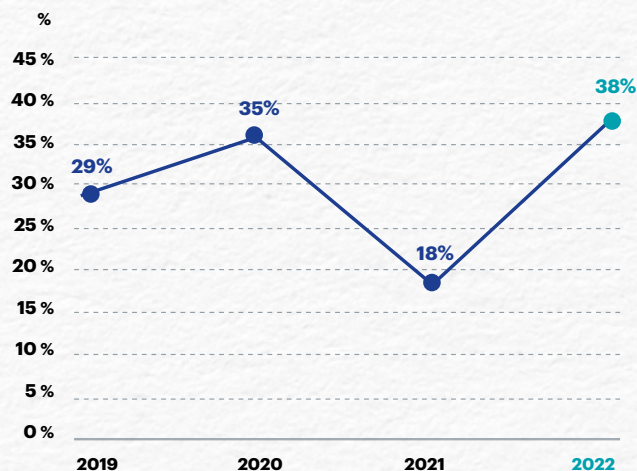
Consolidated Net Sales



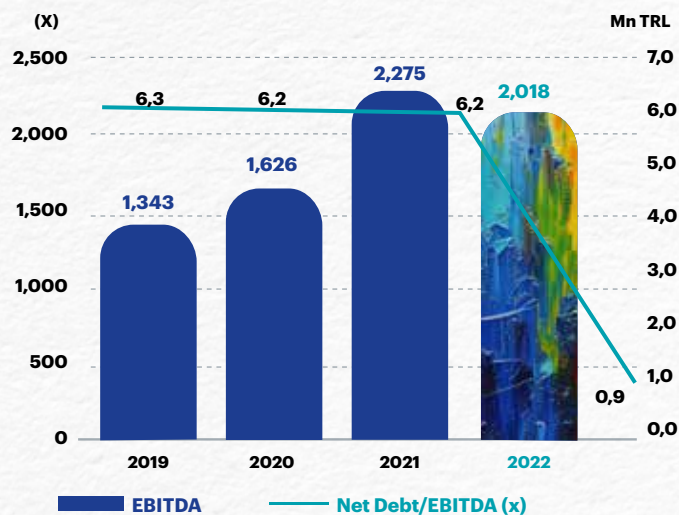
EBITDA



EBITDA Margin



Net Debt / EBITDA



SHAREHOLDING STRUCTURE

As of 31.12.2022, the shareholder structure of Çan2 Termik A.Ş., which has a total paid-up capital of 320,000,000 TL within the share capital limit of 1,262,050,000 TL, is as follows.

Shareholder's Full Name/Title	Share in Capital	Share Percentage
Odaş Elektrik Üretim Sanayi Tic. A.Ş.	245.651.000	76.77%
Publicly Traded Shares	74.349.000	23.23%
Total	320.000.000	100.00%

BOARD OF DIRECTORS AND THE COMMITTEES

The General Assembly oversees the operations and management of the corporation in accordance with the rules of the Turkish Commercial Code and capital markets law through a Board of Directors that consists of at least 5 members and serves terms of no more than 3 years.

The members of the Board of Directors of our Company were elected as follows to serve until 31.12.2023.

Full Name	Title	Term of Office
Burak ALTAY	Chairman of the Board of Directors	Until 31.12.2023
Ali Kemal KAZANCI	Vice Chairman of the Board of Directors	Until 31.12.2023
Mustafa Ali ÖZAL	Member of the Board of Directors	Until 31.12.2023
Zehra Zeynep DERELİ	Independent Member of the Board of Directors	Until 31.12.2023
Umut APAYDIN	Independent Member of the Board of Directors	Until 31.12.2023

COMMITTEES UNDER THE BOARD

Audit Committee	
Full Name	Role
Umut APAYDIN	Committee President
Zehra Zeynep DERELİ	Committee Member
Corporate Governance Committee	
Full Name	Role
Umut APAYDIN	Committee President
Zehra Zeynep DERELİ	Committee Member
Melih YÜCEYURT	Committee Member
Early Detection of Risk Committee	
Full Name	Role
Zehra Zeynep DERELİ	Committee President
Umut APAYDIN	Committee Member

MANAGEMENT TEAM

Full Name	Title
Caner DEMİRAYAK	Strategic Planning Commercial Director
Melih YÜCEYURT	Finance and Investor Relations Director
Adeviye DEMİR PEKMEZCİ	Accounting and Reporting Director
İlknur YILMAZ COŞKUN	Legal Director
İnci UĞURLU ARIKAN	Human Resources Director
Bülent BARUT	Power Plant Manager - Coal

AFFILIATED COMPANIES

Title	Çan2 Termik A.Ş.'s share in total capital (TL)	Rate (%)
Çan-2 Trakya Kömür Maden A.Ş.	550.000	100%
Yel Enerji Elektrik Üretim Sanayi Tic. A.Ş.	600.000	100%

Çan-2 Trakya Kömür Maden A.Ş.

Çan 2 Trakya operates in the coal mining industry. On 18.06.2019, Çan2 Termik A.Ş. was established as a 100% founding partner to be included in the consolidation.

Yel Enerji Elektrik Üretim Sanayi Tic. A.Ş.

The company operates in the mining sector and as of 31 December 2021, its capital is 600,000 TL and 100% of the shares belongs to Çan2 Termik A.Ş.

OPERATIONAL STATUS DURING THE PERIOD

The Çan-2 Thermal Power Plant increased its gross electricity generation by 15% to 2,305 GWh year-on-year in the period from January to December 2022. Between 01.01.2022-31.12.2022 - the gross capacity utilization rate was 80%. (Between 01.01.2021-31.12.2021 - the gross capacity utilization rate was 69%.)

SECTOR OVERVIEW

Generation, Consumption And Installed Power Comparison

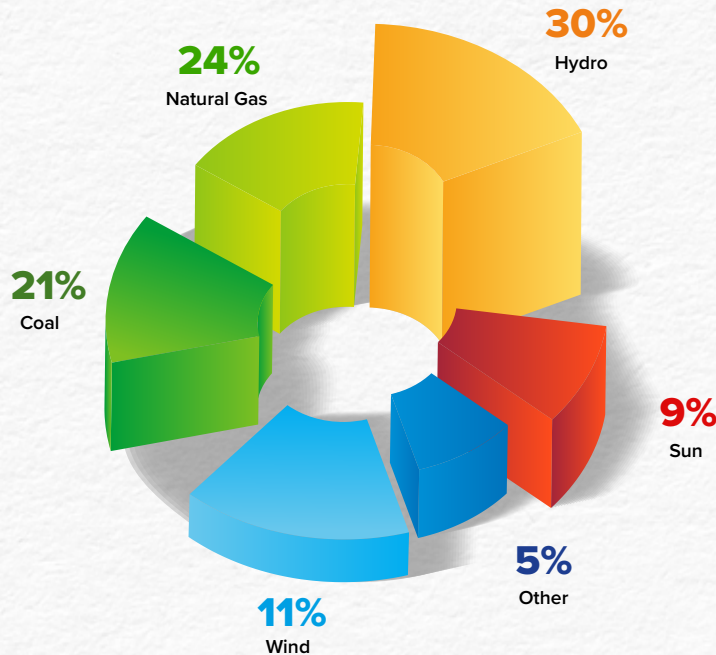
According to TEİAŞ data, the total installed capacity in the sector was 103,757 MW as of the end of 31.12.2022, with an increase of 3,965 MW compared to 31.12.2021 (after taking into account the plants whose capacity was reduced and closed down). The rate of increase was 4%.

Looking at the installed capacity of thermal power plants, as of the end of 31.12.2022, the capacity of domestic coal power plants increased by 101 MW, the capacity of imported coal power plants increased by 1,380 MW, while the capacity of, natural gas power plants decreased by 233 MW compared to 31.12.2021.

The renewable energy portfolio, on the other hand, maintained its upward trend as of the end of December 2022, as in previous years, with a 5.8% increase in installed capacity compared to the same period of the previous year. As of end-December 2022, the highest installed capacity increase in renewable energy was in solar power plants with 1,615 MW, followed by wind power plants with 967 MW. In the same period, capacity increases in hydroelectric, biomass and geothermal power plants were 87 MW, 365 MW and 43 MW, respectively. There is a decrease of 4 MW in waste heat power plants.

As of 31.12.2022, 30% of the total installed capacity consisted of hydraulic power, 24% natural gas, 11% domestic coal, 10% imported coal, 11% wind, 9% solar, 2% geothermal and 3% other energy sources. When the distribution of installed capacity by establishment type is examined, 20.2% of the installed capacity belongs to EÜAŞ and its subsidiaries, 3.3% to Build-Operate-Transfer and plants with transferred operating rights, 68% to independent generation companies and 8.5% to unlicensed plants.

Breakdown of Installed Capacity in Turkey According to Power Facilities as of 31.12.2022



Power Generation And Consumption

According to EPIAŞ transparency platform real-time consumption data, consumption in the twelve-month period of 2022 decreased by 0.8% compared to the previous year to 324 GWh. In the twelve months of 2022, peak consumption was 52,423.41 Mwh with a decrease of 7% compared to the same period of the previous year. In addition, according to EPIAŞ transparency platform real-time generation data, the resource-based distribution of generation for 2022 is 23% natural gas, 21% hydroelectricity, 20% imported coal, 16% domestic coal, 11% wind and 9% other resources.

The biggest change in production distribution compared to the same period of the previous year was realized with an increase of 106% in fuel oil, followed by solar with an increase of 79%, biomass with 27%, hydroelectricity with 25% and wind with 12%. In addition, natural gas decreased by -33% in the same period.

Due to the natural gas and imported coal price increases in the last quarter of 2021 and fluctuations in the US dollar exchange rate, the average MCP (Electricity Market Clearing Price) for 2022 was 2511 TL/Mwh with an increase of 394% compared to last year. In dollar terms, it was realized as 147 \$ / Mwh with an increase of 165%.

Sudden shifts in fiscal policies, economic reforms and exchange rate fluctuations in line with interest rate decisions increase uncertainties over natural gas tariffs and electricity prices. On the other hand, Brent oil dollar price increased by 10% on 31.12.2022 compared to 31.12.2021, reaching \$86.02 per barrel, due to the increasing demand and the increase in exchange rates as the effects of the Covid-19 outbreak subsided. Accordingly, Botaş's electricity generation tariff for the period of December 2022 increased by 330% compared to December 2021 and reached 20625TL/1000Sm3. At the same time, the API2 coal index, which is accepted as an indicator for the cost of imported coal, increased by 40% in dollar terms on 31.12.2022 compared to the same period of the previous year and reached \$ 90.80 / Ton on 31.12.2022. Electricity prices have also increased as a result of the rising production cost of imported power plants and increasing electricity demand. Launched on 01 June 2021, the Forward Electricity Market and the Forward Natural Gas Market launched on 01 October 2021 aim to reduce future price uncertainties.

RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

The Early Detection of Risk Committee has been established in relation to risk management and its working principles have been determined and published on the company website www.can2termik.com.tr. Independent board members Zehra Zeynep Dereli (Committee Chairman) and Umut Apaydın (Committee Member) were elected as members of the Early Detection of Risk Committee.

DIVIDEND PAYMENT POLICY

The company's dividend principles are regulated under Article 15 of the Articles of Association: "Determination of Profit and its Distribution". Accordingly, the company will act in line with the Turkish Commercial Code and the Capital Markets Legislation provisions and, as per the capitals market legislation publicly traded shareholders have no obligation to distribute profits and the profit distribution principles are determined under the profit distribution policy.

Within the framework of Article 15 of the Company's Articles of Association quoted above, the Dividend Distribution Policy, which was submitted to the approval of the shareholders upon the proposal of the Company's Board of Directors in its resolution dated 09.10.2020 and numbered 2020/25, was approved at the General Assembly dated 19.01.2021.

The rate of dividend to be distributed in line with the Articles of Association, Turkish commercial code, Capital Markets Board regulations shall be determined taking into account the Company's investment and financing strategies and needs, market expectations, changes and developments in relevant legislation, the Company's medium and long-term strategies, capital and investment requirements, profitability, financial position, indebtedness and liquidity position of the Company and national and global economic conditions; in principle, the Company aims to distribute to shareholders in cash and/or as bonus shares at least 50% of the free cash flow after the distributable profit amount calculated on the basis of the Company's net profit for the period (after the reserves required to be set aside in accordance with the current legal regulations, taxes, funds, financial payments and prior year losses, if any, are set aside) meets the Company's debt service ratio.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION FOR THE PERIOD

Does not exist.

PERSONNEL INFORMATION

The number of employees of the Company is 587 as at 31/12/2022. There is no collective bargaining scheme in our company and all rights and benefits are provided to our personnel and workers within the framework of the Labor Law.

DONATIONS MADE DURING THE PERIOD

During the period of 01.01.2022 - 31.12.2022, a total of 1.847.790,90 TL was donated by Çan2 Termik A.Ş. and its Subsidiaries.

COMPANY HISTORY AND DEVELOPMENT

Foundation

The company was founded to operate in construction and mining in Çankaya, Ankara with a capital of 250,000 TL on 27.05.2003 under the title Çan Kömür ve İnşaat Limited Şirketi and started producing for coal mining.

Under the issues registered with the trade registry directorate on 04.09.2013 before its announcement in the Turkish Trade Registry Gazette dated 09.09.2013 and numbered 8400, the company changed its type and restructured itself in Çankaya, Ankara as a joint stock company. With the announcement in the Turkish Trade Registry Gazette, the company changed its title to be “Çan Kömür ve İnşaat Anonim Şirketi” and announced it via an amendment in the articles of association.

The company's main partner Odaş Elektrik Üretim Sanayi Tic. A.Ş. acquired 92% of Çan Kömür ve İnşaat A.Ş., which holds a paid royalty in the Çan district of Çanakkale province in September 2013, with a view to focusing on domestic coal resources with high calorific value in order to employ the most advantageous methods of power generation currently available in the sector. Through the share transfer on 22.09.2020, Odaş Elektrik Üretim San. Tic. A.Ş. now owns 100% of the company. Odaş Elektrik holds a 76.77% stake in the company as of 30.04.2021, following Çan2 Thermal Plant's public offering.

Çan2 Thermal Power Plant Investment

Exploration works were undertaken in accordance with the standards of the Joint Ore Reserves Committee (“JORC”) on the existing license site. The Joint Ore Reserves Committee (“JORC”) drilling work in 2013 resulted in the identification of reserves with an average calorific density of 3.481 kcal/kg. This number is actually the highest ever recorded in a Turkish lignite-based power plant. This translates to a competitive advantage also in terms of production costs compared to their peers.

With the evaluation of these advantages, the investment process of the 340 MWm/330 Mwe power generation plant was initiated in 2014 and as of August 2018, the provisional acceptance was made, and commercial production started.

The preliminary license for the power plant was obtained as per the Energy Market Regulatory Authority's resolution dated 10.07.2014 and numbered 5117-5. The Environmental Impact Assessment (“EIA”) report was approved on 05.12.2014. The License Certificate was approved as per the Energy Market Regulatory Authority's resolution dated 28.01.2016 and numbered 6083-2. The Environmental Permit and License Certificate was obtained on 06.12.2019, and the term of the License Certificate is five years (2019-2024) as of the said date.



Public Offering

Çan2 Termik A.Ş. applied to the Capital Markets Board for a public offering of its shares to be traded at Borsa İstanbul A.Ş. in order to reveal the company's value, contribute to the company's sustainable growth, strengthen its financial structure, increase its popularity and recognition, more firmly adhere to the principles of transparency and accountability, strengthen its corporate identity, and strengthen its financial structure and utilize its revenues to partially settle debt. The company shares started to be traded at Borsa İstanbul A.Ş. Star Market on 30 April 2021 following the approval of its public offering.

HUMAN RESOURCES

In order to create a young and vibrant workforce that contributes to our nation and industry, Çan2 Termik A.Ş. carefully selects each employee in accordance with its sustainable growth target principles and corporate approach of fostering coexistence and diversity. The main human resources policies at "Çan2 Termik A.Ş.," which has been in operation since 2013, are "Creativity and Flexibility," "Transparency and Sustainability," "Respect for Society and the Environment," and "Occupational Health and Focus on Employee Health." By the end of December 2022, Çan2 Termik A.Ş. had 587 employees.



Recruitment Activities

Role-specific assessment tools are used in the process of gaining new members for Çan2 Termik A.Ş.'s young and dynamic team. In this regard, competency-driven one-on-one interviews and personal inventories by specialist organizations, particularly in the context of administrative and engineering positions, are meant to handle the evaluation & measurement process impartially and properly.

Along with the primary hiring criteria, technical evaluations by internal examiners who are specialists in their respective fields are also taken into consideration for blue-collar positions. Plus, during the hiring process, regional employment is prioritized to support labor in the districts near our business and in its surrounding locations.

The entire employment procedure was made trackable online starting in 2020. The selection of the appropriate digital tools supports the applicant experience. Following the employment process, orientation training that is offered online helps employees adjust to the company.

Training & Development Activities

Our goal at our organization is to assist managers in becoming better leaders for their teams, themselves, and their jobs. We also aim to make their excellent technical and industry-specific knowledge and skills sustainable in line with a leadership vision.

The goal is to manage our business in accordance with the dynamics of the energy industry and the rapidly changing global environment while ensuring that the human resource is enhanced in terms of skills and ability. Staff are made to adhere to a strict technical training schedule in crucial areas like occupational health and safety along with mandatory training requirements.

Salary and Benefits Management

Çan2 Termik A.Ş. was founded by taking into account the salary and benefits management system, salary market and policy data. Applying a fair and competitive compensation and benefits strategy, we apply a grading system for the factory staff.

Internal Communication

Internal communications are governed by a timely and open communication policy that applies to all corporate employees. When decisions have an impact on corporate policies that apply to all employees, a participative approach is used to make such decisions.

With the biannual Employee Engagement and Satisfaction Survey, employees' opinions are taken to determine strengths and areas for improvement. Survey results are shared with employees starting from the management level and the actions taken/to be taken are notified to employees.

We concentrated on staff health, especially in the pandemic conditions, and planned notification sessions to safeguard the wellbeing of our company, our shareholders, and the environment.

CMB SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

	Compliance Status	Yes	No	Partially	Not Applicable	Description	Report Information On Publicly Disclosed Information / Link
A. GENERAL PRINCIPLES							
A1. Strategy, Policy and Objectives							
A1.1	Material Environmental, Social and Corporate Governance (ESG) issues, risks and opportunities have been identified by the Board of Directors of the Company.			X		Risk studies are carried out for the processes of the company departments and policies were determined within the environmental, social and corporate framework. Procedures were developed within the company for the effective implementation of these policies.	https://www.can2termik.com.tr/yatirimci-iliskileri/politikalarimiz
	ESG policies (e.g. Environmental Policy, Energy Policy, Human Rights and Labour Policy, etc.) have been established and disclosed to the public by the board of directors..			X		Environmental, social and corporate policies were determined within the Company and announced on the corporate website.	https://www.can2termik.com.tr/uploads/202201181359221104.pdf
A1.2	Short and long term targets determined within the scope of ESG policies are disclosed to the public.		X			The Company continues to work on this issue.	
A2. Implementation/Monitoring							
A2.1	The committees and/or departments responsible for the implementation of the ESG policies were identified and made known to the public.			X		Regarding corporate governance; early risk identification, audit and corporate governance committees were established and publicly disclosed.	https://www.kap.org.tr/tr/Bildirim/1094285
	Activities carried out by the responsible committee and/or unit within the scope of the policies are reported to the board of directors at least once a year.			X		Corporate Governance, Early Detection of Risk and Audit Committee decisions on Corporate Governance have been taken and stated in the annual report.	https://www.kap.org.tr/tr/Bildirim/999388
A2.2	Implementation and action plans have been established and disclosed to the public in line with ESG objectives.		X			Work is being carried out on actions and plans.	
A2.3	ESG Key Performance Indicators (KPIs) were determined and the indicators were explained comparatively on a yearly basis.		X			Work on ESG Key Performance Indicators (KPIs) and related issues is ongoing.	

	A2. Implementation/Monitoring	Yes	No	Partially	Not Applicable	Description	Report Information On Publicly Disclosed Information / Link
A2.4	Activities to improve the sustainability performance of business processes or products and services are disclosed to the public.		X			Work on innovation activities to improve sustainability performance in business processes or products and services is ongoing.	
	A3. Reporting	Yes	No	Partially	Not Applicable	Description	Report Information On Publicly Disclosed Information / Link
A3.1	Information on the Company's sustainability performance, targets and actions is provided in the annual reports in an understandable, accurate and sufficient manner.			X		Information on sustainability activities is disclosed in the annual report.	https://www.kap.org.tr/tr/Bildirim/999388
A3.2	The Incorporation has publicly disclosed information on which of the United Nations (UN) 2030 Sustainable Development Goals its activities are related to..		X			No information has yet been shared about which of the United Nations Sustainable Development Goals the activities are related to.	
A3.3	Lawsuits filed against and/or finalised on ESG issues, which are important in terms of ESG policies and/or will significantly affect the activities, are disclosed to the public.		X			There are no lawsuits filed against and/or finalised on ESG issues, which are important in terms of ESG policies and/or will significantly affect the activities.	
	A4. Verification	Yes	No	Partially	Not Applicable	Description	Report Information On Publicly Disclosed Information / Link
A3.4	ESG Key Performance Measures of the Incorporation have been verified by an independent third party and disclosed to public.		X			No information was shared in this context.	
	B. Environmental Principles	Yes	No	Partially	Not Applicable	Description	Report Information On Publicly Disclosed Information / Link
B1	The Company has publicly disclosed its policies and practices, action plans, environmental management systems (known by the ISO 14001 standard) and programmes in the field of environmental management.			X		The company has an environmental policy and it is published on the company website. There are instructions, procedures and control forms for the management of the subsystems of our Environmental Management System. Within the scope of Integrated Management Systems, our Environmental Management System has ISO 14001 Certificate.	https://www.can2termik.com.tr/uploads/202205161822391104.pdf https://www.can2termik.com.tr/yatirimci-iliskileri/sertifikalarimiz
B2	Restrictions on the scope of the report, reporting period, reporting date, reporting conditions regarding the environmental reports prepared for the provision of information on environmental management are disclosed to the public.			X		The relevant harmonisation document was shared in the Annual Report. Efforts to improve the process are ongoing.	https://www.kap.org.tr/tr/Bildirim/999388
B3	Given in A2.1.						
B4	Environmental targets included in the rewarding criteria within the scope of performance incentive systems on the basis of stakeholders (such as board members, managers and employees) are disclosed to the public.		X			Incentives offered to employees within the scope of the management of environmental issues, including the realisation of targets, continue to be worked on.	

	B. Environmental Principles	Yes	No	Partially	Not Applicable	Description	Report Information On Publicly Disclosed Information / Link
B5	It is publicly disclosed how prioritised environmental issues are integrated into business objectives and strategies.	X				Our environmental activities are implemented in line with the principle of efficiency and in parallel with all our targets, and process planning is carried out in a way to minimise the impact on the environment.	https://www.can2termik.com.tr/uploads/202201181359221104.pdf https://www.can2termik.com.tr/uploads/202205161822391104.pdf
B6	Given in A2.4						
B7	It is publicly disclosed how environmental issues are managed and integrated into business objectives and strategies, including suppliers and customers along the partnership value chain, including the operational process.		X			Our environmental activities are implemented in line with the principle of efficiency and in parallel with all our targets, and process planning is carried out in a way to minimise the impact on the environment.	
B8	It is disclosed to the public whether the relevant institutions and non-governmental organisations are involved in the policy-making processes and the cooperation with these institutions and organisations.		X			Although it is not directly involved in policy-making processes on environmental issues, it acts in line with national policies.	
B9	In the light of environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impacts), information on environmental impacts is disclosed to the public in a periodically comparable manner.		X			Data on environmental indicators such as Greenhouse Gas Emissions, waste water, air quality and waste management are collected, monitored and reported.	
B10	Details of the standard, protocol, methodology and base year used to collect and calculate the data are publicly disclosed.		X			The year when production started is considered as the base year. The methods determined by the legislation are used to collect the data.	
B11	The increase or decrease of environmental indicators for the reporting year in comparison with previous years is disclosed to the public.		X			Studies are carried out on the status of environmental indicators in comparison with previous years.	
B12	Short and long term targets have been set to minimise environmental impacts, and these targets and progress against the targets set in previous years have been disclosed to the public.		X			No statement has been made in this context.	
B13	A strategy for combating the climate crisis was established and planned actions were publicised.		X			The activities within the scope of combating climate change are being followed and continue in line with the Best Practicable Techniques Reference Documents published by the European Union.	
B14	Programmes or procedures have been established and disclosed to the public in order to prevent or minimise the potential negative impact of products and/or services on the environment.		X			Work is carried out within the company within the programmes as stipulated by the legislation.	

	B. Environmental Principles	Yes	No	Partially	Not Applicable	Description	Report Information On Publicly Disclosed Information / Link
B14	Actions have been taken to reduce the greenhouse gas emissions of third parties (e.g. suppliers, subcontractors, dealers, etc.) and these actions have been disclosed to the public.		X			3rd parties' assessment studies for the reduction of greenhouse gas emissions are ongoing.	
B15	Environmental benefits/gains and cost savings provided by initiatives and projects to reduce environmental impacts are disclosed to the public.		X			Product certificates have been obtained for the use of waste generated as a result of electrical energy generation as an alternative raw material instead of disposal. In this way, wastes are utilised as products.	
B16	Energy consumption (natural gas, diesel, petrol, LPG, coal, electricity, heating, cooling, etc.) data are disclosed to the public as Scope-1 and Scope-2.		X			Total energy consumption data is monitored annually and reported internally.	
B17	Public disclosure was made about the electricity, heat, steam and cooling produced in the reporting year.		X			Electricity, natural gas and water consumption are reported annually within the company.	
B18	Studies on increasing the use of renewable energy and transition to zero or low carbon electricity have been carried out and disclosed to the public.				X		
B19	Renewable energy production and utilisation data are publicly disclosed.				X		
B20	Energy efficiency projects were carried out and the amount of energy consumption and emission reduction achieved through energy efficiency projects was disclosed to the public.		X			Efforts to explain the amount of energy consumption and emission reduction achieved through energy efficiency projects are ongoing.	
B21	Water consumption, the amount of water withdrawn from underground or above ground, if any, recycled and discharged, sources and procedures are publicly disclosed.		X			Natural resources used in our operations are monitored on a daily basis. Accordingly, reports are prepared on a monthly basis.	
B22	It is publicly disclosed whether its operations or activities are included in any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax).		X			Not disclosed as not included in the carbon pricing system.	
B23	Information on carbon credits accumulated or purchased during the reporting period has been disclosed to the public.		X			Since the company is not included in the carbon pricing system, there are no carbon credits accumulated or purchased.	
B24	If carbon pricing is applied within the partnership, the details are disclosed to the public.		X			Since the company is not included in the carbon pricing system, there are no carbon credits accumulated or purchased.	
B25	Platforms where the Incorporation discloses its environmental information are publicly disclosed.			X		Our environmental information is shared with the Ministry of Environment and Urbanisation in accordance with the Environmental Law.	

	C. Social Principles	Yes	No	Partially	Not Applicable	Description	Report Information On Publicly Disclosed Information / Link
	C1. Human rights and workers' rights						
C1.1	A corporate policy on human rights and workers' rights has been established, which stipulates full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Türkiye, and the legal framework and legislation regulating human rights and working life in Türkiye. The said policy and the duties and responsibilities associated with its implementation have been made public.			X		The human resources policy and ethical principles and committees have been established and published on the company's website. Work in this area is ongoing	https://www.can2termik.com.tr/insan-kaynaklari
C1.2	Considering the supply and value chain impacts, fair labour, improvement of labour standards, women's employment and inclusion issues (such as non-discrimination on gender, race, religion, language, marital status, ethnic identity, sexual orientation, gender identity, family responsibilities, union activities, political opinion, disability, social and cultural differences, etc.) are included in the policy on employee rights.	X				Within the framework of the Company's Human Resources Policy and Ethical Principles and Rules, the Company does not allow any kind of discrimination such as gender, language, religion, race, marital status, political opinion, age, disability, etc.	https://www.can2termik.com.tr/insan-kaynaklari
C1.3	Measures taken along the value chain to protect the rights of segments sensitive to certain economic, environmental, social factors (low-income segments, women, etc.) or minority rights/equal opportunities are disclosed to the public.			X		It is among our recruitment targets to increase the number of female employees employed in our businesses every year. In recruitment processes, within the scope of the principle of positive discrimination, the ratio of female candidates in the total number of candidates evaluated is taken into consideration. Employment of disabled people is supported in each of our businesses and compliance with the legal framework is observed. The application process of disabled employee candidates is examined in detail and employment is realised by ensuring that they are directed to the most suitable job for their disability status.	https://www.kap.org.tr/tr/Bildirim/999388
C1.4	Progress in preventing and remedying discrimination, inequality, human rights violations, forced labour and child labour was made public.	X				In this context, violence, harassment and psychological intimidation (mobbing) are not permitted. At the same time, within the scope of the Company's disciplinary regulations and similar internal procedures and the legal framework, necessary measures are taken to prevent any kind of behaviour that may disturb the peace of work. At the same time, the compliance of the articles in the internal procedures and labour contracts with the legal process in this context is ensured.	https://www.kap.org.tr/tr/Bildirim/999388

	C. Social Principles	Yes	No	Partially	Not Applicable	Description	Report Information On Publicly Disclosed Information / Link
	C1. Human rights and workers' rights						
C1.5	Investments in employees (training, development policies), compensation, fringe benefits, right to unionise, work/life balance solutions and talent management issues are included in the policy on employee rights.			X		prioritises the professional and individual development of all its employees while realising its activities for training and development needs. At the same time, the Company supports the maintenance of a feedback culture in the organisation through performance and competency evaluation systems. The professional competences of employees at all levels are supported by ensuring that they participate in professional development trainings on a functional basis and technical development trainings, especially occupational safety, for field employees. In addition, it is aimed to support professional awareness by ensuring that all employees participate in activities related to their areas of expertise. Work in this field is ongoing.	https://www.kap.org.tr/tr/Bildirim/999388 https://www.can2termik.com.tr/insan-kaynaklari
	Mechanisms for resolving employee complaints and disputes have been established and dispute resolution processes have been determined.	X				It is included in the Company's Disciplinary Procedure.	
	Activities carried out during the reporting period to ensure employee satisfaction have been disclosed to the public	X				Within the scope of employee loyalty and satisfaction, employee evaluations were collected in 2022 through a survey application based on evaluation criteria. Some of the actions related to the survey results evaluated on objective criteria were realised in 2022 and some were planned to be evaluated in 2023.	

	C. Social Principles	Yes	No	Partially	Not Applicable	Description	Report Information On Publicly Disclosed Information / Link
	C1. Human rights and workers' rights						
C1.6	Occupational health and safety policies have been established and disclosed to the public.			X		The main objective in the implementation of human resources policies in our companies is to support the well-being and welfare of employees. In this context, the health of our environment, our employees and their families is prioritised. In order for our employees to perform their duties in a safe environment, it is important to take all kinds of occupational health and safety measures and to comply with the rules completely. Within the scope of occupational health and safety committees established within the scope of our businesses, occupational accident statistics are explained and evaluated. Within the scope of the "Occupational Health & Safety and Environmental Procedure" within the Disciplinary Procedure, all behaviours that are contrary to the measures are determined.	https://www.can2termik.com.tr/insan-kaynaklari https://www.can2termik.com.tr/yatirimci-iliskileri/sertifikalarimiz
	Measures taken to prevent occupational accidents and protect health and accident statistics are publicly disclosed.			X		In order for our employees to perform their duties in a safe environment, it is important to take all kinds of occupational health and safety measures and to comply with the rules completely. Within the scope of occupational health and safety committees established within the scope of our businesses, occupational accident statistics are announced and evaluated.	https://www.can2termik.com.tr/yatirimci-iliskileri/sertifikalarimiz

	C. Social Principles	Yes	No	Partially	Not Applicable	Description	Report Information On Publicly Disclosed Information / Link
	C1. Human rights and workers' rights						
C1.7	Personal data protection and data security policies have been established and disclosed to the public.	X				A KVKK policy on the protection of personal data has been published, covering both the employee dimension and third parties communicating with our company. Especially in the human resources dimension, the relevant process has been handled comprehensively. At the same time, the prepared policies and practices regarding data security were audited and certified within the scope of ISO 27001 Information Security.	https://www.can2termik.com.tr/yatirimci-iliskileri/sertifikalarimiz
C1.8	Ethics policy has been established and disclosed to the public.	X				The Company's code of ethics has been prepared in writing and submitted to the information of employees. In this context: Honesty, Discrimination, Confidentiality, Prevention of Conflicts of Interest, etc. have been addressed within the framework of the code of ethics and published on the website.	https://www.can2termik.com.tr/insan-kaynaklari/etik-kurallar
C1.9							
C1.10	Informative meetings and training programmes were held for employees on ESG policies and practices.			X		Trainings are organised for employees.	
	C. Social Principles	Yes	No	Partially	Not Applicable	Description	Report Information On Publicly Disclosed Information / Link
	C2. Stakeholders, International Standards and Initiatives						
C2.1	A customer satisfaction policy regarding the management and resolution of customer complaints has been prepared and disclosed to the public.			X		There are reports provided by EMRA on the management and resolution of customer complaints.	
C2.2	Information on communication with stakeholders (which stakeholder, subject and frequency) is disclosed to the public.		X			Efforts are ongoing to determine which stakeholders are communicated with, for what purpose, on what subject and how often, and the progress made in sustainability activities.	
C2.3	International reporting standards adopted in reporting are explained.		X			There are no international reporting standards adopted yet and studies are aimed to be initiated.	

	C. Social Principles	Yes	No	Partially	Not Applicable	Description	Report Information On Publicly Disclosed Information / Link
	C2. Stakeholders, International Standards and Initiatives						
C2.4	Principles adopted in relation to sustainability, international organisations, committees and principles of which the Company is a signatory or member are disclosed to the public.		X			There is no information disclosed to the public in this context.	
C2.5	Developments were made and studies were carried out to be included in the sustainability indices of Borsa Istanbul and/or international index providers.	X				Studies are being carried out on the subject.	
	D. Corporate Governance Principles	Yes	No	Partially	Not Applicable	Description	Report Information On Publicly Disclosed Information / Link
D1	Stakeholders' opinions were consulted in determining the measures and strategies in the field of sustainability.			X		A working group was established within the scope of sustainability studies.	
D2	Social responsibility projects, awareness-raising events and trainings were carried out to raise awareness about sustainability and its importance.	X				Social responsibility projects and awareness raising activities are integrated with internal communication activities. Work in this field is ongoing.	



CORPORATE GOVERNANCE COMPLIANCE REPORT

SECTION I

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

ÇAN2 Termik A.Ş. applies utmost diligence in compliance with the Capital Markets Board's Corporate Governance Principles, and embraces the concepts of equality, transparency, accountability, and responsibility among those principles while proceeding towards its objectives. In 2022, ÇAN2 Termik A.Ş. complied completely with the mandatory principles under Communiqué No. II.17.1 on the Identification and Application of Corporate Governance Principles and presented the best effort to comply with the optional principles.

The resolution of CMB dated 10.01.2019 with no.2/49 requires companies to complete Corporate Governance Compliance Report and Corporate Governance Information Form templates through Public Disclosure Platform (KAP), in addition to Corporate Governance Compliance Reporting currently done by companies pursuant to Corporate Governance Communiqué no. II-17.1. In accordance with this CMB resolution, the templates published in KAP by our Company are also attached at the end of the Corporate Governance Compliance Report.

Based on these grounds, the company started internally its efforts for compliance with corporate governance principles in 2013 and continued them during 2022. These efforts are still maintained through numerous mechanisms built within the company. In the early phase of the efforts, some changes were put in place to offer an equitable, accountable, responsible, and transparent

organization to the shareholders. This statement shows ODAŞ's embracement of a transparent and open management style, and its intent to develop a responsible and accountable management perspective with respect to all shareholders, particularly minor shareholders.

Justification for Delays in the Implementation of Certain Corporate Governance Principles

The Corporate Governance Committee of the company continues its efforts to develop corporate governance practices. The difficulties experienced with certain principles, and ongoing debates in national, as well as international platforms, regarding compliance with certain principles have so far prevented complete compliance with some principles. That said, the principles which have yet to be implemented have not led to any conflicts of interests between stakeholders. Plans are in place to effect the required structural changes and internal arrangements for the implementation of the limited number of optional principles which have not been implemented so far.

Comments on comprehensive work carried out at our company with respect to Corporate Governance Principles, and principles which have yet to be complied with, are noted in the subsequent sections of the report.

- Even though the Articles of Incorporation do not specify so, no one at the company has unlimited decision-making authority.
- According to Article 4.6.5 of the "Corporate Governance Principles", the remuneration and other benefits provided to the members of the Board of Directors and other senior executives are disclosed to the public through the annual report. However, the disclosure does not provide such information with

reference to specific individuals, but rather is based on a distinction between the Board of Directors and senior executives.

SECTION II

SHAREHOLDERS

Investor Relations Department

The Investor Relations Department serves to facilitate the exercise of shareholder rights, enabling communications between the Board of Directors and existing and potential shareholders, as well as local and foreign analysts and portfolio managers, and executing required procedures in compliance with the CMB's Corporate Governance Principles. The department reports to the Corporate Governance Committee, as well as to Burak Altay, Deputy Chairperson of the Board of Directors and the Chief Executive Officer. Investor Relations team and senior executives of the Company together held meetings with 41 local and foreign investors, analysts and portfolio managers in total during the year 2022.

Accordingly, the Investor Relations Department is responsible for;

- Providing information on the Company's current activities, investments and future expectations to existing and potential local and foreign institutional investors and brokerage houses with a correct understanding of the management's perspective and vision,
- Responding to requests for information from local and foreign institutional investors and analysts except for non-disclosed confidential business information of the company,
- Updating shareholders, local and foreign institutional

investors about the company proactively and on a regular basis through conferences and investor meetings, Responding to the queries of shareholders with the exception of non-disclosed confidential business information, Conducting comparative analyses on the performance of company's shares and of its peers in the same industry, Ensuring that General Assembly meetings are carried out in accordance with the Articles of Incorporation and other internal regulations, Preparing documents that shareholders can use as a reference in General Assembly meetings, and publishing such documents on the company website three weeks in advance of the General Assembly for investors' review and information,

- Keeping a record of voting results through the General Assembly minutes and submitting the reports of voting results to shareholders' information,
- Fulfillment, oversight and monitoring of obligations arising from Financial Reporting, Corporate Governance Practices, Public Disclosure Guidelines and communiques and all other Capital Markets Regulations applicable to Publicly Listed Corporations, Reviewing on a regular basis the contents of "Investor Relations" section within the company website and updating it as required,
- Preparing presentations and briefings on the company's operations and financial standing for the current period on a quarterly basis,
- Preparing and updating the list of people with access to insider information, as per the Material Event Disclosure Communiqué,
- Management and monitoring all communications and processes with the Capital Markets Board, Borsa İstanbul A.Ş., Merkezi Kayıt Kuruluşu A.Ş., and any other capital markets agencies,
- Ensuring the flow of information both ways, between shareholders and the senior management and the company's Board of Directors.

Çan2 Termik A.Ş. Investor Relations Department

Full Name

Melih Yüceyurt

Mehmet Erdem Aykın

E-Mail: ir@can2termik.com

Role

Director of Finance and Investor Relations

Investor Relations Manager

Exercise of the Shareholders' Right to Information

Every information request submitted to the Investor Relations Department is responded diligently in accordance with the principle of equality and without any discrimination between investors, provided that they do not concern confidential information or trade secrets currently withheld from the public. Accordingly, in 2021, any information requests submitted by the shareholders on various issues were responded clearly and in detail via telephone and e-mail on a verbal and written basis. Every question was answered to the satisfaction of investors, provided that they did not concern trade secrets. Furthermore, the independent The shareholding structure as of 31.12.2022 is as follows. > Shareholding Structure section of "Investor Relations" in the Company's website (www.can2termik.com.tr) makes available every data for updating the investors in a complete and accurate manner. Any developments that may have an impact on the exercise of shareholder rights were communicated to the investors through material disclosures via Public Disclosure Platform (KAP) and on the company website in 2022.

As the shareholders' right to demand appointment of a special auditor is subject to regulations, the Articles of Incorporation does not stipulate any arrangements regarding the appointment of a special auditor. During the year, no request regarding the appointment of a special auditor was received.

General Assembly Meetings

The General Assembly meetings are carried out in accordance with the Turkish Code of Commerce, the Capital Markets Law, and the Corporate Governance

Principles, in a manner that provides adequate information to and the extensive participation by shareholders. The Ordinary General Assembly of the Company convenes at least once a year and discusses and decides on the matters on the agenda drawn up by the Board of Directors in accordance with Article 413 of the Turkish Code of Commerce.

The notices and announcements regarding the general assembly meeting are published through any means of communication including electronic communications, so as to achieve access to the highest number of shareholders, and with the minimum time frames stipulated in Turkish Code of Commerce, the Capital Markets Law, and other regulations in mind.

The Ordinary General Assembly Meeting of our Company for the year 2021 was held on Friday, 16 December 2022 at 14:00 at Nidakule Kuzey Ataşehir Barbaros Mahallesi Begonya Sokak No:3 B3 floor 34746 Ataşehir/ İstanbul under the supervision of the Ministry Representative appointed by the Ministry of Customs and Trade. The agenda, minutes, and attendance sheet for the meeting are available on the Company's website.

Invitations to General Assembly meetings are extended by the Board of Directors in accordance with the provisions of Turkish Code of Commerce, the Capital Markets Law, and the Articles of Incorporation. The Board of Directors' resolution for the General Assembly meeting is followed immediately by necessary disclosures to inform the public, via KAP and the Electronic General Assembly Meeting System (EGKS).

In addition to the procedures set out by the regulations, the calls for general assembly meetings are made on the company website (www.can2termik.com.tr) 3 weeks in

Shareholding Structure

Shareholding Structure The shareholding structure as of 31.12.2022 is as follows.

Full Name / Title	Total Nominal Shares	Share Percentage (%)
ODAŞ Elektrik Üretim Sanayi Ticaret A.Ş.	245.651.000,00	%76,77
Other	74.349.000,00	%23,23
Total	320.000.000,00	%100,00

advance at minimum in order to reach highest number of shareholders possible and the meeting notices are also published in the Turkish Trade Registry Gazette and in the country-wide edition of at least one daily newspaper with high circulation.

Prior to the general assembly meeting, an information document regarding the agenda items is prepared and disclosed to the public, and all notifications comply with legal processes and legislation.

Within the framework of the agenda items of the general shareholders' meeting, financial statements and reports, including the audited annual report, dividend distribution proposal, independent audit reports, the text and justification of amendments, if any, to the Articles of Association, disclosure policy, remuneration policy, dividend distribution policy, résumés of all board member candidates, including independent ones, and other documents forming the basis of the agenda items are made available for review at the Company headquarters and on the corporate website three weeks prior to the general shareholders' meeting, in a manner that is most easily accessible to shareholders.

The General Assembly meetings are held simultaneously in physical and electronic form, at the company headquarters, and via the Electronic General Assembly Meeting System. The venue for General Assembly meetings is arranged to enable participation by all shareholders. The agenda of the General Assembly is set clearly to enable the consideration of each proposal under a separate item, so as to prevent different interpretations. At the General Assembly meeting, the agenda items are conveyed to the shareholders in an objective, detailed, clear and understandable way, and the shareholders are given the opportunity to explain their opinions and ask questions under equal conditions.

The questions directed by the shareholders during the general assembly meeting are responded accordingly by the board members and the senior executives of the company. Templates of proxy letters for those who will be represented by a proxy are made available to the shareholders through KAP, newspaper ads and the company's website before general assembly meetings.

The voting procedure applicable at the meeting is presented to shareholders via the website and newspaper ads. The items on the agenda at the General Assembly meetings are voted on by raising hands in an open ballot.

The company carried out electronic general assembly meeting preparations for 2021 Ordinary General Assembly in compliance with the statutory regulations as per the article 1527 of Turkish Commercial Code. The notice of the meeting was published on Public Disclosure Platform (KAP) and Electronic General Assembly System (EGKS) of Merkezi Kayıt Kuruluşu A.Ş. (Central Securities Depository) on 18.11.2022, in the issue no. 10711 of Turkish Trade Registry Gazette dated 24.11.2022 as well as on the company website, as stipulated by the Law and the Articles of Incorporation and including the agenda. The chairperson of the council started the general assembly meeting upon the verification based on the list of attendants that out of 320,000,000 shares with nominal value of TRY 1 corresponding to the company's total capital TRY 320,000,000, the shares corresponding to total capital of TRY245,651,000 were represented, TRY 3,502,000 capital shares by proxy and TRY 249,153,504 capital shares in person, and therefore the quorum was present as stipulated in the Turkish Commercial Code, Capital Markets Law and Articles of Incorporation.

During the General Assembly Meeting for 2021, the board members were elected to serve until 31.12.2023. Furthermore, during the General Assembly meeting, the shareholders were given the opportunity to address questions and their questions were replied to inform them during the "Wishes and Requests" session, which was the last agenda item. There were no written requests submitted by the shareholders of the corporation for inclusion within specific items in the agenda with respect to the Ordinary General Assembly Meeting for 2021

Donations and grants worth a total of TRY 777,804 during the year were presented to the shareholders' information under a separate agenda item. In addition, the maximum amount of donations and grants was set as TRY 2,500,000 for 2022 pursuant to the 5th paragraph of article 19 of Capital Markets Law. The agenda for the General Assembly meeting, as well as

the attendance sheet and meeting minutes are made available for review by shareholders at the corporate headquarters. Furthermore, the documents and records of the general assembly meeting were made available in the Investor Relations section of the Company website for review by the shareholders and all stakeholders.

The controlling shareholders, members of the Board of Directors, executive directors and their spouses and family members (both blood and in-law relatives) up to second degree did not engage in any material transaction which may lead to conflicts of interest with the corporation or subsidiaries.

Voting Rights and Minority Rights

The voting procedure for General Assembly meetings is announced to the shareholders at the beginning of the meeting. Minority rights are exercised pursuant to Turkish Commercial Code. Making it difficult to exercise the right to vote in the Company applications are avoided. The company's at ordinary and extraordinary general assembly meetings, have 1 vote per share. Preferred share in the company not available.

Shareholders at the general assembly meetings a proxy they will appoint from among themselves or from outside can be represented through Proxy voting capital market legislation and related legislation is complied with.

Dividend Rights

Company's dividend payment decisions are made with reference to the Turkish Code of Commerce, Capital Markets Regulations, the Regulations and Decisions by the Capital Markets Board (CMB), Tax Codes, and the provisions of other applicable regulations, as well as the Company's Articles of Incorporation. The dividend payment is based on a balanced and consistent policy between the interests of shareholders, and the interests of the Company, in line with the Principles of Corporate Governance. Each year, the Board of Directors' resolution regarding dividend payments is submitted for the approval of shareholders at the General Assembly, as a separate item on the agenda. The Company's dividend payment policy is announced in the annual report, as well as on the company

website. The Company's Ordinary General Assembly for 2021 discussed the Board of Directors' proposal regarding the dividend payment, and culminated in the decision to withhold dividend payment as no dividends payable arose in the financial statements drawn up for 2021, in accordance with the principles of the Tax Procedure Code.

The Company does not have any preference shares in terms of dividend payment. Every share of the Company is entitled to an equal share of the dividends. The Company can pay out advance dividends to its shareholders within the framework of Article 20 of the Capital Markets Law. The form and timing of dividend payment shall be established by the General Assembly, with reference to the relevant Board of Directors' proposal.

The principles of dividend payments shall abide by the provisions of the Capital Markets Board Communiqué No. II-19.1 and other applicable provisions, with reference to the establishment of the responsibilities and the dividend to be paid.

Share Transfers

It is obligatory to obtain the approval of the Energy Market Regulatory Authority for the direct or indirect acquisition of shares representing 5% or more of the company's capital by a real or legal person, and for the acquisition of shares that result in the shares of a shareholder exceeding 5% of the legal entity's capital and/or for the transfer of shares that result in the shares of a shareholder falling below the above ratios.

Even if there is no transfer of shares, the establishment of privileges on existing shares, removal of privileges or issuance of usufruct certificates are submitted to the approval of the Energy Market Regulatory Authority regardless of the above-mentioned proportional limits.

SECTION III

PUBLIC DISCLOSURE AND TRANSPARENCY

Disclosure Policy

The Corporate Disclosure Policy was established with the Board of Directors' resolution dated 06.12.2021 no.

2021/24 and is published on the website. The Corporate Disclosure Policy was established and is implemented under the authority of the Board of Directors. The Board of Directors reserves the right to revise the policy at any time, in line with the applicable regulations. The disclosure policy and any revisions thereof shall be published on the Company's website, following the approval of the Board of Directors. The Investor Relations Department is responsible for overseeing and monitoring the Disclosure Policy.

Corporate Website and its Contents

The Company's website address is www.odasenerji.com and the Investor Relations section of the website contains the considerations specified in the CMB's Corporate Governance Principles. The website is set up to provide open, clear, and simultaneous disclosure to shareholders, stakeholders, and the entire public. The information provided on the website is updated continuously. The information provided on the website is presented in English language as well, to enable it to be accessed by international investors.

Annual Report

The Company's annual report is drawn up in line with the details required in the Turkish Commercial Code and the Capital Markets Regulations, so as to provide the shareholders, the public, and all other stakeholders with access to complete and accurate information on the company's operations.

SECTION IV

STAKEHOLDERS

Disclosure of Information to Stakeholders

The website was revised as required to provide disclosure to stakeholders on matters concerning them. All information concerning the Company is presented to stakeholders in line with the Corporate Governance Principles. Stakeholders, investors, and analysts can access the Company's financial reports, annual reports, and other information, using the Company's website. Furthermore, certain material announcements and messages are conveyed to all employees via e-mail.

The Audit Committee is responsible for ensuring and overseeing compliance with the regulations, while the Corporate Governance Committee is responsible for reviewing and concluding the complaints received from the shareholders and stakeholders, on matters of concern from a corporate governance perspective.

Stakeholders' Participation in Management

No model was developed regarding the stakeholders' participation in the company's management. On the other hand, the requests and proposals voiced in meetings with employees and other stakeholders are taken into consideration by the management, leading to the development of relevant policies and practices.

Human Resources Policy

The Human Resources Policy of Çan2 Termik A.Ş. is based on being an indispensable employer that improves the quality of life of its employees, motivates its employees to use their performance at the highest level. The mission of Human Resources is to establish human resources systems that will improve the performance of the group with innovative, creative, solution-oriented ideas produced by a dynamic, motivated, qualified workforce with open communication between all employees.

The Human Resources Policy consists of the following 3 basic processes, aiming to ensure that employees use their potential at the optimum level and ensure the continuity of their personal development:

- Setting and communicating objectives.
- Establishing communication with employees through open communication and timely constructive feedback network.
- Planning the necessary technical and personal development activities and trainings for employees to fulfil their duties in the best way possible, and preparing the appropriate ground for them to both increase the efficiency of their current position and to prepare them for possible different tasks in the future.

It is the responsibility of all directors and managers, under the coordination of the Human Resources

Department, to maintain effective and transparent relations with employees. All directors and managers are obliged to treat their employees equally and fairly without any subordinate pressure. As a result of the sensitivity to the principle of equality, which is one of the fundamental principles of the Company's management approach, no negative feedback or complaints were received from employees regarding discrimination.

At Çan2 Termik A.Ş., job descriptions and job descriptions of company employees distribution and performance and rewarding criteria The principle of announcement to the employees is complied with. This As a result of the studies, the need for the relevant work to be carried out all the competences and qualifications required are determined, and recruitment processes are based on the criteria determined for each position is managed by taking into consideration. In addition, each feedback interviews conducted with employees throughout the year areas in need of improvement are identified and regulatory and preventive activities are carried out.

CODE OF CONDUCT

Code of Conduct and Social Responsibility

The Company's Code of Conduct is drawn up in writing and communicated to the employees. The Code of Conduct is defined, updated, and published by the Board of Directors. ÇAN2 Termik A.Ş. Code of Conduct is an integral part of ÇAN2 Termik A.Ş. Policies and Values. All employees including the Boards of Directors and the executives are expected to comply with these rules.

ÇAN2 Termik A.Ş. Code of Conduct

Honesty

Integrity and honesty are the values that we cherish most in all our business processes and relations.

Equality

Discrimination on the basis of age, language, religion, race, health status, gender and marital status is against workplace rules. Employees may report their complaints directly to the Human Resources Department. The submission of any complaint in this regard cannot be prevented.

Confidentiality

Channels of communication are available and open to struggle against any discrimination that may arise based on age, language, religion, race, medical status, gender or marital status. The employees communicate their complaints and suggestions to the Human Resources Department to maintain this equality. All employees are informed of the mandatory precautions to be taken under the Law on Protection of Personal Data and they are expected to act accordingly in every respect of their remits.

Prevention of Conflicts of Interest

ÇAN2 Termik A.Ş. employees are prohibited from abusing any information and power that they gained as part of their positions within the company for gaining any benefits for themselves, their families or relatives. When performing their duties, employees take care to protect the interests of the company and avoid any act or behavior that may be construed as deriving personal gains for themselves or their relatives. Accordingly, the employees are expected to avoid competing against the company and to take all necessary measures in this respect. The employees should exercise due care in their communication with suppliers, customers, organizations or institutions that they are in contact with as part of their jobs and they should avoid any action for the purpose of deriving personal gains. The employees who do not exercise due care in this regard are reported to fail to comply with our code of conduct.

Social Responsibility

The company implemented social responsibility projects in 2022, based on the environmental and social requirements of the society in which we live and within the framework of the Social Responsibility Policy.

SECTION V

BOARD OF DIRECTORS

The affairs and administration of the Company are determined by the General Assembly, capital market legislation and Turkish Commercial Code to be elected for a maximum of 3 years according to the provisions of the by a Board of Directors consisting of 5 members.

Structure of the Board

Board Members

Role

Burak Altay	Chairman of the Board (Executive)
Mustafa Ali Özal	Board Member (Non-Executive)
Ali Kemal Kazancı	Vice President (Non-Executive)
Umut Apaydın	Independent Board Member (Non-Executive)
Zehra Zeynep Dereli	Independent Board Member (Non-Executive)

The number of members of the Board of Directors, is determined by the General Board.

The members of the board of directors of our company were elected as follows to serve until 31.12.2023 at the 2021 Ordinary General Assembly meeting dated 16.12.2022.

Personal Backgrounds of the Board Members

Burak Altay

Chairperson of the Board

After his graduation from Koç University Business Administration Department in 1999, he lectured as an assistant in the field of cost accounting in Koç University while he studied for master's degree at the department of financial law at Marmara University. Mr. Altay is a founding partner of the Company and he continues to serve as the Deputy Chairperson of the Board/CEO of the company. Apart from this position, he is also a shareholder and board member in several companies operating in the energy, construction, manufacturing and trade industries.

Ali Kemal Kazancı

Deputy Chairman of the Board of Directors

Mr. Kazancı graduated from Karadeniz Technical University, Department of Civil Engineering and started his professional career at Limak Construction as Final Account Supervisor. In 2009, he was appointed as Site Supervisor at Odaş Energy Group - Öztay Energy Company. Since 2011, Mr. Kazancı has

been working as Chief Mining Officer at Odaş Energy Group and has been a Board Member of Çan2 Termik A.Ş. since July 2020.

Mustafa Ali Özal

Member of the Board of Directors

Mr. Özal graduated from Gazi University, Department of Economics and started his professional career in 1982. He has served as a manager and board member in various companies operating in different sectors. In addition to his duties as a member of the Board of Directors of the Company, Mr. Özal is also a member of the Board of Directors of Aköz Tic. Müşavirlik ve Mümessillik A.Ş., Hidro Kontrol Elektrik Üretim San. A.Ş., Arsin Enerji Elektrik Üretim San. Tic. A.Ş., and Aköz Enerji Elektrik Üretim San. Tic. A.Ş.

Zehra Zeynep Dereli

Independent Board Member

Zehra Zeynep Dereli holds an MA in Development Economics from SOAS University, as well as both BA in Economics alongside certificates in Mathematics and Middle Eastern Studies, all from Princeton University. She launched into career at the Istanbul-based Dundas ÜNLÜ & Co, in the Mergers & Acquisitions department. Next, she worked for Shell Trading and Shipping in London on the Risk Analysis, Research, and Compliance teams. Upon returning to Türkiye, she joined Shell Türkiye as a Financial and Supply Analyst. Since then, Dereli has furthered her career by taking on roles in various organizations that all have contributed in some way to developing the Turkish economy, and as the director of the Atlantic Council Black Sea Energy and

Economic Forum. For a while, she additionally prepared and hosted "Leaders and Decisions," a weekly political program airing on two Turkish TV channels, SKY Türk and CNBC-E. She's also was the General Coordinator of the Turkish Policy Forum, a think tank, at one point as well. Dereli is the founder and CEO of GLOW Communications and APCO Türkiye, and successfully executed DRUM (Dialogue, Respect, and Understanding through Music), a social responsibility project. In 2021, she was honored with the Female Entrepreneur of the Year award by The Economist magazine for having established Technology and Human Colleges (Tink) – Türkiye's first-ever project dedicated to fostering future technology literates and entrepreneurs, in light of the cultural needs of society. Now, she is an Executive Board member and CEO of several industrial firms at Calinos Holding, as well as participates in several social responsibility initiatives, namely ITU BMTKAUM Advisory Board, TÜBİSAD, WTech, and Endeavor (which she co-founded).

Umut Apaydin **Independent Board Member**

Mr. Apaydin completed his double major in Mechanical Engineering and Business Administration at the Darmstadt Institute of Technology in Germany in 1998. Immediately following his graduation, he began his career as a Debt Markets Analyst in the New York office of JP Morgan Securities between 1998 and 2009 and continued to work there as a Partner and Vice President for Private Equity, Structured Credit Products and Alternative Investments. Mr. Apaydin continued his career as General Manager of Investor Relations and Marketing at Sunrise Securities in 2009, where he was involved in the establishment of the MLP Fund, a private equity fund. From 2009 to 2012, he was Global Marketing and Investor Relations Director at the capital investment and advisory firm Indicus Advisors LP. Mr. Apaydin continued his career at Koç Holding between 2012 and 2016, where he was actively involved in strategic planning, mergers and acquisitions in the Tourism, Food and Retail arms of the group. From 2014 to 2016, he was Business Development Director at Setur A.Ş., Koç Group's tourism venture. From 2016 to 2019, he served as Senior Director for Financial Services and Insurance Services in international product management, international business development, and global sales and portfolio management for the American and Canadian markets at Brightstar Corp. Mr. Apaydin continued his

career as a Financial Advisor at Prudential Advisors Miami in 2019 and at Mass Mutual Miami in 2020. He is fluent in German, French, Italian, English and has advanced knowledge of Spanish.

The written statements regarding the independence of each Independent Board Member are shared below;

UMUT APAYDIN **DECLARATION OF INDEPENDENCE**

I hereby declare that I am a candidate to serve as an "Independent Member" in the Board of Directors of Çan2 Termik A.Ş. (the Company) within the scope of the legislation, articles of association and the criteria set forth in the Corporate Governance Communiqué of the Capital Markets Board (CMB);

In accordance with the regulations of the Capital Markets Board on Corporate Governance due to my election to the Board of Directors as an "Independent Member";

- a) That I neither personally, nor through my spouses or relatives by blood or marriage up to third degree, have been involved in the last five years in an executive employment relationship assuming substantial duties and responsibilities, or held, individually or jointly, more than 5% of the capital or voting rights or preferred shares, or engaged in any substantial commercial relationship with any affiliates of Çan2 Termik A.Ş. A.Ş.'nin ("Çan2 Termik") or any corporations in which the company has management control or substantial influence, or shareholders which maintain the company's management control or substantial influence in the company, and legal persons which hold management control of such shareholders,
- b) That I have not been a shareholder (5% or more) or executive with significant duties and responsibilities, or board member in the companies which have provided or bought significant amounts of services or products within the framework of agreements, including but not limited to the auditing (including tax audits, statutory audits, internal audits), rating, and consulting of the company, during the last five years, in the time frame of such provision or purchase of services or products,

c) That I have the professional training, expertise and experience to duly perform the duties to be assumed on the grounds of being an Independent Member of the Board of Directors,

d) That I am not a full-time employee of a government agency or entity,

e) That I am considered a resident of Turkey as per the Income Tax Law,

f) That I have robust ethical standards, the professional reputation and the experience to enable free decision-making, taking into account the rights of stakeholders, and contributing positively to the operations of ÇAN2 Termik, while maintaining impartiality in conflicts of interest which may arise between the shareholders,

g) I will be able to spare adequate time for the company's affairs, so as to fully perform the requirements of the roles assumed, and to monitor ÇAN2 Termik's course of business,

h) I have not served as a board member of the company for more than six years in the last ten years,

i) I am not an independent board member for more than three companies where the Company or its controlling shareholders hold the control of management and/or more than five corporations whose shares are listed in the stock exchange.

ZEHRA ZEYNEP DERELİ

DECLARATION OF INDEPENDENCE

In accordance with the regulations of the Capital Markets Board on Corporate Governance due to my election to the Board of Directors as an "Independent Member";

a) That I neither personally, nor through my spouses or relatives by blood or marriage up to third degree, have been involved in the last five years in an executive employment relationship assuming substantial duties and responsibilities, or held, individually or jointly, more than 5% of the capital

or voting rights or preferred shares, or engaged in any substantial commercial relationship with any affiliates of Çan2 Termik A.Ş. A.Ş.'nin ("Çan2 Termik") or any corporations in which the company has management control or substantial influence, or shareholders which maintain the company's management control or substantial influence in the company, and legal persons which hold management control of such shareholders,

b) That I have not been a shareholder (5% or more) or executive with significant duties and responsibilities, or board member in the companies which have provided or bought significant amounts of services or products within the framework of agreements, including but not limited to the auditing (including tax audits, statutory audits, internal audits), rating, and consulting of the company, during the last five years, in the time frame of such provision or purchase of services or products,

c) That I have the professional training, expertise and experience to duly perform the duties to be assumed on the grounds of being an Independent Member of the Board of Directors,

d) That I am not a full-time employee of a government agency or entity,

e) That I am considered a resident of Turkey as per the Income Tax Law,

f) That I have robust ethical standards, the professional reputation and the experience to enable free decision-making, taking into account the rights of stakeholders, and contributing positively to the operations of ÇAN2 Termik, while maintaining impartiality in conflicts of interest which may arise between the shareholders,

g) I will be able to spare adequate time for the company's affairs, so as to fully perform the requirements of the roles assumed, and to monitor ÇAN2 Termik's course of business,

h) I have not served as a board member of the company for more than six years in the last ten years,

i) I am not an independent board member for more than three companies where the Company or its controlling shareholders hold the control of management and/or more than five corporations whose shares are listed in the stock exchange.

During the reporting period, no events to abolish the independent status of the independent board members took place. No restrictions regarding the assumption of duties or positions outside the company are imposed on the board members. The members of the Board of Directors do not currently engage in any business which would lead to any conflicts of interest with the company, and do not engage in operations to compete with the company in the same fields of operation.

The Basis of the Board's Activities

The frequency of the board meetings of the Company, as well as the quorum for meeting and resolution are established in the Articles of Incorporation. Accordingly, the Board of Directors shall convene with a simple majority of the members, as the company's affairs and operations require. The Board resolutions are made with the majority of the members present at the meeting.

The Board of Directors meetings are held at the company headquarters, or in an available facility in the city where the corporate headquarters is located. The Board of Directors can also convene in another city, on the basis of a board resolution for doing so. The secretariat services for the Board of Directors meetings are provided by the legal department. The agenda of the Board of Directors is set through consultations the Chairperson has with other members of the board, and with the General Director and/or Chief Executive Officer.

The managers' requests will be taken into consideration when setting the agenda. In 2022, the Board of Directors convened 19 times in total. No dissenting comment was registered in the resolution minutes against any resolutions made in such meetings. However, should such a dissent arise, all aspects to reflect the dissenting opinion shall be registered in the minutes. Where the Capital Markets Regulations require so, important resolutions of the Board of Directors are announced to the public through Material Disclosures.

Number, Structure and Independence of Committees Formed under the Board of Directors

The Corporate Governance Committee were established through the Board of Directors' resolution dated 20.01.2021. The Corporate Governance Committee has also assumed the authorities, duties, and responsibilities regarding the performance of the duties of the Nomination Committee and the Remuneration Committee.

The duties and working principles of the committees established within the framework of the Corporate Governance Principles, entered into force through the Board of Directors' resolution dated 20.01.2021, and were announced on the Public Disclosure Platform. Furthermore, the Duties and Working announced to stakeholders on the Public Disclosure Platform and the corporate website.

Audit Committee

The Audit Committee was structured in accordance with the Corporate Governance Principles of the Capital Markets Board. The committee is composed of at least two members. The committee is composed of two non-executive independent board members. Mrs. Zehra Zeynep Dereli serves as the committee member, while Mr. Umut Apaydın serves as the committee chair. Special attention was paid to ensuring that the Committee Chair had previously served in a similar capacity, and has the expertise to analyze financial statements, as well as a strong grasp of accounting standards, and substantial qualifications.

The purpose of the committee reporting to the Board of Directors is to assist the Board of Directors with respect to the company's accounting system, public disclosure of financial data, independent audits, and overseeing the operation and effectiveness of the internal control system in line with the Capital Markets Regulations and the principles stipulated therein, as well as to consider and report to the Board of Directors any issues it observes during its assessments. The arrangement that requires the convening of the committee at least on a quarterly basis was implemented through the Duties and Working Principles of the Audit Committee.

Corporate Governance Committee

The Corporate Governance Committee is set up to support and assist the Board of Directors by working on monitoring the company's compliance with the corporate governance principles in accordance with the Capital Markets Regulations, implementing the principles, identifying any failure of implementation, working to improve its efficiency, identifying the candidates to be elected to the Board of Directors, establishing the company's perspective, principles, and applications regarding remuneration, assessing the performance and career planning of the board members and executive staff, overseeing investor relations activities, and making applicable proposals to the Board of Directors.

The Committee Chair shall be appointed from among the independent Board members. The director of the Investor Relations Department shall be appointed as a member of the Corporate Governance Committee. Furthermore, individuals who are subject matter experts but not Board members, can also be appointed as members of the Corporate Governance Committee. The Board of Directors appoints the members of the Corporate Governance Committee in the first Board meeting to follow the General Assembly which elected the Board of Directors. The Corporate Governance Committee shall serve until the election of the next Board of Directors. The Corporate Governance Committee shall convene at least three times per year. Where necessary, the committee shall convene at the corporate headquarters, upon an invitation issued by the Committee Chair through the secretariat of the Board of Directors. The committee shall convene with a simple majority and shall resolve with a majority. Once taken, decisions shall be registered in written form, to be signed by the committee members during the next meeting, and duly archived. The Corporate Governance Committee shall be composed of a total of three members, two independent nonexecutive board members, and one official of the company.

Members of the Corporate Governance Committee

The Corporate Governance Committee carried out activities for improvement of Investor Relations activities and identification of candidates who were proposed to be elected as board members in 2022. In this context, the Corporate Governance Committee was informed

about the investor meetings organized in the country and abroad for enhancement of the investor profile and about activities in relation to other investor relations practices. Furthermore, the Corporate Governance Committee submitted to the Board of Directors for consideration and for further submission to the approval of the shareholders during 2022 Ordinary General Assembly the candidates who were deemed to be eligible for Independent Board Membership based on the assessment conducted by the Nomination Committee operating within its scope, in line with the criteria specified under the Corporate Governance Communiqué of Capital Markets Board.

Early Detection of Risk Committee

Early Detection of Risk Committee is composed of at least two non-executive members of the Board. The committee is composed of two independent Board members.

The Early Detection of Risk Committee is set up in line with the Turkish Code of Commerce, the Articles of Incorporation, and the Corporate Governance Principles Communiqué of the Capital Markets Board, with a view to submitting recommendations to the Board of Directors, with respect to the early detection of risks which could threaten the existence, development, and continuation of the company, as well as the application of the measures regarding identified risks, and the management of the risks. The committee reports to the Board of Directors.

The committee examined and provided its opinion on risk- related activities of Finance, Accounting, Reporting and Human Resources Departments in 2022. The decision was made concerning the improvement of such activities for the upcoming periods. The arrangements regarding the convening of the committee are established in the duties and working principles of the Early Detection of Risk Committee.

Risk Management and Internal Control Mechanism

In line with its nature, ÇAN2 Termik A.Ş. issues its financial statements on a consolidated basis in accordance with the regulations. For the operating group covering electricity generation, electricity wholesale,

and mining operations, UFRS based financial statements are drawn up on a quarterly basis.

At ÇAN2 Termik A.Ş. level, on the other hand, transactions between electricity generation and electricity wholesale are written off, with consolidated financial statements being produced. The periodical financial results and performance of the companies included in the consolidation framework are analyzed, leading to consolidated financial reporting. ÇAN2 Termik A.Ş. 's internal control operations are executed within the framework of the regulations, under the responsibility of the Audit Committee. In quarterly periods when financial statements are disclosed to the public, the consolidated financial statements are submitted to the Board of Directors of the company, after being checked and approved by the committee for audit.

The new Turkish Code of Commerce which entered into force on July 1, 2012 rendered risk management activities a requirement for publicly traded corporations. The Early Detection of Risk Committee reporting to the Board of Directors was set up through the Board of Directors' resolution dated 20.01.2021, with a view to submitting comments and recommendations to the Board of Directors, with respect to the early detection of the risks that could threaten the existence, development, and continuation of the company, as well as the application of measures regarding identified risks, and the management of the risks.

Remuneration

In accordance with the Corporate Governance Principles, the "Remuneration Policy" applicable to the members of the Board of Directors and senior executives was developed in written form and approved in the Board of Directors meeting held on 14.01.2021, followed by publication on the corporate website. According to the Articles of Incorporation, the monthly salaries and per diem fees for members of the Board of Directors are set by the General Assembly. In the Ordinary General Assembly Meeting for the year 2021 which was held on 16.12.2022, the decision was taken to pay TRY 40,000 net salary to the Board members.

The following financial benefits were provided to the board members and senior executives of the company in 2022.

Total Financial Benefits (TRY)	
Board of Directors	851,527.78 TL
Senior Executives	10,353,857.11 TL

Payments to the Board members cover monthly salaries. The remunerations payable to the Board members are the cash payments set with reference to the company's profitability, performance, and internal positions, and effected regularly and continuously at certain periods of each month. The payments to senior executives cover monthly salaries.

The salaries payable to senior executives are set based on the position and the nature of the work, competence, experience, performance, and remuneration policies applied in the same industry for similar positions, the company's internal positions, inflation, and the company's achievement of the financial targets set for the year. When setting the remuneration policies, care is taken to exclude incentive systems which would harm the interests of the shareholders, employees, and customers. The salaries are reviewed and updated once a year. The Company does not extend any credits or loans to any board members or executives, nor does it extend personal loans through a third party. Furthermore, no guarantees or underwriting is extended for such people.

The salaries are reviewed and updated once a year. The Company does not extend any credits or loans to any board members or executives, nor does it extend personal loans through a third party. Furthermore, no guarantees or underwriting is extended for such people.

GOVERNMENT SUBSIDIES AND GRANTS

Çan2 Termik A.Ş. Investment Incentive Certificate

The Investment Incentive Certificate was issued for the completely new investment carried out in Çanakkale

province's Çan2 area, and covers the period 13.08.2014-12.02.2019. The certificate provides incentives including the Subsidy for Employer Insurance Contributions, Tax Rate Reduction Subsidy, VAT Exemption and Customs Duty Exemption.

The total amount of the investment is TRY 801,789,866. The procedures for the completion of the Incentive Certificate were finalized by the letter no. 401.06 dated 10.08.2020 from the Ministry of Industry and Technology. (Completion Visa granted.)

In addition, the Ministry of Industry and Technology issued an investment incentive certificate dated 08.04.2020 with certificate no. 510216 and ID no. 1013731. The subsidy category is Regional-Priority Investment and the incentive elements include VAT Exemption, Interest Subsidy, Tax Reduction, Employer Insurance Contributions and Allocation of Investment Area. The underlying investment is the modernization of the local coal-based power plant with an installed capacity of 340 MW (Çan2 Thermal Power Plant) and the incentive certificate has been issued as per the Generation License dated 28.01.2016 with no. ÜE/6083-2/03428, which has been granted by Energy Market Regulatory Authority.

DIVIDEND PAYMENT POLICY

The Dividend Distribution Policy ("Policy") of Çan2 Termik A.Ş. ("Company") has been prepared within the framework of the Company's Articles of Association, Turkish Commercial Code No. 6102, Capital Markets Law No. 6362, regulations of the related legislation.

There are no dividend privileges on the shares representing the Company's capital. The General Assembly of the Company shall decide whether or not to distribute dividends and, in the event that dividends are to be distributed, the method and time of distribution of the profit to be distributed, upon the proposal of the Board of Directors on this matter. The dividend rate to be distributed will be determined by taking into consideration the Company's investment and financing strategies and needs, market expectations, changes and developments in the relevant legislation, the Company's medium and long-term strategies, capital and investment

requirements, profitability, financial position, indebtedness and the Company's cash position, and national and global economic conditions; in principle, it is aimed to distribute at least 50% of the free cash flow to the shareholders in cash and/or as bonus shares after the distributable profit amount calculated on the basis of the Company's net profit for the period (after the reserves, taxes, funds, financial payments and prior year losses, if any, required to be set aside in accordance with the current legal regulations are set aside) meets the Company's debt service ratio.

Dividend distribution procedures shall commence on the date decided at the General Assembly, provided that they shall commence no later than the end of the accounting period in which the General Assembly meeting regarding the distribution decision is held. Dividends are distributed equally to all existing shares in proportion to said shares as of the date of distribution, regardless of their issue and acquisition dates.

Dividend payments may be made in equal or different installments, provided that it is resolved at the General Assembly meeting where dividend distribution is decided. According to the provisions of the Articles of Association, the profit distribution decision made by the General Assembly cannot be revoked. In the event that the Board of Directors proposes to the General Assembly not to distribute the profit, information on the reasons for this and the manner of utilization of the undistributed profit shall be included in the agenda item on profit distribution. The Company may also distribute advance dividends to shareholders in accordance with the Turkish Commercial Code and capital markets legislation.

In case of any amendment to this Dividend Distribution Policy, the decision of the Board of Directors regarding the amendment shall be announced to the public within the framework of the regulations of the Capital Markets Board regarding the public disclosure of material events.

Legal Actions

During the period of 01.01.2022 -31.12.2022, there are no significant lawsuits that may affect the activities of the Group, for and against.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

Corporate Governance Compliance Report		Compliance Status					
1.1.	FACILITATION OF THE USE OF SHARE OWNERSHIP RIGHTS	Yes	Partially	No	Exempt	Not applicable	Comment
	1.1.2 - Information and disclosures which may affect the use of Share Ownership rights are made available for investors in an up-to-date fashion on the company's corporate website.	X					
1.2.	RIGHT TO DEMAND AND REVIEW INFORMATION	Yes	Partially	No	Exempt	Not applicable	Comment
	1.2.1- Company management avoided execution of any transaction that may complicate a private audit.	X					
1.3.	GENERAL ASSEMBLY	Yes	Partially	No	Exempt	Not applicable	Comment
	1.3.2- The company ensured that the agenda of the General Assembly was expressed explicitly and every proposal was provided under a separate title.	X					
	1.3.7- Persons who have the opportunity to access the partnership information in a privileged way have informed the Board of Directors to be included in the agenda in order to provide information to the General Assembly on the transactions carried out on behalf of themselves within the scope of the partnership's area of activity.					X	There are no privileged shares.
	1.3.8 - Board Members who are subject matter experts in the special items in the agenda, other related people and officials and auditors with responsibility for preparing financial statements were present at the general assembly meeting.	X					
	1.3.10- The amounts and beneficiaries of all donations and grants were provided in a separate item in the agenda of the General Assembly		X				All donations and grants made during the year were shared as per the agenda of the General Assembly.
	1.3.11 - The General Assembly meeting was held open to the public, including stakeholders and media, provided that those should not have a right to speak.	X					
1.4.	VOTING RIGHTS	Yes	Partially	No	Exempt	Not applicable	Comment
	1.4.1- There are no restrictions or practices that make it difficult for shareholders to exercise their voting rights.	X					
	1.4.2- The company does not have any shares with privileged voting rights.	X					The company does not have any privileged shares. However, Group A shares are privileged. The privileged shareholders are Abdulkadir Bahattin Özal and Burak Altay with voting rates of 12.93% and 21.26%, respectively.
	1.4.3- The company did not exercise its voting rights in the General Assembly of any partnership in which they have cross-ownership associated with any controlling relationship.					X	

Corporate Governance Compliance Report		Compliance Status					
1.5.	MINORITY RIGHTS	Yes	Partially	No	Exempt	Not applicable	Comment
	1.5.1 -The company has paid maximum attention to the exercise of minority rights.	X					
	1.5.2-Minority rights were vested in shareholders who hold less than one twentieth of the capital, based on the articles of association. The scope of minority rights had extended in the articles of association.			X			Minority rights in our company are identified based on the ratio regulated by the Turkish Commercial Code.
1.6.	DIVIDEND RIGHTS	Yes	Partially	No	Exempt	Not applicable	Comment
	1.6.1- The dividend payment Policy approved by the General Assembly was disclosed to the public on the company's corporate website.	X					
	1.6.2- The Dividend Payment Policy incorporates minimum explicit information required to enable the shareholders to make predictions on the procedures and principles regarding the distribution of profit by the company in the future.	X					
	1.6.3- The reasons for not distributing dividends and the use of retained earnings were stated in the related agenda item.	X					
	1.6.4 - The Board of Directors reviewed the dividend payment policy with respect to the protection of balance between shareholders' interests and the company's interests.	X					
1.7.	TRANSFER OF SHARES	Yes	Partially	No	Exempt	Not applicable	Comment
	1.7.1- There is no restriction which complicates the transfer of the shares.	X					
2.1.	CORPORATE WEBSITE	Yes	Partially	No	Exempt	Not applicable	Comment
	2.1.1.- The corporate website of the company contains all items relevant to corporate governance principle no. 2.1.1.	X					
	2.1.2- Shareholding structure (names, privileges and number and ratio of shares of the real person shareholders who own more than 5% of issued capital) is updated on the corporate website at least every 6 months.	X					
	2.1.4 -Information on the corporate website of the company has been provided in the foreign languages chosen according to need, provided that their content should be the same as the Turkish version.	X					
2.2.	ANNUAL REPORT	Yes	Partially	No	Exempt	Not applicable	Comment
	2.2.1- The Board of Directors ensures that the annual report includes complete and true information with respect to the activities of the company.	X					
	2.2.2-The annual report contains all elements under principle no. 2.2.2.	X					
3.1.	COMPANY POLICY ON STAKEHOLDERS	Yes	Partially	No	Exempt	Not applicable	Comment
	3.1.1- The participation of employees in management has been regulated by the articles of incorporation or the internal regulations.	X					

Corporate Governance Compliance Report		Compliance Status					
3.1.	COMPANY POLICY ON STAKEHOLDERS	Yes	Partially	No	Exempt	Not applicable	Comment
	3.1.3 -Policies and procedures regarding the rights of stakeholders are published on the corporate website of the company.	X					
	3.1.4 - Necessary mechanisms have been established for stakeholders to report transactions that are contrary to the legislation and which are unethical.	X					
	3.1.5 -The company approaches conflicts of interest between stakeholders in a balanced manner.	X					
3.2.	PROMOTING THE PARTICIPATION OF STAKEHOLDERS IN THE COMPANY MANAGEMENT	Yes	Partially	No	Exempt	Not applicable	Comment
	3.2.1 - The participation of employees in management has been regulated by the articles of incorporation or the internal regulations.		X				Ad hoc committees were formed for investment activities of the company in the related periods and the participation of employees in the management was ensured.
	3.2.2 -In case of significant decisions that may bear consequences for stakeholders, methods such as surveys and consultation have been applied to obtain the opinions of stakeholders.		X				In case of important decisions that may lead to results for some of the stakeholders, requests, suggestions and complaints of the stakeholders are received and considered.
3.3.	HUMAN RESOURCES POLICY OF THE COMPANY	Yes	Partially	No	Exempt	Not applicable	Comment
	3.3.1 -The company has adopted an employment Policy offering equal opportunities and a succession plan for all key management positions.	X					
	3.3.2 - Recruitment criteria has been determined in writing.	X					
	3.3.3 -The company has a Human Resources Development Policy and organizes training sessions for employees as part of this policy.	X					
	3.3.4 -Meetings have been held to inform employees on issues such as the financial status of the company, remuneration, career planning, education and health	X					
	3.3.5 - Decisions which may affect employees have been notified to the employees and their representatives. The opinions of relevant unions about such issues have been taken as well.		X				The Human Resources Department is responsible for relations with all employees. However, there is no union in our company.
	3.3.6 - Job definitions and performance criteria have been prepared in detail for all employees and have been provided to them. They have been utilized in the determination of remuneration.	X					Job descriptions are made for parent companies and revisions are ongoing in all other group companies.
	3.3.7 - Measures, such as procedures, training sessions, awareness raising, objectives, monitoring and complaint mechanisms, have been taken in order to prevent discrimination among employees and to protect the employees against any physical, mental and emotional mistreatment within the company.	X					

Corporate Governance Compliance Report		Compliance Status					
3.3.	HUMAN RESOURCES POLICY OF THE COMPANY	Yes	Partially	No	Exempt	Not applicable	Comment
	3.3.8-The company supports the recognition of freedom to establish associations and the right to collective bargaining efficiently.		X				Although there are no associations or unions in the company, there is no restrictive practice.
	3.3.9 - A safe working environment is ensured for employees.	X					
3.4.	RELATIONS WITH CUSTOMERS AND SUPPLIERS	Yes	Partially	No	Exempt	Not applicable	Comment
	3.4.1-The company measured customer satisfaction and operates on the understanding of unconditional customer satisfaction.	X					
	3.4.2- Any delay in handling customers' requests regarding the goods and services purchased by them is notified to customers.	X					
	3.4.3-The company complies with quality standards related to goods and services.	X					
	3.4.4-The company has control processes for maintaining the confidentiality of the commercial secrets of customers and suppliers.	X					
3.5.	CODE OF CONDUCT AND SOCIAL RESPONSIBILITY	Yes	Partially	No	Exempt	Not applicable	Comment
	3.5.1- A Code of Conduct determined by the Board of Directors has been published on the corporate website of the company.	X					
	3.5.2- The company is aware of its social responsibilities. It has taken measures to prevent corruption and bribery.	X					
4.1.	FUNCTION OF THE BOARD OF DIRECTORS	Yes	Partially	No	Exempt	Not applicable	Comment
	4.1.1-The Board of Directors ensures that strategies and risks do not threaten the long-term interests of the company and effective risk management procedures are in place.	X					
	4.1.2-The meeting agenda and minutes demonstrate that the Board of Directors discusses and approves the strategic objectives of the company, determines the required Resources and oversees the performance of management.	X					
4.2.	THE BASIS OF THE BOARD OF DIRECTOR'S ACTIVITIES	Yes	Partially	No	Exempt	Not applicable	Comment
	4.2.1-The Board of Directors documented its activities and submitted them to the information of the shareholders.	X					
	4.2.2-The duties and powers of the Board members were provided in the annual report.	X					
	4.2.3-The Board of Directors has established an internal control system in accordance with the scale of the company and the complexity of its activities.		X				Internal control activities are performed by the Audit Committee. Company directors carry out assessments on a departmental basis.
	4.2.4-Information regarding the functioning and efficiency of the internal control system is given in the annual report.	X					

Corporate Governance Compliance Report		Compliance Status					
4.2.	THE BASIS OF THE BOARD OF DIRECTOR'S ACTIVITIES	Yes	Partially	No	Exempt	Not applicable	Comment
	4.2.5-The authorities of the Chairperson of the Board and the Chief Executive Officer (General Manager) are separated and defined.			X			
	4.2.7-The Board of Directors has facilitated effective functioning of the Investor Relations department and the corporate governance committee and has been in close cooperation with the Investor Relations department and the corporate governance committee in resolving disputes between the company and shareholders, and in communications with the shareholders.	X					
	4.2.8- Regarding the losses that the members of the Board of Directors may cause in the company due to any faults in the course of their duties, the company has taken out executive liability insurance for a price exceeding 25% of the capital.			X			No executive liability insurance for a price exceeding 25% of the company capital has been taken out regarding the losses that the Board members may cause in the company due to any faults in the course of their duties.
4.3.	STRUCTURE OF THE BOARD OF DIRECTORS	Yes	Partially	No	Exempt	Not applicable	Comment
	4.3.9-The company determined an objective of a minimum percentage of 25% for female Board members and established a relevant policy to achieve this objective. The structure of the Board of Directors is reviewed annually and determination of candidates is carried out in accordance with this policy.		X				The Board of Directors has one female member. There is no policy relating to the minimum target of 25% for female members.
	4.3.10- At least one of the committee members responsible for auditing has 5-years experience in auditing/accounting and finance.	X					
4.4.	PROCEDURE FOR THE BOARD OF DIRECTORS MEETINGS	Yes	Partially	No	Exempt	Not applicable	Comment
	4.4.1-All Board members physically attended most of the Board of Directors' meetings.	X					
	4.4.2-The Board of Directors has determined a minimum period of time for the sending of information and documents relating to the agenda items to all members before the meeting.	X					
	4.4.3-The opinions of the members who could not attend the meeting, but who expressed their opinions in writing to the Board of Directors were submitted for the information of other members.					X	
	4.4.4-Each Board member has one vote.	X					

	Corporate Governance Compliance Report	Compliance Status					
4.4.	PROCEDURE FOR THE BOARD OF DIRECTORS MEETINGS	Yes	Partially	No	Exempt	Not applicable	Comment
	4.4.5-The procedure for the Board meetings has been documented in written form in accordance with the internal regulations of the company.	X					
	4.4.6-Minutes of the Board meetings reveal that all agenda items were discussed. Minutes for decisions are prepared in such a way that dissenting opinions are also included.	X					
	4.4.7-The external duties of the Board members have been restricted. The external duties conducted by the Board members were submitted for the information of shareholders at the General Assembly meeting.			X			No restrictions regarding the assumption of duties or positions outside the company are imposed on the Board Members.
4.5.	COMMITTEES FORMED UNDER THE BOARD OF DIRECTORS	Yes	Partially	No	Exempt	Not applicable	Comment
	4.5.5- Each Board member is assigned to only one committee.			X			Board members are not assigned to only one committee.
	4.5.6-The Committees invited people to the meetings as deemed necessary to consult with and obtained their opinion.	X					
	4.5.7-Information regarding the independence of the person/institution that provides consultancy services to the committee is given in the annual report.					X	
	4.5.8-A report has been issued and submitted to Board members regarding the results of the meetings held by the committees.	X					
4.6.	FINANCIAL RIGHTS PROVIDED TO THE BOARD MEMBERS AND EXECUTIVES WITH ADMINISTRATIVE RESPONSIBILITIES	Yes	Partially	No	Exempt	Not applicable	Comment
	4.6.1 - The Board of Directors conducted a performance evaluation for the board to appraise whether they fulfilled their responsibilities effectively or not.			X			Performance evaluation of Board of Directors has not been made
	4.6.4-The Company did not provide credit facilities, grant loans or extend the term of a loan granted, improve the underlying conditions, supply credit through third parties as a personal credit to any of its board members or its executives with administrative responsibilities or provide securities such as a guarantee in favor of them.	X					
	4.6.5-Remuneration provided to members of the Board of Directors and executives with administrative responsibilities has been disclosed for each person in the annual report.		X				Remunerations provided to the Board members and executives with administrative responsibilities have been disclosed based on a total figure in the annual report.

CORPORATE GOVERNANCE INFORMATION FORM

CORPORATE GOVERNANCE INFORMATION FORM		
1.	SHAREHOLDERS	
1.1.	Facilitation of the Use of Share Ownership Rights	
	Number of investor conferences and meetings held by the company during the year	41
1.2.	Right to Demand and Review Information	
	Number of requests for private auditors	-
	Number of requests for private auditors approved at the General Assembly meeting	-
1.3.	General Assembly	
	Link to the KAP (Public Disclosure Platform) announcement for the information requested as part of principle 1.3.1 (a-d)	https://www.kap.org.tr/tr/Bildirim/978298
	Whether or not documents in English related to the General Assembly meeting were presented simultaneously with Turkish versions	The related documents are presented in Turkish and English on the website of the company.
	Links to the KAP announcements for the processes which were not approved by the majority of independent members or do not have unanimous consent, as part of the principle 1.3.9	N/A
	Links to the KAP announcements for the processes of related parties performed as part of Article 9 of the Corporate Governance Communique (II-17:1)	Such a process is not available as part of the Article 9.
	Links to the KAP announcements for the common and continuous processes performed as part of Article 10 of the Corporate Governance Communique (II-17:1)	N/A
	Name of the section on the corporate website of the company that describes the policy on donations and grants	Investor Relations / Corporate Governance / Our Policies / Donation Policy
	Link to the KAP announcement for the minutes of the general assembly in which the policy on donations and grants was approved	The General Assembly Meeting at which the Policy was adopted was held in the period before the Company's shares were traded on the stock exchange
	Number of the article which regulates participation of stakeholders in the general assembly in the articles of association	N/A
	Information about stakeholders who attended the General Assembly	Company employees
1.4.	Voting Rights	
	Whether or not voting rights have privilege	No
	Privileged shareholders and their vote rates if votes are privileged	-
	Share percentage of the largest shareholder	%76.77
1.5.	Minority Rights	
	Whether or not minority rights have been extended (with regard to content or ratio) in the articles of association of the company	No
	Specify the number of the relevant articles of association item if minority rights have been extended with regard to content and ratio.	-
1.6.	Dividend Rights	
	Name of the section on the corporate website that describes the dividend payment policy	Investor Relations / Corporate Governance / Our Policies / Dividend Payment Policy

1.	SHAREHOLDERS	
1.6.	Dividend Rights	
	In the event that the Board of Directors proposed the General Assembly that dividends not be distributed, minutes of the relevant general assembly agenda item regarding the reasons for not distributing dividends and the use of retained earnings	Regarding the agenda item number 6 of the 2021 Ordinary General Assembly meeting of the Company, it has been unanimously resolved that no dividend distribution will be made due to the fact that there is no distributable profit in the consolidated financial statements for the accounting period 01.01.2021 - 31.12.2021 prepared in accordance with the provisions of the "Communiqué on the Principles Regarding Financial Reporting in Capital Markets" numbered (II-14.1) of the Capital Markets Board and independently audited, and in the financial statements prepared in accordance with the principles of the Tax Procedure Law within the framework of the statements prepared in accordance with the principles of the Tax Procedure Law from the activities of our Company in 2021.
	Link to the KAP announcement for the relevant general assembly minutes, in the event that the Board of Directors proposed the General Assembly not to distribute the profit	https://www.kap.org.tr/tr/Bildirim/1088119

GENERAL ASSEMBLY MEETINGS

Date of the General Assembly	Number of requests for annotations sent to the company with regard to the agenda of General Assembly	Participation rate of shareholders in General Assembly	Ratio of the shares represented directly	Ratio of the shares represented by proxy	Name of the section on the corporate website of the company that contains the minutes of the general assembly meeting, including the positive and negative votes for every agenda item	Name of the section on the corporate website that includes all questions asked at the general assembly meeting and their answers Number	General Assembly meeting of the article or paragraph in the minutes of the general assembly meeting that describes the related parties	Number of persons who report to the Board of Directors and have the opportunity to access the company information in a privileged way (The list of insiders)	Link to the general assembly statement published in KAP
16.12.2022	-	77,86%	76,77%	1,09%	Yatırımcı İlişkileri/ Kurumsal Yönetim/ Genel Kurul Toplantıları/2021 Yılına İlişkin Genel Kurul Toplantısı/ Toplantı Tutanağı	Yatırımcı İlişkileri/ Kurumsal Yönetim/ Genel Kurul Toplantıları/2021 Yılına İlişkin Genel Kurul Toplantısı/ Toplantı Tutanağı	15	19	https://www.kap.org.tr/tr-Bildirim/1081169

2.	PUBLIC DISCLOSURE AND TRANSPARENCY	
2.1.	Corporate Website	
	Names of the sections on the corporate website that provide the information requested by corporate governance principle 2.1.1.	Investor Relations / Corporate Governance, Annual Reports, Material Disclosures, Financial Reports, Capital and Shareholding Structure, Articles of Incorporation, Policies
	The section on the corporate website that gives the list of real person shareholders who directly or indirectly own more than 5% of the shares	Investor Relations / Corporate Governance / Capital and Shareholding Structure
	Languages in which the corporate website has been prepared	Turkish and English
2.2.	Annual Report	
	Page numbers or name of the sections in the annual report that contain the information requested by corporate governance principle no.2.2.2	
	a) The page number or section name that describes the external duties of the members of the Board of Directors and executives and declarations of independence of the members	Corporate Governance Compliance Report / Board of Directors / Composition and Formation of the Board

2.	PUBLIC DISCLOSURE AND TRANSPARENCY	
	b) The page number or section name that indicates the information on the committees formed under the Board of Directors	Corporate Governance Compliance Report / Board of Directors / Number, Structure and Independence of Committees Formed under the Board of Directors
	c) The page number or section name that contains the information on the number of board meetings in a year and the attendance of the members at these meetings	Corporate Governance Compliance Report / Board of Directors / Operating Principles of the Board
	d) The page number or section name that includes the information on amendments to legislation which may significantly affect the activities of the company	-
	e) The page number or section name that demonstrates the information on significant lawsuits filed against the company and the likely outcomes thereof	Corporate Governance Compliance Report / Legal Actions
	f) The page number or section name that contains the information on conflicts of interest between the company and the institutions from which it purchases services such as investment consulting and rating and the measures taken to avoid such conflicts of interest	-
	g) The page number or section name that includes the information on the cross-ownerships in which direct contributions to the capital exceed 5%	-
	h) The page number or section name that demonstrates the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the company activities that give rise to social and environmental outcomes	Corporate Governance Compliance Report / Stakeholders / Code of Conduct and Social Responsibility
3.	STAKEHOLDERS	
3.1.	Company's Policy on Stakeholders	
	Name of the section on the corporate website that describes the compensation policy	Investor Relations / Corporate Governance / Our Policies / Compensation Policy
	The number of final judicial decisions against the company on the grounds of breaching employee rights	-
	Title of the person responsible for the notification mechanism	Human Resources Director
	Contact details of the company's notification mechanism	ik@can2termik.com.tr - info@can2termik.com.tr
3.2.	Promoting the Participation of Stakeholders in Company Management	
	Name of the section on the corporate website that provides the internal regulations about the participation of employees in management bodies	-
	Management bodies where employees are represented	-
3.3.	Human Resources Policy of the Company	
	Role of the Board of Directors in the development of a succession plan for the key management positions	-
	Name of the section on the corporate website that demonstrates the human resources policy covering equal opportunities and recruitment criteria, or a summary of the relevant articles of the policy	Human Resources / Human Resources Policy
	Whether or not there is a stock ownership plan	There Is No Stock Ownership Plan
	Name of the section on the corporate website that describes the human resources policy which covers the measures against discrimination and mistreatment, or a summary of the relevant articles of the policy	Human Resources / Human Resources Policy
	Number of final judicial decisions against the company due to responsibility for work related accidents	-

3.	STAKEHOLDERS	
3.5.	Code of Conduct and Social Responsibility	
	Name of the section on the corporate website that describes the code of conduct policy	Human Resources / Code of Conduct
	Name of the section on the corporate website that demonstrates the corporate social responsibility report. The measures taken on environmental, social and corporate governance issues, if no corporate social responsibility report exists	In 2022, our Company carried out social responsibility projects within the framework of the Social Responsibility Policy and in a way to take into account the environmental and social needs of the society we are in.
	The measures taken to fight any kind of corruption including extortion and bribery	The sanctions to be applied against any kind of corruption including extortion and bribery are included in the disciplinary procedure of the company
4.	BOARD OF DIRECTORS-I	
4.2.	The Basis of the Board's Activities	
	Date on which the last performance evaluation of the Board of Directors was conducted	-
	Any referral to the independent subject matter experts during the performance evaluation of the board	No
	Whether or not all Board members have been released	Yes
	Names of the members of the Board of Directors with delegated powers through distribution of duties, and descriptions of such powers	Burak Altay - Chairperson of the Board, Ali Kemal Kazancı- Deputy Chairperson of the Board, Mustafa Ali Özal - Board Member, Umut Apaydın - Independent Board Member, Zehra Zeynep Dereli- - Independent Board Member
	Number of reports presented by the internal control unit to the audit committee or any relevant committee	-
	Name or page number of the section in the annual report that provides a review of the effectiveness of the internal control system	Corporate Governance Compliance Report / Board of Directors / Risk Management and Internal Control Mechanism
	Name of the Chairperson of the Board	Burak Altay
	Name of the Chief Executive Officer/General Manager	Burak Altay
	Link to the KAP announcement on the rationale behind the fact that the Chairperson of the Board of Directors and Chief Executive Officer/General Manager are the same person	-
	Link to the KAP announcement for the fact that an insurance for a price exceeding 25% of the company capital has been taken out regarding the losses that the Board members may cause in the company due to any faults in the course of their duties	-
	Name of the section on the corporate website that gives information about the diversity policy for increasing the rate of female Board members	-
	Number and percentage of female members	1 Female member - %20

STRUCTURE OF THE BOARD

Full Name of the Board Member	An Executive Member or Not	An Independent Member or Not	The Date of Election as a Board Member for the First Time	Link to the KAP Announcement for Declaration of Independence	Independent Whether or Not the Member was Evaluated by the Nomination Committee	Whether Any of the Members Lost Their Independence or not	Whether or Not He/She Has at Least 5-Years Experience in Auditing, Accounting and/or Finance
Burak Altay	Executive	Not Independent Member	8.09.2014				
Ali Kemal Kazancı	Non - Executive	Not Independent Member	28.07.2020				
Mustafa Ali Özal	Non - Executive	Not Independent Member	19.01.2021				
Zehra Zeynep Dereli	Non - Executive	Independent Member	16.12.2022	https://www.kap.org.tr/tr/Bildirim/1088119	Evaluated	No	Yes
Umut Apaydın	Non - Executive	Independent Member	19.01.2021	https://www.kap.org.tr/tr/Bildirim/1088119	Evaluated	No	Yes

4.	BOARD OF DIRECTORS-II	
4.4.	Meeting Procedures of the Board of Directors	
	Number of the physical board meetings in the reporting period	19
	Average attendance rate at board meetings	100%
	Whether or not an electronic portal is used to facilitate the works of the Board of Directors	No
	Number of minimum days ahead of the board meeting to provide information and documents to members as per working principles of the Board of Directors	Changes Based on the Agenda.
	Name of the section on the corporate website that demonstrates information about the internal regulations which cover board meeting procedures	Investor Relations / Corporate Governance / Articles of Association / Article 7
	The upper limit determined in the policy that restricts the members from assuming external duties	There is no restriction for the members to assume external duties.
4.5.	The Committees Formed under the Board of Directors	
	The page number or section name in the annual report that provides information about the board committees	Corporate Governance Compliance Report / Board of Directors / Number, Structure and Independence of Committees Formed under the Board of Directors
	Link to the KAP announcement about the working principles of the committee	https://www.kap.org.tr/tr/Bildirim/995002

COMMITTEES UNDER THE BOARD

Names of the Committees under the Board	Name of the Committee Indicated As "Other" in the First Column	Full Name of Committee Members	Committee Chair or Not	Board Member or Not
Audit Committee		Umut Apaydın	Yes	Board Member
Audit Committee		Zehra Zeynep Dereli	No	Board Member
Corporate Governance Committee		Umut Apaydın	Yes	Board Member
Corporate Governance Committee		Zehra Zeynep Dereli	No	Board Member
Corporate Governance Committee		Melih Yüceyurt	No	Not a Board Member
Early Detection of Risk Committee		Zehra Zeynep Dereli	Yes	Board Member
Early Detection of Risk Committee		Umut Apaydın	No	Board Member

4.	YÖNETİM KURULU-III	
4.5.	The Committees Formed under the Board of Directors-II	
	Specify the section in the annual report or on the corporate website where the activities of the audit committee are presented (page number or section name)	Investor Relations / Corporate Governance / Committees / Audit Committee / Duties and Working Principles of the Audit Committee
	Specify the section in the annual report or on the corporate website where the activities of the corporate governance committee are presented (page number or section name)	Investor Relations / Corporate Governance / Committees/ Corporate Governance Committee / Duties and Working Principles of the Corporate Governance Committee
	Specify the section in the annual report or on the corporate website where the activities of the nomination committee are presented (page number or section name)	Investor Relations / Corporate Governance / Committees / Corporate Governance Committee / Duties and Working Principles of the Corporate Governance Committee
	Specify the section in the annual report or on the corporate website where the activities of the early detection of risk committee are presented (page number or section name)	Investor Relations / Corporate Governance / Committees / Early Detection of Risk Committee / Duties and Working Principles of the Early Detection of Risk Committee
	Specify the section in the annual report or on the corporate website where the activities of the remuneration committee are presented (page number or section name)	Investor Relations / Corporate Governance / Committees / Corporate Governance Committee / Duties and Working Principles of the Corporate Governance Committee
4.6.	Financial Rights Provided to Members of the Board of Directors and Executives with Administrative Responsibilities	
	The page number or section name in the annual report that gives information about the operational and financial performance targets and their achievement status	Annual Report / Operational Status During the Period
	Name of the section on the corporate website that covers the remuneration policy for executive and non-executive directors.	Investor Relations / Corporate Governance / Policies / Remuneration Policy
	The page number or section name in the annual report that describes the individual remuneration and all other benefits for the members of the Board of Directors and executives with administrative responsibilities	Corporate Governance Compliance Report / Financial Rights

COMMITTEES UNDER THE BOARD II

Names of the Committees under the Board	Name of the Committee Indicated As "Other" in the First Column	The Percentage of Non-Executive Directors	The Percentage of Independent Members in the Committee	Number of Physical Meetings Held by the Committee	Number of Reports Submitted to the Board of Directors by the Committee about Its Activities
Audit Committee	-	100%	100%	9	9
Corporate Governance Committee	-	100%	66%	3	3
Early Detection of Risk Committee	-	100%	100%	6	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Çan2 Termik A.Ş.

A) Independent Audit of the Financial Statements

1. Opinion

We have audited the consolidated financial statements of Çan2 Termik A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2022, and the consolidated statements of income, and other comprehensive income, consolidated statements of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "ISA") issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA") that are part of Turkish Standards on Auditing. Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for

Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Emphasis of Matter

The consolidated financial statements of the Group for the accounting period ending on 31.12.2021 were audited by another independent auditor and a positive opinion was given on these consolidated financial statements on 03.02.2022.

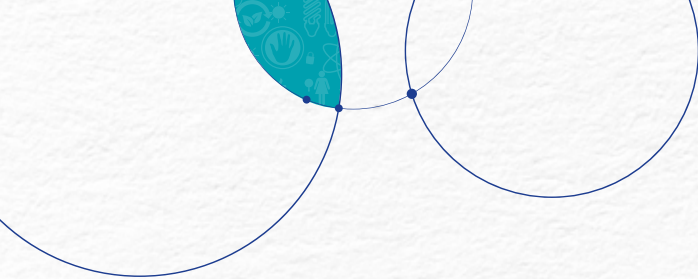
As explained in Note 20, as of December 31, 2022 the Group has order advances given related to the investment projects in progress amounting to TL 47.864.509 included in "Other Non-Current Assets". The Group management explained that these advances were given for the construction of thermal power plant and will be transferred to property, plant and equipment in the following periods. As of December 31, 2022, TL 6.514.873,72 of that advances are dormant. The management plans to take the necessary actions to ultimately close the balances of advances in question. The accompanying financial statements do not contain any adjustment or classification thereon.

4. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

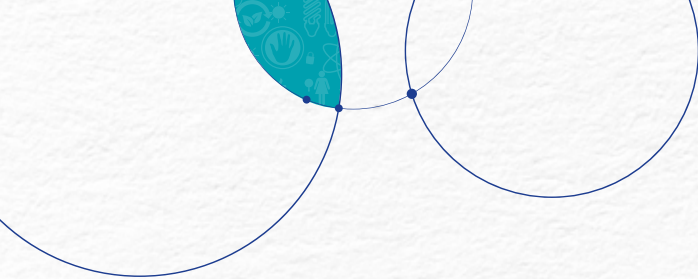
In addition to the Significant Uncertainty matter explained in respect of going concern of the business, the issues described below have been identified as key audit issues and reported in our report:

Key Audit Matter	How our audit addressed the key audit matter
Cash Flow Hedging Accounting	
<p>The Group associates the budgeted electricity sales with the loans denominated in Euro obtained in reference to its investments in electricity generation. The contractual sales are indexed to USD currency and these contracts are affected by the fluctuation of the exchange rates between Turkish Lira and USD. The Company hedges this exchange rate risk with its loans borrowed in Euro.</p> <p>As of December 31, 2022, the amount of cash flow hedge losses classified under the shareholders equity amounting to TL 766.181.663 is considered to be significant with respect to the financial statements.</p> <p>Cash flow hedge accounting is structurally complex and has been considered a key audit matter since it is a matter which requires professional expertise.</p>	<p>The definition and documentation of the risk management target and strategy that led to the Company's cash flow hedging process has been examined within the framework of the definitions of financial hedging accounting specified in Financial Instruments: Recognition and Measurement. Cash flow hedging accounting model calculation prepared by a consultant service organization for the Group, risk management strategy, risk management objectives, hedging relationship, nature of protected risk, method of measurement of credit hedging effectiveness were examined and it was reviewed that the financial instrument in question was part of the hedge relationship that provides the hedge requirements.</p> <p>The group has linked USD receivables subject to the hedge accounting process with foreign exchange sales to be made. The compliance of the electricity sales prices, which are the subject of cash flow hedging, with the budget approved by the management has been checked. Repayment plans for such loans were checked from credit contracts and bank agreements.</p> <p>The mathematical accuracy and accounting of the accounting record carried out on the subject was checked. The adequacy of the explanations in the financial statements related to cash flow hedging accounting was evaluated.</p>



Key Audit Matter	How our audit addressed the key audit matter
Capitalized mining assets	
<p>The Group capitalizes the following expenditure incurred:</p> <p>Development costs incurred in mine sites in cases where the economic benefits from the mine sites are highly likely to be obtained in the future, can be defined for certain mining areas and the costs can be measured reliably.</p> <p>During the period, the direct costs incurred during the stripping work that facilitates access to the defined part of the ore in each open pit ore deposit and the general production expenses associated with the stripping work.</p> <p>Reclamation, rehabilitation, and closure costs according to the current conditions of the mine sites that arise due to open pit mine development activities and open pit production, share of development costs capitalized as of the 31.12.2022, present value of provision for expenses that are highly likely to be used during the rehabilitation of mines, and the management judgments applied during the capitalization process of the related costs has been determined as key audit matters.</p>	<p>Our audit procedures in this area are as follows:</p> <p>Evaluation of the content of development costs capitalized for each mine site.</p> <p>Testing the appropriateness of management evaluations.</p> <p>Meeting with the managers of the Group's departments responsible for mining sites.</p> <p>Performing detailed tests on development costs. mutual checking of invoice samples with mining licenses and progress payment reports.</p> <p>Examining the expected economic benefit in the future according to the Group's forecasts and past performance.</p>

Key Audit Matter	How our audit addressed the key audit matter
Short Term and Long-term Financial Liabilities	
<p>As of December 31, 2022, the Group has short- term financial liabilities of TL 293.815.316 which constitutes 24% of its short-term liabilities, and long-term financial liabilities of TL 1.931.248.633 which constitute 99% of its total long-term liabilities.</p> <p>Details on short-and long-term financial liabilities are included in Note 33.</p> <p>The group shows its financial debts at rate valuations and discounted cost using the effective interest method. The calculation and reconciliation of financial liabilities has been considered by us as a key audit matter.</p> <p>In addition, expense accruals and provisions amounting to TL 498.136.013 which constitutes 40% of the short-term liabilities in the consolidated financial statements of the group.</p>	<p>Our audit procedures are designed to inquiry the accuracy of financial liabilities.</p> <p>The accounting policies applied by the Group regarding financial liabilities and their principles of implementation were evaluated.</p> <p>The accuracy of financial debts has been confirmed by external confirmations set with banks and financial institutions, rate valuations, discounts and accrual studies for financial liabilities were recalculated and tested by the Group.</p> <p>The explanations in the financial statement footnotes regarding financial liabilities were examined and the adequacy of the information contained in these notes was evaluated.</p> <p>Regarding expense accruals, provision calculations and related invoice etc. the accuracy and certainty of the documents were audited.</p>



Key Audit Matter	How our audit addressed the key audit matter
Accounting of inventories	
<p>In the consolidated financial statements as of December 31, 2022, there is risk of impairment for the raw materials amounting to TL 17.696.163, for finished goods, amounting to TL 172. 140.215 and other spare part inventories. Amounting to TL 34.960.916 included in the total inventories. Amounting to TL 528.587.004. due to damage. loss of value partially or completely which may be originated from external factors. or failure to recover in case of a decrease in sales in price and economic factors.</p> <p>Details on inventories are included in Note 9.</p> <p>Based on the estimates and assumptions of the management, no provision for impairment has been set for inventories in the current period. These estimates and assumptions include the evaluation of slow- moving inventories and of inventories that have not been sold or a certain period of time and are damaged. Due to these reasons, stocks have been considered a significant matter for our audit.</p>	<p>Our audit procedures are designed to inquiry the accuracy of inventories.</p> <p>Understanding and evaluating the appropriateness of the accounting policy regarding the inventory impairment provision.</p> <p>Discussing with the Group management about the risk of impairment of inventories due to loss of value partially or completely due to external factors, or failure to recover in case of a decrease in the sales price.</p> <p>Comparison of inventory turnover with the previous year.</p> <p>Evaluating the fact that there is no provision for impairment in the current period as a result of the estimates and assumptions of the management.</p> <p>Testing sales prices after deducting discounts used in net realizable value calculations.</p>

Key Audit Matter	How our audit addressed the key audit matter
Revenue recognition	
<p>The Group's main field of activity is production of electricity, the sale of produced electricity, and carry out the sales activities of coal mines. Revenue is the most important indicator in the consolidated performance evaluation of the Group.</p> <p>During the year ended December 31, 2022, the Group generated total revenues of TL 5.812.540.889. Revenue is significant matter for our audit since it is the most important financial statement item in the income statement for the period ending December 31, 2022, in terms of evaluating the results of the strategies applied and the follow-up of the performance of the Group.</p> <p>Explanations on the accounting policies and revenue amount of the Group are included in Notes 2 and 22.</p>	<p>The following audit procedures have been applied for the recognition of revenue:</p> <p>Understanding of sales processes and evaluating the design and operating effectiveness of the controls related to these processes.</p> <p>Evaluating the conformity of the Group's accounting policy for the recognition of the revenue, reviewing the related-party sales.</p> <p>Performing analytical procedures regarding whether the revenue recorded in the consolidated financial statements is at the expected level.</p> <p>Performing tests with sampling method regarding the accuracy of customer invoices and matching these invoices with the delivery notes (coal sales) and collections made from customers.</p> <p>Examining the sales contracts made by the Group with customers and evaluating the timing of the revenue to be included in the financial statements for different delivery methods.</p> <p>Obtaining information that will ensure the accuracy of the estimates from the commercial units regarding the invoices issued and received in the following period and the accruals calculated in the following period, and verification of the accrual amounts, due to the special circumstances arising from the operation of the energy market.</p>



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

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

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

6. Auditor's Responsibility for the Audit of the Financial Statements

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with ISA is a high level

of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph 4 of Article 402 of the Turkish Commercial Code, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1, December 31, 2022 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph 4 of Article 402 of the Turkish Commercial Code, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The Auditor's Report on the Early Detection of Risk System and Committee, prepared in accordance with the fourth paragraph of Article 398 of the Turkish Commercial Code, was submitted to the Company's Board of Directors on January 25, 2023.

AS Bağımsız Denetim ve YMM A.Ş.

O. Tuğrul Özsüt
Engagement Partner

İstanbul,
January 25, 2023



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ÇAN2 TERMİK A.Ş.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2022**

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

		Current Year Audited Consolidated	Prior Year Audited Consolidated
ASSETS	Notes	31.12.2022	31.12.2021
Current Assets			
Cash and Cash Equivalents	42	209,452,279	23,552,721
Trade Receivables	6-7	914,917,992	155,198,509
<i>Trade Receivables from Related Parties</i>	6	498,659,615	28,517,163
<i>Trade Receivables from Third Parties</i>	7	416,258,377	126,681,346
Other Receivables	6-8	12,590,640	3,333,243
<i>Other Receivables from Related Parties</i>	6	9,979,929	592,695
<i>Other Receivables from Third Parties</i>	8	2,610,711	2,740,548
Inventories	9	528,587,004	222,076,764
Prepaid Expenses	10	51,342,279	15,182,551
Other current tax assets	30	3,268,855	--
Other Current Assets	20	377,502,937	122,166,556
TOTAL CURRENT ASSETS		2,097,661,986	541,510,344
Non-current Assets			
Other Receivables	8	209,963	209,744
<i>Other Receivables from Related Parties</i>	6	--	--
<i>Other Receivables from Third Parties</i>	8	209,963	209,744
Property, Plant, and Equipment	11	4,919,883,315	4,921,667,543
Intangible Assets	12	33,809,355	30,706,367
<i>Other Intangible Assets</i>	12	33,809,355	30,706,367
Right to Use Assets	14	1,713,135	3,290,763
Prepaid Expenses	10	889,057	1,884,776
Deferred Tax Assets	30	490,995,261	--
Other Non-Current assets	20	47,864,509	53,860,977
TOTAL NON-CURRENT ASSETS		5,495,364,595	5,011,620,170
TOTAL ASSETS		7,593,026,581	5,553,130,514

Consolidated financial statements for the period ended on 31.12.2022 have been approved by the Board of Directors Decision dated 25.01.2023 and numbered 2023/1. The accompanying notes form an integral part of these consolidated financial statements.

ÇAN2 TERMİK A.Ş.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2022**

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

TOTAL NON-CURRENT LIABILITIES		Current Year Audited Consolidated	Prior Year Audited Consolidated
LIABILITIES	Notes	31.12.2022	31.12.2021
Current Liabilities			
Short-Term Borrowings	33	--	81,776,258
Short-Term Leasing Liabilities		861,732	421,153
Current Portion of Long-Term Borrowings	33	293,815,316	543,249,068
Other Financial Liabilities	33	866,832	2,972,839
Trade Payables	6-7	232,541,573	204,267,918
<i>Trade Payables to Related Parties</i>	6	121,268	516,207
<i>Trade Payables to Third Parties</i>	7	232,420,305	203,751,711
Short Term Provisions for Employee Benefits	19	9,326,857	6,115,662
Other Payables	6-8	159,839,880	132,618,962
<i>Other Payables to Related Parties</i>	6	16,778,893	103,398,050
<i>Other Payables to Third Parties</i>	8	143,060,987	29,220,912
Deferred Income	10	5,634,429	61,096,265
Current Income Tax Liabilities	30	28,460,456	--
Short Term Provisions	18-19	11,375,439	5,807,581
<i>Short-Term Provisions for Employee Benefits</i>	19	10,397,411	4,867,231
<i>Other Short-Term Provisions</i>	18	978,028	940,350
Other Short-Term Liabilities	20	498,136,013	43,650,986
TOTAL CURRENT LIABILITIES		1,240,858,527	1,081,976,692
Long-Term Borrowings	33	1,931,248,633	1,670,555,436
Long-Term Leasing Liabilities		590,132	1,136,908
Other Borrowings	6-8	1,680,862	5,796,327
<i>Other Borrowings to Related Parties</i>	6	--	--
<i>Other Borrowings to Third Parties</i>	8	1,680,862	5,796,327
Long-Term Provisions	18-19	3,312,062	1,509,318
<i>Long-Term Provisions for Employee Benefits</i>	19	3,109,464	1,324,274
<i>Other Long-Term Provisions</i>	18	202,598	185,044
Deferred Tax Liability	30	5,686,230	175,075,436
Other Long-Term Liabilities	20	481,163	1,447,164
TOTAL NON-CURRENT LIABILITIES		1,942,999,082	1,855,520,589

Consolidated financial statements for the period ended on 31.12.2022 have been approved by the Board of Directors Decision dated 25.01.2023 and numbered 2023/1. The accompanying notes form an integral part of these consolidated financial statements.

ÇAN2 TERMİK A.Ş.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2022**

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

		Current Year Audited Consolidated	Prior Year Audited Consolidated
EQUITY	Notes	31.12.2022	31.12.2021
Shareholders' Equity		4,409,168,972	2,615,633,233
Share Capital	21	320,000,000	320,000,000
Share Premium/Discount	21	185,332,488	185,332,488
Accumulated Other Comprehensive Income / Expense not to be Reclassified to Profit or Loss		2,828,402,269	2,829,865,838
<i>Defined Benefit Plans Re-Measurement Losses</i>	11	<i>2,829,801,337</i>	<i>2,831,264,906</i>
<i>The Effect of Mergers Involving Entities Subject to Common Control</i>	3-21	<i>(1,399,068)</i>	<i>(1,399,068)</i>
Other Accumulated Comprehensive Income and Expenses to be Reclassified to Profit or Loss	21	(767,840,764)	(425,813,602)
<i>Hedging Gain/Loss</i>		<i>(766,181,663)</i>	<i>(425,193,010)</i>
<i>Other Gain/Loss</i>	21	<i>(1,659,101)</i>	<i>(620,592)</i>
Prior Years Profits / Losses	21	(293,751,490)	(112,788,484)
Net Profit /Loss	31	2,137,026,469	(180,963,007)
Non-Controlling Interests		--	--
TOTAL SHAREHOLDER'S EQUITY		4,409,168,972	2,615,633,233
TOTAL LIABILITIES		7,593,026,581	5,553,130,514

Consolidated financial statements for the period ended on 31.12.2022 have been approved by the Board of Directors Decision dated 25.01.2023 and numbered 2023/1. The accompanying notes form an integral part of these consolidated financial statements.

ÇAN2 TERMİK A.Ş.**CONSOLIDATED INCOME STATEMENT AS OF 31 DECEMBER 2022**

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

		Current Year Audited Consolidated	Prior Year Audited Consolidated
INCOME STATEMENT	Notes	01.01 - 31.12.2022	01.01 - 31.12.2021
Sales	22	5,812,540,889	1,192,936,521
Cost of Sales	23	(3,736,295,353)	(865,358,998)
GROSS PROFIT / LOSS		2,076,245,536	327,577,523
General Administrative Expense (-)	24	(45,686,163)	(25,637,218)
Marketing, Selling and Distribution Expense (-)	24	--	--
Other Operating Income	25	40,571,671	32,960,780
Other Operating Expense (-)	25	(78,044,561)	(83,984,436)
OPERATING PROFIT / LOSS		1,993,086,483	250,916,649
Income from Investment Activities	26	28,829,080	124,647
Expenses from Investment Activities (-)	26	(1,671)	--
OPERATING PROFIT / LOSS BEFORE FINANCE EXPENSE		2,021,913,892	251,041,296
Financial Income	28	382,317,574	132,480,998
Financial Expenses (-)	28	(815,626,926)	(656,608,597)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		1,588,604,540	(273,086,303)
Tax Income / (Expense) from Continuing Operations		548,421,929	92,123,296
Current Period Tax Expense / (Income)	30	(28,460,456)	--
Deferred Tax Expense / (Income)	30	576,882,385	92,123,296
PROFIT / LOSS FROM CONTINUING OPERATIONS		2,137,026,469	(180,963,007)
PROFIT / LOSS FROM DISCONTINUED OPERATIONS		--	--
NET PROFIT / LOSS FOR THE PERIOD		2,137,026,469	(180,963,007)
Distribution of Profit / Loss for the Period			
Non-Controlling Interests		--	--
Attributable to Equity Holders of the Parent	21	2,137,026,469	(180,963,007)
Earnings per Share			
Earnings per Share from Operating Activities	31	6,678,208	(0,607,332)
OTHER COMPREHENSIVE INCOME		(1,038,509)	2,176,410,510
Items not to be Reclassified to Profit or Loss		(1,038,509)	2,176,410,510
Increases / Decreases Related to Revaluation of Fixed Assets	29	--	2,693,227,136
Actuarial Gain / (Loss) Arising from Defined Benefit Plans	19-29	(1,298,136)	(211,349)
Tax Effect	19-29	259,627	(516,605,277)
Items to be Reclassified to Profit or Loss		(340,988,653)	(425,193,010)
Gain/Loss Of Protection from Cash Flow Risk	37	(423,865,116)	(533,861,963)
Gain/Loss from Deferred Tax	29	82,876,463	108,668,953
OTHER COMPREHENSIVE INCOME		(342,027,162)	1,751,217,500
TOTAL COMPREHENSIVE INCOME		1,794,999,307	1,570,254,493

Consolidated financial statements for the period ended on 31.12.2022 have been approved by the Board of Directors Decision dated 25.01.2023 and numbered 2023/1. The accompanying notes form an integral part of these consolidated financial statements.

ÇAN2 TERMİK A.Ş.**CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY AS OF 31 DECEMBER 2022**

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

	Items not to be Reclassified to Profit or Loss			
	Share Capital	Capital Advances	The Effect of Mergers Involving Entities Subject to Common Control	Premium/Discounts from Share Issuance
Balance at 01.01.2021	252,410,000	--	(1,399,068)	--
Other Comprehensive Income/ Expense	--	--	--	--
Transfers	--	--	--	--
Total Comprehensive Income	--	--	--	--
Capital Increase	67,590,000	--	--	185,332,488
Net Profit / Loss for the Year	--	--	--	--
Balance at 31.12. 2021	320,000,000	--	(1,399,068)	185,332,488
Balance at 01.01.2022	320,000,000	--	(1,399,068)	185,332,488
Other Comprehensive Income/ Expense	--	--	--	--
Transfers	--	--	--	--
Total Comprehensive Income	--	--	--	--
Capital Increase	--	--	--	--
Increase/Decrease from other changes	--	--	--	--
Net Profit / Loss for the Year	--	--	--	--
Balance at 31.12.2022	320,000,000	--	(1,399,068)	185,332,488

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

ÇAN2 TERMİK A.Ş.

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY AS OF 31 DECEMBER 2022

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

Actuarial Gain/(Loss) Arising from Defined Benefit Plans	Gain/Loss from Hedging	Revaluation and Classification Gain / Loss	Items to be Reclassified to Profit or Loss			Accumulated profit
			Retained Earnings	Net Profit for the Year	Non- Controlling Interest / Profit	Total Equity
(457,852)	--	654,691,656	(150,141,189)	37,352,705	--	792,456,252
(162,740)	(425,193,010)	2,176,573,250	--	--	--	1,751,217,500
--	--	--	37,352,705	(37,352,705)	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	252,922,488
--	--	--	--	(180,963,007)	--	(180,963,007)
(620,592)	(425,193,010)	2,831,264,906	(112,788,484)	(180,963,007)	--	2,615,633,233
(620,592)	(425,193,010)	2,831,264,906	(112,788,484)	(180,963,007)	--	2,615,633,233
(1,038,509)	(340,988,653)	(1,463,569)	--	--	--	(343,490,731)
--	--	--	(180,963,007)	(180,963,007)	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	2,137,026,469	--	2,137,026,469
(1,659,101)	(766,181,663)	2,829,801,337	(293,751,491)	2,137,026,469	--	4,409,168,971

ÇAN2 TERMİK A.Ş.**CONSOLIDATED STATEMENT OF CASH FLOW AS OF 31 DECEMBER 2022**

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

		Current Year Audited Consolidated	Prior Year Audited Consolidated
	Notes	01.01-31.12.2022	01.01-31.12.2021
A. CASH FLOW FROM OPERATING ACTIVITIES		1,030,126,669	2,742,220,839
Period income / loss		2,137,026,469	[180,963,007]
Adjustments to Reconcile Net Profit / (Loss) for the Period		(53,611,610)	2,906,172,439
Adjustments Related to Depreciation and Amortization Expense	11-12-14-23-24-27	199,527,687	65,633,944
Adjustments Related to Provisions (Reversal) for Employee Benefits	19	6,000,126	2,139,786
Adjustments Related to Lawsuit Provision (Reversal)	18	37,678	(539,736)
Adjustments Related to Provisions (Reversal) Allocated within the Framework of Sectoral Requirements	18	17,554	--
Deferred Finance Expenses arising from Credit Purchases	7-8	5,660,098	1,805,544
Unearned Finance Income arising from Credit Sales	7-8	(5,246,072)	(5,536,774)
Adjustments for Interest Expenses	20	498,136,013	43,650,986
Adjustments for Interest Income	20	(327,137,281)	(104,435,569)
Adjustments for Unrealized Foreign Currency Translation Differences		572,229,276	836,255,642
Adjustments for Reversal of Impairment of Tangible Assets	11	(1,463,570)	2,176,573,250
Adjustments for Tax Expense / Income	30	(660,384,466)	315,818,376
Adjustments for Fair value Gain/loss	37	(340,988,653)	(425,193,010)
Changes in Working Capital		(1,052,249,681)	17,174,146
Increase/Decrease in Inventor	9	(306,510,240)	(94,212,445)
Increase/Decrease in Trade Receivables from Related Parties	6	(470,142,452)	(11,157,288)
Increase/Decrease in Trade Receivables from Third Parties	7	(295,237,130)	(27,715,693)
Increase/Decrease in Other Receivables from Related Parties	6	(9,387,233)	21,205,373
Increase/Decrease in Other Receivables from Third Parties	8	129,618	118,471
Changes in Other Assets	20	74,528,514	41,812,197
Increase/Decrease in Trade Payables to Related Parties	6	(394,939)	(136,010)
Increase/Decrease in Trade Payables to Third Parties	7	33,481,312	25,317,656
Change in Prepaid Expenses	10	(35,164,009)	(885,760)
Changes in Employee Benefit Obligations	19	(2,788,931)	(375,569)
Increase/ Decrease in Other Payables to Related Parties	6	(86,619,157)	12,951,711
Increase/ Decrease in Other Payables to Third Parties	8	110,157,964	18,996,386
Provisions for Employee Benefits	19	7,315,369	2,342,001
Changes in Deferred Tax	10	(55,461,836)	53,750,006
Change in Other Liabilities	20	(16,156,531)	(24,836,890)

ÇAN2 TERMİK A.Ş.**CONSOLIDATED STATEMENT OF CASH FLOW AS OF 31 DECEMBER 2022**

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

		Current Year Audited Consolidated	Prior Year Audited Consolidated
	Notes	01.01-31.12.2022	01.01-31.12.2021
Cash Flow from Activities		1,031,165,178	2,742,383,578
Other Loss/ Gain	21	(1,038,509)	(162,739)
B. CASH FLOW FROM INVESTMENT ACTIVITIES		(199,268,820)	(2,809,668,940)
Cash Inflows from the Sales of Property, Plant and Equipment and Intangible Assets	11	28,829,080	124,647
Cash Outflows from the Purchases of Property, Plant, and Equipment	11	(219,537,381)	(2,806,574,152)
Cash Outflows from the Purchases of Intangible Assets	12	(10,138,147)	(2,803,626)
Cash Outflows from the Right of Use Assets	14	1,577,628	(415,809)
C. CASH FLOW FROM FINANCIAL ACTIVITIES		(644,958,291)	89,797,650
Cash Inflows from the Issuance of Equity and Other Equity-Based Instruments	21	--	252,922,488
Cash Inflows from Financial Borrowings	33	(106,199)	1,558,063
Cash Inflows from Bank Loans	33	180,096,087	150,348,964
Cash Inflows from Operational Borrowings	14	137,878	704,375
Cash Outflows from the Payments of Bank Loans	33	(822,846,448)	(313,483,957)
Cash Outflows from Operational Borrowings	14	(2,245,090)	(2,233,275)
Cash Outflows from Other Borrowings	33	--	(19,008)
Cash Inflows from Other Borrowings	--	5,481	--
NET CHANGES IN CASH AND CASH EQUIVALENTS		185,899,558	22,349,549
CASH AND CASH EQUIVALENTS AS OF JANUARY 1		23,552,721	1,203,172
CASH AND CASH EQUIVALENTS AS OF DECEMBER 31		209,452,279	23,552,721

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

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Çan2 Termik A.Ş.

Çan2 Termik A.Ş. ("Company", "Parent") was established on May 27, 2003 as Çan Kömür İnşaat A.Ş. The name of the Company was changed into Çan2 Termik A.Ş. subsequent to the registration of the decision of the Extraordinary General Assembly, held on January 19, 2021, to the Istanbul Commercial Registry Office on January 21, 2021. The related change was published in the Turkish Trade Registry Gazette on January 26, 2021, and numbered 10253. The Company is engaged in establishing and leasing electricity generation facilities, selling electricity energy and capacity produced by the Company to the customers. The Company's registered office address is Barbaros Mahallesi Karanfil Sokak Varyap Meridian Sitesi No:1D Ataşehir / Istanbul.

The license of the Çan-2 Thermal Power Production Facility, located in Çan / Çanakkale, with the installed power of 340 MW/330 MWe, was activated by the decision, numbered by 6083-2, taken by Energy Market Regulatory Authority on January 28, 2016. Ministerial acceptance of the Çan-2 Thermal Power Production Facility was made on August 1, 2018. In addition, the Industrial Registration Certificate, dated August 10, 2020, numbered by 720480, and the Capacity Report, valid until July, 29 2022, numbered by 79, have been obtained with regard to the Thermal Power Production Facility. As of December 31, 2022, the average number of employees of the Group is 580.

The application of Çan2 Termik A.Ş. made to the Capital Markets Board of Turkey for its initial public offering was approved by the Board's decision numbered 2021/20, dated 15.04.2021. The public issue of the shares was realized on 21-22 April, 2021 under "Fixed Price Offering".

The sale of the shares issued to public with nominal value of TL 67.590.000 and additional shares offering with nominal value of TL 6.759.000 totaling TL 74.349.000 was realized at 3.90 TL per share.

As of 31 December 2022, the total amount of share capital of the Company is TL 320.000.000. The breakdown of the shareholders is as follows:

	31.12.2022	31.12.2021
Odaş Elektrik Üretim Sanayi Ticaret A.Ş.	76,77%	76,77%
Publicly Owned Shares	23,23%	23,23%

Subsidiaries

Yel Enerji Elektrik Üretim Sanayi A.Ş.

Yel Enerji Elektrik Üretim Sanayi A.Ş. ("Yel Enerji") was established on 22.10.2007. Yel Enerji was founded in order to establish and rent electricity power generation facility, selling electricity produced by the Company to the customers. As of December 31, 2022, the average number of employees of Yel Enerji is 3.

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Cont'd)

Subsidiaries (Cont'd)

The Mining License, numbered by IR:17517 was purchased by Yel Enerji in Bayramiç / Canakkale region and the related transfer was completed. The Company's registered office address is Barbaros Mahallesi Karanfil Sokak Varyap Meridian Sitesi No:1D Ataşehir / Istanbul.

With the Share Purchase Agreement signed on October 20, 2016, the shareholders of Yel Enerji transferred all their shares to Çan Kömür2 Termik A.Ş. at nominal value. Accordingly Yel Enerji was included in the consolidated financial statements.

As of 31 December 2022, the share capital of the Company amounted to TL 2.000.000 The shareholder structure is as follows:

	31.12.2022	31.12.2021
Çan2 Termik A.Ş.	100%	100%

Çan 2 Trakya Kömür Maden A.Ş.

Çan2 Termik A.Ş. participated as founding shareholder with 100% shareholding in Çan 2 Trakya Kömür Maden A.Ş. ("Çan2 Trakya") on June 18, 2019. Accordingly, Çan 2 Trakya Kömür Maden A.Ş. is included in the consolidated financial statements.

Çan 2 Trakya was established to engage in the purchase, sale, manufacture, assembly and import of all-natural stones, mineral ores in the form of finish and semi finish goods. The Company's registered office address is Barbaros Mahallesi Karanfil Sokak Varyap Meridian Sitesi No:1D Ataşehir / Istanbul. As of December 31, 2022, the average number of employees of Çan2 Trakya is 1.

As of 31 December 2022, the total amount of share capital of the Company is TL 550.000. The shareholder structure is as follows:

	31.12.2022	31.12.2021
Çan2 Termik A.Ş.	100%	100%

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Cont'd)

Çan 2 Trakya Kömür Maden A.Ş. (Cont'd)

Details of EMRA licenses held by parent company and subsidiaries as of 31 December 2022 are as below

License Owner	License Type	License Number	Effective Date of License	License Duration
ÇAN2 Termik	Production	EÜ/6083-2/03428	28.01.2016	17 Year

The information regarding the licenses of the parent company and subsidiaries as of 31 December 2022 are as below

License Owner	License Group	License Type	License Number	Effective Date of License	License Duration
YEL ENERJİ	IV. Group	Operation	17517	05.01.2015	05.01.2025
YEL ENERJİ	IV. Group	Research	201900443	09.04.2019	09.04.2026

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

a. Basis of presentation

Accounting policies

The accompanying consolidated financial statements are prepared in accordance with the announcement of the Capital Markets Board ("CMB") "Communiqué on Principles Regarding Financial Reporting in the Capital Markets" ("Communiqué") No. II-14.1 published in the Official Gazette dated 13.06.2013 and numbered 28676 and Turkish Financial Reporting Standards ("TFRS") published by Public Oversight Accounting and Auditing Standards Board ("POA").

TFRS includes standards and interpretations under the name of Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), Turkish Accounting Standards Comments and Turkish Financial Reporting Standards Comments published by POA.

Functional and presentation currency

The Group prepares and maintains its legal books and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), accounting principles set forth by tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The valid currency of the Group is Turkish Lira ("TL"). These consolidated financial statements are presented in TL, which is valid currency of the Group.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Application of Financial Reporting in High Inflation Economies

The companies, who are preparing their financial tables according to CMB Accounting Standards, are not using inflation accounting according to a decision given on March 17, 2005 that will be in effect since January 01, 2005. The preparing and presenting financial tables are not done in accordance with TAS/TAS 29 "Financial Reporting in Economies with High Inflation" according to the decision given by CMB.

According to the announcement made by the Public Oversight Board on 20 January 2022 related to the Implementation of Financial Reporting in Hyper Inflationary Economies under TFRS the entities that have adopted TFRS will not be required to adjust their financial statements for 2021 in accordance with TAS 29 Financial Reporting in Hyperinflationary Economies.

Basis of Consolidation

The consolidated financial statements were prepared by the Parent Company, Çan2 Termik A.Ş. The consolidated financial statements have been prepared in accordance with Accounting Standard for Turkey TAS 27 Consolidated and Separate Financial Statements.

Consolidated financial statements include all subsidiaries of the Parent company.

- The amount of investment in each subsidiary of parent company and the amount that relates to the share of the parent company from the equity of the subsidiaries are eliminated.
- Amount that relates with minority shares from the profit/loss of consolidated subsidiaries for the period are determined, and the amount that relates with minority shares of the net assets of consolidated subsidiaries are determined separately from the amount that relates with parent company. Amount that relates with minority shares of net assets; Minority shares calculated at the time of the merge in accordance with TFRS 3; It consists of amounts that relates minority shares from changes in equity after the date of the merge.
- Intra-group balances, transactions, income and expenses are completely eliminated.
- Intra-group balances and transactions, including income, expenses and dividends, are completely eliminated. Profit and losses resulting from intra-group transactions and included in the assets such as inventories and tangible assets are completely eliminated. Intra-group losses may indicate a impairment in assets that should be reflected in the consolidated financial statements. TAS 12 "Income Taxes" Standard is applied for the determination of temporary differences arises during the elimination of profit and loss originated from intra-group transactions.
- If the financial statements of any of the companies included in the consolidated financial statements are prepared using different accounting policies for similar transactions and other events of similar circumstances, the necessary corrections are made to the financial statements of the company concerned during the preparation of the consolidated financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Consolidation Principles (Cont'd)

- The parent company and the subsidiaries financial statements used in the preparation of the consolidated financial statements were prepared as of the same date. Similar accounting policies have been adopted for consolidated financial statements, similar transactions and other events of similar circumstances.
- The income and expense of subsidiaries are included in the consolidated financial statements from the date of acquisition set forth in TFRS 3, which continues until the date when the parent company loses control over the subsidiary. When the subsidiary is disposed of, the difference between the revenue obtained and the book value of the subsidiary is reflected in the consolidated income statement as earning or loss. With regard to this transaction, the accumulated currency differences directly associated with equity, if any, in accordance with the "Effects of TAS 21 Exchange Rate Change" Standard are taken into account in the calculation of gain or losses.
- Minority interest can be shown at equities section in consolidated statement of financial position separately from equities amount of partnership. The Group's loss or profit amount for minority interest should be shown also separately on financial statements.

Comparative Information and Correction of Prior Financial Statements

The Group has prepared the comparative consolidated statement of financial position as of December 31, 2022 with December 31, 2021, the comparative consolidated comprehensive income statement and cash flow statement for the accounting period 1 January 1- 31 December 2022, with 1 January 1- 31 December 2021, comparative consolidated shareholder's equity movement for the accounting period 1 January 1- 31 December 2022, with 1 January 1- 31 December 2021. When comparative information is deemed necessary to ensure compliance with the presentation of the consolidated financial statements for the current period, it is reclassified, and significant differences are explained.

Effect of Covid 19 Pandemic

Covid 19 declared as pandemic by World Health Organization on March 2020 and spread to Turkey and to the global world, led to disruptions in businesses and operations and adversely affected the economic situations. The Group did not experience any production shortage caused by the pandemic at its plants. The effect was reflected to electricity sales prices. Yel Enerji, one of the group companies, has not experienced any adverse impact in this process due not being operational yet. The Group did not experience any breakdown in electricity generation due to Covid-19 pandemic in Çan2 Thermal Power and it was mainly impacted by the aftermath effects on the general electricity prices in the electricity market. The Group has obtained the Covid-19 safe production certificate. Since Çan2 Trakya is engaged in coal extraction and is an open business, there was no serious effect on the production part and the main effect was the increase in production costs. As of the report date, the Group management believes that it will not be exposed to any further significant negative impact that might arise from Covid-19, considering the economic impact of the pandemic.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Changes in accounting policies

If the change in accounting policies is applied retrospectively, the Group must adjust the opening balance of each affected equity item in the financial statements for the earliest period and present comparable information to previous periods as if the new accounting policy had been applied in the past. If the change in accounting policy requires retrospective application but the effect of the change cannot be determined on a period-specific or cumulative basis, retrospective application may not be applied.

b. Changes and misstatements in accounting estimates

If the effect of the change in accounting estimates cause a change in the assets, liabilities or equity items, the book values of the relevant assets, liabilities or equity items should be adjusted in the period in which the change is made. Prospective approach of the effect of a change in the accounting estimate means that it is applied to transactions, events and conditions after the date of change in the estimate. Except for cases where the period-specific or cumulative effects regarding the error cannot be calculated, previous period errors are corrected through retrospective rearrangement.

In the preparation of the consolidated financial statements, the Group management is required to make estimations and assumptions that will affect the asset and liability amount, determine the possible liabilities and commitments as of the balance sheet date and the income and expense amount as of the reporting period. Actual results may differ from estimations and assumptions. These estimates and assumptions are reviewed regularly, necessary corrections are made and reflected in the operating results of the relevant period.

Important Accounting Assessments, Estimates and Assumptions

The preparation of financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities reported as of the statement of financial position date, disclosure of contingent assets and liabilities, and the amount of income and expenses reported during the accounting period. Although these estimations and assumptions are based on the optimum knowledge and practice of Group management regarding the current events and transactions, actual results may differ from the assumptions. In the next financial reporting period, estimations and assumptions that may cause significant changes in the book value of assets and liabilities are stated below:

Inventories: Inventories are examined and recorded physically. The inventories used or sold in production in monthly periods are recorded in the relevant accounts.

Provision for employee benefit: Employment termination benefits pay liability is determined by actuarial calculations based on some assumptions including discount rates, future salary increases and employee turnover rates. Since these plans are long term, these assumptions contain significant uncertainties.

Determination of fair value: Certain estimations are set in the use of observable and non-observable market information used to determine fair value.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Important Accounting Assessments, Estimates and Assumptions (Cont'd)

Useful lives of tangible and intangible assets: The Group management makes important assumptions in the determination of the useful lives of tangible and intangible assets in line with the experience of the technical team and the forward-looking marketing and management strategies for special costs.

Facility, machinery, and devices are reflected in the financial statements with their fair values determined in the valuation studies performed by an independent professional and real estate appraisal company licensed by the Capital Markets Board ("CMB"). The frequency of revaluation studies is determined in a way to ensure that the book values of the revalued tangible fixed assets do not differ significantly from their fair values as of the end of the relevant reporting period. The frequency of revaluation studies depends on the change in the fair values of tangible fixed asset items. In cases where the fair value of a revalued asset is significantly different from its book value, the revaluation study should be repeated, and this study is performed for the entire asset class in which the revalued asset is located as of the same date. On the other hand, it is not deemed necessary to repeat the revaluation studies for tangible fixed assets whose fair value changes are insignificant. As of the current period, there is no need for a re-valuation study.

The economic useful lives related to Çan-2 thermal power plant is based on the determinations made by the technical departments regarding the economic life of the facility made during the period when the facility has been taken into the operations.

Deferred tax assets and liabilities: Deferred tax assets are recorded when it is highly likely to benefit from temporary differences and unused previous year financial losses by earning taxable profit in the future. While determining the amount of deferred tax assets to be recorded, it is necessary to make important estimates and evaluations regarding the taxable profits that may occur in the future.

Borrowing costs: The Group has added the borrowing costs of the loans it has used to finance the construction of power plants to the cost of the power plant considered as qualifying assets.

c. Going Concern

The group prepared the consolidated financial statements in the interim period based on going concern.

d. Netting/Offsetting

Financial assets and liabilities are presented net if the required legal right is already present, the presence of intention is to pay the related assets and liabilities in accordance with the net fair value, or if the acquisition of assets and the fulfillment of obligations are intentional simultaneously.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

e. Changes in Financial Reporting Standards

The accounting policies adopted in the preparation of the financial statements for the accounting period ending as of Dec 31, 2022 have been applied consistently with those used in the previous year, except for the new and amended TFRS standards and TFRYK interpretations valid as of 1 January 2021. The effects of these standards and these interpretations on the Group's financial position and performance are explained in the relevant paragraphs.

As of 31 December 2022, the new standards in force and the amendments and interpretations to the existing previous standards:

Changes in TFRS 3 - Changes regarding the References to the Conceptual Framework

This amendment updates a reference to the Conceptual Framework for Financial Reporting in IFRS 3 without significantly changing the provisions of the standard.

Changes in TFRS 16 – Tangible Fixed Assets - Intended Pre-Use Earnings

These changes do not allow revenues from the sale of produced items to be deducted from the cost of the related asset while making the related property, plant and equipment operate under the conditions intended by management, and require such sales revenues and related costs to be recognized in profit or loss.

Changes in TAS 37 – Economically Disadvantaged Contracts-Contract Fulfillment Costs

With the change made in TAS 37, the estimated costs of fulfilling the contract in order to determine whether the contract is an economically disadvantageous contract consist of both the variable costs incurred to fulfill the contract and the amounts distributed from other costs directly related to fulfilling the contract.

Standards, amendments and interpretations published but not yet effective as of 31 December 2022:

TAS 1, Application Declaration 2 and Narrow Changes in TAS 8

Effective for annual reporting periods beginning on or after 1 January 2023. These changes are intended to improve accounting policy disclosures and help financial statement users distinguish between changes in accounting estimates and changes in accounting policies.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

e. Changes in Financial Reporting Standards (Cont'd)

TAS 12, (Amendments) Deferred Tax On Assets And Liabilities Arising From A Single Transaction

Effective for annual reporting periods beginning on or after 1 January 2023. These amendments require deferred tax recognition on transactions that result in equal amounts of taxable and deductible temporary differences when first recognized by companies.

TFRS 16, Sale And Leaseback Transactions;

Effective for annual reporting periods beginning on or after 1 January 2024. These changes include the sale and leaseback requirements in IFRS 16 that describe how an entity accounts for a sale and leaseback transaction after the transaction date. Sales and leaseback transactions where some or all of the lease payments consist of variable lease payments that are not tied to an index or rate are likely to be affected.

TAS 1, Amendments To The Long-Term Obligations, Which Are The Terms Of The Contract;

Effective for annual reporting periods beginning on or after 1 January 2024. These changes clarify how conditions that an entity must comply with within twelve months of the reporting period affect the classification of a liability. These changes are not expected to have a significant impact on the Group's financial position and performance.

TFRS 16 (Amendments) Continuing Concessions on Rent Payments Related to COVID-19 After 30 June 2021

TFRS 16 'Leases' - amendments to extend the COVID 19 lease concessions facilitating practice (effective as of 1 April 2021); due to the COVID-19 outbreak, some privileges have been provided to tenants in rent payments. In May 2020, IASB introduced an optional facilitating practice for the tenants not to evaluate the concessions granted due to COVID-19 in the lease payments, whether there is a change in the lease, with the amendment published in the

TFRS 16 Leases standard. On March 31, 2021, IASB published an additional amendment to extend the date of facilitating implementation from June 30, 2021 to June 30, 2022. Lessees may choose to account for such lease concessions in accordance with the terms that would apply in the absence of a lease modification. This ease of application often causes the lease concession to be recognized as a variable lease payment during periods when the event or condition that triggers the reduction in lease payments occurs.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

f. Summary of Significant Accounting Policies

Related Parties

It is considered related if one of the following criteria is met:

- a) The related party, directly or indirectly, through one or more intermediaries;
- b) Controlling the business, controlling it by the business or being under joint control with the business (including parent companies, subsidiaries and subsidiaries in the same business branch);
- c) Has a share that allows it to have significant influence over the group; or,
- d) Having joint control over the Group;
- e) If the party is a subsidiary of the Group;
- f) If the party is a business partnership in which the Group is a joint venture;
- g) If the party is a member of the key management personnel of the Group;
- h) If the party is a close family member of any individual mentioned in a) or d);
- i) The party; is a business that is controlled, jointly controlled or under significant influence or any individual mentioned in d) or e) has significant voting rights directly or indirectly; or,

The party must have benefit plans provided to the employees of the enterprise or an enterprise that is a related party to the enterprise after they leave their roles.

Financial assets

Financial investments are accounted for over the remaining amount after deducting expenses directly associated with the purchase transaction from their fair market value, except for financial assets that fair value difference is reflected in profit or loss and booked at their fair value. Investments are recorded or derecognized on the transaction date that is bound by a contract that requires the delivery of investment instruments in accordance with the period determined by the relevant market. Financial assets are classified as "financial assets at fair value through profit or loss", "financial assets measured at amortized cost", "financial assets at fair value through other comprehensive income".

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss; are financial assets held for trading. When a financial asset is acquired for short-term disposal, it is classified in this category. The mentioned financial assets constituting derivative products that are not determined as an effective protection tool against financial risk are also classified as financial assets whose fair value difference is reflected to profit or loss.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Financial assets measured at amortized cost

Financial asset is classified as a financial asset measured at amortized cost if the terms of the contract for the financial asset, which aims to collect the contractual cash flows of the financial asset, lead to cash flows that include only the principal and interest payments arising from the principal balance at certain dates. It is valued at its discounted cost using the effective interest rate method and provision is made for impairment, if any. Interest income from securities held to maturity is recognized as interest income in the period profit / loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are financial assets that are held under a business model that aims both to collect contractual cash flow and to sell financial asset, and financial asset with contractual terms that lead to cash flow that are solely payments of principal and interest on the principle amount outstanding at specific date.

Financial assets at fair value through other comprehensive income are initially recognized at their fair value including their transaction cost on the financial statements. However, if the fair value cannot be determined reliably, for those with a fixed maturity, the discount rate is calculated using the internal rate of return method for those who do not have a fixed maturity, they are valued using fair value pricing models or discounted cash flow techniques. Unrealized gains or losses arising from the changes in the fair value of financial assets at fair value through profit and loss is recognized in other comprehensive income are shown below Financial Assets Value Increase / Decrease Fund. In the event that the fair value differences of financial assets that are reflected in other comprehensive income are eliminated, the value in the equity accounts as a result of the fair value application is reflected to the period profit/loss.

Recognition and derecognition of financial assets

The Group reflects the financial assets or liabilities to its balance sheet when it becomes a party to the relevant financial instrument contracts. The Group derecognizes an asset; all or part of it, when it loses its control over its contractual rights. The Group derecognizes a financial liability only if the obligation defined in the contract is eliminated, reversed or expired.

Impairment of financial assets / expected credit loss

At each reporting period, each financial asset's credit risk within the scope of impairment is assessed from the date which it is first recognized in the financial statements. Within this assessment, the change of the default risk of the financial asset is taken into consideration. The expected loss provision estimate is unbiased, weighted according to probabilities, and includes information that can be supported about past events, current conditions, and forecasts for future economic conditions.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Impairment of financial assets / expected credit loss (Cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off. Subsequent recovery of amount previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of profit or loss. With the exception of equity instruments at fair value through other comprehensive income, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

With regard to fair value of equity instruments, any increase of value of fair value through other comprehensive income, as a subsequence of an impairment loss is recognized, directly realized in equity statement.

Interests, dividends, losses, and gains

Interest, dividends, losses, and gains related to a financial instrument, or a financial liability are recognized as income or expense in profit or loss. Distributions to equity instrument holders are accounted for directly in equity. Transaction costs arising from equity transactions are accounted for as a discount from equity. Income taxes on distributions to shareholders of equity instruments and transaction costs arising from equity transactions are accounted for in accordance with TAS 12 Income Taxes. The classification of a financial instrument as a financial liability or equity

instrument determines whether interest, dividends, losses and gains on that instrument are recognized as income or expense in profit or loss. Thus, dividend payments on shares that are fully accounted for as liabilities are accounted for as expenses, just like interest on bonds. Similarly, gains and losses associated with the repurchase or refinancing of financial liabilities are recognized in profit or loss, while the repurchase or refinancing of equity instruments is accounted for as a change in equity. Changes in the fair value of the equity instrument are not reflected in the financial statements. An entity generally incurs various costs in issuing or repurchasing its own equity instruments. These costs may include registration and other regulatory fees, legal, financial, and other professional consulting fees, printing costs and stamp duties. From equity transactions Transaction costs arising from these transactions are accounted for as a deduction from equity, as long as there are additional costs incurred directly from these transactions, that is, they do not need to be incurred otherwise. In addition, costs related to abandoned equity transactions are recognized as an expense.

Transaction costs related to the issuance of a composite financial instrument are allocated to the debt and equity components of the instrument in proportion to the distribution of the obtained amounts to the related instrument. Transaction costs associated with multiple transactions (for example, costs associated with simultaneous issuance of some stocks and listings of some other stocks) are allocated to the relevant transactions on the basis of an allocation method that is reasonable and consistent with similar transactions. The amount of transaction costs accounted for as a deduction from equity during the period is disclosed separately in accordance with TAS 1.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Trade Receivables

Trade receivables resulting from the provision of products or services to the buyer are accounted for at the amortized value of the receivables, which are recorded at the original invoice value, to be obtained in the following periods using the effective interest method. Short-term receivables with no specified interest rate are shown at the invoice amount unless the effect of the original effective interest rate is significant.

A "simplified approach" is applied within the scope of impairment calculations for trade receivables (with a maturity of less than 1 year) that are accounted at amortized cost in the consolidated financial statements and do not contain a significant financing component. With this approach, allowances for losses on trade receivables are measured at an amount equal to "lifetime expected credit losses", in cases where trade receivables are not impaired for specific reasons (other than realized impairment losses).

Following the provision for impairment, if all or part of the amount of the impaired receivable is collected, the collected amount is deducted from the provision for impairment and recorded in other income from main activities.

Cash and cash equivalents

Cash and cash equivalents are cash, demand deposits and other highly liquid short-term investments with maturities of 3 or less than 3 months from the date of purchase, immediately convertible into cash, and without significant risk of change in value.

Financial Liabilities

A financial liability is measured at fair value at initial recognition. During the initial recognition of financial liabilities whose fair value difference is not recognized in profit or loss, the transaction costs directly attributable to the underwriting of the related financial liability are added to the said fair value. Financial liabilities are accounted for at amortized cost using the effective interest method, together with the interest expense calculated over the effective interest rate in the following periods.

Inventories

Inventories are valued based on the weighted average cost method by considering the cost or the net realizable value, whichever is the lowest. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. When the net realizable value of inventories falls below its cost, the inventory value is reduced to net realizable value and reflected to the income statement as an expense on the year when the value decrease happened.

If the conditions causing the inventories to reduce to the net realizable value are not effective or if the net realizable value increase due to changing economic conditions; the provision for decrease in value of the stocks is reversed. The reversed amount is limited with the earlier determined amount of decrease in value of the inventories. (Note 9)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Tangible Fixed Assets

The Group has adopted for the thermal power plant in accordance TAS 16 "Tangible Assets" standard the "Revaluation model" starting from 30.09.2018, based on the reasonable values determined in the valuation studies carried out by an independent valuation company accredited to the CMB.

"Income Approach" was used in the determination of the fair value of the thermic plant of Çan2 Termik A.Ş. This approach was used taking into consideration the ability of the asset to generate income which is a crucial factor impacting the value and the reasonable estimates made with respect to the amount and timing of expected future incomes expected to be generated by the asset. Revaluations are made regularly in a way that does not cause the amount to be determined by using the fair value as of the end of the reporting period to differ materially from the carrying value. The frequency of revaluations depends on the changes in the fair values of the items of property, plant and equipment subject to revaluation.

If the fair value of the revalued asset differs significantly from its carrying value, the asset is revalued. Some items of property, plant and equipment whose fair values show significant changes are revalued annually. Items of property, plant and equipment that do not have significant changes in their fair values are subject to revaluation every three or five years.

Increases in the property, plant and equipment arising from revaluation are recorded in the revaluation fund account under shareholders equity in the statements of financial position, net of deferred tax effect. The difference between the depreciation and amortization (included in the profit or loss statement) calculated based on the carrying values of the re-evaluated assets and that over the acquisition costs of these assets is transferred from the revaluation fund to the accumulated profit / loss each year after the deferred tax effect is netted off. The same accounting application is also used for tangible fixed asset disposals.

Land is not subject to depreciation since its economic useful life is considered to be infinite. The estimated useful lives of these assets are as follows:

	Years
Thermic Plant	30
Land improvements	8-50
Buildings	50
Machinery, plant and equipment	4-15
Vehicles	5
Furniture and fixtures	3-15
Leasehold improvements	the lesser of the lease term (days) or useful life

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Tangible Fixed Assets (Cont'd)

The profit or loss resulting from the disposal of tangible fixed assets is determined by comparing the carrying values with the net proceeds received and is taken to the statement of income.

Maintenance and repairment expenses of tangible fixed assets are expensed under normal circumstances. However, in exceptional circumstances, maintenance and repair expenditure that result in an expansion or significant improvement in assets, the costs incurred are capitalized and depreciated over the remaining useful life of the associated tangible asset (Note 11).

Intangible assets

Intangible assets are comprised of acquired rights, information systems, computer software, development activities. These are recorded at the acquisition cost and are subjected to depreciation by the linear depreciation method over their estimated useful lives after the date of acquisition. The estimated useful lives of these intangible assets are as follows:

	Years
Rights	3-15
Software	3
Preparation and development activities	Contract Duration

In case of impairment, the carrying value of intangible assets is reduced to recoverable amount. The recoverable amount is the higher of the current value in use of the intangible asset and the net selling price. (Note 12).

Leases – TFRS 16 (As tenant)

At the inception of a contract, the Group evaluates whether the contract includes a lease. If the contract transfers the right to control the use of a defined asset in exchange for a consideration, this contract is a lease or includes a lease.

The group considers the following conditions when considering whether a contract transfers the right to control the use of an identified asset for a specified period of time:

- The contract includes a defined asset (an asset is defined by express or implied in the contract),
- The functional part of the asset is physically separate or represents almost the entire capacity of the asset (the asset is not defined if the supplier has a substantive right to substitute the asset during its use period and derives economic benefits from it),
- The Group has the right to obtain almost all of the economic benefit to be obtained from the use of the defined asset,

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Leases – TFRS 16 (As tenant) (Cont'd)

- The group has right to manage the use of the defined asset. The group has right to manage the use of the asset in any of the following situation:

- a) The Group has right to manage and change how and for what purpose the asset is used throughout the period of use, or
- b) The following decisions regarding how and for what purpose the asset will be used are pre-determined:
 - i. The Group has right to operate the asset (or direct others to operate the entity as it determines) throughout the period of use and the supplier does not have the right to change these operating instructions, or
 - ii. The Group has designed the asset (or certain properties of the asset) in a way to predetermine how and for what purpose the asset will be used throughout the period of use.

After the above-mentioned evaluations, the Group reflects a right-of-use asset and a lease liability in its consolidated financial statements at the date the lease actually commences.

Right to use assets

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- a) the initial measurement amount of the lease liability,
- b) all lease payments made on or before the commencement date of the lease, less any lease incentives received.
- c) all initial direct costs incurred by the group; and
- d) in relation to restoring the underlying asset to the condition required by the terms and conditions of the lease.

Costs incurred by the group (excluding costs incurred for producing inventory). When applying the group cost method, the right-of-use entity:

- a) deducting accumulated depreciation and accumulated impairment losses; and
- b) measures at cost adjusted for remeasurement of the lease liability.

Leases – TFRS 16 (As a Lessor)

The Group applies the depreciation requirements in TAS 16 Property, Plant and Equipment Standard in depreciating the right-of-use asset. Group applies TAS 36 Impairment of Assets Standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Leases – TFRS 16 (As a Lessor) (Cont'd)

Lease payments that are included in the measurement of the Group's lease obligation and which have not been realized at the actual date of the lease are as follows:

- a)** fixed payments, less any lease incentives receivable,
- b)** variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- c)** payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the effective date of the lease, the Group measures the lease obligation as follows:

- a)** increasing the carrying amount to reflect interest on the lease liability,
- b)** reducing the carrying amount to reflect the lease payments made, and
- c)** remeasuring the carrying amount to reflect any reassessment or lease modification. The Group recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use

The Group reflects the remeasurement of the lease liability as an adjustment to the right-of-use asset in its consolidated financial statements.

Cash Flow Hedge

At the date of the derivative contract, the Group determines the transactions that provide hedging against changes in the cash flows of asset or liability or transactions that can be associated with a certain risk and that are likely to occur, resulting from a certain risk and that may affect profit or loss as cash flow hedge.

The Group presents the gains and losses on the effective hedging transaction under "hedging gains (losses)" in equity. The ineffective portion is defined as profit or loss in the profit for the period. In the event that the hedged commitment or possible future transaction becomes an asset or liability, the gains or losses related to these transactions, which are recognized as equity items, are taken from these items and included in the acquisition cost or book value of the related asset or liability. Otherwise, the amount recognized under equity items are transferred to the income statement in the period in which the hedged possible future transaction affects the income statement and reflected as profit or loss.

In case the hedging instrument is sold, expires or fails to meet the hedge accounting requirements even though it is for hedging purposes, or if one of the situations where the promised or probable future transaction is not expected to occur, it is separately in equity until the promised or probable future transaction occurs. remains classified. The promised or probable future transaction is recorded in the income statement when it occurs, or if it is anticipated that it will not occur, the accumulated gains or losses related to the transaction are reflected in the consolidated financial statements as profit or loss (Note 37).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Practical expedients

Short-term lease agreements with a lease term of 12 months or less and contracts for information technology equipment leases (predominantly printers, laptops, mobile telephones, etc.) designated by the Group as low value asset that have been evaluated within the scope of the exemption recognized by TFRS 16 Leases Standard. The payments related to the contracts continued to be recognized as expense in the period in which they are incurred (Note 14).

Investment properties

Rather than sell goods and services for use in the production and administrative purposes at normal course of business, lands and buildings which are held in hand to obtain lease or capital gains or to obtain both, can be classified as Investment Properties and they can be recorded as values which comes after deduction of accumulated depreciation from cost according to its cost method except lands. The cost of construction, which construct by the company, of property for investment purposes determine on cost at the date of completion of rehabilitation and construction work. Asset at this date becomes a property for investment purposes and cause of that it transfers to investment properties account section.

Borrowing costs

Group reflects borrowing costs as financing cost during credit period in its comprehensive income statement. Financing cost which is sourced from credits is recorded to comprehensive income statement when they occur with the profit or loss.

Energy produce plants can be evaluated as a specialty asset depending on conditions. Acquiring, constructing, or borrowing costs that can be directly related to producing of a specialty asset can be capitalized as a part of specialty asset's cost by firms. Firms can book the other borrowing costs as an expense in their occurred period.

Acquiring, constructing, or borrowing costs that can be directly related to producing of a specialty asset is added to cost of the asset. This kind of borrowing costs is capitalized as a part of specialty asset's cost for a dependable measure and for a possible situation that it can make an economic contribution to company. Acquiring, constructing, or borrowing costs that can be directly related to producing of a specialty asset are borrowing costs that will not appear in case that there will be no expense done related to specialty asset.

If a company is get into debt in order to acquire a specialty asset, the borrowing cost amount that will be capitalized will be determined by deducting income that is gained via temporary exploiting aforesaid funds from borrowing cost of the aforesaid borrowing in the related period.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Borrowing costs (Cont'd)

In the case of a company uses a part of the funds that it is get into debt for general purposes in order to finance a qualifying asset; the borrowing cost amount that can be capitalized; is determined via using capitalizing rate that will be applied to expenses that related asset. This capitalizing rate is the weighted average of all existing borrowing of the related period to borrowing costs, except the borrowings that is done for acquiring the qualifying asset. The borrowing cost amount that is capitalized for a period, cannot exceed the amount of borrowing costs incurred during the relevant period.

When all necessary proceedings virtually is completed for asset's intended usage and getting ready for sale, the capitalizing of borrowing costs will end. In the situation of a qualifying asset is completed in parts and every part can be used while other parts Continue to construct; When all necessary proceedings virtually is completed for certain part's intended usage and getting ready for sale, the capitalizing of borrowing costs of the related part will end.

Within the scope of TAS-23 "Borrowing Costs" standard, the Group includes the exchange differences arising from the principal amount of the borrowings obtained to finance the construction of a qualifying asset assuming the borrowing was used in TL, by using the TL basis interest rate at the date of the loan was used and the exchange differences corresponding to the TL interest cost are capitalized on the qualifying assets. In the calculations made, the base interest rate is based on the representative interest rate at the date of the signing of the loan agreements as well as the representative interest rate existing at the dates of the renewal of the loan agreement, provided the loans are used in TL under the same conditions (Note 17).

Provisions, Contingent, assets and liabilities

Provisions

Provisions are accounted in cases where Group has a legal or structural liability arising from the past that exists as of the date of the financial statement, the outflow of economic resources to fulfill the obligation is highly likely, and a reliable estimation of the amount of liability can be made. In cases where there is more than one similar obligation, the possibility of the outflow of economic resources that may be necessary for economic benefit is evaluated taking into account all obligations of the same nature. Even if the probability of economic resources outflow for any of the obligation is not probably high, provision should be set. There is no provision set for future operational losses. In cases where the effect of the time value of the money is significant, the provision amount may be set as present value.

Contingent Assets and Liabilities

Probable assets and liabilities arising from past events and occurrence of these assets and liabilities are not entirely under the control of the Group in the future, depending on whether or not there are one or more events, are considered contingent assets and liabilities.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Contingent Assets and Liabilities (Cont'd)

The Group does not book contingent assets and liabilities in its financials. Contingent liabilities are described in the consolidated financial statement's footnotes, unless related economic outflow is probable. Contingent assets are described in the consolidated financial statement's footnotes when economic inflow is probable.

Benefits for Employees

Defined Benefit Plan

Employment termination provisions are booked based on actuarial calculation according to TAS 19 "Benefits to Employees"

The employment termination liability refers to the value of the estimated total value of the group's potential future liabilities as of the date of the financial statement, which will arise from the retirement of the Group's personnel in accordance with the Turkish Labor Law or the termination of the employment contract for the reasons specified by the relevant law.

The group calculates severance benefit by predicting discounted net value of deserved benefits or based on the information from group's experience about fire personnel or quit of the personnel and reflects to its financial statements.

Defined Contribution Plans

The Group pays social insurance premiums to the Social Insurance Institution. As long as the Group pays these premiums, it has no other obligations. These premiums are booked as personnel expenses during the period they accrue.

Revenue

When the Group fulfills or fulfills a performance obligation by transferring a promised good or service to its customer, revenue is recognized in the consolidated financial statements. An asset is transferred when or when control of an asset falls into the hands of the customer. *The Group recognizes revenue in the consolidated financial statements in line with the following 5 basic principles:*

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Revenue (Cont'd)

If a contract is only legally enforceable, collection can be carried out, rights and payment conditions for goods and services can be defined, the contract has commercial essence, the contract is approved by the parties and the full terms of the commitment by the parties to fulfill their obligations are met, this agreement shall be evaluated under TFRS 15.

At the beginning of the contract, the Group evaluates the goods or services promised in the contract with the customer and defines each commitment to transfer to the customer as a separate performance obligation. The Group also determines, at the inception of the contract, whether it has fulfilled each performance obligation over time or at a particular moment in time.

The Group takes into account the contract terms and commercial practices in order to determine the transaction price. Transaction price is the price that the Group expects to deserve in return for transferring the promised goods or services to the customer, excluding the amounts collected on behalf of third parties (eg some sales taxes). While evaluating, it is taken into consideration whether the contract includes elements of variable amounts and a significant financing component.

In accordance with TFRS 15 "Revenue from contracts with customers", the Group's performance obligations consist of wholesale electricity sales and ancillary services related to electricity sales. The electricity sold is transmitted to the customer over transmission lines and the customer consumes the Group's benefit from performance simultaneously. Revenue from electricity sales and ancillary services related to electricity sales are recognized at the moment of delivery.

TEİAŞ Electricity Sales Revenue

It includes the sales arising from the settlement system based on all the sales transactions made by the market participant in the free market settled by the free market MFSC ("Market Financial Settlement Center").

Eligible Consumer Electricity Sales

Sales made to all consumers who are defined as eligible consumers according to the consumer limits published by EMRA.

Bilateral Agreements Electricity Sales

Physical or service sales to either wholesale companies or private manufacturing companies. Primary Frequency Control (PFK) includes the sale of services related to the transfer of this obligation to someone else by the power plants that have an obligation in the relevant legislation.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Energy Imbalance

According to the relevant legislation, when the group companies merge and form a balancing group, all imbalance receivables and debts are settled within the party responsible for the balance. The balance responsible party distributes this amount to the balancing group members. Group imbalance items include positive imbalance receivables, negative imbalance debit and zero balance debit / credit amounts.

Foreign Currency Translation

Foreign currency transactions realized during the period are translated into Turkish Lira at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are valued at the exchange rates prevailing at the end of the period. Exchange gains or losses arising from the valuation of monetary assets and liabilities denominated in foreign currency are reflected in the profit/loss statement. As of 31.12.2022, announced buying rate of USD by the Central Bank of Republic of Turkey is 18,6983 TRY (31.12.2021: 13,3290 TRY), buying rate of EURO is 19,9349 TRY (31.12.2021: 15,0867 TRY), buying rate of GBP is 22,4892 TRY (31.12.2021: 17,9667 TRY). As of the date of 31.12.2022 announced selling rate of USD by the Central Bank of Republic of Turkey is 18,7320 TRY (31.12.2021: 13,3530 TRY), selling rate of EURO is 19,9708 TRY (31.12.2021: 15,1139 TRY), selling rate of GBP is 22,6065 TRY (31.12.2021: 18,0604 TRY).

Effects of Changes in Exchange Rates

Deferred Tax

Deferred taxes are calculated by considering statement of financial position liability. They are reflected considering the tax effects of temporary differences between legal tax base and reflected values of assets and liabilities in financial statements. Deferred tax liability is calculating for all taxable temporary differences however discounted temporary differences which occurs from deferred tax assets is calculated in condition to be highly possible to have benefit from these differences by obtaining taxable profit in future. Receivable and liability for deferred tax occurs where there are differences (which are reducible in future and taxable temporary differences) between book value and tax value of asset and liability sections.

Current Tax

The corporate tax rate in Turkey for 2022 is 23%. This rate is applied to the tax base to be found as a result of adding the non-deductible expenses to the commercial earnings of the corporations, deducting the exemptions (such as participation earnings exemption) and deductions (such as investment allowance) stated in the tax laws. No further tax is paid if the profit is not distributed.

With revenues through a permanent establishment or permanent representative institutions in Turkey from the dividend paid to companies resident in Turkey (dividend) not subject to withholding. Dividend payments made to those other than these are subject to 15% withholding tax. Addition of profit to capital is not considered as profit distribution and no withholding tax is applied.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Current Tax (Cont'd)

According to Turkish tax legislation, financial losses shown on the declaration can be deducted from the period's corporate income, provided that they do not exceed 5 years. However, financial losses can not be offsetted from last year's profits.

Earnings/Loss per share

Earnings / Loss per share stated in the income statement is calculated by dividing the net profit / loss by the weighted average number of shares in the market during the reporting periods. In case of capital increase from internal sources during the period, it is accepted that the newly found value is valid as of the beginning of the period while calculating the weighted average number of shares. TAS 33 mentions this issue as follows;

Ordinary stocks may be issued or the number of common stocks available may be reduced without causing any change in resources. For example:

- a. Activation or give ordinary shares (sometimes, ordinary share can be given as dividend too);
- b. Include bonus issued in another issued transaction; for example, include new rights about bonus issued in issued transaction for current shareholders)
- c. Share split and
- d. Merging shares by increasing nominal value (consolidation of shares).

In ordinary shares or bonus distribution or share split, ordinary shares are issued without demanding any additional payment to existing shareholders. Therefore, the number of common shares available increases without an increase in resources. The number of ordinary shares in existence prior to the related transaction is adjusted according to the proportional change that will occur in the number of ordinary shares available if the related transaction took place at the beginning of the earliest period presented.

Subsequent events after the reporting period

Subsequent events cover all events between authorization dates for publishing statement of financial position and statement of financial position date even if they are related to an announcement related to profits or if they occur after publishing financial information to public.

Group;In case events requiring a correction to be made occur subsequent to the date of the statement of financial position, amounts included in the consolidated financial statements will be accordingly corrected. In the event non-adjusting events that occur after the date of the statement of financial position date will have material impact on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

Statement of cash flow

In the consolidated cash flow statement, cash flows pertaining to the period are classified and reported as operating, investing and financing cashflows. Cash flows originating from the main operating activities represent the cash flows from electricity sales. Cash flows related to investing operations represent the Group's cash flow used in and obtained through investment operations (investments in fixed assets and financial investments). Cash flows related to finance operations represent resources of the Group used in finance operations and repayment of these resources. Cash and cash equivalents include short- term investments made up of cash, demand deposits and other short term investments with original maturities of 3 months or less, eligible to be immediately converted into cash without being subjected to the risk of steep value changes and have high liquidity

Determination of fair value

Various accounting policies and explanations of the Group require the determination of the fair value of both financial and non-financial assets and liabilities. If applicable, additional information about the assumptions used in determining fair values are presented in footnotes specific to the asset or liability.

Valuation methods according to the levels are listed as follows:

Level 1: Quoted (unadjusted) prices in active markets for Identical Assets and Liabilities

Level 2: Data excluding registered prices in Level 1 and that can be observed directly (through prices or indirectly (derived from prices) in terms of assets or debts.

Level 3: Data not based on observable market data on assets or liabilities (non-observable data)

3. BUSINESS COMBINATION

A business combination involving the undertaking or businesses subject to joint control is a business combination in which all the merging undertaking or businesses are controlled by the same person or persons before and after the business merger and this control is not temporary.

Since the business combinations subject to joint control are accounted by the combination of rights method, goodwill cannot be included in the financial statements, the amount of 1.399.068 TRY goodwill arising from the acquisition of the companies subject to joint control has been shown in the account "The Effect of the Enterprises Subject to Joint Control or Mergers Including the Enterprises" as an account that balances under equity.

3. BUSINESS COMBINATION (Cont'd)

The amounts resulting from the merger of enterprises under joint control in the "The Effect of Mergers Including Joint Controlled Enterprises or Businesses" are shown below;

Company Name	Acquisition Cost	Acquired Equity Share Value	The Effect of Mergers Including Joint Controlled Enterprises or Businesses
Yel Enerji	100,000	(1,299,068)	(1,399,068)
Total	100,000	(1,299,068)	(1,399,068)

4. INTEREST IN OTHER ENTITIES

None. (31.12.2021: None)

5. SEGMENT REPORTING

In the presentation of the product or service group of the enterprise, there is no distinguishable operating segment, which has different characteristics from other fields of activity in terms of risk and return, and no distinguishable geographical segment with different risk and return characteristics.

6. RELATED PARTIES TRANSACTIONS

i) Balances with related parties as of December 31, 2022 and December 31,2021 are as follows :

a) Trade receivables from related parties:

	31.12.2022	31.12.2021
Suda Stratejik Metal Dış Ticaret A.Ş.	357,493,406	--
Voytron Enerji Elektrik Perakende Satış A.Ş.	166,705,567	746,106
Arsin Enerji Elektrik Üretim Sanayi Ticaret A.Ş.	7,312,766	10,314,282
Suda Maden A.Ş.	770,835	601,708
Hidro Kontrol Elektrik Üretim A.Ş.	408,105	6,037,674
Batı Trakya Madencilik A.Ş.	17,500	12,406,844
Öztay Enerji Elektrik Üretim Sanayi A.Ş.	--	2,321,547
Ys Madencilik Sanayi ve Tic. Ltd. Şti	--	25,195
TOTAL	532,708,179	32,453,356
<i>Deduct: Unaccrued financial expenses</i>	<i>(34,048,564)</i>	<i>(3,936,193)</i>
TOTAL	498,659,615	28,517,163

b) Other receivables from related parties:

	31.12.2022	31.12.2021
Abdulkadir Bahattin Özal	5,511,145	--
Burak Altay	4,209,365	7,500
Süleyman Sarı	160,750	160,750
Tahsin Yazan	100,000	100,000
Kerem Emir Yazan	--	93,951
Odaş Elektrik Üretim San. ve Tic. A.Ş.	--	234,917
Ys Madencilik Sanayi ve Tic. Ltd. Şti	--	254
Rey Bilişim Hizmetleri Tic. Ltd. Şti.	--	936
TOTAL	9,981,260	598,308
<i>Deduct: Unaccrued financial expenses</i>	<i>(1,331)</i>	<i>(5,613)</i>
TOTAL	9,979,929	592,695

6. RELATED PARTIES TRANSACTIONS (Cont'd)

c) Trade payables to related parties:

	31.12.2022	31.12.2021
Odaş Elektrik Üretim San. ve Tic. A.Ş.	121,380	--
Kısrakdere Maden A.Ş.	--	55,680
Batı Trakya Madencilik A.Ş.	--	544,758
TOTAL	121,380	600,438
<i>Deduct: Unaccrued financial income</i>	<i>(112)</i>	<i>(84,231)</i>
TOTAL	121,268	516,207

d) Other Payables to related parties:

	31.12.2022	31.12.2021
Odaş Elektrik Üretim San. ve Tic. A.Ş.	10,778,330	94,971,030
Suda Maden A.Ş.	7,360,678	6,697,536
Bahattin Özal	12,500	12,500
Voytron Enerji Elektrik Perakende Satış A.Ş.	--	12,067,921
Ys Madencilik Sanayi ve Tic. Ltd. Şti	--	1,406,192
Batı Trakya Madencilik A.Ş.	--	2,221
TOTAL	18,151,508	115,157,400
<i>Deduct: Unaccrued financial income</i>	<i>(1,372,615)</i>	<i>(11,759,350)</i>
TOTAL	16,778,893	103,398,050

ii) Significant sales to related parties and significant purchases from related parties:

a) Sales of product to related parties

	01 January - 31 December 2022	01 January - 31 December 2021
Voytron Enerji Elektrik Perakende Satış A.Ş.	2,395,830,735	42,012,653
Odaş Elektrik Üretim San. ve Tic. A.Ş.	1,065,011,126	577,149
Suda Stratejik Metal Dış Ticaret A.Ş.	316,163,900	--
Suda Maden A.Ş.	14,950,423	9,704,196
Batı Trakya Madencilik A.Ş.	--	1,932,752
Arsin Enerji Elektrik Üretim San. Tic. A.Ş.	1,284,155	--
Hidro Kontrol Elektrik Üretim A.Ş.	437,320	--
TOTAL	3,793,677,659	54,226,750

6. RELATED PARTIES TRANSACTIONS (Cont'd)

b) Purchases from related parties

	01 January - 31 December 2022	01 January - 31 December 2021
Voytron Enerji Elektrik Perakende Satış A.Ş.	19,742,442	4,889,228
Suda Maden A.Ş.	2,905,842	9,700,596
Rey Bilişim Hizmetleri Ve Ticaret Ltd Şti.	161,301	--
Kısrakdere Maden A.Ş.	--	25,672,990
TOTAL	22,809,585	40,262,814

As of 31.12.2022, remuneration and benefits provided to executive are as follows:

- a) Short-term employee benefits: The total amounts of wages and similar benefits provided to the members of the Board of Directors and Senior Managers for the twelve months of the 2022 are TL 21,906,106 (31.12.2021: TL 7,821,599)
- b) Post-employment benefits: Employment termination benefits are paid to the personnel who are entitled to received such benefits by Law. No other payment is made to personnel other than those arising from the Labor Law.
- c) Other long-term benefits: None.
- d) Benefits due to dismissal: None.
- e) Share based payments: None.

7. TRADE RECEIVABLES AND PAYABLES

Trade receivables

The details of the Group's trade receivables as of December 31, 2021 and of 2022 are as follows:

	31.12.2022	31.12.2021
Customer current accounts	936,653,558	114,307,354
-Receivables from related parties	532,708,179	32,453,356
-Other receivables	403,945,379	81,853,998
Notes receivable	17,973,097	46,632,891
Doubtful trade receivables	1,500,000	1,500,000
Provisions for doubtful trade receivables (-)	(1,500,000)	(1,500,000)
	954,626,655	160,940,245
<i>Deduct: Unaccrued financial expense</i>	<i>(39,708,663)</i>	<i>(5,741,736)</i>
-Receivables from related parties	(34,048,564)	(3,936,193)
-Other receivables	(5,660,099)	(1,805,543)
TOTAL	914,917,992	155,198,509

The movement of the provision for doubtful trade receivables as of 31.12.2021 and 31.12.2022 are as follows:

	31.12.2022	31.12.2021
Balance at the beginning of period	1,500,000	1,500,000
Additional provisions	--	--
Payments (-)	--	--
TOTAL	1,500,000	1,500,000

7. TRADE RECEIVABLES AND PAYABLES (Cont'd)

Trade payables

	31.12.2022	31.12.2021
Vendor accounts	237,354,404	176,094,130
- Payables to related parties	121,380	600,438
- Other vendor payables	237,233,024	175,493,692
Notes payable	--	33,794,793
Other Trade Payables	--	--
	237,354,404	209,888,923
Deduct: Unaccrued financial income	(4,812,831)	(5,621,005)
-Trade payables to related parties	(112)	(84,231)
-Trade payables to third parties	(4,812,719)	(5,536,774)
TOTAL	232,541,573	204,267,918

8. OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

The details of the Group's short-term receivables are as follows:

	31.12.2022	31.12.2021
Receivables from related parties	9,981,260	598,308
Other receivables	259,197	498,225
Deposits and guarantees given	2,351,514	2,242,323
TOTAL	12,591,971	3,338,856
Deduction: Unaccrued financial expense	(1,331)	(5,613)
-Receivables from related parties	(1,331)	(5,613)
-Other receivables	--	--
TOTAL	12,590,640	3,333,243

8. OTHER RECEIVABLES AND PAYABLES (Cont'd)

Other long-term receivables

The details of the Group's long-term receivables are as follows:

	31.12.2022	31.12.2021
Deposits and guarantees given	209,963	209,744
TOTAL	209,963	209,744

Other short-term debts

The details of the Group's other short-term debts are as follows:

	31.12.2022	31.12.2021
Payables to related parties	18,151,508	115,157,400
Other payables	235,390	666,112
Taxes and funds payable	139,285,116	14,279,187
Advances received	9,965	8,422
Delayed or deferred tax and other payables	3,939,782	14,257,942
Other payables	24,088	9,249
	161,645,849	144,378,312
Deduct: Unaccrued financial expense	(1,805,969)	(11,759,350)
-Related party payables	(1,372,615)	(11,759,350)
-Other payables	(433,354)	--
TOTAL	159,839,880	132,618,962

Details of tax payables are as follows:

	31.12.2022	31.12.2021
VAT	125,960,785	9,512,160
Income Tax Deduction	9,943,174	4,660,215
Other tax liabilities	3,381,157	106,812
TOTAL	139,285,116	14,279,187

8. OTHER RECEIVABLES AND PAYABLES (Cont'd)

Other Long-term debts

The details of the Group's other long-term debts are as follows:

	31.12.2022	31.12.2021
Delayed or deferred public debts	1,680,862	5,796,327
TOTAL	1,680,862	5,796,327

9. INVENTORIES

	31.12.2022	31.12.2021
Raw materials and supplies	17,696,163	7,475,983
Semi-finished goods	303,789,710	113,372,192
Finished goods	172,140,215	90,947,624
Other inventories	34,960,916	10,280,965
TOTAL	528,587,004	222,076,764

Raw materials consists of fuel oil purchases, semi-finished product stocks from all-in coal purchases, finished product stocks from powder coal and limestone purchases, and other stocks consist of auxiliary production materials and other operating materials and spare parts..

10. PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses

Details of the short-term prepaid expenses are as follows:

	31.12.2022	31.12.2021
Advances given	29,993,674	5,640,818
Prepaid expenses	21,348,605	9,541,732
TOTAL	51,342,279	15,182,551

10. PREPAID EXPENSES AND DEFERRED INCOME (Cont'd)

Long-term prepaid expenses

Details of the long-term prepaid expenses are as follows:

	31.12.2022	31.12.2021
Prepaid expenses	889,057	1,884,776
TOTAL	889,057	1,884,776

Short-term deferred income

	31.12.2022	31.12.2021
Advances received (*)	5,634,429	61,096,265
TOTAL	5,634,429	61,096,265

(*) The amounts are related to the advances received. In the following period, the amount is netted off with trade receivables.

11. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment for the period 01.01- 31.12.2022 is as follows:

	01.01.2022	Addition	Disposal	Transfer	Revaluation	31.12.2022
Cost						
Land	166,675,000	9,334,628	--	--	--	176,009,628
Buildings	596,707	--	--	--	--	596,707
Plants machinery and equipment	4,925,301,810	79,304,401	(3,533,057)	--	--	5,001,073,154
Vehicles	13,335,631	39,979,069	(740,408)	--	--	52,574,292
Furniture and fixture	7,736,063	9,407,427	(3,390)	--	--	17,140,100
Construction in progress	33,668,266	56,465,353	--	--	--	90,133,619
Search costs	167,381	--	--	--	--	167,381
TOTAL	5,147,480,858	194,490,878	(4,276,855)	--	--	5,337,694,881
Accumulated Amortization						
Buildings	(61,707)	--	--	--	--	(61,707)
Plants machinery and equipment	(220,870,145)	(183,350,049)	357,364	--	--	(403,862,830)
Vehicles	(1,775,114)	(7,491,503)	135,408	--	--	(9,131,209)
Furniture and fixture	(3,106,350)	(1,650,976)	1,507	--	--	(4,755,820)
TOTAL	(225,813,316)	(192,492,528)	494,278	--	--	(417,811,566)
Net book value	4,921,667,543	1,998,350	(3,782,577)	--	--	4,919,883,315

11. PROPERTY, PLANT AND EQUIPMNET (Cont'd)

Movement of property, plant and equipment for the period 01.01.-31.12.2021 is as follows :

	01.01.2021	Addition	Disposal	Transfer	Revaluation	31.12.2021
Cost						
Land	54,755,175	2,086,644	--	--	109,833,181	166,675,000
Buildings	320,000	--	--	--	276,707	596,707
Plants machinery and equipment	2,262,393,996	87,335,125	(635,593)	2,008,625	2,574,199,657	4,925,301,810
Vehicles	4,011,077	472,831	(65,869)	--	8,917,592	13,335,631
Furniture and fixture	6,020,196	1,715,871	--	--	--	7,736,067
Construction in progress	13,746,851	19,921,415	--	--	--	33,668,266
Search costs	--	167,381	--	--	--	167,381
TOTAL	2,341,247,295	111,699,267	(701,462)	2,008,625	2,693,227,137	5,147,480,862
Accumulated amortization						
Buildings	(48,881)	(12,826)	--	--	--	(61,707)
Plants machinery and equipment	(164,076,858)	(56,793,287)	--	--	--	(220,870,145)
Vehicles	(1,405,255)	(585,798)	215,939	--	--	(1,775,114)
Furniture and fixture	(2,153,362)	(952,991)	--	--	--	(3,106,353)
TOTAL	(167,684,356)	(58,344,902)	215,939	--	--	(225,813,319)
Net book value	2,173,562,940	53,354,365	(485,523)	2,008,625	2,693,227,137	4,921,667,543

In accordance with TAS 16 "Property, Plant and Equipment" land and land improvement, property, plant and equipment were revalued in accordance with the revaluation conducted by Lal Gayrimenkul Değerleme ve Müşavirlik A.Ş., qualified valuers licensed by the CMB, and the Group adopted the "revaluation model" starting from 30.09.2018 based on the fair values determined in the valuation calculation.

In the valuation report dated 11.10.2018 and prepared as of September 30, 2018, the value of the investment was determined as TL 1.961.836.045 based on the revenue approach (DCF). In the valuation report dated 10.02.2020 prepared by certified valuation firm as of 31.12.2019, the value of the investment was determined as TL 2.085.175.474 based on the revenue approach (DCF).

11. PROPERTY, PLANT AND EQUIPMNET (Cont'd)

As of 31.12.2021,the property value of Çan2 Termik power plant was reflected in the financial statements base in accordance with the valuation study conducted by Ata Yatırım Menkul Değerler in line with International Valuation Standards (IVS) and Decision of the Capital Market Board dated 11.04.2019 and numbered 21/500, in accordance with the guidelines with respect to the valuation of others other than immovables, based on the fair values in the valuation report dated 12.01.2022 in line with International Valuation Standards. The value of the Çan 2Termik Plant was assessed as TL 4.684.505.558 based on Income Approach (DCF Method) in the valuation report prepared by the qualified valuers.

The asset value of Çan 2 Thermal Power Plant was determined by using the discounted cash flow method according to the income approach, and the Market Approach, Income Approach and Cost Approach methods were used in the valuation study. The valuation study was carried out by the valuation company authorized by the Capital Markets Board and by valuation experts in accordance with the International Valuation Standards.

Revaluation value increase fund movements are as follows:

31.12.2022	Facility	Building	Land	31.12.2022
01.01.2022 Balance	2,682,442,026	355,718	148,467,161	2,831,264,906
Gain on revaluation (Gross)	--	--	--	--
Loss on revaluation	--	--	--	--
Deferred Tax	--	--	--	--
Sales (Gros)	(1,829,462)	--	--	(1,829,462)
Sales (Deferred Tax)	365,893	--	--	365,893
Revalued Amount	2,680,978,457	355,718	148,467,161	2,829,801,337

31.12.2021	Facility	Building	Land	Total
01.01.2021 Balance	615,948,227	109,449	38,633,980	654,691,656
Gain on revaluation (Gross)	2,586,606,678	276,707	109,833,182	2,696,716,567
Loss on revaluation	(3,489,429)	--	--	(3,489,429)
Deferred Tax	(516,623,450)	(30,438)	--	(516,653,888)
Revalued Amount	2,682,442,026	355,718	148,467,162	2,831,264,906

12. INTANGIBLE ASSETS

The details of the Group's intangible assets for the year ended 31.12.2022 are as follows:

	01.01.2022	Addition	Disposal	Transfer	31.12.2022
Cost Value					
Rights	5,758,547	3,053,937	(254,000)	--	8,558,484
Other intangible assets	299,880	29,299	--	--	329,179
Preparation and development cost	36,215,981	7,256,691	--	--	43,472,672
TOTAL	42,274,408	10,339,927	(254,000)	--	52,360,335
Accumulated Amortization					
Rights	(1,973,387)	(996,365)	52,220	--	(2,917,532)
Other intangible assets	(281,506)	(12,784)	--	--	(294,290)
Preparation and development cost	(9,313,148)	(6,026,010)	--	--	(15,339,158)
TOTAL	(11,568,041)	(7,035,159)	52,220	--	(18,550,980)
Net Book Value	30,706,367	3,304,768	(201,780)	--	33,809,355

The details of the Group's intangible assets for the year ended 31.12.2021 are as follows:

	01.01.2021	Addition	Disposal	Transfer	31.12.2021
Cost Value					
Rights	3,643,455	2,115,092	--	--	5,758,547
Other intangible assets	288,355	11,526	--	--	299,881
Preparation and development cost	35,538,973	677,008	--	--	36,215,981
TOTAL	39,470,783	2,803,626	--	--	42,274,409
Accumulated Amortization					
Rights	(1,557,572)	(415,814)	--	--	(1,973,386)
Other intangible assets	(278,143)	(3,363)	--	--	(281,506)
Preparation and development cost	(4,059,464)	(5,253,686)	--	--	(9,313,150)
TOTAL	(5,895,179)	(5,672,863)	--	--	(11,568,042)
Net Book Value	33,575,604	(2,869,237)	--	--	30,706,367

13. EXPLORATION AND EVALUATION OF MINERAL RESOURCES

The total amount of preparation and development cost capitalized as of December 31, 2022 and 2021 is as follows;

Subsidiary	31.12.2022	31.12.2021
Yel Enerji	6,649,108	3,198,426
Çan2 Termik A.Ş.	3,025,247	3,025,247
Çan2 Trakya	33,798,317	29,992,308
TOTAL	43,472,672	36,215,981

The amount of TL 6.649.108 capitalized as preparation and development costs in Yel Enerji is related to project study, analysis, land permit applications and drilling works carried out for the coal mine operation license of 1.205.11 hectares in Bayramiç district of Çanakkale province with the number IR: 17517.

Transferring of mine license has realized at July 15, 2015 and preparation and development expenditures have been activated in accordance with the Exploration for and Evaluation of Mineral Resources standard and the accounting policy applied by the Group. Amortization process will be beginning when intangible assets is ready to use (taken over the license) means required conditions available for management's aim. Therefore, development expenses is capitalized and amortization begun to be calculated.

Preparation and development costs capitalized in in Çan2 Termik A.Ş. on 09.07.2013 are related to the mining coal field in Yayaköy Village, Çan district of Çanakkale province with the license number İR.17448, the operating rights of which have been obtained in accordance with the operating agreement in return for royalty and pertain to the expenditures capitalized as development expenses such as land measurement, testing and drilling, architectural engineering, land damage costs, construction equipment rental service in the mine sites previously operated. These costs were amortized within the term of the royalty contract. As of Dec 31, 2022, total costs incurred on the mining coal amounted to TL 3.025.247. (31.12.2021 : 3.025.247 TL)

Preparation and Development cost capitalized in the amount of TL 33.798.317 in Çan 2 Trakya is related with the coal mine drilling, analysis and geophysical costs in Tekirdağ Malkara. Drilling works are continuing and amortization will start when the intangible asset is brought into the position and condition required to operate as intended by the management.

14. RIGHT USE OF ASSETS

The details of the Group's right use of assets for the year ended 31.12.2022 are as follows:

	1.01.2022	Addition	Disposal	Transfer	31.12.2022
Cost – Vehicles					
Right use of assets	6,316,280	--	(4,788)	--	6,311,492
TOTAL	6,316,280	--	(4,788)	--	6,311,492
Accumulative amortization – Vehicles					
Right use of assets	(3,025,517)	(1,572,840)	--	--	(4,598,357)
TOTAL	(3,025,517)	(1,572,840)	--	--	(4,598,357)
Net Book Value	3,290,763	--	--	--	1,713,135

31.12.2021 itibarinde sona eren hesap dönemi içerisinde Grup'un kullanım hakkı varlıklarının detayı aşağıdaki gibidir:

	01.01.2021	Addition	Disposal	Transfer	31.12.2021
Cost – Vehicles					
Right use of assets	5,900,470	415,810	--	--	6,316,280
TOTAL	5,900,470	415,810	--	--	6,316,280
Accumulative amortization – Vehicles					
Right use of assets	(1,409,337)	(1,616,180)	--	--	(3,025,517)
TOTAL	(1,409,337)	(1,616,180)	--	--	(3,025,517)
Net Book Value	4,491,134				3,290,763

The Group has included the lease obligations representing the operational lease payments for which it is liable in its consolidated financial statements. The details of the accounting made by the Group in accordance with TFRS 16 Leases standard are explained in Note 2.

15. IMPAIRMENT OF ASSETS

The impairment in trade receivables of the Group as of December 31,2021 and December 31,2022 and the related impairment provisions have been shown in the relevant financial statement items (Note 7).

The impairment in tangible and intangible assets of the Group as of December 31,2021 and the related impairment provisions have been shown in the relevant financial statement items (Note 14).

16. GOVERNMENT GRANTS

Investment incentive certificate held by Çan2 Termik A.Ş, which is dated 06.02.2015 and numbered 117824 and issued by Republic of Turkey Ministry of Economy and Foreign Capital General Directorate of Incentives and Implementation, has been renewed with the number C117824, dated 18.09.2017.

The investment concerning the certificate is a power generation plant based on domestic coal with an installed capacity of 340 MW (Çan 2 Thermal Power Plant). The incentive certificate was issued in accordance with EMRA's preliminary license dated 10.07.2014 numbered ÖN / 5117-5 / 03070.

The investment incentive certificate has been granted for the new investment made in Çanakkale Çan 2nd region and covers the period between 13.08.2014 and 12.02.2019. With the certificate, Employer's Share Support for Insurance Premium, Interest Support, Tax Reduction Rate Support, VAT exemption and Customs Tax exemption incentives are used. The total amount of the investment is TL 801.789.866. An Incentive Closing Visa application was made to the Ministry of Industry and Technology on October 2, 2019, and a completion visa was effected within the framework of Article 24 of the decision dated June 15, 2012 and numbered as 2012/3305 and Article 23 of the communiqué numbered 2012/1 regarding the implementation of this decision. The decision was notified to the Company in accordance with the letter dated August 5, 2020 and numbered 1777914. The contribution rate to the investment is calculated at the rate of 40% over the total investment amount before the closing of the investment incentive certificate, and a tax reduction of 80% is provided up to the tax reaching up to TL 320.715.946. Indexed and not deducted investment incentive deduction amount in 2022 is 873,238,724 TL. Deferred tax has been computed on this amount (Note 30).

In addition, an investment incentive certificate organized by the Republic of Turkey Ministry of Industry and Technology, dated April 8, 2020, No. 510216 and ID number 1013731 was issued. The support class is classified as Regional-Priority Investment and the support elements consist of VAT Exemption, Interest Support, Tax Reduction, Insurance Premium Employer's Share and Land Allocation. The investment subject to the certificate is a power generation plant based on domestic coal with an installed power of 340 MW (Çan 2 Thermal Power Plant), and the incentive certificate was issued in accordance with the Energy Market Regulatory Authority's Production License dated January 28, 2016, numbered ÜE / 6083-2 / 03428.

17. BORROWING COSTS

There is no borrowing costs for the period under investigation. (31.12.2021: None)

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short-term provisions

	31.12.2022	31.12.2021
Other short-term provisions	978,028	940,350
TOTAL	978,028	940,350

Cases Against the Group

As of 31.12.2022, according to the information obtained from the Group's legal consultancy, there are various commercial lawsuits filed against the Group. A provision of TL 281.821 has been set aside for these lawsuits and their costs.

As of 31.12.2022, the Group has set aside a provision for litigation expenses of TRY 696.207 considering the high probability of losing the cases related to reemployment lawsuits.

The details of the provision for litigation regarding the lawsuits filed against the Group are as follows;

	01.01.- 31.12.2022	01.01.- 31.12.2021
Balance at the Beginning of the Period	940,350	1,480,086
Additional Provisions	361,119	183,850
Cancellations	(323,441)	(723,586)
TOTAL	978,028	940,350

Favorable Lawsuits

As of the report date, there are various lawsuits initiated by the Group.

Other long-term provisions		
	31.12.2022	31.12.2021
Mine restoration provisions	202,598	185,044
TOTAL	202,598	185,044

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

Favorable Lawsuits (Cont'd)

In accordance with TFRS 6 Exploration for and Evaluation of Mineral Resources, an entity will recognize in the financial statements the cost of removal and restoration obligations that will be incurred during a given time period as a result of undertaking the exploration and evaluation of mineral resources according to TAS 37 Provisions, Contingent Liabilities and Contingent Assets. Accordingly, based on the technical evaluation made by the project manager and technical team, mining activities in Çanakkale Province Çan District Yayaköy License No: 17448 site will be operated as closed and open operations. Extension projects including this scope have been submitted to the General Directorate of Mining Affairs for approval. Following the open operation, transition will be made to closed operation. There will be no stripping work on the land improvement during the closed business periods. The area stripped in the open pit will be used as an ash storage area within the scope of Çan 2 thermal power plant, as stated in the EIA report.

Subsequent to utilization the economic life of the field, the site will be arranged with a survey study, afforested, and abandoned. Approximate estimated cost for terracing and afforestation will be around TL 300.000.

Pickling work will be carried out in an area of approximately 150 decares. As per the extension project, there are 100 trees per decare. Due to the soil structure of the region, approximately TL 2,000 per decare cost is calculated in this way. The total cost for 150 decares of land has been calculated as $150 \times \text{TL } 2.000 = \text{TL } 300.000$. This study will be carried out after the open business has completed its economic life, which is estimated to be at the completion of 20 year period.

Provision for mine restoration	31.12.2022	31.12.2021
Balance at the beginning of period	185,044	185,044
Additional provision / payment (-)	17,554	--
Balance at the end of the period	202,598	185,044

As of December 31, 2022, the net present value of total cost amounting to TL 300.000, is TL 202.598.

Share pledge agreement

A pledge agreement was signed with the Consortium made up of Yapı Kredi Bank A.Ş. Esenyurt Commercial Branch and Halk Bankası A.Ş. Kozyatagi Commercial Branch and Çan2 Termik A.Ş. in order to pledge all shares of the shareholders of Çan2 Termik A.Ş. in favor of The Esenyurt Commercial Branch and Halk Bankası A.Ş. Kozyatagi Commercial Branch as the guarantee of the loan issued in accordance with the General Credit Agreement signed by Çan2 Termik A.Ş. Furthermore, related to the debt arising from the General Credit Agreement signed between the consortium made up of Yapı Kredi Bank A.Ş. Esenyurt Commercial Branch and Halk Bank A.Ş. Kozyatagi Commercial Branch and Çan2 Termik A.Ş., a Pledge Agreement and a Movable Pledge Agreement was signed without any provisions in regards the transfer of title and proprietorship. The total amount in the Movable Pledge Agreement is Euros 244.800.000 and TL 1.000.000.000.

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

Share pledge agreement (Cont'd)

Properties owned by ÇAN2 Termik A.Ş. were pledged as guarantee for loans obtained from Yapı Kredi Bank A.S. and Türkiye Halk Bankası. The pledge is ranged between 1 up to 10th degrees. The total amount of the mortgage was TL 2.614.500.000 and Euro 558.900.000.

Assignments

Transfer of EPIAS Receivables Agreement with Yapı Kredi Bankası A.Ş. Esenyurt Commercial Branch. In accordance with the General Loan Agreement signed between the consortium of Yapı Kredi Bankası A.Ş. Esenyurt Commercial Branch and Halk Bankası EPIAŞ Receivable Pledge Agreement was signed as guarantee of the loan in favor of Yapı Kredi Bankası A.Ş. Esenyurt Commercial Branch and Halk Bankası A.Ş. Kozyatağı Commercial Branch. The pledge was assigned for an amount of TL 13.000.000.000, with a term up to 2029.

Receivable Pledge Agreement with Yapı Kredi Bankası A.Ş. Esenyurt Commercial Branch and Pledge of EÜAŞ Receivable Agreement with Türkiye Halk Bankası A.Ş. Commercial Branch:

In accordance with the General Loan Agreement signed between the consortium of Yapı Kredi Bankası A.Ş. Esenyurt Commercial Branch and Halk Bankası Kozyatağı Commercial Branch EÜAŞ Receivable Pledge Agreement was signed as guarantee of the loan in favor of Yapı Kredi Bankası A.Ş. Esenyurt Commercial Branch and Halk Bankası A.Ş. Kozyatağı Commercial Branch. The pledge assigned is related to the electricity sales agreement dated 24.12.2020.

Guarantees given

The guarantees given by the group are as follows:

Guarantees / Pledge / Mortgage (GPM)	31.12.2022	31.12.2021
A) GPM given for companies own legal personality	19,998,450,829	15,969,233,599
B) GPM given in behalf of fully consolidated companies	--	--
C) GPM given for continuation of its economic activities on behalf of third parties	--	--
D) Total amount of other GPM's	--	--
i) Total amount of GPM's given on behalf of the majority shareholder	--	--
Total amount of GPM's given on behalf of other Group companies which are not in scope of B and C	--	--
ii) Total amount of CPM's given on behalf of other group companies which are not in scope of B and C	--	--
iii) Total amount of GPM's given on behalf of third parties which are not in scope of C	--	--
Total GPM	19,998,450,829	15,969,233,599

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

Guarantees given (Cont'd)

Guarantees and notes received by the Group are as follows;

	31.12.2022	31.12.2021
Letters of guarantee received	7,243,878	3,277,211
TOTAL	7,243,878	3,277,211

19. EMPLOYEE BENEFITS

a. Short term

Payables due to employee benefits

	31.12.2022	31.12.2021
Payables to personnel	5,119,135	1,964,029
Social security premium payables	4,207,722	4,151,633
TOTAL	9,326,857	6,115,662

Payables to personnel consists of unpaid accrued wages and similar debts due. Social Security withholdings consist of social security premiums payables that are accrued with the related payroll, declared and filed on the twenty-third of the following month and paid by the end of the month consists of premium debts.

Annual Leave Provision

The movement of the leave provision account between December 31, 2021 and 2022 are as follows:

	31 Aralık 2022	31 Aralık 2021
Balance at beginning of the period	4,867,231	3,031,076
Provision for the period	5,530,180	1,836,155
TOTAL	10,397,411	4,867,231

19. EMPLOYEE BENEFITS (Cont'd)

b. Long term

Severance pay provision

Under the Turkish Labor Law, companies are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires. The maximum amount payable equals to one month of salary is TL 17.904,62 as of 31 December 2022 (31 December 2021: TL 10.596,74) for each year of service.

In order to calculate the liabilities of the Group in accordance with TAS 29 (Employee Benefits), a calculation made with actuarial assumptions is required. The Group calculated the provision for severance pay, using the "Projection Method" in accordance with TAS 29, based on the experience of the Group in completing the personnel service period in previous years and gaining the right to severance pay and reflected it in the financial statements.

Provision for termination benefits is made by calculating the present value of the possible liability to be paid in case of retirement of employees. Accordingly, the actuarial assumptions used to calculate the liability as of December 31, 2021 and 2022 are as follows:

	31.12.2022	31.12.2021
Discount rate	21.44%	18.90%
Estimated rate of increase	17.78%	15.00%
Net Discount rate	3.11%	3.39%

The movement of the employment termination benefits provision during the years ended December 31, 2021 and 2022 are as follows:

Severance pay provision		
	31 December 2022	31 December 2021
Balance at beginning of the period	1,324,274	818,428
Additional Allowance / Payment (-)	1,785,190	505,846
Balance at end of the period	3,109,464	1,324,274

	31 December 2022	31 December 2021
Balance at beginning of the period	1,324,274	818,428
Payment	1,030,959	891,014
Interest cost	305,041	152,865
Current service cost	(848,946)	(749,382)
Actuarial Gain/Loss	1,298,136	211,349
Balance at end of the period	3,109,464	1,324,274

20. OTHER ASSETS AND LIABILITIES

Other current assets

Other Current Assets as of December 31, 2021, and 2022 are as follows:

	31.12.2022	31.12.2021
Income accruals (*)	327,137,281	104,435,569
Deferred VAT	5,335,857	7,829,601
Job advances	1,024,235	3,447,047
Personnel advances	72,371	3,654
Order advances given	43,933,193	6,450,685
TOTAL	377,502,937	122,166,556

(*) Income accruals are as follows:

	31.12.2022	31.12.2021
Income accruals from sales of electricity	327,137,281	104,435,569
TOTAL	327,137,281	104,435,569

Other short-term liabilities

	31.12.2022	31.12.2021
Expense accruals	498,136,013	43,650,986
TOTAL	498,136,013	43,650,986

The details of Expense Accruals are as follows:

	31.12.2022	31.12.2021
Expense accruals from electricity purchases	497,213,402	41,063,525
Other expenses accruals	922,611	2,587,461
TOTAL	498,136,013	43,650,986

20. OTHER ASSETS AND LIABILITIES (Cont'd)

The details of Other Non - Current Assets as of December 31, 2021, and 2022 are as follows.

Other non-current assets

	31.12.2022	31.12.2021
Advances given (*)	47,864,509	53,860,977
TOTAL	47,864,509	53,860,977

(*) Advances given consist of advances given to contractors and suppliers in the previous periods in order to purchase investment materials and services for Çan-2 Termik A.Ş. plant.

Other long-term liabilities

	31.12.2022	31.12.2021
Expense accruals (*)	481,163	1,447,164
TOTAL	481,163	1,447,164

(*) Amount consists of the interest expense accrual related to the restructuring of insurance and tax debt installment.

21. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid Capital

The paid capital structure of the Group as of 31.12.2021, and 2022 is as follows:

	31.12.2022		31.12.2021	
Shareholders	Shares	Amounts	Shares	Amounts
Odaş Elektrik Üretim San. Tic. A.Ş.	245,651,000	76.77%	245,651,000	76.77%
Public Shares	74,349,000	23.23	74,349,000	23.23
TOTAL	320,000,000	100%	320,000,000	100%

As of 31.12.2022, the paid-in capital of Çan2 Termik A.Ş. was TL 320.000.000, divided into 320.000.000 (Three hundred and twenty million shares, each with a nominal value of TL 1.

21. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

Share premiums/discounts

In the aftermath of the share capital increased realized between April 21-22 through a share offering, the sale of 67,590,000 shares during the IPO process at Borsa İstanbul AŞ over the nominal value of TL 1 gave rise to Share Premiums amounting to TL 185,332,488 included under shareholders equity after the net-off of the public issue costs of TL 9,441,284.

	31.12.2022	31.12.2021
Share Premiums	185,332,488	185,332,488
TOTAL	185,332,488	185,332,488

Gain/Loss From Revaluation

	31.12.2022	31.12.2021
Land,Building,Vehicles.Machinery and Plant	2,829,801,337	2,831,264,906
TOTAL	2,829,801,337	2,831,264,906

Gain/Loss From Cash Risk Protection

	31.12.2022	31.12.2021
Cash Flow Hedge Gains/Losses	766,181,663	425,193,010
TOTAL	766,181,663	425,193,010

Actuarial Loss / Gain Fund

The movement of actuarial loss/gain fund is as follows:

	31.12.2022	31.12.2021
Balance at beginning of the period	(620,592)	(457,852)
Actuarial gain/loss	(1,298,136)	(211,350)
Deferred tax effect	259,627	48,610
Balance at the end of the period	(1,659,101)	(620,592)

21. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

The Effect of Mergers Involving Entities Subject to Common Control

Amounts arising from the merger of businesses subject to common control, which are included in the "The Effect of Mergers Involving Entities Subject to Common Control" are shown below.

Name	Acquisition Cost	Acquired Equity Share Value	The Effect of Mergers Involving Entities Subject to Common Control
Yel Enerji	100,000	(1,299,068)	(1,399,068)

A business combination involving the undertakings or businesses subject to joint control is a business combination in which all the merging undertakings or businesses are controlled by the same person or persons before and after the business merger and this control is not temporary.

Goodwill cannot be included in the financial statements since business combinations subject to common control are accounted for using the combination of rights method. Therefore, goodwill amounting to TL 1,399,068 arising from the acquisition of enterprises under common control has been shown in the "Effect of Mergers Including Joint Controlled Enterprises or Businesses" account as an offsetting account under equity.

Capital Advances

There are no capital advances (31.12.2021: None).

Parent Company Shares

During the year ended December 31, 2022, the Group incurred a period profit of TL 2.137.026.469. (31.12.2021: TL 180.963.007 of net loss), all of which pertain to the Parent Company shares and there are no non - controlling interests.

Prior Years Profit/Loss

Prior Years Profit/Loss	31.12.2022	31.12.2021
Prior Years Profit/Loss	(112.788.484)	(150.141.189)
Share Not Resulting in Loss of Control in Subsidiaries Rate Not. Depending On Increase/Decrease	--	--
Profit/Loss for the Period	(180.963.006)	37.352.705
TOTAL	(293.751.490)	(112.788.484)

22. REVENUE AND COST OF SALES

The details of sales are as follows;

	01 January - 31 December 2022	01 January - 31 December 2021
Domestic Sales	5,825,394,984	1,192,954,380
Electricity Sales	5,819,210,126	1,192,058,316
Other Income	6,184,858	896,064
Sales Returns	(12,854,095)	(17,859)
TOTAL	5,812,540,889	1,192,936,521

23. EXPENSES BY NATURE

The details of the cost of sales for the periods 01.01.-31.12.2022 and 01.01.-31.12.2021 are as follows:

	01 January - 31 December 2022	01 January - 31 December 2021
Daily Market Debt Fee	1,101,156,832	124,259,259
Other costs TEIAS/EPIAS	889,339,618	1,092,194
Coal usage cost	721,681,510	294,779,488
Energy imbalance amount	422,513,153	145,096,489
Amortization and depreciation expenses	190,064,102	61,069,542
Personnel expenses	118,992,843	53,888,803
Maintenance cost	63,277,518	19,812,223
Diesel consumption cost	52,298,236	10,602,714
System usage and operating fee	41,303,014	33,585,055
Fuel Oil usage cost	32,146,536	12,567,173
DGP amount	24,042,389	10,847,487
Insurance cost	14,178,586	8,387,410
Rental Expenses	10,593,018	--
The Cost of Selling Coal	9,752,019	10,316,531
The Cost of Selling Finished Products Obtained from Production	9,732,596	14,322,380
Limestone usage cot	9,634,450	3,736,621
Bilateral agreements cost	8,750,201	6,619,759
Consultancy Expenses	1,478,287	--
Other Cost	15,360,445	20,703,519
Purchase amount of the Gop system	--	32,410,381
Imbalance of Group Companies	--	1,206,267
Retroactive Adjustment Amount	--	55,703
TOTAL	3,736,295,353	865,358,998

24. GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SELLING

Marketing, selling and distribution expenses

There are no marketing, sales distribution expenses for the periods 01.0-31.12.2022 and 01.01-31.12.2021

General Administrative Expenses

The details of the general administrative expenses for the periods 01.01.-31.12.2022, and 2021 are as follows:

	01 January - 31 December 2022	01 January - 31 December 2021
Personnel expenses	25.042.724	16.592.763
Tax Return and Contract Stamp Duty Tax	4.879.039	1.629.333
Amortization expenses	4.151.679	3.595.334
Consultation expense	3.552.957	992.862
CMB Board Expenses	2.908.165	--
Representation and hospitality expenses	280.244	94.039
Legal Provision expenses	206.223	1.035.568
Fuel expenses	196.827	114.782
IPO Expenses	194.378	--
Subscription fee	168.673	162.448
Travel expenses	159.286	159.985
Notary expenses	61.174	42.967
Freight expenses	33.324	13.994
Other expenses	3.851.469	586.172
Rent expenses	--	573.792
Tax expenses	--	43.179
TOTAL	45.686.163	25.637.218

25. OTHER OPERATING INCOME AND EXPENSES

Other income from operating activities

	01 January - 31 December 2022	01 January - 31 December 2021
Exchange rate gain	30,859,520	10,187,642
Previous year's profit and income	6,211,846	9,571,782
Other operating profit and income	1,651,125	8,902,356
Other extraordinary income	1,498,480	3,548,773
Provision no longer required	325,114	723,587
Rediscount income	25,586	26,640
TOTAL	40,571,671	32,960,780

Esas Faaliyetlerden Diğer Giderler

	01 January - 31 December 2022	01 January - 31 December 2021
Other Extra Ordinary Losses and Expenses	34,295,725	18,036,779
Exchange Rate Expenses	31,591,182	18,109,837
Idle Capacity Losses and Expenses	6,903,975	4,153,798
Rediscount expenses	3,256,128	10,543,866
Previous years losses and expenses	1,101,012	30,714,530
Provision expenses	222,244	--
Other	674,295	2,425,626
TOTAL	78,044,561	83,984,436

26. INVESTMENT INCOME AND EXPENSES

The details of the income and expenses from investment activities for the periods 01.01.-31.12.2022, and 2021 are as follows:

	01 January - 31 December 2022	01 January - 31 December 2021
Income from investment activities	28,829,080	124,647
Expenses from investment activities	(1,671)	--
TOTAL	28,827,409	124,647

27. EXPENSES BY NATURE

The details of the expenses of the Group classified based on variety for the periods 01.01.-31.12.2022, and 2021 are as follows:

Amortization Expense	01 January - 31 December 2022	01 January - 31 December 2021
Cost of sales	190,064,102	61,069,542
General administrative expense	4,151,679	3,595,334
Idle capacity expenses and losses	5,311,906	927,096
Previous years profit/loss	--	41,972
TOTAL	199,527,687	65,633,944
Personnel Expenses	01 January - 31 December 2022	01 January - 31 December 2021
Cost of sales	118,992,843	53,888,803
General administrative expense	25,042,724	16,592,763
TOTAL	144,035,567	70,481,566
Insurance Expenses	01 January - 31 December 2022	01 January - 31 December 2021
Cost of sales	14,178,586	8,387,410
TOTAL	14,178,586	8,387,410
Consultancy Expenses	01 January - 31 December 2022	01 January - 31 December 2021
General administrative expense	3,552,957	992,862
Cost of Sales	1,478,287	--
TOTAL	5,031,244	992,862

28. FINANCIAL INCOME AND EXPENSES

Financial Income

	01 January - 31 December 2022	01 January - 31 December 2021
Exchange gain	333,226,471	117,563,958
Interest Income	28,509,987	9,537,101
Profits from Derivative Instruments	18,384,000	--
Rediscount expenses	1,740,499	5,333,391
Profit on Sale of Marketable Securities	456,617	46,548
TOTAL	382,317,574	132,480,998

Financial Expenses

	01 January - 31 December 2022	01 January - 31 December 2021
Exchange losses	442,110,605	418,551,979
Interest and commission expenses	330,282,165	235,366,152
Rediscount expenses	43,234,156	2,690,466
TOTAL	815,626,926	656,608,597

29. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

The Group's other comprehensive income/(expense) during the years ended 31.12.2022 and 31.12.2021 comprised:

Other comprehensive income (expense) that will not be reclassified to profit and loss	01 January - 31 December 2022	01 January - 31 December 2021
Revaluation Gain/Loss	--	2,693,227,136
Actuarial Gain / Loss	(1,298,136)	(211,349)
Deferred tax income / expenses	259,627	(516,605,277)
TOTAL	(1,038,509)	2,176,410,510

30. INCOME TAXES INCLUDING DEFERRED TAX ASSETS AND LIABILITIES

Tax income /expenses in the statement of income during the years ended 31.12.2022 and 31.12.2021 comprised:

	01 January - 31 December 2022	01 January - 31 December 2021
Deferred tax income / expense	576,882,385	92,123,296
Cash Flow Hedging Gains/Losses	82,876,463	108,668,953
Current tax expense / income	(28,460,456)	--
Deferred tax reflected in Equity (*)	259,627	(516,605,277)
TOTAL	631,558,019	(315,813,028)

Current Tax

In Turkey, the corporate tax rate is applied as 22% for corporate earnings for the taxation periods of 2018, 2019 ,2020 and 25% for 2021 and 23% for 2022 in accordance with the Corporate Tax Law No. 5520.

Current Year Tax Provisions, Net

	31 December 2022	31 December 2021
Profit / Loss Before Tax	1,376,526,867	--
Non-tax-deductible expenses	11,945,911	--
Financing Expense Restriction	68,407,716	--
Currency Protected Deposit System	24,409,882	--
Participation Earning	1,721,475	--
Past year loss deduction	754,913,960	--
Reduced corporate tax advantage arising from capital increase in cash	85,869,555	--
Corporate Tax Base	589,965,621	--
Corporate Tax Base (%23)	1,652,242	--
Corporate Tax Base (Investment Discounted Part %4,6)	26,808,214	--
Current Tax Expenses	28,460,456	--

30. INCOME TAXES INCLUDING DEFERRED TAX ASSETS AND LIABILITIES (Cont'd)

Assets Related to Current Period Tax

	31.12.2022	31.12.2021
Prepaid Taxes and Funds	3,268,855	--
TOTAL	3,268,855	--

Deferred Tax

The Group's deferred income tax assets and liabilities are calculated by taking into account the effects of temporary differences arising as a result of different evaluation between the registered value of the balance sheet items and the Tax Procedure Law.

These temporary differences generally resulting from the recognition of income and expenses in different reporting periods according to the CMB Communiqué and tax laws. The rate to be applied for the deferred tax receivables and liability calculated according to the liability method over the temporary differences that will arise after 31.12.2008 is 20%. However, the 20% tax rate specified in the first paragraph of Article 32 of the Corporate Tax Law No. 5520 with the Law No. 7061 "Amending Some Tax Laws and Some Other Laws" adopted on 28.11.2017 is for corporate earnings for the 2018, 2019 and 2020 taxation periods. The provision that is applied as 22% has been added with a provisional article. The tax rate for corporate earnings will be applied as 25% in 2021 and 23% in 2022.

Turkish tax legislation makes not possible that the main partner of company can organize tax statement via financial statement of its consolidated subsidiaries and affiliates. Therefore, with company has deferred tax assets and company has deferred liabilities are not net finalized their tax position. It is stated separately.

The deferred tax assets and liabilities as of December 31, 2022, and 2021 are given in the financial statements as follows,

	31.12.2022	31.12.2021
Deferred Tax Assets	490,995,261	--
Deferred Tax Liabilities	(5,686,230)	(175,075,436)
Deferred Tax Assets / Liabilities, Net	485,309,031	(175,075,436)

30. INCOME TAXES INCLUDING DEFERRED TAX ASSETS AND LIABILITIES (Cont'd)

Deferred Tax (Cont'd)

The temporary differences and deferred tax assets/(liabilities) using the enacted tax rates as of December 31, 2021, and 2022 are as follows:

	Temporary Differences		Deferred tax assets / (Liabilities)	
Deferred tax assets / Liabilities	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Other Deferred Tax Assets/Liabilities	85,430	--	19,649	--
Rediscounts	28,774,956	(11,633,005)	6,618,240	(2,675,591)
Stocks	(13,575)	--	(3,122)	--
Other liabilities and accrued expenses	137,491,731	(167,995,885)	31,623,097	(38,639,053)
Tangible and intangible fixed assets depreciation differences	210,464,627	(34,587,391)	48,406,864	(7,955,100)
Employment termination benefits and annual leave provision	12,874,350	5,055,347	2,961,101	1,162,730
Reduced corporate tax advantage arising from capital increase in cash	--	218,291,299	--	50,206,999
Reduced Corporate Tax from Investment (*)	--	--	866,559,089	320,715,946
Tangible Asset Revaluation Effects	--	--	(695,587,677)	(695,171,391)
Cash Flow Hedging Gains/Losses	--	--	224,711,790	108,668,953
IAS 21 Currency Change Effect	--	61,757,204	--	13,586,584
Prior Period Expense Losses	--	--	--	75,024,487
TOTAL	389,677,519	70,887,569	485,309,031	(175,075,436)

(*) Even though the related investment of the Group is in Region II, the Special Terms of Investment Incentive, Article 5 state that the investment subject to the incentive is listed among prioritized investments, which will benefit from regional supports granted to Region 5. Accordingly, the Investment Contribution Rate is 40% and the Discounted Corporate Tax Rate is 80%. Accordingly, the Group will benefit from reduced corporate tax application in the amount of TL 320.715.946 in relation to the profit from the investment, which is calculated as 40% of the total investment amount of TL 801.789.865. In addition, there is an investment discount within the scope of the investment incentive certificate dated 08.04.2020. The Investment Contribution Rate is 40% and the Discounted Corporate Tax Rate is 80%. Accordingly, a reduced corporate tax application will be available for the income obtained from the investment of TRY 76.453.154, which is 40% of the total investment of TRY 191.132.885. The remaining investment allowance indexed in 2022 is 866.559.089 TL.

31. EARNINGS PER SHARE

	01 January - 31 December 2022	01 January - 31 December 2021
Net profit / (Loss)	2,137,026,469	(180,963,007)
Weighted average number of common share	320,000,000	297,963,808
Profit / (Loss) per share with a nominal value of 1 TL	6.678208	(0.607332)

32. REPORTING IN HYPERINFLATIONARY COUNTRIES

In order to show the changes in the purchasing power of Turkish Lira in the financial statements prepared before 01.01.2005, inflation adjustments have been made by using wholesale price indices within the scope of TAS 29. In this standard, it is stipulated that the financial statements prepared in currency in high inflation periods are expressed in terms of the current purchasing power of money by eliminating the effects of changes in the purchasing power of money on financial statement items by using the adjustment coefficient. On January 20, 2022, the Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies within the Scope of Turkish Financial Reporting Standards, Financial Reporting Standard for Large and Medium Sized Enterprises. Accordingly, it has been stated that businesses applying IFRS do not need to make any adjustments within the scope of TAS 29 in their financial statements for 2021.

33. FINANCIAL INSTRUMENTS

Short term financial liabilities

As of December 31, 2021 and 2022 short-term financial debts are as follows:

	31.12.2022	31.12.2021
Bank loan	--	81,776,258
Liabilities from leasing	1,125,581	804,476
Deferred leasing costs (-)	(263,849)	(383,323)
Loan principal instalments and interest	293,815,316	543,249,068
Other financial liabilities	866,832	2,972,839
Short term financial liabilities – Net	295,543,880	628,419,318

33. FINANCIAL INSTRUMENTS (Cont'd)

Long term financial liabilities		
	31.12.2022	31.12.2021
Bank loan	1,931,248,633	1,670,555,436
Liabilities from leasing	670,897	1,475,364
Deferred leasing costs (-)	(80,765)	(338,456)
Long term financial liabilities – Net	1,931,838,765	1,671,692,344
	31.12.2022	31.12.2021
Other financial liabilities	866,832	2,972,839
TOTAL	866,832	2,972,839

The details of the maturity and interest amounts of the Group's loans are as follows:

Loan repayment schedule:

Long term loans		
	31.12.2022	31.12.2021
2023	--	340,316,800
2024	441,534,725	293,026,883
2025	378,260,303	256,153,049
2026	330,334,391	226,669,511
2027	287,320,534	200,187,875
2028	248,673,391	176,350,730
2029	214,207,450	155,018,633
2030	30,917,839	22,831,955
TOTAL	1,931,248,633	1,670,555,436
Long term loans		
	31.12.2022	31.12.2021
1-2 Years	--	--
2-3 Years	441,534,725	--
3-4 Years	378,260,303	340,316,800
4-5 Years	330,334,391	293,026,883
5 Years and above	781,119,214	1,037,211,753
TOTAL	1,931,248,633	1,670,555,436

33. FINANCIAL INSTRUMENTS (Cont'd)

Date of payment	Liabilities from leasing	Deferred leasing costs (-)
2023	1,125,581	(263,849)
2024	670,898	(80,766)
TOTAL	1,796,479	(344,615)

	Annual interest rate %		Value in foreign currency		TL	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
TL Loans	7.5%-18%	7%-29%	--	--	--	14,299,118
EURO Loans	6%-8.5%	5.5%-7%	--	4,464,575	--	67,477,140
Short term Loans			--	--	--	81,776,258

EURO Loans	6%-8,5%	5.5%-7%	11,586,248	31,191,030	231,386,636	471,418,101
TL Loans	7.5%-18%	7.5-29%	--	--	62,428,680	71,830,967
Short Term Loan principal installments and interests					293,815,316	543,249,068

Short term Loans in total			--	--	293,815,316	625,025,327
EURO Loans		5.5%-7%	91,908,500	102,531,484	1,835,486,267	1,549,650,599
TL Loans		7.5-29%	--	--	95,762,366	120,904,837
Long term Loans in total					1,931,248,633	1,670,555,436

34. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Credit risk management

The credit risks exposed by the financial instrument types as of December 31, 2022, as follows:

31.12.2022	Receivables				Deposits at banks	Derivative instruments	Other
	Trade receivables		Other receivables				
	Related party	Third party	Related party	Third party			
Minimum credit risk exposed as of reporting date (A+B+C+D+E)	498,659,615	416,258,377	9,979,929	2,820,674	209,449,833	2,446	121,933,701
- The section of the minimum risk taken under assurance	--	--	--	2,561,476	--	--	--
A. Carrying amount of financial assets not overdue or not impaired	498,659,615	416,258,377	9,979,929	259,198	209,449,833	2,446	121,933,701
B. Carrying amount of financial assets with rediscussed conditions that are considered overdue but not impaired	--	--	--	--	--	--	--
C. Carrying amount of financial assets overdue but not impaired	--	--	--	--	--	--	--
D. Carrying amount of assets impaired	--	1,500,000	--	--	--	--	--
-Overdue (gross book value)	--	(1,500,000)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- Net value guaranteed	--	--	--	--	--	--	--
-Undue (gross book value)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- Net value guaranteed	--	--	--	--	--	--	--
E. Off-balance sheet items carrying credit risk	--	--	--	--	--	--	--

In determining the amount, the factors that increased credit reliability, such as the guarantees received, were not considered.

34. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

The credit risks exposed by the financial instrument types as of December 31, 2021, as follows:

31.12.2021	Receivables				Deposits at banks	Derivative instruments	Other
	Trade receivables		Other receivables				
	Related party	Third party	Related party	Third party			
Minimum credit risk exposed as of reporting date (A+B+C+D+E)	28,517,163	126,681,346	592,695	2,950,292	15,643,115	7,909,606	66,142,481
- The section of the minimum risk taken under assurance	--	--	--	2,452,067	--	--	--
A. Carrying amount of financial assets not overdue or not impaired	28,517,163	126,681,346	592,695	498,225	15,643,115	7,909,606	66,142,481
B. Carrying amount of financial assets with rediscussed conditions that are considered overdue but not impaired	--	--	--	--	--	--	--
C. Carrying amount of financial assets overdue but not impaired	--	--	--	--	--	--	--
D. Carrying amount of assets impaired	--	1,500,000	--	--	--	--	--
-Overdue (gross book value)	--	(1,500,000)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- Net value guaranteed	--	--	--	--	--	--	--
-Undue (gross book value)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- Net value guaranteed	--	--	--	--	--	--	--
E. Off-balance sheet items carrying credit risk	--	--	--	--	--	--	--

In determining the amount, the factors that increased credit reliability, such as the guarantees received, were not considered.

34. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

Liquidity risk

The main responsibility related to liquidity risk management belongs to the Board of Directors. The board of Directors has established an appropriate liquidity risk management for the short-, medium- and long-term funding and liquidity requirements of the Group's Management. The Group manages liquidity risk by regularly monitoring estimated and actual cash flows and ensuring the continuation of sufficient funds and borrowing reserves by matching the maturities of financial assets and liabilities.

In this context, care is taken to ensure that the maturities of receivables and payables are compatible, in order to maintain short-term liquidity, net working capital management targets are set and efforts are made to keep the balance sheet ratios at certain levels.

In medium- and long-term liquidity management, the Group's cash flow forecasts are made based on financial markets and industry dynamics, the cash flow cycle is monitored and tested according to various scenarios.

It shows the maturity distribution of the Group's non-derivative financial liabilities. Non-derivative financial liabilities are prepared without discount and based on the earliest dates required to be paid. When receivables or payables are not fixed, the amount disclosed is determined using the interest rate derived from the yield curves at the date of the report.

Market Risk

Market risk is changes in interest rates, rates or the value of securities that will adversely affect the Group.

34. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

Foreign Currency Risk

FOREIGN EXCHANGE POSITION				
31.12.2022				
	TL (Functional Currency)	USD	EUR	GBP
1. Trade Receivables	34,088,871	1,823,100	--	--
2a. Monetary Financial Assets (Cash, Banks included)	14,059,517	1,714	703,540	111
2b. Non-Monetary Financial Assets	30,430,057	347,816	1,200,231	--
3. Other	--	--	--	--
4. Current Assets (1+2+3)	78,578,445	2,172,630	1,903,771	111
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non-Monetary Financial Assets	--	--	--	--
7. Other	--	--	--	--
8. Non-Current Assets (5+6+7)	--	--	--	--
9. Total Assets (4+8)	78,578,445	2,172,630	1,903,771	111
10. . Trade Payables	(52,419,333)	(341,912)	(2,304,096)	--
11. Financial Liabilities	(231,386,636)	--	(11,586,248)	--
12a. Other Monetary Financial Liabilities	--	--	--	--
12b. Other Non-Monetary Financial Liabilities	--	--	--	--
13. . Current Liabilities (10+11+12)	(283,805,969)	(341,912)	(13,890,344)	--
14. Trade Payables	--	--	--	--
15. Financial Liabilities	(1,835,486,267)	--	(91,908,500)	--
17. Non-Current Liabilities (14+15+16)	(1,835,486,267)	--	(91,908,500)	--
18. Total Liabilities (13+17)	(2,119,292,236)	(341,912)	(105,798,844)	--
19. Net asset / liability position of off-balance sheet derivatives (19a-19b)	--	--	--	--
19a. Total Amount of Assets Hedged	--	--	--	--
19b. Total Amount of Liabilities Hedged	--	--	--	--
20. Net foreign currency asset liability position (9-18+19)	(2,040,713,791)	1,830,718	(103,895,073)	111
21. Net foreign currency asset / liability position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(2,071,143,848)	1,482,902	(105,095,304)	111
22. Net asset / liability position of off-balance sheet derivatives	--	--	--	--
23. Export	--	--	--	--
24. Import	--	--	--	--

34. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

FOREIGN EXCHANGE POSITION				
		31,12,2021		
	TL (Functional Currency)	USD	EUR	GBP
1, Trade Receivables	41,190,353	3,035,383	48,501	--
2a, Monetary Financial Assets (Cash, Banks included)	6,891,193	757	456,097	6
2b, Non-Monetary Financial Assets	12,478,428	453,225	426,693	--
3, Other	--	--	--	--
4, Current Assets (1+2+3)	60,559,974	3,489,365	931,291	6
5, Trade Receivables	--	--	--	--
6a, Monetary Financial Assets	--	--	--	--
6b, Non-Monetary Financial Assets	--	--	--	--
7, Other	--	--	--	--
8, Non-Current Assets (5+6+7)	--	--	--	--
9, Total Assets (4+8)	60,559,974	3,489,365	931,291	6
10, , Trade Payables	(64,242,470)	(1,437,503)	(2,975,515)	(4,200)
11, Financial Liabilities	(538,895,242)	--	(35,655,605)	--
12a, Other Monetary Financial Liabilities	--	--	--	--
12b, Other Non-Monetary Financial Liabilities	--	--	--	--
13, , Current Liabilities (10+11+12)	(603,137,712)	(1,437,503)	(38,631,120)	(4,200)
14, Trade Payables	--	--	--	--
15, Financial Liabilities	(1,549,650,599)	--	(102,531,484)	--
17, Non-Current Liabilities (14+15+16)	(1,549,650,599)	--	(102,531,484)	--
18, Total Liabilities (13+17)	(2,152,788,311)	(1,437,503)	(141,162,604)	(4,200)
19, Net asset / liability position of off-balance sheet derivatives (19a-19b)	(295,395,306)	156,827,174	(158,135,793)	--
19a, Total Amount of Assets Hedged	2,094,113,250	156,827,174	--	--
19b, Total Amount of Liabilities Hedged	(2,390,048,556)	--	(158,135,793)	--
20, Net foreign currency asset liability position (9-18+19)	(2,387,623,643)	158,879,036	(298,367,106)	(4,194)
21, Net foreign currency asset / liability position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(2,104,706,765)	1,598,637	(140,658,006)	(4,194)
22, Net asset / liability position of off-balance sheet derivatives	--	--	--	--
23, Export	--	--	--	--
24, Import	--	--	--	--

34. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

Foreign Exchange Position Analysis Chart

Exchange Rate Sensitivity Analysis Chart				
31.12.2022				
	Profit/(Loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
If the US dollar had changed by 10% against the TRY;				
1- USD net (liabilities)/assets	2,013,790	(2,013,790)	--	--
2- Hedging amount of USD (-)	--	--	--	--
3- USD Net Effect (1+2)	2,013,790	(2,013,790)	--	--
If the EUR had changed by 10% against the TRY;				
4- EUR net (liabilities)/assets	(114,284,580)	114,284,580	--	--
5- Hedging amount of EUR (-)	--	--	--	--
6- EUR Net Effect (4+5)	(114,284,580)	114,284,580	--	--
If the GBP had changed by 10% against the TRY;				
7- Other Currencies net (liabilities)/assets	122	(122)	--	--
8- Hedging amount of other currencies (-)	--	--	--	--
9- GBP Net Effect (7+8)	122	(122)	--	--

34. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

Exchange Rate Sensitivity Analysis Chart				
31.12.2021				
	Profit/(Loss)		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
If the US dollar had changed by 20% against the TRY;				
1- USD net (liabilities)/assets	190,654,843	(190,654,843)	--	--
2- Hedging amount of USD (-)	--	--	--	--
3- USD Net Effect (1+2)	190,654,843	(190,654,843)	--	--
If the EUR had changed by 20% against the TRY;				
4- EUR net (liabilities)/assets	(358,040,527)	358,040,527	--	--
5- Hedging amount of EUR (-)	--	--	--	--
6- EUR Net Effect (4+5)	(358,040,527)	358,040,527	--	--
If the GBP had changed by 20% against the TRY;				
7- Other Currencies net (liabilities)/assets	(5,033)	5,033	--	--
8- Hedging amount of other currencies (-)	--	--	--	--
9- GBP Net Effect (7+8)	(5,033)	5,033	--	--

35. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATION AND PROTECTION OF FINANCIAL HEDGE ACCOUNTING EXPLANATION)

Fair Value

Fair value is defined as price between willing parties who are into making a sale or purchase.

Financial assets and liabilities in foreign currency are converted to market prices at statement of financial position date. Methods and assumptions below are used to predict fair value of each financial instrument in case when it is possible to determine fair value of these instruments.

Financial Assets

The fair value of certain financial assets carried at cost, including cash at banks, marketable securities plus the respective accrued interest are considered to approximate their respective carrying values of cash and cash equivalents are estimated to be their fair values since they are short term. The carrying values of the trade receivables net of provisions for uncollectible receivables are considered allowances for trade uncollectibility are close to be their fair values.

Financial liabilities

The values of monetary liabilities and trade payables are considered close to their fair value because of short term nature. Bank loans are stated with their discounted cost and transaction cost will be added to initial cost of loans. Book value of loans is considered close to its fair value because of updates in changed market conditions and interest rates. Book value of trade payables is considered as close to its fair value cause of being short termed.

The fair value of financial assets and liabilities are determined as follows:

- **First Level:** Financial assets and liabilities are appreciated from stock price traded in active market for similar assets and liabilities.
- **Second Level:** Financial assets and liabilities are appreciated from inputs used determining observable price in the market as direct or indirect with the exception of the price is stated in first level.
- **Third Level:** Financial assets and liabilities are appreciated from inputs based on unobservable data in the market in determining the fair value of an asset or liability.

The Group's management believes that the recorded values of financial instruments reflects their fair values.

35. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATION AND PROTECTION OF FINANCIAL HEDGE ACCOUNTING EXPLANATION) (Cont'd)

Derivative Financial Instruments (Forward Contracts)

The Group engage to agreements on derivative transactions in the foreign exchange markets.(Note 38)

Financial Liabilities

The values of monetary liabilities and trade payables are considered close to their fair value because of short term nature. Bank loans are stated with their discounted cost and transaction cost will be added to initial cost of loans. Book value of loans is considered close to its fair value because of updates in changed market conditions and interest rates. Book value of trade payables is considered as close to its fair value cause of being short termed.

36. SUBSEQUENT EVENTS

It is stated with the amendment in the Procedures and Principles Regarding the Determination and Implementation of the Support Fee Based on Resources published on 30 March 2022 that the bilateral agreement amounts are within the scope of the exemption. The company notified EPIAŞ about the bilateral agreement regarding the exemption and the parts sold indirectly to the final consumer, which is much lower than that, and EPIAŞ applied an exemption to the Company based on the bilateral agreement amounts. Based on the letter sent to the Company by EMRA on January 13, the Company made the necessary explanations on the Public Disclosure Platform on January 14, 2023 and stated that it would protect all its rights.

37. FEES PAID FOR THE AUDIT SERVICES

For the year ended at 31.12.2022 fees paid for the audit services were TL 325.000 (31 December 2021: 175.000 TL).

38. DERIVATIVE FINANCIAL INSTRUMENTS

CASH FLOW HEDGE OF A HIGHLY PROBABLE FORECASTED TRANSACTION

Within the scope of its corporate budget and agreements, the company provides protection from currency risk on the balance sheet by borrowing in the same currency against foreign currency exchange risks arising from foreign currency indexed sales amounts that are likely to be realized at a later date.

In this context, repayments of foreign currency borrowings that are subject to hedge accounting and determined as hedging instrument are made with foreign currency sales cash flows that will be realized on close dates and determined as hedged item within the scope of hedge accounting.

38. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Within the scope of the currency risk management strategy it has determined, the Company applies hedging accounting for the purpose of hedging the currency risk component of the highly probable estimated transaction cash flow risk, and the exchange rate fluctuations that have occurred on the hedging instrument, whose effectiveness has been mathematically proven in accordance with TFRS 9 and have not yet been realized. It pulls it from the income statement and parks it in the comprehensive income statement and aims to present a healthier income statement.

The Group takes care to maintain a 100% hedging ratio and 70% to 130% hedging activity within the scope of the hedging accounting it has established, and as of December 31, 2022, the hedging ratio was calculated as 106% and the hedging effectiveness was 87%.

TRY	31.12.2022
Accumulated exchange rate difference on hedging item (current part)	169,347,242
Accumulated exchange rate difference on hedging item (non-current part)	932,544,849
Exchange rate difference on hedging item (current part)	(53,036,476)
Exchange rate difference on hedging item (non-current part)	(904,690,604)
Rate of hedging effectiveness	87%
Excluded part on the income statement	--

TL	31.12.2022
Total amount of future cash flows of the hedging item	2,662,929,515
Total future cash flow of the instruments used for hedging purposes	2,509,379,059
Hedging ratio	106%

39. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

40. EXPLANATION ON CASH FLOW STATEMENTS

The movements that do not generate cash inflows and outflows in the cash flow statement are as follows by years:

		Current Period	Prior Period
		Audited Consolidated	Audited Consolidated
	NOTES	01.01-31.12.2022	01.01-31.12.2021
A. CASH FLOWS FROM OPEARING ACTIVITIES		1,030,126,669	2,742,220,839
Profit/Loss For The Period		2,137,026,469	(180,963,007)
Adjustments To Reconcile Net Profit/Loss For The Period		(53,611,610)	2,906,172,438
Adjustments related to amortization and depreciation expenses	11-12-14-23-24-27	199,527,687	65,633,944
Adjustments Related to Employees Benefits Provision (Cancellation)	19	6,000,126	2,139,786
Adjustments Related to Lawsuit Provision (Reversal)	18	37,678	(539,736)
Adjustments Regarding Provisions Allocated (Reversal) within Framework for Sectoral Requirements	18	17,554	-
Deferred Finance Expenses arising from Credit Purchases	7-8	5,660,098	1,805,544
Unearned Finance Income arising from Credit Sales	7-8	(5,246,072)	(5,536,774)
Adjustments Regarding Interest Expenses	20	498,136,013	43,650,986
Adjustments Regarding Interest Income	20	(327,137,281)	(104,435,569)
Adjustments for Unrealized Fx Gain Loss		572,229,276	836,255,642
Adjustments Regarding Impairment Reversal of Tangible Fixed Assets	11	(1,463,570)	2,176,573,250
Adjustments Regarding Tax Expenses/Income	30	(660,384,466)	315,818,376
Fair Value	37	(340,988,653)	(425,193,010)
Changes In Business Capital		(1,052,249,681)	17,174,147
Adjustments Regarding Increase/Decrease in Inventories	9	(306,510,240)	(94,212,445)
Increase/Decrease in Trade Receivables from Third Parties	6	(470,142,452)	(11,157,288)
Increase/Decrease in Trade Receivables from non-related Parties	7	(295,237,130)	(27,715,693)
Decrease (Increase) in Other Receivables from Related Parties	6	(9,387,233)	21,205,373
Decrease (Increase) in Other Receivables from non-related Parties	8	129,618	118,471
Change in Other Assets	20	74,528,514	41,812,197
Increase (Decrease) in Trade Payables to Related Parties	6	(394,939)	(136,010)
Increase (Decrease) in Trade Payables to non-related Parties	7	33,481,312	25,317,656
Change in Prepaid Expenses	10	(35,164,009)	(885,760)
Changes in Employee Benefits	19	(2,788,931)	(375,569)
Increase (Decrease) in Other Payables Related to Operations to Related Parties	6	(86,619,157)	12,951,711
Increase (Decrease) in Other Payables Related to Operations to Non-Related Parties	8	110,157,964	18,996,386
Provisions for Employee Benefits	19	7,315,369	2,342,001
Increase (Decrease) in Deferred Revenues	10	(55,461,836)	53,750,006
Change in Other Obligations	20	(16,156,531)	(24,836,890)
Cash Flows from Operations		1,031,165,178	2,742,383,578
Other Loss/Gain	21	(1,038,509)	(162,739)

41. EXPLANATION ON SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

As the date of 31.12.2021 and 31.12.2022 the details of the Group's equity are explained in Note 21.

42. CASH AND CASH EQUIVALENTS

Cash and cash equivalents

	31.12.2022	31.12.2021
Bank	209,449,833	15,643,115
-Demand deposit	21,516,289	10,862,280
-Time deposit	187,933,544	4,780,835
Other liquid assets	2,446	7,909,606
TOTAL	209,452,279	23,552,721

As of December 31, 2022, the Group has no blocked deposits (31.12.2021: None).

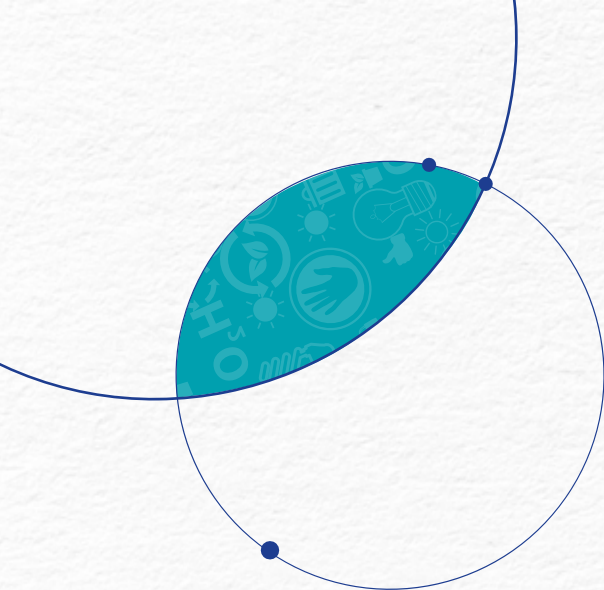
42. CASH AND CASH EQUIVALENTS Cont'd)

As of December 31,2022 and 2021 details of time deposit are as follows:

Currency	Maturity	Interest Rate	31.12.2022
TL	2.01.2023	4.00%	122,979
TL	2.01.2023	10.24%	1,430,275
TL	6.03.2023	12.00%	9,817,300
TL	3.03.2023	12.00%	127,624,900
TL	2.01.2023	13.00%	15,000,000
TL	15.02.2023	13.50%	1,938,090
TL	2.01.2023	14.75%	12,000,000
TL	2.01.2023	15.00%	20,000,000
			187,933,544
Currency	Maturity	Interest Rate	31.12.2021
TL	03.01.2022	19.00%	3,000,000
TL	03.01.2022	15.42%	328,675
TL	03.01.2022	15.42%	452,160
TL	03.01.2022	19.00%	1,000,000
TL	15.03.2021	14.00%	--
			4,780,835

43. EARNINGS BEFORE INTEREST TAXES DEPRECIATION AND AMORTIZATION (EBITDA)

This financial data, that is calculated as an income before finance, tax and depreciation is an indication of measured income without taking notice of finance, tax, expenses that are not required cash outflows, depreciation and redemption expenses of the company. This financial data also specified in the financial statements by some investors due to use in the measurement of the company's ability to repay the loans and/or additional loan. However, EBITDA should not be considered independently from financial statements. Also, EBITDA should not evaluate as an alternative to net income(loss), net cash flow derived from operating, investing and financing activities, financial data obtained from investing and financial activities or prepared according to IAS / IFRS, or other inputs obtained from financial instruments such as, business operating performance. This financial information should be evaluated together with other financial inputs that are contained in the statement of cash flow.





FAALİYET RAPORU 2022

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