

**ÇAN2 TERMİK A.Ş.
AND ITS SUBSIDIARIES
FOR THE ACCOUNTING PERIOD
ENDED SEPTEMBER 30, 2023
CONSOLIDATED FINANCIAL STATEMENTS
AND EXPLANATORY NOTES**

Contents	Page
Consolidated Statements of Financial Position	1-3
Consolidated Statements of Profit or Loss and Other Comprehensive Income Statements... ..	4
Statements of Changes in Shareholders' Equity.....	5
Consolidated Statements of Cash Flows.....	6
1. ORGANIZATION AND CORE BUSINESS OF THE COMPANY	7
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	8
3. BUSINESS COMBINATIONS.....	23
4. JOINT VENTURES	23
5. SEGMENT REPORTING.....	24
6. EXPLANATIONS OF RELATED PARTIES	24
7. TRADE RECEIVABLES AND PAYABLES.....	26
8. OTHER RECEIVABLES AND PAYABLES.....	27
9. INVENTORIES	28
10. PRE-PAID EXPENSES AND DEFERRED INCOME.....	28
11. TANGIBLE FIXED ASSETS.....	29
12. INTANGIBLE FIXED ASSETS.....	31
13. EVALUATING AND RESEARCHING OF MINE RESOURCES	32
14. RIGHT OF USE ASSETS.....	32
15. IMPAIRMENT OF ASSETS	33
16. GOVERNMENT INCENTIVES.....	33
17. BORROWING COSTS.....	33
18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	33
19. EMPLOYEE BENEFITS	36
20. OTHER ASSETS AND LIABILITIES	38
21. CAPITAL, RESERVES AND OTHER EQUITY ITEMS	39
22. REVENUE AND COSTS OF GOODS SOLD	41
23. EXPENSES ACCORDING TO THEIR QUALIFICATIONS.....	41
24. GENERAL OPERATING EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES.....	42
25. OTHER OPERATING INCOME AND EXPENSES	43
26. EXPENDITURES AND REVENUES FROM INVESTING ACTIVITIES	43
27. EXPENSES CLASSIFIED BY PRINCIPAL TYPES.....	43
28. FINANCIAL EXPENSE AND INCOME.....	44
29. ANALYSIS OF OTHER COMPREHENSIVE INCOME	45
30. TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)	45
31. EARNING PER SHARE.....	47
32. FINANCIAL REPORTING IN HYPERINFLATION ECONOMIES	47
33. FINANCIAL INSTRUMENTS.....	47
34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES.....	50
35. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATION AND PROTECTION OF FINANCIAL HEDGE ACCOUNTING EXPLANATION)	56
36. SUBSEQUENT EVENTS.....	57
37. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR'S.....	57
38. DERIVATIVE INSTRUMENTS	57
39. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS	57
40. EXPLANATIONS TO CASH FLOW STATEMENT	58
42. CASH AND CASH EQUIVALENTS.....	59
42. INTEREST, TAX, PROFIT BEFORE DEPRECIATION (EBITDA)	60

ÇAN2 TERMİK A.Ş.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30.09.2023
(Currency is TRY unless otherwise is indicated.)

		Current Period Not Audited Consolidated	Previous Period Audited Consolidated
ASSETS	NOTES	30.09.2023	31.12.2022
Current Assets			
Cash and cash equivalents	42	312.197.369	209.452.279
Trade Receivables	6-7	2.376.946.213	914.917.992
<i>Trade receivables from related parties</i>	6	544.317.075	498.659.615
<i>Trade receivables from third parties</i>	7	1.832.629.138	416.258.377
Other Receivables	6-8	12.601.443	12.590.640
<i>Other Receivables from Related Parties</i>	6	6.256.363	9.979.929
<i>Other Receivables from Third Parties</i>	8	6.345.080	2.610.711
Inventories	9	882.953.339	528.587.004
Prepaid Expenses	10	104.298.828	51.342.279
Assets Related to Current Term Tax	30	5.431.268	3.268.855
Other Current Assets	20	429.498.725	377.502.937
TOTAL CURRENT ASSETS		4.123.927.185	2.097.661.986
Non-current Assets			
Other receivables	8	209.963	209.963
<i>Other receivables from related parties</i>	6	--	--
<i>Other receivables from third parties</i>	8	209.963	209.963
Tangible Fixed Assets	11	4.972.443.008	4.919.883.315
Intangible Fixed assets	12	54.530.301	33.809.355
<i>Other intangible fixed assets</i>	12	54.530.301	33.809.355
Right of Use Assets	14	7.994.066	1.713.135
Prepaid Expenses	10	33.335.746	889.057
Deferred Tax Assets	30	1.029.201.179	490.995.261
Other Non-Current Assets	20	47.003.750	47.864.509
TOTAL NON-CURRENT ASSETS		6.144.718.013	5.495.364.595
TOTAL ASSETS		10.268.645.198	7.593.026.581

Consolidated financial statements for the period ending on 30.09.2023 have been approved by the Board of Directors Decision dated 20.10.2023 and numbered 2023/16.

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

ÇAN2 TERMİK A.Ş.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30.09.2023
(Currency is TRY unless otherwise is indicated.)

		Current Period Not Audited Consolidated	Previous Period Audited Consolidated
LIABILITIES	NOTES	30.09.2023	31.12.2022
Short Term Liabilities			
Short Term Loans	33	--	--
Short Term Financial Lease Liabilities	33	4.279.544	861.732
Short Terms Part of Long-Term Loans	33	48.985.384	293.815.316
Other Financial Liabilities	33	6.922.032	866.832
Trade Payables	6-7	606.523.436	232.541.573
<i>Trade Payables to Related Parties</i>	6	--	121.268
<i>Trade Payables to Third Parties</i>	7	606.523.436	232.420.305
Employee Benefit Obligations	19	31.927.685	9.326.857
Other Payables	6-8	1.361.704.570	159.839.880
<i>Other payables to related parties</i>	6	1.142.612.130	16.778.893
<i>Other payables to third parties</i>	8	219.092.440	143.060.987
Deferred Income	10	--	5.634.429
Period Profit Tax Liability	30	12.918	28.460.456
Short-term Provisions	18-19	16.798.939	11.375.439
<i>Short term provisions from employee benefits</i>	19	14.997.719	10.397.411
<i>Other Short-Term Provisions</i>	18	1.801.220	978.028
Other Short-Term Liabilities	20	72.370.376	498.136.013
TOTAL SHORT-TERM LIABILITIES		2.149.524.884	1.240.858.527
Long Term Liabilities	33	83.703.896	1.931.248.633
Long Term Financial Leasing Liabilities	33	3.333.729	590.132
Other Payables	6-8	53.538.769	1.680.862
<i>Other Payables to Related Parties</i>	6	-	--
<i>Other Payables to Third Parties</i>	8	53.538.769	1.680.862
Long Term Provisions	18-19	6.252.787	3.312.062
<i>Long term provisions for employee benefits</i>	19	6.045.136	3.109.464
<i>Other Long-Term Provisions</i>	18	207.651	202.598
Deferred Tax Liabilities	30	27.893.406	5.686.230
Other Long-Term Liabilities	20	23.454.361	481.163
TOTAL LONG-TERM LIABILITIES		198.176.948	1.942.999.082

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ÇAN2 TERMİK A.Ş.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30.09.2023
(Currency is TRY unless otherwise is indicated.)

		Current Period Not Audited Consolidated	Previous Period Audited Consolidated
EQUITY	NOTES	30.09.2023	31.12.2022
Equity of Parent Company		4.312.745.475	4.409.168.972
Paid-in Share Capital	21	800.000.000	320.000.000
Shares Related Discount/Premium	21	--	185.332.488
Not to be reclassification of profit or loss accumulated other comprehensive income or expenses		2.827.753.554	2.828.402.269
<i>Gains/Losses Related Revaluation and Measurement</i>	11	2.829.152.622	2.829.801.337
<i>Effects of combination of entities or businesses under common control</i>	3-21	<i>(1.399.068)</i>	<i>(1.399.068)</i>
Reclassification of profit or loss accumulated other comprehensive income or expenses	21-38	(1.347.572.697)	(767.840.764)
<i>Hedging Gain/Loss</i>	38	<i>(1.346.276.666)</i>	<i>(766.181.663)</i>
<i>Other Gain/Loss</i>	21	<i>(1.296.031)</i>	<i>(1.659.101)</i>
Restricted Reserves Allocated from Profit	21	27.307.069	
Capital Advances	21	3.005.423.800	--
Profit or Loss of Previous Years	21	1.523.673.651	(293.751.490)
Net Profit or Loss	31	1.084.549.989	2.137.026.469
Non-controlling Shares		--	--
TOTAL EQUITY		7.920.943.366	4.409.168.972
TOTAL LIABILITIES		10.268.645.198	7.593.026.581

Consolidated financial statements for the period ending on 30.09.2023 have been approved by the Board of Directors Decision dated 20.10.2023 and numbered 2023/16.

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ÇAN2 TERMİK A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS OF 30.09.2023
(Currency is TRY unless otherwise is indicated.)

		Current Period Not Audited Consolidated	Previous Period Not Audited Consolidated	Current Period Not Audited Consolidated	Previous Period Not Audited Consolidated
STATEMENT OF PROFIT/LOSS	NOTES	01.01 - 30.09.2023	01.01 - 30.09.2022	01.07 - 30.09.2023	01.07 - 30.09.2022
Revenue	22	3.495.751.015	3.217.285.731	1.341.492.501	1.228.590.826
Cost of Goods Sold (-)	23	(2.715.173.792)	(1.936.465.815)	(1.004.412.507)	(845.840.560)
GROSS PROFIT/LOSS		780.577.223	1.280.819.916	337.079.994	382.750.266
General administrative expenses (-)	24	(50.029.985)	(35.583.045)	(20.602.449)	(8.331.777)
Marketing expenses (-)	24	(24.334.360)	--	(18.306.193)	--
Other Income from Operating Activities	25	86.178.803	32.562.838	39.163.929	10.862.631
Other Expenses from Operating Activities (-)	25	(146.650.816)	(54.775.229)	(113.138.393)	(30.309.387)
OPERATING PROFIT/LOSS		645.740.865	1.223.024.480	224.196.888	354.971.733
Income from Investing Activities	26	2.192.426	26.315.520	444.040	26.315.520
Expenses from Investing Activities (-)	26	(904.166)	(133.367)	--	--
FINANCING EXPENSE BEFORE OPERATING PROFIT/LOSS		647.029.125	1.249.206.633	224.640.928	381.287.253
Financial Income	28	641.158.192	339.770.225	309.438.550	78.871.922
Financial Expenses (-)	28	(462.320.525)	(441.059.484)	(147.377.895)	(134.276.117)
PROFIT/LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS		825.866.792	1.147.917.374	386.701.583	325.883.058
Tax Expense/Income from Continuing Operations		258.683.197	521.347.030	149.660.601	427.612.953
Period Tax Income/Loss	30	(12.918)	(2.201.004)	(12.918)	(2.201.004)
Deferred Tax Income/Loss	30	258.696.115	523.548.034	149.673.519	429.813.957
PROFIT/LOSS FROM ONGOING OPERATIONS		1.084.549.989	1.669.264.404	536.362.184	753.496.011
PROFIT/LOSS FROM DISCONTINUED OPERATIONS		--	--	--	--
PROFIT/LOSS FOR THE PERIOD		1.084.549.989	1.669.264.404	536.362.184	753.496.011
Profit/loss distribution for the period					
Non-controlling Shares		--	--	--	--
Parent Company Shares	21	1.084.549.989	1.669.264.404	536.362.184	753.496.011
Earnings Per Share					
Earnings per share from continuing operations	31	1,819581	5,216451	0,899870	2,354675
Earnings per Share from Discontinued Operations	39	--	--	--	--
OTHER COMPREHENSIVE INCOME		363.070	(744.720)	(596.716)	(545.492)
Not to be reclassified to profit or loss		363.070	(744.720)	(596.716)	(545.492)
Tangible Assets Revaluation Increases/Decreases	29	--	--	--	--
Actuarial losses and earnings calculated under employee benefits	19-29	484.093	(967.169)	(795.622)	(708.431)
Effect of Tax	19-29	(121.023)	222.449	198.906	162.939
To be reclassified to profit or loss		(580.095.002)	(321.734.953)	67.200.624	(66.793.946)
Cash Flow Hedge Gains/Losses	37	(837.308.475)	(399.613.024)	89.600.832	(104.432.755)
Gains (Losses) from Change in Value of the Forward Component of the Forward Contract		--	(2.485.959)	--	21.499.561
Deferred Tax Income/Loss	29	257.213.473	80.364.030	(22.400.208)	16.139.248
OTHER COMPREHENSIVE INCOME		(579.731.932)	(322.479.673)	66.603.908	(67.339.438)
TOTAL COMPREHENSIVE INCOME		504.818.057	1.346.784.731	602.966.092	686.156.573

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

ÇAN2 TERMİK A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE-MONTH INTERIM PERIOD ENDED 30.09.2023
(Currency is TRY unless otherwise is indicated.)

	Not to be Reclassified to profit or loss accumulated other comprehensive income or expenses					To be Reclassified to profit or loss accumulated other comprehensive income or expenses				Accumulated Profit		Equities
	Paid-in Share Capital	The Effect of Associations Including Enterprises or to Joint Control	Share Premiums / Discounts	Actuarial Loss /Gain	Hedging Profit/Loss	Capital Advance	Revaluation and Reclassification Gain/Loss	Revaluation Increase Fund	Retained Earnings/ Losses	Net Profit/Loss for the Period	Non-controlling Interest Profit	
Balance on January 1, 2022	320.000.000	(1.399.068)	185.332.488	(620.592)	(425.193.010)	--	2.831.264.906	--	(112.788.483)	(180.963.007)	--	2.615.633.234
Other Comprehensive Income/Expense	--	--	--	(744.720)	(321.734.953)	--	(249.371)	--	--	--	--	(322.729.044)
Transfers	--	--	--	--	--	--	--	--	(180.963.007)	180.963.007	--	--
Net Profit/Loss for The Period	--	--	--	--	--	--	--	--	--	915.768.394	--	1.669.264.404
Balance on September 30, 2022	320.000.000	(1.399.068)	185.332.488	(1.365.312)	(746.927.963)	--	2.831.015.535	--	(293.751.490)	915.768.394	--	3.962.168.594
Balance on January 1, 2023	320.000.000	(1.399.068)	185.332.488	(1.659.101)	(766.181.663)	--	2.829.801.337	--	(293.751.490)	2.137.026.469	--	4.409.168.972
Other Comprehensive Income/Expense	--	--	--	363.070	(580.095.003)	--	(840.715)	--	--	--	--	(580.572.647)
Transfers	480.000.000	--	(185.332.488)	--	--	--	--	27.307.068	1.815.051.889	(2.137.026.469)	--	--
Capital Increase Increase/Decrease Due to Other Changes)	--	--	--	--	--	3.005.423.800	--	--	--	--	--	3.005.423.800
Net Profit/Loss for The Period	--	--	--	--	--	--	--	--	2.373.252	--	--	2.373.252
	--	--	--	--	--	--	--	--	--	1.084.549.989	--	1.084.549.989
Balance on September 30, 2023	800.000.000	(1.399.068)	--	(1.296.031)	(1.346.276.666)	3.005.423.800	2.829.152.622	27.307.068	1.523.673.651	1.084.549.989	--	7.920.943.366

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

ÇAN2 TERMİK A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH INTERIM PERIOD ENDED 30.09.2023
(Currency is TRY unless otherwise is indicated.)

		Current Period Not Audited Consolidated	Previous Period Not Audited Consolidated
	NOTES	01.01-30.09.2023	01.01-30.09.2022
A. CASH FLOWS FROM OPEARING ACTIVITIES		367.142.923	1.078.425.574
Profit/Loss for The Period		1.084.549.989	1.669.264.404
Adjustments To Reconcile Net Profit/Loss for The Period		(309.616.679)	(312.361.075)
Adjustments related to Amortization and Depreciation Expenses	11-12-14-23-24-27	165.007.784	148.735.912
Adjustments Related to Employees Benefits Provision (Cancellation)	19	8.020.077	4.139.869
Adjustment Related to Litigation and/or Penalty Provisions (Cancellation)	18	188.283	304.905
Adjustments Regarding (Cancellation) of Provisions Set aside in accordance with Sectoral Requirements	18	1.684	13.166
Deferred Financial Expense Arising from Purchases on Credit	7-8	18.414.528	3.439.692
Unearned Financial Income Arising from Sales on Credit	7-8	(42.844.399)	(10.039.421)
Adjustments Related to Interest Expense	20	72.370.376	200.219.876
Adjustments Related to Interest Income	20	(378.934.771)	(111.238.436)
Adjustments Related to Unrealized Foreign Currency Translation Differences		945.094.219	375.758.699
Adjustments Regarding Impairment Reversal of Tangible Fixed Assets	11	(840.715)	(249.371)
Adjustments Related to Tax Expense/Income	30	(515.998.742)	(604.196.973)
Adjustment on Fair Value Loss (Gains) of Derivative Financial Instruments	37	--	2.485.959
Adjustments for Fair Value Loss (Gains)	37	(580.095.003)	(321.734.953)
Changes In Business Capital		(408.153.458)	(277.733.036)
Adjustments related to inventories increase/decrease	9	(354.366.334)	(195.022.697)
Increase (Decrease) in Trade Receivables from Related Parties	6	(45.657.460)	(110.753.863)
Increase (Decrease) in Trade Receivables from Third Parties	7	(1.434.781.515)	(44.745.604)
Increase (Decrease) in Other Receivables from Related Parties	6	3.719.794	(9.516.271)
Increase (Decrease) in Other Receivables from Third Parties	8	(3.734.370)	(99.545)
Change of Other Assets	20	325.637.327	82.111.222
Increase (Decrease) in Trade Payables to Related Parties	6	(121.268)	918.827
Increase (Decrease) in Trade Payables to Third Parties	7	416.935.641	35.675.322
Changes of Prepaid Expenses	10	(85.403.238)	9.533.713
Changes of Payables within the Scope of Employee Benefits	19	14.580.751	(1.701.181)
Increase (Decrease) in Other Payables related to Activities of Related Parties	6	1.125.833.237	(87.255.583)
Increase (Decrease) in Other Payables related to Activities of Third Parties	8	127.901.249	107.096.876
Provisions on Employee Benefits	19	7.535.981	5.124.292
Increase (Decrease) in Deferred Income	10	(5.634.429)	(26.836.802)
Changes of Other Liabilities	20	(500.598.824)	(42.261.742)
Cash Flows from activities		366.779.852	1.079.170.294
Other gain/loss	21	363.070	(744.720)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		(244.569.355)	(128.395.396)
Cash Inflows Arising from the Sale of Tangible Fixed Assets	11	2.192.426	26.315.520
Cash Outflows Arising from the Purchase of Tangible Fixed Assets	11	(210.660.549)	(150.571.431)
Cash Outflows Arising from the Purchase of Intangible Assets	12	(29.820.301)	(5.403.003)
Cash Outflows from Right-to-Use Assets	14	(6.280.931)	1.263.517
C. CASH FLOWS FROM FINANCING ACTIVITIES		(19.828.477)	(332.222.180)
Cash Inflows from the Issuance of Equity and Other Equity-Based Instruments	21	3.005.423.800	--
Cash Inflows from Financial Lease Agreements	33	6.161.409	364.352
Cash Inflows from Loans	33	5.468.480	117.758.362
Cash Inflows for Debt Payments Arising from Rental Agreements	14	6.898.987	123.091
Cash Outflows Related to Loan Repayments	33	(3.042.942.846)	(448.691.638)
Cash Outflows Related to Debt Payments Arising from Rental Agreements	14	(877.007)	(1.799.290)
Cash Outflows from Other Financial Loan Payments	33	--	--
Cash Inflows from Other Financial Debt Payments	33	38.700	22.943
NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS		102.745.091	617.807.997
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		209.452.279	23.552.721
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		312.197.369	641.360.718

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

ÇAN2 TERMİK A.Ş.
01 January 2023- 30 September 2023 Period
Explanatory Notes to the Consolidated Financial Statements
(Currency is TRY unless otherwise is indicated.)

1. ORGANIZATION AND CORE BUSINESS OF THE COMPANY

Çan2 Termik A.Ş.

Çan2 Termik Inc. (“Company”, “Parent Company”), on 27 May 2003 Çan Kömür ve İnşaat A.Ş. was established under the title. The title of the company was changed to Çan2 Termik Anonim Şirketi after the Extraordinary General Assembly held on January 19, 2021, registered with the Istanbul Trade Registry Office on January 21, 2021. This change was published in the Turkish Trade Registry Gazette dated January 26, 2021 and numbered 10253. The company is engaged in the establishment, commissioning, leasing of a domestic coal-based electric power generation facility, electric power generation, sales of the produced electric energy and/or capacity to customers. Its center located Barbaros District, Karanfil Street, Varyap Meridian Site No: 1D, Ataşehir / Istanbul.

The license certificate of the Company for Çan-2 Thermal Power Plant Production Facility with an installed capacity of 340 MWm/330 MWe located in Çan district of Çanakkale province was approved by the decision of the Energy Market Regulatory Authority dated 28.01.2016 and numbered 6083-2, and on 28.01.2016 the Company's license was approved. e delivered. Ministry acceptance of Çan-2 Thermal Power Plant was made on 01.08.2018. In addition, regarding the thermal power plant, Industry Registry Certificate dated 10.08.2020 and numbered 720480 and a capacity report valid until 29.07.2022 dated 28.07.2020 and numbered 79 were obtained. As of 30.09.2023, the average number of employees of the Group is 725.

The capital of Çan2 Termik A.Ş. as of 30.09.2023 is TRY 800.000.000 and the shareholding structure is as follows:

	30.09.2023	31.12.2022
Odaş Elektrik Üretim Sanayi Ticaret A.Ş.	51,27%	76,77%
Public Shares	48,73%	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 established to engage in the establishment, commissioning, leasing, generation of electrical energy, and sale of the generated electrical energy and/or capacity to customers. As of 30.09.2023, the average number of employees of Yel Enerji is 127 people.

The mining license numbered IR:17517 in the Bayramiç District of Çanakkale Province was purchased by Yel Energy and the transfer process was completed. Its center is in Barbaros District, Karanfil Street, Varyap Meridian Site No: 1D, Ataşehir / Istanbul.

With the Share Purchase and Sale agreement signed on 20.10.2016, Yel Enerji shareholders transferred all of their shares to Çan Kömür2 Termik A.Ş. at nominal value and Yel Enerji was included in the scope of consolidation.

As of 30.09.2023, Yel Enerji's capital is TRY 6.000.000 and its shareholding structure is as follows:

	30.09.2023	31.12.2022
Çan2 Termik A.Ş.	100%	100%

ÇAN2 TERMİK A.Ş.
01 January 2023- 30 September 2023 Period
Explanatory Notes to the Consolidated Financial Statements
(Currency is TRY unless otherwise is indicated.)

1.ORGANIZATION AND CORE BUSINESS OF THE COMPANY (CONTINUED)

Çan 2 Trakya Kömür Maden A.Ş.

Çan2 Termik A.Ş. became a 100% shareholder of Çan 2 Trakya Kömür Maden A.Ş. (“Çan 2 Trakya”) as a founding partner on 18.06.2019 and was included in the consolidation.

Çan 2 Trakya is engaged in purchasing, selling, manufacturing, assembling, and importing all kinds of natural stones and mineral ores in finished and semi-finished form. Its center is in Barbaros District, Karanfil Street, Varyap Meridian Site No: 1D, Ataşehir / Istanbul. As of 30.09.2023, the average number of employees of Çan 2 Trakya is 2 people.

The Company has a royalty agreement for the coal field located in Ibrice village, Malkara, Tekirdağ, valid until 06.01.2027.

The capital of Çan 2 Thrace is TRY 550.000 as of 30.09.2023 and its shareholding structure is as follows:

	30.09.2023	31.12.2022
Çan2 Termik A.Ş.	100%	100%

Information on EMRA licenses held by the parent company and its subsidiaries as of September 30, 2023 is as follows;

Owner	License Type	License Number	Effective Date	Duration
ÇAN2 TERMİK	Production	EÜ/6083-2/03428	28.01.2016	17 Years

Information on the licenses of the parent company and its subsidiaries as of September 30, 2023 is as follows;

License Owner	License Group	License Type	License No	Effective Date	Due Date
YEL ENERJİ	IV. Group	Operating	17517	05.01.2015	05.01.2025
YEL ENERJİ	IV. Group	Exploration	201900443	09.04.2019	09.04.2026
YEL ENERJİ	IV. Group	Operating	80272	25.01.2019	25.01.2029

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

a. Basis of Presentation

Applied Accounting Standards

The accompanying interim consolidated financial statements are in accordance with the provisions 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. It has been prepared in accordance with the Turkish Financial Reporting Standards (“TFRS”), which was put into effect by the Public Oversight, Accounting and Auditing Standards Authority (“KGK”). TFRSs; It includes Standards and Interpretations published by KGK under the names of Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, TMS Interpretations and TFRS Interpretations.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Current and Reporting Currency

The Group keeps and prepares its legal books and statutory financial statements in accordance with the Turkish Commercial Code (“TCC”), the accounting principles determined by the tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance. The functional currency of the Group is Turkish Lira (“TL”). These interim consolidated financial statements are presented in TL, which is the functional currency of the Group.

Adjusting financial tables in hyperinflation periods

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.

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 on January 20, 2022. 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.

Base of Consolidation

Consolidation is prepared in structure of Çan2 Termik A.Ş. which is parent company. Consolidated financial statements have been prepared in accordance with TAS 27 Turkish Accounting Standard for Consolidated and Separate Financial Statements.

Consolidated financial reports contain all subsidiaries of the parent company.

- It eliminates participation amount at each subsidiary and percentage amount of main partnership which are equivalent to amount in equities of each subsidiary.
- It determines amount of minority percentage in consolidated profit and loss of period and amount of minority percentage determines separately from amount of main subsidiary from amount of net actives of consolidated main subsidiary. The amount of minority percentage from net actives contains; calculated minority percentages in merge date in accordance with TFRS 3; minority percentage from all transactions made after merge date.
- All expenses, income, transactions, and balances incurred of group are eliminated.
- Subsidiary income, expenses and dividends including all balances and transactions are eliminated. Profits and loss which are added to inventory or cost of current and non-current assets due to transactions in subsidiaries are eliminated. Loss in group can show an impairment which should be in account in assets section of consolidated financial reports. The differences which rise during elimination of loss and profits which resulted by transactions in group apply in accordance with TAS 12 “Income Taxes” standard.
- Necessary adjustments are made during preparation of consolidated financial statements when one of subsidiaries needs to use different accounting principles for similar transactions or events.
- The consolidated financial reports of the partnership and subsidiaries are prepared at the same time with financial statements. Accounting policies are accepted for consolidated financial reports, same transactions, and transactions in same condition.

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

- All income and expenses of a subsidiary take in account consolidated financial reports after acquisition date according to TFRS 3 and this situation continues till the date of partnership lose its control power on subsidiary. When subsidiary sold; the difference between the income resulted by this transaction and the book value of subsidiary will be shown as loss or profit in consolidated comprehensive income statement. About this transaction if there is a currency translation loss or profits which are related directly to equity consider in accordance with “TAS 21 Currency Change Effects”.
- 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 Restatement of Prior Period Financial Statements

The Group has prepared the consolidated statement of financial position dated September 30, 2023 with the consolidated financial position statement prepared as of 31 December 2022; Consolidated comprehensive income statement for the period 1 January – 30 September 2023, consolidated statement of comprehensive income prepared as of January 1 - September 30, 2022, statement of cash flows; The consolidated statement of changes in shareholders' equity, dated 1 January - 30 September 2023, was prepared in comparison with the consolidated statement of changes in shareholders' equity, dated 1 January – 30 September 2022. In order to comply with the presentation of the current period consolidated financial statements, comparative information is reclassified when deemed necessary and significant differences are disclosed.

Changes in Accounting Policies

If adjustments on accounting policies are applied retroactive, the group should adjust the previous opening balance in the report. The group should provide comparative data which is presented in accordance with the new accounting policies in terms of current years. Changes in accounting policy need to application for previous periods and also for current period or if group cannot determine the change effect of the financial statements as in cumulative, it wouldn't make any application for previous periods.

b. Changes and Errors in Accounting Estimates

If the effects of the change in accounting estimates create changes in asset, foreign resource or equity items, the book values of the relevant asset, foreign resource or equity item must be corrected at the time of the change. Projecting the impact of a change in accounting forecasting into the financial statements going forward means that the forecast applies to transactions, events, and conditions after the date of the change. Previous period errors are corrected through retroactive rearrangement, except where period-specific or cumulative effects related to the error cannot be calculated.

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

Significant Accounting Evaluations, Estimates and Assumptions

The preparation of financial statements requires the use of estimates and assumptions that may affect the amounts of assets and liabilities reported as of the statement of financial position date, disclosure of contingent assets and liabilities, and the amounts of income and expenses reported during the accounting period. Although these estimates

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

and assumptions are based on the best information of the Group management regarding the current events and transactions, actual results may differ from the assumptions.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Significant Accounting Evaluations, Estimates and Assumptions (Continued)

In the next financial reporting period, estimates and assumptions that may cause significant changes in the book value of assets and liabilities are stated below:

Inventories: Inventories are examined physically and how long they are in the past, and provisions are made for inventory items that are estimated to be unavailable.

Provisions for employee benefits: Severance 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 values: Certain estimates are made in the use of observable and unobservable market information used in determining the fair value.

Useful lives of tangible and intangible fixed assets: The Group management makes important assumptions in the determination of the useful lives of tangible and intangible fixed assets, in line with the experience of its technical team and 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 depreciation period of the Çan-2 Thermal Power Plant is based on the determinations made by the technical departments regarding the economic life of the plant during the commissioning period.

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 used to finance the construction of power plants to the cost of the power plant, which is considered as qualifying assets.

c. Going Concern

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

d. Netting/Deduction

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 (CONTINUED)

e. Changes in Financial Reporting Standards

a) New standards in force as of September 30, 2023 and amendments and interpretations to existing previous standards :

- The comprehensive amendments in TMS 1, Application Notification 2, and TMS 8 are applicable to annual reporting periods beginning on or after January 1, 2023. These changes aim to enhance accounting policy disclosures and assist financial statement users in distinguishing between changes in accounting estimates and changes in accounting policies.

- The amendment related to deferred tax concerning assets and liabilities arising from a single transaction in TMS 12 is applicable to annual reporting periods beginning on or after January 1, 2023. These changes require the recognition of deferred tax accounting for taxable and deductible temporary differences arising in equal amounts from transactions when they are initially recognized in the financial statements.

- TFRS 17, 'Insurance Contracts', is effective for annual reporting periods beginning on or after January 1, 2023. This standard replaces TFRS 4, which currently allows for various practices. TFRS 17 will fundamentally change the accounting for insurance contracts and investment contracts with discretionary participation features for all entities.

b) The new standards in force as of September 30, 2023 and the amendments and interpretations to the existing previous standards:

- The amendment related to long-term obligations with contractual terms in TMS 1 is applicable to annual reporting periods beginning on or after January 1, 2024. These changes clarify how the classification of an obligation is affected by conditions that the entity must comply with within twelve months after the reporting period.

- TFRS 16, 'Sale and Leaseback Transactions', is effective for annual reporting periods beginning on or after January 1, 2024. These changes include the sale and leaseback provisions in TFRS 16 that explain how an entity accounts for a sale and leaseback transaction after the transaction date. Sale and leaseback transactions involving variable lease payments that are not indexed to a rate or an index are likely to be affected.

f) Summary of Important Accounting Policies

Related Parties

The group will consider as a related party if one the conditions below are met.

a) If the party directly or indirectly with one or more agent:

- i) Controls the enterprise, controlled by enterprise or is present under the same control with the enterprise (including parent companies, subsidiaries and subsidiaries at the same line of business);
- ii) Has share which allows it to have big impact on the company; or
- iii) Has associated control on the company.

b) If the party is an affiliate of the company;

c) If the party is an business partnership where the group is a party;

d) If the party is a member of the key personnel in the group or Company's main partnership;

e) If the party is a close family member of any person mentioned in the a or d parts;

f) If the party is an enterprise which is controlled, partnered or under important effect or any person mentioned in d) or e) parts has right to vote in important decisions of the party;

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Financial assets

Financial assets are recorded with their appropriate value and expenses directly related to purchase except financial assets reflected to profit or loss of the appropriate value difference and recorded on their appropriate value. In the case of purchase or selling of financial assets which are bound to a contract that has a condition on deliverance date of financial instruments set by the market are recorded at the date of transaction or deducted from records. Financial assets are classified as “financial assets reflected to profit or loss of the realizable value difference”, “financial assets kept in hand till its maturity”, “marketable financial assets” and credits and receivables.

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.

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

In cases where the contractual terms of the financial asset aiming at collecting the contractual cash flows of the financial asset and selling the financial asset, and in addition, the terms of the contract for the financial asset lead to cash flows that include only principal and interest payments arising from the principal balance at certain dates, the financial asset is the fair value difference reflected in other comprehensive income classified as.

Fair value difference subsequent valuation of financial assets reflected in other comprehensive income is made at their fair value. However, if their fair value cannot be determined reliably, are measured at amortized cost using the internal rate of return method for those with a fixed term; a fixed term fair value are measured using pricing models or discounted cash flow techniques for non. The difference of the fair value of financial assets arising from changes in fair value reflected in other comprehensive income and amortized cost and fair value of securities computed by expressing the difference between the effective interest method, unrealized profits or losses in equity items “in value of financial assets increase / decrease Fund” under the account are shown. Fair value difference if financial assets reflected in other comprehensive income are disposed of, the value generated in equity accounts as a result of fair value application is reflected in profit/loss for the period.

Registration and derecognition of financial assets

The Group reflects the financial assets or liabilities in its consolidated balance sheet if it is a party to the related financial instrument contracts. The Group derecognizes all or part of a financial asset only when it loses control over the rights arising from the contract to which the said assets are subject. The Group derecognizes financial liabilities only if the liability defined in the contract is discharged, canceled or expired.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Impairment / expected loss provision in financial assets

At each reporting date, it is assessed whether there has been a significant increase in the credit risk of an impaired financial instrument since it was first recognized in the consolidated financial statements. While making this assessment, the change in the default risk of the financial instrument is considered. The expected loss allowance estimate is objective, probability-weighted, and includes supportable information about estimates of past events, current conditions, and future economic conditions.

For all financial assets, except for trade receivables, where the carrying amount is reduced through the use of an allowance account, the impairment is directly deducted from the carrying amount of the relevant financial asset. In case the trade receivable cannot be collected, the amount in question is deducted from the provision account and written off. Changes in the provision account *are recognized in profit or loss for the period. Except for equity instruments at fair value through other comprehensive income, if the impairment loss is reduced in a subsequent period and the decrease can be attributed to an event that occurred after the impairment loss was recognized, the previously recognized impairment loss would never have been recognized at the date the impairment loss would be reversed. It is canceled in the consolidated income statement so that it does not exceed the amortized cost amount that it will reach.

The increase in the fair value of equity instruments at fair value through consolidated other comprehensive income is recognized directly in equity.

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 (CONTINUED)

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. The cost of inventories covers all purchasing costs, conversion costs and other expenses made to bring the inventories into their current state and condition. When net realizable value of inventories is less than their cost, inventories will be valued according to their realizable value and the difference will be record as an item in comprehensive income statement.

In cases where impairment of inventories is no longer valid or net realizable value is increased, impairment of inventories which was recorded as loss in previous comprehensive income statement will be a provision no longer required. The amount of provision no longer required is limited with the amount of provision which was allocated in previous periods. (Note: 9)

Tangible Fixed Assets

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Tangible Fixed Assets (Continued)

Income Approach was used to determine the fair value of Çan2 Thermal Power Plant owned by Çan2 Termik A.Ş. The choice of this approach was driven by the fact that the asset's ability to generate income is a crucial factor influencing value, and reasonable estimates of the amount and timing of future income associated with the subject 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 tangible fixed assets because of revaluation are recorded after netting the deferred tax effect to the revaluation fund account in the equity group of the balance sheet. The difference between depreciation and amortization calculated over the carrying value of the revalued assets (depreciation charged to the profit or loss statement) and the depreciation and amortization calculated over the acquisition cost of these assets is transferred from the revaluation reserve to the accumulated profit/loss after the deferred tax effect is netted each year. The same applies to tangible fixed assets as well.

The lands are not depreciated because their economic useful lives are indefinite. The estimated useful lives of these assets are as follows:

	<u>Years</u>
Thermal power plant	30
Aboveground and underground layouts	8-50
Buildings	50
Machinery, plant and devices	4-15
Vehicle tools and equipment	5
Furniture and fixtures	3-15
Special costs	lease term (days) or lifetime, whichever is less

The profit or loss resulting from the disposal of tangible fixed assets is determined by comparing the adjusted amounts with the collected amounts and is reflected in the relevant income and expense accounts in the current period.

Maintenance and repair expenses of tangible fixed assets are normally recorded as expense. However, in exceptional cases, if the maintenance and repair results in an expansion or significant improvement in assets, these costs can be capitalized and depreciated over the remaining useful life of the associated tangible asset (Note 11).

Intangible Assets

Intangible assets are consisting of acquisition rights, information systems, computer software and special costs. These elements record on acquisition cost and after the date of acquisition they will amortize by using normal amortization method according to their expected useful life. Expected useful life of intangible assets is like below.

	<u>Years</u>
Rights	3-15
Computer programs	3
Preparation and Development Activities	License or Royalty Contract Duration

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

In case of decrease in value, the book value of intangible assets can be discounted to its recovered value. Recovered value is the value that whichever is higher between useful value and net selling price. (Note:12)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Leases – TFRS 16 (As a Lessor)

At the inception of a contract, the Group evaluates whether the contract is or contains a lease. If the contract transfers the right to control the use of an identified asset for a specified period of time, the contract is or includes a lease.

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

- The contract contains an identified asset (identification of an asset by express or implied indication in the contract)
- A 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 replace the asset throughout its useful life and derive economic benefits from it),
- The Group has the right to obtain almost all of the economic benefits to be derived from the use of the identified asset,
- The Group has the right to direct the use of the identified asset. The Group has the right to manage the use of the asset in any of the following situations:

- a) The Group has the right to manage and change how and for what purpose the asset will be used throughout the period of use, or
- b) The following decisions regarding how and for what purpose the asset will be used have been determined beforehand:
 - i. The Group has the right to operate the asset (or direct others to operate the asset as it determines) throughout the life of the asset and the supplier does not have the right to change these operating instructions; or
 - ii. The Group has designed the asset (or certain features of the asset) to predetermine how and for what purpose the asset will be used throughout its useful life.

After the above-mentioned assessments, the Group reflects a right-of-use asset and a lease liability to its consolidated financial statements at the actual commencement date of the lease.

Right-of-use asset

The Group measures the right-of-use asset at cost at the commencement date of the lease. The cost of the right-of-use asset includes:

- 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 Lessee)

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

While depreciating right-of-use assets, the Group applies the depreciation provisions of TAS 16 Tangible Fixed Assets. TAS 36 Impairment of Assets is applied to determine whether a right-of-use asset is impaired and to account for any identified impairment losses.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Leases – TFRS 16 (As Lessee) (Continued)

Lease payments that are included in the measurement of the Group's lease liability and that have not been realized at the commencement date of the lease consist of the following:

- a) The amount obtained by deducting all kinds of lease incentive receivables from fixed payments,
- b) Lease payments based on an index or rate, initially measured using an index or rate at the commencement date of the lease; and
- c) Penalties for termination of the lease if the lease term indicates that the lessee will exercise an option to terminate the lease.

After the actual commencement date of the lease, the Group measures the lease liability as follows:

- a) Increases the book value to reflect the interest on the lease liability,
- b) Decrease book value to reflect lease payments made; and
- c) Remeasures the book value to reflect any reassessments and restructurings.

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 Hedges

At the date of the derivative contract, the Group determines the transactions that provide hedging against changes in the cash flows of a registered 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 related to 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 said asset or liability. Otherwise, the amounts 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 the event that the hedging instrument is sold, expires or fails to meet the hedge accounting requirements even though it is for hedging purposes, or in 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. continues to be classified. When the promised or probable future transaction is realized, it is recorded in the income statement or if it is anticipated that it will not be realized, the accumulated gains or losses related to the transaction are reflected in the consolidated financial statements as profit or loss (Note 37).

Facilitating applications

Short-term lease agreements with a rental period of 12 months or less, and agreements regarding information technology equipment rentals (predominantly printers, laptop computers, mobile phones, etc.) determined by the Group as low value, are considered within the scope of the exception recognized by TFRS 16 Leases Standard. Payments related to contracts continue to be recognized as expenses in the period they are incurred (Note 14).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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 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.

Energy producing 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.

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 consisted of the borrowing cost in related 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 principal currency difference amounts of the loans used to finance the construction of the Specialty Assets; Assuming that the loan was used in TRY, the TRY base interest rate at the date of use of the loans is taken and the exchange differences corresponding to the TRY interest cost are added to the capitalization amount of the assets considered as qualifying assets. In the calculation made, the base interest rate is based on the representative interest rate on the date of the signed and renewed contracts in the current period for all investment loans used if the same loans are used in TRY under the same conditions (Note 17).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Provisions, Contingent Liabilities and Assets

Provisions

Provisions which are present in group as of the statement of financial position date can be accounted in case where there is a legal liability sourced from past or a structural liability and it is highly possible to realize exit of resources to fulfil this liability, there is a reliable estimated amount of liability. In cases where here is more than one a like liability, the need for the possibility of exit of resources which can provide economic profit evaluate by taking in account of all same liabilities in same quality. Even if there is a little possibility to realize exit of resources for a liability in same quality, group allocates provision. Group does not allocate provision for operational loss in future. In cases when the value effect of money is important, amount of provision determine with present value of expenses which will be needed to fulfil liability.

Contingent Assets and Liabilities

Contingent assets and liabilities are contingent assets and liabilities that arise from past events and whose realization is dependent on the occurrence or non-existence of one or more events that are beyond the Group's complete control in the future.

The Group does not reflect contingent assets and liabilities in its records. Contingent liabilities are disclosed in the notes to the consolidated financial statements unless the probability of an outflow of relevant economic benefits is remote, whereas contingent assets are disclosed only if an inflow of economic benefits is highly probable.

Employee Benefits:

Defined Benefit Plan

Provisions for severance benefit reflect upon to actuarial work according to TAS 19 “employee benefit”.

Liability of severance benefit means value of estimated total provisions for possible liabilities which will occur in future cause of ending the agreement between group and its personnel for defined reasons according to.

Turkish Labor Law or retirement of personnel according to related law as of statement of financial position date. 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 Proportions

Group has to pay social insurance premium to Social Insurance Intuition. There will be no other liability if the group Continues to pay the premiums. These premiums reflect to personnel expenses in its accrual periods.

Revenues

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) Definition of customer contracts
- b) Definition of performance obligations in contracts

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

- c) Determination of the transaction price in the contracts
- d) Allocating the transaction price to the performance obligations in the contracts
- e) Recognizing revenue when each performance obligation is satisfied.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Revenues(Continued)

A contract is considered within the scope of TFRS 15 only if it is legally enforceable, collectible, rights and payment terms for goods and services are identifiable, the contract has a commercial substance, the contract is approved by the parties, and the parties undertake to fulfill their obligations.

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 contractual terms and commercial practices to determine the transaction price. The transaction price is the amount the Group expects to be entitled to in exchange for transferring promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). While making the assessment, it is considered whether the contract includes elements of variable amounts and whether it contains 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.

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 30.09.2023, announced buying rate of USD by the Central Bank of Republic of Turkey is 27,3767 TRY (31.12.2022: 18,6983 TRY), buying rate of EURO is 29,0305 TRY (31.12.2022: 19,9349 TRY), buying rate of GBP is 33,4816 TRY (31.12.2022: 22,4892 TRY). As of the date of 30.09.2023 announced buying rate of USD by the Central Bank of Republic of Turkey is 27,4260 TRY (31.12.2023: 18,7320 TRY), buying rate of EURO is 29,0828 TRY (31.12.2022: 19,9708 TRY), buying rate of GBP is 33,6562 TRY (31.12.2022: 22,6065 TRY).

Calculated Taxed on Corporation Revenue

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. Deferred tax asset and liability is recording without considering time where group can use timing differences.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Current Tax Payments

Corporate tax rate in Turkey is 25% as of 2023. This rate can be applied to tax base which if found out after adding expenses, which are not accepted to reduce from tax according to tax law, to its commercial income and deducting exceptions in law (exception like affiliate income), discounts (like investment discount). In case of not distributing dividends, it will not be necessary to pay another tax.

There are not taking of withholding tax for corporate who obtain income in Turkey with a base or permanent representative and dividend payment to corporate that has a base in Turkey. Dividend payment except these above is taxable for withholding tax at 15%. Adding profit to capital cannot be count as distribution of dividend and applied for withholding tax.

Financial loss which is showed in declaration form according to Turkish Tax Regulation in condition not to pass for 5 years can be deducted on corporate income for period. However, fiscal loss cannot be deducted from previous year's profits.

Earnings / Loss Per Share

Earnings per share presented at the bottom of the consolidated Comprehensive Income Statement are calculated by dividing the net profit for the period to the number of shares. In case of increasing capital from sources in group in period, when calculating weighted average of number of shares, the value found after that is accepted also to use as valid at the beginning of period. TMS 33 also refers to this matter is as follows. Ordinary shares can be issued without any changing at sources or current ordinary shares can be reduced. 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) Reverse share split (consolidation of shares)

Ordinary shares issued to current shareholders without any additional payment in the event of activation or bonus issue or share split. Because of this current ordinary share increase without any increase in resource. Before mentioned transaction number of current ordinary shares adjust according to proportional change in case of mentioned transaction realized at the beginning of the earliest period presented.

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.

In case of occurring, events which are necessary to make adjustments after statement of financial position date, group adjusts the amounts in financial statements in an appropriate way to this situation. Subjects which are not necessary to make adjustment occurred after statement of financial position date is explained in explanatory notes of financial statements if they will affect economic decision of financial statements user.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Statement of Cash Flow

In cash flow statement group reports cash flows in period based on classification as operating, investing, and financing activities. Cash flows sourced from operating activities shows cash flows sourced from Group's activities. Cash flow related to investing activities shows cash flows that group use at present time or they gain from investing activities such as intangible asset investing and financial investing. Cash flow related to financing activities shows the resources used by group and back payment of these resources for financing activities. Cash and cash equivalents are consisted of cash and bank deposit, investment with certain amount at 3 months term or less than 3 months, short term with high liquidity.

Determination of Fair Value

Several accounting policies and disclosures of the group require determination of fair value of both financial and non-financial assets. Assumptions are used to determine fair value and relevant additional information is presented in the notes specific to asset or liability.

According to levels, the valuation methods are listed as follows.

Level 1: Recorded prices (unadjusted) in active market for identical assets and liability

Level 2: Directly (through prices) observable data and indirectly (derived from prices) observable data for assets or liabilities and except recorded prices in Level 1

Level 3: Data is not based on observable market data relevant with assets and liabilities (unobservable data)

3.BUSINESS COMBINATIONS

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 combination 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.

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

Company Title	Acquisition Cost	Acquired Equity Share Value	Effect of Mergers Involving Enterprises or Businesses Under Joint Control
Yel Energy	100.000	(1.299.068)	(1.399.068)
Total	100.000	(1.299.068)	(1.399.068)

4. JOINT VENTURES

None. (31.12.2022: None)

ÇAN2 TERMİK A.Ş.
01 January 2023- 30 September 2023 Period
Explanatory Notes to the Consolidated Financial Statements
(Currency is TRY unless otherwise is indicated.)

5. SEGMENT REPORTING

Segment reporting has not been made since the entity does not have a distinguishable operating segment that has different characteristics in terms of risk and return in the provision of product or service group, and a distinguishable geographical segment with different risk and return characteristics.

6. EXPLANATIONS OF RELATED PARTIES

i) Balances of the Company with its' related parties as of September 30, 2023 and December 31, 2022:

a) Trade receivables from related parties:

	30.09.2023	31.12.2022
Voytron Enerji Elektrik Perakende Satış A.Ş.	403.867.073	166.705.567
Suda Stratejik Metal Dış Ticaret A.Ş.	176.404.850	357.493.406
Arsın Enerji Elektrik Üretim Sanayi Ticaret A.Ş.	8.063.215	7.312.766
Hidro Kontrol Elektrik Üretim A.Ş.	408.105	408.105
Batı Trakya Madencilik A.Ş.	--	17.500
Suda Maden A.Ş.	--	770.835
TOTAL	588.743.243	532.708.179
<i>Deduction: Unaccrued financial expenses</i>	<i>(44.426.168)</i>	<i>(34.048.564)</i>
TOTAL	544.317.075	498.659.615

b) Other receivables from related parties:

	30.09.2023	31.12.2022
Abdulkadir Bahattin Özal	5.498.645	5.511.145
Voytron Enerji Elektrik Perakende Satış A.Ş.	462.179	--
Batı Trakya Madencilik A.Ş.	400.000	--
Süleyman Sarı	160.750	160.750
Tahsin Yazan	100.000	100.000
Burak Altay	--	4.209.365
TOTAL	6.621.574	9.981.260
<i>Deduction: Unaccrued financial expenses</i>	<i>(365.211)</i>	<i>(1.331)</i>
TOTAL	6.256.363	9.979.929

c) Trade payables to related parties:

	30.09.2023	31.12.2022
Odaş Elektrik Üretim San. ve Tic. A.Ş.	--	121.380
TOTAL	--	121.380
<i>Deduction: Unaccrued financial incomes</i>	<i>--</i>	<i>(112)</i>
TOTAL	--	121.268

ÇAN2 TERMİK A.Ş.
01 January 2023- 30 September 2023 Period
Explanatory Notes to the Consolidated Financial Statements
(Currency is TRY unless otherwise is indicated.)

6. EXPLANATIONS OF RELATED PARTIES (CONTINUED)

d) Other payables to related parties:

	30.09.2023	31.12.2022
Odaş Elektrik Üretim San. ve Tic. A.Ş.	1.451.105.087	10.778.330
Ys Madencilik Sanayi ve Tic. Ltd. Şti	19.830.660	--
Voytron Enerji Elektrik Perakende Satış A.Ş.	756.587	--
Suda Maden A.Ş.	--	7.360.678
Bahattin Özal	--	12.500
TOTAL	1.471.692.334	18.151.508
<i>Deduction: Unaccrued financial incomes</i>	<i>(329.080.204)</i>	<i>(1.372.615)</i>
TOTAL	1.142.612.130	16.778.893

ii) Significant sales to and purchases from related parties:

a) Sales to related parties

	01 January -30 September 2023	01 January -30 September 2022	01 July -30 September 2023	01 July -30 September 2022
Voytron Enerji Elektrik Perakende Satış A.Ş.	189.477.987	1.467.486.538	988.904	713.219.489
Suda Stratejik Metal Dış Ticaret A.Ş.	24.618.897	--	11.720.000	--
Suda Maden A.Ş	15.330.590	13.003.920	3.675.600	1.371.122
Arsin Enerji Elektrik Üretim San. Tic. A.Ş	857.483	--	307.783	--
Odaş Elektrik Üretim San. ve Tic. A.Ş.	--	376.694.486	--	266.522.606
Batı Trakya Madencilik A.Ş	--	40.000	--	--
TOTAL	230.284.957	1.857.224.944	16.692.287	981.113.217

c) Purchases from related parties

	01 January -30 September 2023	01 January -30 September 2022	01 July -30 September 2023	01 July -30 September 2022
Ys Madencilik Sanayi ve Tic. Ltd. Şti.	29.813.543	--	--	--
Odaş Elektrik Üretim San. ve Tic. A.Ş.	10.402.831	--	5.274.577	--
Voytron Enerji Elektrik Perakende Satış A.Ş.	9.411.166	11.316.058	1.862.438	7.248.902
Suda Maden A.Ş.	8.660.413	953.432	7.536.902	--
Rey Bilişim Hizmetleri Ve Ticaret Ltd Şti.	161.301	--	--	--
TOTAL	58.449.254	12.269.490	14.673.917	7.248.902

Fees and similar benefits provided to the top management for the accounting period ending on 30.09.2023 are as follows:

- a) Short-term benefits provided to employees:** The total amount of wages and similar benefits provided to the members of the Board of Directors and senior managers in the nine months of the 2023 accounting period is TRY 34.225.679. (As a date of 31.12.2022, it is TRY 21.906.106)
- b) Post-employment benefits:** Severance pay is paid to the personnel who deserve the rights granted by law. No payment is made other than the rights arising from the Labor Law.
- c) Other long-term benefits:** None.
- d) Benefits due to Dismissal:** None.
- e) Share-based payments:** None.

ÇAN2 TERMİK A.Ş.
01 January 2023- 30 September 2023 Period
Explanatory Notes to the Consolidated Financial Statements
(Currency is TRY unless otherwise is indicated.)

7.TRADE RECEIVABLES AND PAYABLES

Trade Receivables

The details of the Group's trade receivables as of 30.09.2023 and 31.12.2022 are as follows:

Trade receivables	September 30, 2023	December 31, 2022
Customer Current Accounts	2.422.066.950	936.653.558
- Receivables from related parties	588.743.243	532.708.179
- Other receivables	1.833.323.707	403.945.379
Notes Receivables	17.716.185	17.973.097
Doubtful Receivables	1.500.000	1.500.000
Provision of Doubtful Receivables (-)	(1.500.000)	(1.500.000)
	2.439.783.135	954.626.655
<i>Deduction: Unaccrued financial expenses</i>	<i>(62.836.922)</i>	<i>(39.708.663)</i>
- Receivables from related parties	<i>(44.426.168)</i>	<i>(34.048.564)</i>
- Other receivables	<i>(18.410.754)</i>	<i>(5.660.099)</i>
TOTAL	2.376.946.213	914.917.992

(*)The amount of 1.579.709.889 TRY included in trade receivables including tax and interest is the amount subject to litigation and this amount is related to other payables in the balance sheet liabilities.

Provision for doubtful receivables as of September 30, 2023 and as of December 31, 2022. The movement is as follows:

	30.09.2023	31.12.2022
Opening Balance	1.500.000	1.500.000
Additional provisions/ Payments	--	--
TOTAL	1.500.000	1.500.000

Trade Payables

	September 30, 2023	December 31, 2022
Supplier Current Accounts	649.353.446	237.354.405
- Due to related parties	--	121.380
- Other supplier payables	649.353.446	237.233.024
Notes Payables	2.500	--
	649.355.946	237.354.404
<i>Deduction: Unaccrued financial incomes</i>	<i>(42.832.509)</i>	<i>(4.812.831)</i>
-Trade Payables to Related Parties	--	<i>(112)</i>
- Trade Payables to Third Parties	<i>(42.832.509)</i>	<i>(4.812.719)</i>
TOTAL	606.523.436	232.541,573

ÇAN2 TERMİK A.Ş.
01 January 2023- 30 September 2023 Period
Explanatory Notes to the Consolidated Financial Statements
(Currency is TRY unless otherwise is indicated.)

8.OTHER RECEIVABLES AND PAYABLES

Short-term Other Receivables

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

	September 30, 2023	December 31, 2022
Other receivables from related parties	6.621.573	9.981.260
Other receivables	2.832.121	259.197
Deposits and guarantees given	3.516.732	2.351.514
TOTAL	12.970.426	12.591.971
Deduction: Unaccrued finance expenses	(368.983)	(1.331)
-Other receivables from related parties	(365.211)	(1.331)
-Other receivables	(3.772)	--
TOTAL	12.601.443	12.590.640

Long-term Other Receivables

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

	30.09.2023	31.12.2022
Deposits and guarantees given	209.963	209.963
TOTAL	209.963	209.963

Short-term Other Payables

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

	September 30, 2023	December 31, 2022
<i>Due to related parties</i>	1.471.692.333	18.151.508
Other payables	173.041	235.390
Taxes and funds payables	190.443.948	139.285.116
Received advances	9.830	9.965
Tax or Other Deferred Liabilities	28.428.743	3.939.782
Other Liabilities	48.768	24.088
	1.690.796.663	161.645.849
<i>Deduction: Unaccrued finance expenses</i>	(329.092.093)	(1.805.969)
- <i>Due to related parties</i>	(329.080.204)	(1.372.615)
- <i>Other payables</i>	(11.890)	(433.354)
TOTAL	1.361.704.570	159.839.880

Details of taxes and funds payables are as follows:

	30.09.2023	31.12.2022
Wage Income Tax Deduction	27.986.770	9.943.174
Value Added Tax	161.283.067	125.960.785
Other Tax Liabilities	1.174.111	3.381.157
TOTAL	190.443.948	139.285.116

ÇAN2 TERMİK A.Ş.
01 January 2023- 30 September 2023 Period
Explanatory Notes to the Consolidated Financial Statements
(Currency is TRY unless otherwise is indicated.)

8. OTHER RECEIVABLES AND PAYABLES (CONTINUED)
Long-term Other Payables

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

	30.09.2023	31.12.2022
Deferred or Installed Payables to Public	53.538.769	1.680.862
TOTAL	53.538.769	1.680.862

9. INVENTORIES

	September 30, 2023	December 31, 2022
Raw materials and supplies	22.529.297	17.696.163
Semi-finished goods	538.659.711	303.789.710
Finished goods	254.092.532	172.140.215
Other inventories	67.671.799	34.960.916
TOTAL	882.953.339	528.587.004

The balance of the raw material amount consist of fuel oil purchases, semi-finished product stocks consist of raw coal purchases, product stocks consist of powdered coal and limestone purchases, and other stocks consist of auxiliary production materials and other operating materials and spare parts.

10. PRE-PAID EXPENSES AND DEFERRED INCOME

Short-term Pre-paid Expenses

The details of short-term prepaid expenses are as follows:

	September 30, 2023	December 31, 2022
Advances given to suppliers	93.730.413	29.993.674
Expenses related to the coming months	10.568.415	21.348.605
TOTAL	104.298.828	51.342.279

Long-term Pre-paid Expenses

The details of long-term prepaid expenses are as follows:

	September 30, 2023	December 31, 2022
Expenses related to the future months(*)	33.335.746	889.057
TOTAL	33.335.746	889.057

(*) Amount related to structured tax liabilities.

Short-term Deferred Income

	30.09.2023	31.12.2022
Advances Received (*)	--	5.634.429
TOTAL	--	5.634.429

(*) These are the amounts related to the advances received. In the following period, it was closed by offsetting the trade receivables.

ÇAN2 TERMİK A.Ş.
01 January 2023- 30 September 2023 Period
Explanatory Notes to the Consolidated Financial Statements
(Currency is TRY unless otherwise is indicated.)

11. TANGIBLE FIXED ASSETS

The movement of tangible fixed assets within the accounting period of 01.01.-30.09.2023 is as follows:

	01.01.2023	Addition	Disposals	Transfer	Revaluation	30.09.2023
Cost						
Lands	176.009.628	19.193.075	--	--	--	195.202.703
Buildings	596.707	--	--	--	--	596.707
Plant, machinery and equipment	5.001.073.154	145.608.415	--	--	--	5.146.681.569
Vehicles	52.574.292	11.446.731	(2.310.547)	--	--	61.710.476
Furniture and fixtures	17.140.100	8.999.741	--	--	--	26.139.842
Construction in progress	90.133.619	24.841.327	--	--	--	114.974.946
Research expenses	167.381	--	--	--	--	167.381
Total	5.337.694.881	210.089.290	(2.310.547)	--	--	5.545.473.623
Accumulated Depreciation						
Buildings	(61.707)	(6.563)	--	--	--	(68.270)
Plant, machinery and equipment	(403.862.830)	(144.149.503)	--	--	--	(548.012.333)
Vehicles	(9.131.209)	(9.156.624)	689.380	--	--	(17.598.453)
Furniture and fixtures	(4.755.821)	(2.595.741)	--	--	--	(7.351.560)
Other Fixed Assets	--	--	--	--	--	--
Total	(417.811.567)	(155.908.430)	689.380	--	--	(573.030.615)
Net Book Value	4.919.883.315	54.180.859	(1.621.168)	--	--	4.972.443.008

The movement of tangible fixed assets within the 01.01.-31.12.2022 accounting period is as follows:

	01.01.2022	Addition	Disposals	Transfer	Revaluation	31.12.2022
Cost						
Lands	166.675.000	9.334.628	--	--	--	176.009.628
Buildings	596.707	--	--	--	--	596.707
Plant, 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 fixtures	7.736.063	9.407.427	(3.390)	--	--	17.140.100
Construction in progress	33.668.266	56.465.353	--	--	--	90.133.619
Research expenses	167.381	--	--	--	--	167.381
Total	5.147.480.858	194.490.878	(4.276.855)	--	--	5.337.694.881
Accumulated Depreciation						
Buildings	(61.707)	--	--	--	--	(61.707)
Plant, 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 fixtures	(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

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

11. TANGIBLE FIXED ASSETS (CONTINUED)

In accordance with the standard TAS 16 “Tangible Fixed Assets”, group adopted “revaluation model” starting September 30, 2018 by basing on reasonable values detected in revaluation studies by CMB licensed independent valuation company, Lal Gayrimenkul Değerleme ve Müşavirlik A.Ş., for land, underground and aboveground layouts, buildings, machinery, plants and equipment.

In the valuation report dated 11.10.2018 prepared as of 30.09.2018, the value of the investment was determined as TRY 1.961.836.045 according to the income management (DNA). In the valuation report dated 10.02.2020 prepared by an authorized valuation institution as of 31.12.2019, the value of the investment was determined as TRY 2.085.175.474 according to the income management (DNA). As there is no change in the fair values of tangible fixed assets as of the interim report date, no new valuation study has been carried out.

As of 31.12.2021, the asset value of Çan 2 Thermal Power Plant is based on the asset valuation study carried out by Ata Yatırım Menkul Değerler, reflected in the financial statements over the values in the Asset Valuation Report dated 12.01.2022, prepared in accordance with the “General Principles to Be Followed in the valuation of Non-real Estate Assets and International Valuation Standards” in accordance with the decision of the Capital Markets Board dated 11.04.2019 and numbered 21/500. The asset value of Çan 2 Thermal Power Plant has been determined as TL 4.684.505.558 by the authorized valuation companies according to the income method (DNA).

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 (UDES).

As of 30.09.2023 , revaluation fund movements are as follows:

30.09.2023	Vehicle, Machinery, Plant	Building	Land	30.09.2023
January 01,2023 Balance	2.680.978.457	355.718	148.467.161	2.829.801.337
Revaluation Value Increase (Gross)	--	--	--	--
Revaluation Impairment	--	--	--	--
Deferred Tax	--	--	--	--
Sales (Gross)	(1.050.893)	--	--	(1.050.893)
Sales(Deferred Tax)	210.178	--	--	210.178
Revaluation Amount	2.680.137.742	355.718	148.467.161	2.828.960.622

	Vehicle, Machinery, Plant	Building	Land	31.12.2022
January 01,2022 Balance	2.682.442.026	355.718	148.467.161	2.831.264.906
Revaluation Value Increase (Gross)	--	--	--	--
Revaluation Impairment	--	--	--	--
Deferred Tax	--	--	--	--
Sales (Gross)	(1.829.462)	--	--	(1.829.462)
Sales (Deferred Tax)	365.893	--	--	365.893
Revaluation Amount	2.680.978.457	355.718	148.467.161	2.829.801.337

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

12. INTANGIBLE FIXED ASSETS

As of 30.09.2023, the details of the Group's intangible assets are as follows:

	01.01.2023	Addition	Disposals	Transfer	30.09.2023
Cost					
Rights	8.558.484	10.774.329	--	--	19.332.813
Research and Development Expenses	--	95.000	--	--	95.000
Other Intangible Assets	329.179	1.382.086	--	--	1.711.265
Preparation and Development Expenses	43.472.672	17.568.886	--	--	61.041.558
Total	52.360.335	29.820.300	--	--	82.180.636
Accumulated Amortization					
Rights	(2.917.532)	(1.378.402)	--	--	(4.295.934)
Research and Development Expenses	--	--	--	--	--
Other Intangible Assets	(294.290)	(113.327)	--	--	(407.617)
Preparation and Development Expenses	(15.339.158)	(7.607.625)	--	--	(22.946.783)
Total	(18.550.980)	(9.099.354)	--	--	(27.650.334)
Net Book Value	33.809.355	20.720.946	--	--	54.530.301

As of 31.12.2022, the details of the Group's intangible assets are as follows:

	01.01.2022	Addition	Disposals	Transfer	31.12.2022
Cost					
Rights	5.758.547	3.053.937	(254.000)	--	8.558.484
Other Intangible Assets	299.880	29.299	--	--	329.179
Preparation and Development Expenses	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 Expenses	(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

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

13. EVALUATING AND RESEARCHING OF MINE RESOURCES

As of September 30,2023 and December 31, 2022, the total development expenditure capitalized amount are as follows:

Subsidiaries	30.09.2023	31.12.2022
Yel Enerji	13.640.584	6.649.108
Çan2 Termik A.Ş.	3.025.247	3.025.247
Çan2 Trakya	44.375.727	33.798.317
Total	61.041.558	43.472.672

Preparation and development expenditures are capitalized in accordance with the Standard on Exploration and Evaluation of Mineral Resources and the Group's accounting policy. Amortization is recognized when the intangible asset is ready for use, i.e. when it is in a location and condition necessary for the Group to be able to operate in the manner intended by management.

14. RIGHT OF USE ASSETS

As of 30.09.2023, the details of the Group's right-of-use assets are as follows:

	01.01.2023	Additions	Disposals	Transfer	30.09.2023
Cost – Vehicles					
Right of Use Asset	6.311.492	6.875.243	--	--	13.186.735
Total	6.311.492	6.875.243	--	--	13.186.735
Accumulated Depreciation - Vehicles					
Right of Use Asset	(4.598.357)	(594.313)	--	--	(5.192.669)
Total	(4.598.357)	(594.313)	--	--	(5.192.669)
Net Book Value	1.713.135	--	--	--	7.994.066

As of 31.12.2022, the details of the Group's intangible assets are as follows:

	01.01.2022	Addition	Disposals	Transfer	31.12.2022
Cost – Vehicles					
Right of Use Asset	6.316.280	--	(4.788)	--	6.311.492
Total	6.316.280	--	(4.788)	--	6.311.492
Accumulated Depreciation - Vehicle					
Right of Use Asset	(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

The Group has consolidated its leasing debts, which represent the operational lease payments which are obliged to pay rent. Details of the group's accounting in accordance with the TFRS 16 Leases standard are described in Note 2.

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

15. IMPAIRMENT OF ASSETS

As of 30.09.2023 and 31.12.2022, the Group has a decrease in its trade receivables and the impairment amounts are shown in the relevant financial statement items (Note 7).

As of 31.12.2022, there is an impairment in tangible fixed assets of the group, and the amount of impairment is shown in the related financial statement items.

16. GOVERNMENT INCENTIVES

Çan2 Termik A.Ş. has Investment Incentive Certificate is 06.02.2015 dated and 117824 numbered, prepared by Ministry of Economy of the Republic of Turkey and General Directorate of Foreign Capital and Incentives Implementation. Mentioned certificate was revised by new numbered 18.09.2017 and C117824 dated. Aforesaid investment is power plant based on domestic coal (Çan 2 Thermic Plant) with 340 MW installed capacity and incentive certificate is arranged according to EMRA's ÖN/5117-5/03070 associate license number and dated 10.07.2014.

Investment Incentive Certificate is given for the full new investment carried out in Çanakkale (Çan 2nd region) and covers the period between 13.08.2014-12.02.2019. With the certificate, employer's share of insurance premiums support, interest support, tax discount rate support, VAT exception and exemption from customs duty incentives are benefited. Total amount of the investment is TRY 801.789.866 based on incentive certificate. An Incentive Closing Visa application was made to the Ministry of Industry and Technology on 02.10.2019 and a completion visa was made within the framework of the provisions of the 24th article of the decision dated 15.06.2012 and numbered 2012/3305 and the 23rd article of the communiqué numbered 2012/1 regarding the implementation of this decision. The decision was notified to us with the letter dated 05.08.2020 and numbered 1777914. The investment contribution rate is calculated at the rate of 40% over the total investment amount before closing the subject of the investment incentive certificate, and a tax reduction of 80% is provided up to the tax to be reached up to TRY 320.715.946. As of 30.09.2023, the indexed and unused investment allowance amount is TL 1.067.863.089. This amount is subject to deferred tax (Note 30).

In addition, an investment incentive certificate with document number 510216 and ID 1013731, dated 08.04.2020, issued by the Ministry of Industry and Technology of the Republic of Turkey. The support class is Regional-Priority Investment and the support elements are VAT Exemption, Interest Support, Tax Reduction, Employer's Insurance Premium Share and Investment Place Allocation. The investment subject to the certificate is a domestic coal-based electricity generation power plant (Çan 2 Thermal Power Plant) with an installed capacity of 340 MW, and the incentive certificate was issued in accordance with EMRA's Generation License dated 28.01.2016 and numbered UE/6083-2/03428. The total amount of the investment is 329.297.725 TL. Investment contribution rate of 40% is calculated over the total investment amount before the closure subject to the investment incentive certificate and 80% tax deduction is provided until the tax to be reached up to TL 131.719.090. This amount is subject to deferred tax (Note 30).

17. BORROWING COSTS

None. (None: December 31, 2022).

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Short-Term Provisions

	30.09.2023	31.12.2022
Lawsuit Provisions	1.801.220	978.028
Total	1.801.220	978.028

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)**Lawsuits Against the Company**

As of 30.09.2023, according to the information obtained from the Group's legal counsel, there are various commercial lawsuits filed against the Group. Provision amounting to TRY 117.603 has been posted for these lawsuits and their expenses.

As of 30.09.2023, the Group has allocated a provision for litigation expenses amounting to TRY 1.683.617 considering the high probability of losing the related lawsuits due to personnel reemployment lawsuits.

The details of provision for litigation expenses related to the lawsuits filed against the Group are as follows;

	01 January – 30 September 2023	01 January – 31 December,2022
Opening Balance	978.028	940.350
Additional Provisions/Cancellation	823.192	37.678
Total	1.801.220	978.028

Favorable Lawsuits

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

As stated in the Company's special situation statements dated 14.01.2023, 11.04.2023 and 17.06.2023, following the letter dated 13.01.2023 sent to the Company by EMRA, the lawsuit filed for the annulment of the administrative action at the Ankara 10th Administrative Court and the decision made in favor of the Company were filed in Ankara 8. The Administrative Case Office decided to suspend the execution, and the case continues to be heard on its merits.

Other Long-Term Provisions

	30.09.2023	31.12.2022
Provision for Mine Restoration	207.651	202.598
TOTAL	207.651	202.598

At 11th paragraph TFRS 6 stated: When a company assume the investigation and evaluation of mine resources, it reflects removal and restoration liabilities resulting in given period at financial statement according to TAS 37 - Provisions, Contingent Liabilities and Contingent Assets standard. Accordingly, in the evaluation made by the project manager and the technical team; Mining activities in Çanakkale Province Çan District Yayaköy License No:17448 field will be operated as closed operation and open operation. Extension projects covering this scope have been submitted to the General Directorate of Mining Affairs (“Migem”) for approval. After the open operation, it will be switched to closed operation. There will be no stripping work on the surface during the closed operation periods.

Within the scope of the Çan 2 thermal power plant, the area to be picked up in the open operation will be used as an ash storage area as stated in the EIA report. After completing the economic life of the site, it will be arranged with a subsequent location study and afforestation will be abandoned. The estimated cost for terraces and trees will be around TRY 300.000.

Stripping work will be carried out on an area of approximately 150 declares. Due to the extension project, there are 100 trees per acre. Due to the soil structure of the region, the cost of relocation of about an acre is calculated around TRY 2,000 in this way. the total cost for 150 acres was calculated as $150 \times \text{TRY } 2.000 = \text{TRY } 300.000$. This study will be carried out after the open pit mine has completed its economic life and will be realized at the end of 20 years.

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)**Provision for Mine Restoration**

	30.09.2023	31.12.2022
Balance at the Beginning of the Period	202.598	185.044
Additional Provision/ Payment (-)	5.053	17.554
End-of-Term Balance	207.651	202.598

As of 30.09.2023, the total cost of TRY 300.000 discounted to present value is TRY 207.651.

Pledges and Mortgages

In accordance with General Loan Agreement between commercial Esenyurt Branch of Yapı Kredi Bankası A.Ş. & commercial branch of Kozyatağı of Halk Bankası A.Ş. Consortium and Çan2 Termik A.Ş., a share pledge agreement has been signed between the mentioned parties in order to issue a guarantee in favor of commercial branch of Esenyurt of Yapı Kredi Bankası A.Ş. & commercial branch of Kozyatağı of Halk Bankası A.Ş., as in the shares that are issued will be unhesitant pledged to them correspondingly to the spirit of the agreement.

In addition, Yapı Kredi Bankası A.Ş. Esenyurt Commercial Branch and Halk Bankası A.Ş. Kozyatağı Commercial Branch Consortium and Çan2 Termik A.Ş. in return for the loan debt in the General Loan Agreement signed between Çan2 Termik A.Ş. and the Assignment of Receivables and the Movable Pledge Agreement without surrendering the possession. The total amount included in the contract for the Movable Pledge is 244.800.000 Euros and TRY 1.000.000.000.

Within the scope of the loan agreement, mortgages from 1st degree to 10th degree have been established in favor of Yapı Kredi Bankası A.Ş. and Türkiye Halkbankası A.Ş. The total amount of the mortgages is TRY 2.614.500.000 and 558.900.000 Euro.

The process for the removal of the related pledges and mortgages was initiated with the relevant banks after the loan closing.

Assignment

Yapı Kredi Bank A.Ş. EPIAS Transfer of Receivables Agreement with Esenyurt Commercial Branch:

Yapı Kredi Bank A.Ş. Esenyurt Commercial Branch and Halk Bankası A.Ş. Kozyatağı Commercial Branch Consortium and Çan2 Termik A.Ş. with the Consortium of Kozyatağı Commercial Branch.Sh. as a guarantee of the loan issued in accordance with the General Loan Agreement signed between Yapı Kredi Bankası A.Ş. Esenyurt Commercial Branch and Halk Bankası A.Ş. Yapı Kredi Bankası A.Ş. Esenyurt Commercial Branch and Halk Bankası A.Ş. EPIAS Receivables Assignment Agreement was signed in favor of Kozyatağı Commercial Branch. The amount of the assignment is TRY 13.000.000.000, and the period is 2029.

Yapı Kredi Bank A.Ş. EÜAŞ Transfer of Receivables Agreement with Esenyurt Commercial Branch and Türkiye Halk Bankası A.Ş. Kozyatağı Commercial Branch:

Yapı Kredi Bank A.Ş. Esenyurt Commercial Branch and Halk Bankası A.Ş. Kozyatağı Commercial Branch Consortium and Çan2 Termik A.Ş. with the Consortium of Kozyatağı Commercial Branch.Sh. as a guarantee of the loan issued in accordance with the General Loan Agreement signed between Yapı Kredi Bankası A.Ş. Esenyurt Commercial Branch and Halk Bankası A.Ş. Yapı Kredi Bankası A.Ş. Esenyurt Commercial Branch and Halk Bankası A.Ş. which is Assignment Agreement based on the electricity sales contract dated 24.12.2020 signed between Çan2 Termik A.Ş. and EÜAŞ.

The process for the removal of the related liens was initiated with the relevant banks after the loan closure.

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)**Guarantees**

The guarantees given by the Group are as follows:

COLLATERAL PLEDGE MORTGAGES	30.09.2023	31.12.2022
A) The total amount of the collateral pledged mortgages given on behalf of the legal entity	27.365.742.090	19.998.450.829
B) Partnerships included in full consolidation	--	--
C) Total amount of collateral pledged mortgages given by other 3rd parties for the purpose of carrying out ordinary commercial activities	--	--
D) Total Amount of Other Total Pledged Mortgages Given	--	--
i) <i>The total amount of collateral pledged mortgages issued in favor of the main partner</i>	--	--
ii) <i>Other Corporate companies that are not covered by articles B and C the total amount of collateral pledged mortgages issued in favor of</i>	--	--
iii) <i>Third Parties, which is not covered by Article C. the total amount of collateral pledged mortgages issued in favor of persons</i>	--	--
TOTAL	27.365.742.090	19.998.450.829

The guarantees and promissory notes received by the Group are as follows.

	30.09.2023	31.12.2022
Letters of guarantee received	7.381.165	7.243.878
	7.381.165	7.243.878

19. EMPLOYEE BENEFITS**a. Short-Term***Liabilities within the Scope of Employee Benefits*

	30 September 2023	31 December 2022
Debts to Personnel	15.046.254	5.119.134
Social Security Deductions Payable	16.881.431	4.207.722
TOTAL	31.927.685	9.326.857

The balance of the payables to the personnel is accrued on the payroll as of the relevant dates and the social security of the employer and the employee to be paid until the end of the month, declared on the twenty-third of the following month. consists of premium debts.

Annual Leave Provision

The movement of the annual leave provision account between 30.09.2023 and 31.12.2022 is presented below:

	30.09.2023	31.12.2022
Opening Balance	10.397.411	4.867.231
Provision During the Period	4.600.308	5.530.180
TOTAL	14.997.719	10.397.411

ÇAN2 TERMİK A.Ş.
01 January 2023- 30 September 2023 Period
Explanatory Notes to the Consolidated Financial Statements
(Currency is TRY unless otherwise is indicated.)
19.EMPLOYEE BENEFITS(CONTINUED)

Liabilities within the Scope of Employee Benefits(Continued)

b. Long-Term

Provisions for Severance Pay

In accordance with the current labor law, companies are obliged to pay a certain amount of severance pay to personnel who quit their job due to retirement after serving at least one year or who are dismissed for reasons other than resignation and bad behavior. The compensation to be paid is equal to one month's salary for each year of service and this amount has been limited to TRY 23.489,83 (31.12.2022:TRY 17.904,62) as of 30.09.2023.

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

Severance pay provision is set aside by calculating the present value of the probable obligation to be paid in case of retirement of the employees. Accordingly, the actuarial assumptions used to calculate the liability as of 30.09.2023 and 31.12.2022 are as follows:

	30.09.2023	31.12.2022
Discount Rate	21,44%	21,44%
The Estimated Rate of Increase	17,78%	17,78%
Net Discount Rate	3,11%	3,11%

The movement of the severance pay provision account between 30.09.2023 and 31.12.2022 is presented below:

Provision for Severance Pay

	30 September 2023	31 December 2022
Turnover	3.109.464	1.324.275
Additional Provision / Payment	2.935.672	1.785.190
Balance	6.045.136	3.109.464

	30 September 2023	31 December 2022
Turnover	3.109.464	1.324.275
Payment	7.487.412	1.030.959
Interest Cost	493.153	305.040
Current Service Cost	(4.560.800)	(848.946)
Actuarial Profit/Loss	(484.093)	1.298.136
Balance	6.045.136	3.109.464

ÇAN2 TERMİK A.Ş.
01 January 2023- 30 September 2023 Period
Explanatory Notes to the Consolidated Financial Statements
(Currency is TRY unless otherwise is indicated.)
20. OTHER ASSETS AND LIABILITIES

Other Current Assets

As of 30.09.2023 and 31.12.2022, Other Current Assets are as follows:

	30 September 2023	31 December 2022
Income accruals	378.934.771	327.137.281
Deferred VAT	2.569.365	5.335.857
Job Advances	22.360.839	1.024.235
Advances Given to Personnel	413.403	72.371
Advances Given to Suppliers	25.220.347	43.933.193
TOTAL	429.498.725	377.502.937

The details of income accruals are as follows:

	30 September 2023	31 December 2022
Electricity sales revenue accruals	378.934.771	327.137.281
TOTAL	378.934.771	327.137.281

Other Short-Term Liabilities

	30.09.2023	31.12.2022
Expense Accruals	72.370.376	498.136.013
TOTAL	72.370.376	498.136.013

The details of Expense Accruals are as follows:

	30.09.2023	31.12.2022
Electricity purchase expense accruals	47.951.647	497.213.402
Other expense accruals	24.418.729	922.611
TOTAL	72.370.376	498.136.013

As of 30.09.2023 and 31.12.2022, the details of Other Non-Current Assets are as follows:

Other Non-Current Assets

	30 September 2023	31 December 2022
Advances Given (*)	47.003.750	47.864.509
TOTAL	47.003.750	47.864.509

(*) Advances given consist of advances given to contractors and suppliers for investment materials and service procurement for Çan-2 Thermal Power Plant in previous periods.

Other Long-Term Liabilities

	30.09.2023	31.12.2022
Expense Accruals (*)	23.454.361	481.163
TOTAL	23.454.361	481.163

(*) The Insurance and Tax liabilities of the Group consist of the interest of the monthly restructured installments.

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

21. CAPITAL, RESERVES AND OTHER EQUITY ITEMS**Paid-in Capital**

The Group's paid-in capital structure as of 30.09.2023 and 31.12.2022 is as follows:

Shareholders	30.09.2023		31.12.2022	
	Amount	Rate	Amount	Rate
Odaş Elektrik Üretim San. Tic. A.Ş.	410.127.500	51,27%	245.651.000	76,77%
The Public Shares Part	389.872.500	48,73%	74.349.000	23,23
TOTAL	800.000.000	100%	320.000.000	100%

As of 30.09.2023, the paid-in capital of Çan2 Termik A.Ş. is 800,000,000 Turkish Liras and it is divided into 800,000,000 (Eight Hundred Million) shares, each with a nominal value of 1 (One) TRY.

The Company increased its share capital from 320.000.000 TRY to 800.000.000 TRY with a capital increase of 480.000.000 TRY from retained earnings.

Premiums/Discounts Related to Shares

After the capital increase (public offering) on 21-22 April 2021, 67.590.000 shares were sold in to Borsa İstanbul A.Ş. with amount of TRY 185.332.488 remaining after netting out the portion of TRY 10.678.512 of public offering expenses, which occurred since it was sold at a price higher than TRY 1 nominal value, was accounted for as share issue premiums.

	30 September 2023	31 December 2022
Share Issue Premiums	--	185.332.488
TOTAL	-	185.332.488

Revaluation Measurement Gains/Losses

	30 September 2023	31 December 2022
Land, Building, Vehicle, Machinery Equipment and Facility	2.828.960.622	2.829.801.337
TOTAL	2.828.960.622	2.829.801.337

Cash Hedge Gains/Losses

	30 September 2023	31 December 2022
Hedging Gains and Losses	1.346.276.666	766.181.663
TOTAL	1.346.276.666	766.181.663

Actuarial Loss/Gain Fund

The movements of the actuarial loss/gain fund are as follows:

	30.09.2023	31.12.2022
Balance at the Beginning of the Period	(1.659.101)	(620.592)
Actuarial Gains/(Losses)	484.093	(1.298.136)
Deferred Tax Effect	(121.023)	259.627
End-of-Term Balance	(1.296.031)	(1.659.101)

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

21. CAPITAL, RESERVES AND OTHER EQUITY ITEMS (CONTINUED)**Effect of Mergers Including Joint Controlled Enterprises or Businesses**

Amounts resulting from the merger of enterprises under joint control in the “Effect of Mergers Including Joint Controlled Enterprises or Business” are reflected as below;

Company Title	Acquisition Cost	Acquired Equity Share Value	The Effect of Mergers Involving Enterprises or Enterprises Subject to Joint Control
Yel Enerji	100.000	(1.299.068)	(1.399.068)

A business combination involving undertakings or businesses under common control is a business combination in which all the combining undertakings or businesses are controlled by the same person or persons before and after the business combination and this control is not temporary.

Goodwill amounting to TRY 1,399,068 arising from the acquisition of jointly controlled enterprises, as an account offsetting under equity, as goodwill cannot be included in the financial statements since business combinations under common control are accounted for using the combination of rights method, “Effect of Mergers Containing Joint Controlled Enterprises or Businesses” is shown in the account.

Reserves On Retained Earnings

	30.09.2023	31.12.2022
Legal Reserves	27.307.069	--
Total	27.307.069	--

Shares of the Parent Company

In the six-month period ending on 30.09.2023, the Group has earned a period loss of TRY 836.016.591 (31.12.2022: TRY 2.137.026.469). All of these amounts belong to the parent company shares and there is no minority share.

Previous Year Profit/Loss

The accumulated profit/losses other than the net profit for the period have been netted off and shown in this item.

Previous Years Profit / Losses	30 September 2023	31 December 2022
Profit/Loss for the Previous Years	(293.751.490)	(112.788.484)
Share Ratio in Subsidiaries Not Resulting in Loss of Control Val.		
Related Increase/Decrease	--	--
Transfers	(319.061.328)	--
Profit/Loss for the Period	2.137.026.469	(180.963.006)
TOTAL	1.523.673.651	(293.751.490)

ÇAN2 TERMİK A.Ş.
01 January 2023- 30 September 2023 Period
Explanatory Notes to the Consolidated Financial Statements
(Currency is TRY unless otherwise is indicated.)
22. REVENUE AND COSTS OF GOODS SOLD

The detail of sales is as follows;

	01 January - 30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Domestic Sales	3.495.917.960	3.227.930.337	1.341.517.501	1.230.057.532
Energy Sales Revenues(TEİAŞ/EPIAŞ/EUAS)	3.489.124.092	3.221.768.661	1.335.829.366	1.229.750.368
Other Revenues	6.793.868	6.161.676	5.688.135	307.163
Refunds from Sale	(166.945)	(10.644.606)	(25.000)	(1.466.706)
TOTAL	3.495.751.015	3.217.285.731	1.341.492.501	1.228.590.826

23. EXPENSES ACCORDING TO THEIR QUALIFICATIONS

The details of the cost of sales for the periods 01.01.-30.09.2023 and 01.01.-30.09.2022 are as follows:

	01 January - 30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
The Cost of Using Coal	871.083.316	487.665.068	441.666.713	195.383.969
Intra Day Market Debt Amount (GİB) (**)	509.174.425	614.317.624	175.484.946	313.224.715
EPIAŞ/Support Fee(*)	420.806.470	--	28.254.733	--
Personnel expense share	200.246.978	86.764.610	85.644.920	34.315.978
Depreciation and amortization expense share	156.333.853	141.917.565	53.187.904	47.980.676
The amount of energy imbalance(***)	122.030.258	286.009.341	34.795.150	163.892.875
System usage fee(****)	102.307.879	31.284.628	47.402.504	10.220.921
Maintenance and repair expenses	73.516.289	43.463.936	18.633.747	23.531.014
The Cost of Selling Coal	53.112.047	3.482.019	33.189.429	67.403
Other Expenses	32.442.473	12.500.988	9.290.724	4.054.864
The Cost of Selling Finished Products Obtained from Production	27.416.420	7.482.875	14.339.584	1.471.364
The Cost of Using Fuel Oil	27.359.537	19.577.033	8.469.037	8.544.245
DGP Debt Amount (*****)	25.698.652	13.216.062	14.372.016	6.973.461
The Cost of Using the Diesel	22.718.072	37.845.590	8.068.360	21.436.635
Insurance expenses	19.279.283	7.386.644	6.548.873	2.617.640
The Cost of Sales Limestone	16.476.839	--	7.591.092	--
Rental Expenses	14.195.720	7.679.224	3.660.753	3.973.583
The Cost of Using Limestone	8.960.232	5.107.839	8.960.232	2.036.539
TEİAŞ/EPIAŞ Other expenses	7.885.359	125.268.502	2.261.830	2.028.875
Consultancy Expenses	2.793.728	1.124.098	1.553.911	646.475
Cost of Bilateral Agreements	1.335.962	4.372.169	1.036.049	3.439.328
TOTAL	2.715.173.792	1.936.465.815	1.004.412.507	845.840.560

(*) EPIAŞ Support Fee; It is used to ensure security of supply and/or support consumers by meeting the production costs of low producers. In the calculations to be made for electricity generation facilities, the price determined for the main source is taken into account as the maximum settlement price. In general terms, the hourly MCP is calculated by multiplying the difference between the maximum price and the AUF (Maximum Settlement Price) by the generation amount.

(**) Intraday Market Debt Amount; Debt amount calculated based on the transactions of the relevant organization in the Intraday Market for the relevant invoice period.

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

23.EXPENSES ACCORDING TO THEIR QUALIFICATIONS (CONTINUED)

(***) Energy Imbalance Amount; Imbalance amount is calculated monthly on the basis of the group responsible for the balance, taking into account the day-ahead market, intraday market and balancing power market transactions, bilateral agreement amounts and realized export/withdrawal values.

(****) System Usage and Operation Fee; is the amount calculated annually by TEİAŞ and approved by EMRA based on the revenue ceilings to be reflected to the market participant that has signed a system usage agreement due to the market participant's use of the TEİAS transmission system in accordance with the installed traction-availability power.

(*****) DGP Debt Amount; Debt amount calculated based on the related organization's purchase transactions in the Balancing Power Market for the relevant invoice period.

24. GENERAL OPERATING EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES**Marketing, Sales and Distribution Expenses**

For the periods 01.01.-30.09.2023 and 01.01.-30.09.2022, marketing, selling and distribution expenses are as follows:

	01 January -30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Shipping Expenses	16.643.839	--	12.494.767	--
Customs Expenses	7.433.055	--	5.617.219	--
Other expenses	257.466	--	194.207	--
TOTAL	24.334.360	--	18.306.193	--

General Administrative Expenses

The details of general administrative expenses for the periods 01.01.-30.09.2023 and 01.01.-30.09.2022 according to their qualifications are as follows:

	01 January -30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Personnel Expenses	33.868.214	18.846.177	12.273.626	5.276.353
Depreciation Expense	4.971.707	3.168.530	3.921.225	175.496
Other Expenses	4.137.079	2.594.971	1.486.952	1.537.784
Consultancy Expenses	3.334.334	2.400.715	1.310.024	1.055.355
Litigation Provision Expenses	1.135.036	180.401	1.048.575	67.759
CMB Board Expenses	960.000	2.908.165	--	--
Membership Fee Expense	434.372	65.960	107.802	42.161
IPO (Initial Public Offering) Expenses	424.330	194.378	250.000	--
Declaration and Contract Stamp Duty	257.323	4.835.843	8.945	11.158
Fuel Expenses	158.855	151.554	65.097	50.282
Travel Expenses	149.011	99.359	105.062	79.003
Representative Hospitality Expenses	90.133	94.509	9.352	17.653
Notary Expenses	82.700	24.236	10.075	7.883
Cargo Expenses	26.891	18.247	5.714	10.890
TOTAL	50.029.985	35.583.045	20.602.449	8.331.777

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

25. OTHER OPERATING INCOME AND EXPENSES**Other Operational Income**

	01 January - 30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Rediscounted Interest Income	39.290.485	1.745.350	23.929.026	(1.418.243)
Exchange rate income	38.319.244	21.305.578	11.365.156	10.627.327
Other Extraordinary Income	7.270.848	1.524.102	3.381.209	1.336.352
Prior Year Revenues and Profits	963.128	6.211.846	257.471	315.649
Other Operating Income and Profits	170.880	1.651.125	145.000	--
Provisions that are no longer relevant	164.218	124.837	86.067	1.546
TOTAL	86.178.803	32.562.838	39.163.929	10.862.631

Other Operational Expense

	01 January - 30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Exchange Losses	88.749.934	20.005.762	88.542.873	7.444.575
Other Extraordinary Expenses and Losses	29.899.040	28.066.060	16.958.372	21.111.375
Rediscount Expense	14.021.351	88.939	7.463.399	20.695
Non-operating Portion Expenses and Losses	13.319.314	5.233.998	15.301	1.638.286
Prior Period Expenses and Losse	483.331	715.304	100.000	58.539
Provision Expenses	--	150.546	--	--
Other	177.846	514.620	58.448	35.917
TOTAL	146.650.816	54.775.229	113.138.393	30.309.387

26. EXPENDITURES AND REVENUES FROM INVESTING ACTIVITIES

Revenues from investment activities for the periods 1 January - 30 September 2023 and 1 January - 30 September 2022 are as follows;

	01 January - 30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Investing Activity Revenue	2.192.426	26.315.520	444.040	26.315.520
Investment Activity Expenses	(904.166)	(133.367)	--	--
TOTAL	1.288.260	26.182.153	444.040	26.315.520

27. EXPENSES CLASSIFIED BY PRINCIPAL TYPES

It is within the scope of the Group's January 01 - September 30, 2023, and January 01 - September 30 2022 periods;

Amortization Expenses	01 January - 30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Cost of Sales	156.333.853	141.917.565	53.187.904	47.980.676
General Administration Expenses	4.971.707	3.168.530	3.921.225	175.496
Non-operating Portion Expenses and Losses	3.001.086	3.649.817	13.619	1.570.038
Remaining Cost of Finished Goods	701.138	--	--	--
TOTAL	165.007.784	148.735.912	57.122.748	49.726.210

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

27. EXPENSES CLASSIFIED BY PRINCIPAL TYPES (CONTINUED)

Personnel expenses	01 January - 30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Cost of sales	200.246.978	86.764.610	85.644.920	34.315.978
General Operating Expenses	33.868.214	18.846.177	12.273.626	5.276.353
TOTAL	234.115.192	105.610.787	97.918.546	39.592.331

Insurance expenses	01 January - 30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Cost of Sales	19.279.283	7.386.644	6.548.873	2.617.640
TOTAL	19.279.283	7.386.644	6.548.873	2.617.640

Consultancy expenses	01 January - 30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Cost of Sales	2.793.728	1.124.098	1.553.911	646.475
General Administration Expenses	3.334.334	2.400.715	1.310.024	1.055.355
TOTAL	6.128.062	3.524.813	2.863.935	1.701.830

28. FINANCIAL EXPENSE AND INCOME**Financial Income**

	01 January -30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Rediscount interest income	362.699.872	545.396	156.979.814	(10.443.899)
Interest income	156.359.300	17.687.843	150.451.840	6.647.073
Foreign Exchange Profits	121.950.858	302.700.680	1.959.343	82.497.262
Profit on Sale of Marketable Securities	148.162	452.306	47.553	171.486
Profits from Derivative Instruments	--	18.384.000	--	--
TOTAL	641.158.192	339.770.225	309.438.550	78.871.922

Financial Expenses

	01 January -30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Foreign exchange losses	194.185.300	262.273.991	172.432.565	62.075.188
Interest and commission expense	221.976.111	167.479.464	(18.723.816)	62.106.522
Rediscount Interest Expense	46.159.114	11.306.029	(6.330.854)	10.094.407
TOTAL	462.320.525	441.059.484	147.377.895	134.276.117

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

29. ANALYSIS OF OTHER COMPREHENSIVE INCOME

The Group's other comprehensive income / (expense) breakdown as of January 01 – September 30 2023 and January 01 – September 30 2022 is as follows:

Not reclassified on gain/(loss)	01 January -30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Actuarial gains/(loss)	484.093	(967.169)	(795.622)	(708.431)
Deferred tax revenue/(expense)	(121.023)	222.449	198.906	162.939
TOTAL	363.070	(744.720)	(596.716)	(545.492)

30. TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Tax income / expenses in the income statement for the period between January 01 - September 30, 2023 and January 01- September 30, 2022 are summarized below:

	01 January -30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Deferred tax income/ expense	258.696.115	523.548.034	149.673.519	429.813.957
Current Period Tax Income/Expense	(12.918)	(2.201.004)	(12.918)	(2.201.004)
Deferred tax reflected in Equity(*)	(121.023)	222.449	198.906	162.939
Cash Flow Hedging Gains/Losses	257.213.473	80.364.030	(22.400.208)	16.139.248
TOTAL	515.775.647	601.933.509	127.459.299	443.915.140

Current Tax

According to the Corporate Tax Law No. 5520, the tax rate in Turkey is 22% for corporate earnings for the 2018, 2019 and 2020 taxation periods, 25% for the 2021 taxation period. Also tax rate is %23 for 2022 and %25 for 2023.

Tax Profit for the Period Tax Provisions, Net

None.

Assets Related to Current Period

	September 30, 2023	December 31, 2022
Prepaid Taxes and Funds	5.431.268	3.268.855
TOTAL	5.431.268	3.268.855

Deferred Tax

Company calculates deferred tax assets and liabilities with recorded values in statement of financial position items by considering difference effects which occurs as a result of evaluation for values in statement of financial position items and Tax Procedure Law.

These temporary differences are usually caused by the recognition of income and expenses in different reporting periods in accordance with the CMB communiqué and tax laws. Deferred tax assets and liabilities calculated according to the liability method are applied as 20% over temporary differences after 31 December 2008. However, according to the Law No. 7061, which was adopted on 28 November 2017, “some tax laws and some other laws have been amended”, Law No. 5520, corporate tax law No. 32. 20% tax rate specified in the first paragraph of the article 2018, 2019 and 2020 tax periods for corporate earnings as 22% for the provision of temporary article is added. In accordance with the temporary article 13 of the Corporate Tax Law No. 5520, it will be applied at the rate of 25% for corporate earnings for 2021, 23% for corporate earnings for 2022 and 23% for corporate earnings for 2022 and 25% for corporate earnings for 2023.

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

30. TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED))**Deferred Tax (Continued)**

Turkish tax legislation makes 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 off their tax position. It is stated separately.

The deferred assets and deferred tax liabilities in the consolidated financial statements are reflected as of September 30, 2023 - December 31, 2022 in the following manner:

	September 30, 2023	December 31, 2022
Deferred Tax Assets	1.029.201.179	490.995.261
Deferred Tax Liabilities	(27.893.406)	(5.686.230)
TOTAL	1.001.307.773	485.309.031

The breakdown of cumulative temporary differences and the resulting deferred tax assets / (liabilities) provided at 30 September 2023 and 31 December 2022 using the enacted tax rates is as follows:

Deferred Tax Assets / Liabilities	Accumulated Temporary Differences		Deferred Tax Assets / (Liabilities)	
	30.09.2023	31.12.2022	30.09.2023	31.12.2022
Other Deferred Tax Asset/Liabilities	431.353	85.430	22.000	19.649
Rediscount	(128.942.400)	28.774.956	(77.179.674)	6.618.240
Inventories/Stocks	(15.611)	(13.575)	(179.187)	(3.122)
Other Payables and Expense Provisions	266.621.764	137.491.731	4.953.567	31.623.098
Difference Tangible and Intangible Assets Depreciation	301.998.467	210.464.627	82.421.436	48.406.864
Severance Pay and Leave Provision	15.261.639	12.874.350	5.139.690	2.961.101
Reduced Corporate Tax from Investment (*)	--	--	1.199.582.179	866.559.089
Tangible Asset Revaluation Effects	--	--	(695.377.500)	(695.587.677)
Cash Flow Hedging Gains/Losses	--	--	481.925.262	224.711.790
TOTAL	455.355.212	389.677.519	1.001.307.773	485.309.031

(**) Group's investment in thermal power plant II. It is located in the region, but it is stated in the Special Conditions section of the Special Conditions of the YTB that the investment subject to the document is among the priority investments and will benefit from the 5th region supports. Accordingly, the Investment Contribution Rate is 40% and the Reduced Corporate Tax Rate is 80%. Accordingly, 40% of the total investment amounting to TL 801.789.865, which is 40% of the total investment amounting to TL 320.715.946, will be able to benefit from the reduced corporate tax application regarding the earnings obtained from the investment. As of September 30, 2023, the remaining indexed investment allowance amount is TL 1.067.863.089.

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 131.719.090, which is 40% of the total investment of TRY 329.297.725. The related amount is subject to deferred tax.

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

31. EARNING PER SHARE

	01 January -30 September 2023	01 January - 30 September 2022	01 July - 30 September 2023	01 July - 30 September 2022
Net profit /(loss)	1.084.549.989	1.669.264.404	536.362.184	753.496.011
Weighted average number of ordinary share	596.043.956	320.000.000	596.043.956	320.000.000
Profit/(loss) per share with nominal value of 1 TRY	1,819581	5,216451	0,899870	2,354675

32. FINANCIAL REPORTING IN HYPERINFLATION ECONOMIES

Prepared financial tables before the period of January 01,2005, in order to show change of purchasing power of TRY, inflations adjustments were made using general wholesale price index under TAS 29. In this standard, financial tables prepared with currency on the high inflation periods, conditioning using adjustment coefficient, financial statements of Money expressed in terms of current purchasing power is predicted. 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 30.09.2023 and 31.12.2022, short-term financial liabilities are as follows:

Short-Term Financial Liabilities	September 30, 2023	December 31, 2022
Financial Leasing Debts	6.601.001	1.125.581
Deferred Leasing Costs (-)	(2.321.457)	(263.849)
Installments of Principal and Interest of Loans	48.985.384	293.815.316
Other Financial Debts	6.922.032	866.832
Short-Term Financial Liabilities - Net	60.186.960	295.543.880

Long-Term Financial Liabilities

	September 30, 2023	December 31, 2022
Bank loans	83.703.896	1.931.248.633
Financial Leasing Debts	3.932.890	670.897
Deferred Financial Leasing Debts (-)	(599.161)	(80.765)
Long-Term Financial Liabilities - Net	87.037.625	1.931.838.765

Other Financial Debts	September 30, 2023	December 31, 2022
Other Financial Debts	6.922.032	866.832
TOTAL	6.922.032	866.832

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

33. FINANCIAL INSTRUMENTS (CONTINUED)

The details of the maturity and interest amounts of the Group's loan payables are as follows;

Long-Term Loans Liabilities	September 30, 2023	December 31, 2022
2024	12.446.054	441.534.725
2025	20.626.638	378.260.303
2026	16.130.112	330.334.391
2027	12.486.129	287.320.534
2028	9.538.551	248.673.391
2029	7.188.626	214.207.450
2030	5.287.786	30.917.839
Total	83.703.896	1.931.248.633

Long-Term Loans Liabilities	September 30, 2023	December 31, 2022
1-2 Years	--	--
2-3 Years	12.446.054	441.534.725
3-4 Years	20.626.638	378.260.303
4-5 Years	16.130.112	330.334.391
5 Years and Longer	34.501.092	781.119.214
Total	83.703.896	1.931.248.633

Year of Payment	Financial Leasing Debts	Deferred Financial Leasing Debts
2024	3.932.890	(821.434)
Total	3.932.890	(1.085.095)

ÇAN2 TERMİK A.Ş.
01 January 2023- 30 September 2023 Period
Explanatory Notes to the Consolidated Financial Statements
(Currency is TRY unless otherwise is indicated.)

33. FINANCIAL INSTRUMENTS (CONTINUED)

	<u>Annual interest rate %</u>		<u>Exchange Value</u>		<u>TRY</u>	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	September 30,2023	December 31, 2022
TRY Loans	14,52% - 37,26%	7,5% - 24,24%	--	--	--	--
EURO Loans	--	7% - 8,752	--	--	--	--
Short-term Loans						
EURO Loans	--	7% - 8,752	--	11.586.248	--	231.386.636
USD Loans	--	--	--	--	--	--
TRY Loans	14,52% - 37,26%	7,5% - 24,24%	--	--	48.985.384	62.428.680
Short-term payments and interests of loans					48.985.384	293.815.316
Total short-term loans			--	--	48.985.384	293.815.316
EURO Loans		7%-8,752	--	91.908.500	--	1.835.486.267
USD Loans			--	--	--	--
TRY Loans	18,3844%-37,26%	7,5-24,24%	--	--	83.703.896	95.762.366
Total long-term loans					83.703.896	1.931.248.633

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit Risk

The credit risks exposed as of 30.09.2023 by types of financial instruments are shown in the table below.

30.09.2023	Receivables				Bank Deposits	Derivatives	Other
	Trade Receivables		Other Receivables				
	Related Parties	Other Parties	Related Parties	Other Parties			
As at Reporting Date Maximum Amount of Credit Risk Exposed (A+B+C+D+E) *	544.317.075	1.832.629.138	6.256.363	6.555.043	312.044.270	--	165.954.510
- Maximum amount of risk exposed							
- Part of the risk covered by guarantees	--	--	--	3.726.694	--	--	--
A. Net value of financial assets neither due nor impaired	544.317.075	1.832.629.138	6.256.363	2.828.349	312.044.270	--	165.954.510
B. Conditions renegotiated, otherwise to be classified as past due or impaired	--	--	--	--	--	--	--
C. Past due but not impaired	--	--	--	--	--	--	--
D. Net book value of Impaired assets	--	1.500.000	--	--	--	--	--
-Past due (gross book value)	--	(1.500.000)	--	--	--	--	--
-Impairment (-)	--	--	--	--	--	--	--
- Part covered by guarantees	--	--	--	--	--	--	--
- Undue (gross book value)	--	--	--	--	--	--	--
-Impairment (-)	--	--	--	--	--	--	--
- Part covered by guarantees	--	--	--	--	--	--	--
E. Off-balance sheet items with credit risk	--	--	--	--	--	--	--

In determining the amount, the increase in credit reliability such as guarantees received are not considered.

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The credit risks exposed as of 31.12.2022 as of the types of financial instruments are shown in the table below.

31.12.2022	Receivables				Deposits in Banks	Other Liquid Assets	Other
	Trade Receivables		Other Receivables				
	Related Party	Third Party	Related Party	Third Party			
As at reporting date maximum amount of credit risk exposed (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
- Maximum amount of risk exposed							
- Part of the risk covered by guarantees	--	--	--	2.561.476	--	--	--
A. Net value of financial assets neither due nor impaired	498.659.615	416.258.377	9.979.929	259.198	209.449.833	2.446	121.933.701
B. Book value of financial assets whose conditions are renegotiated, otherwise, will be classified as past due or impaired	--	--	--	--	--	--	--
C. Net book value of assets past due but not impaired	--	--	--	--	--	--	--
D. Net book value of assets impaired	--	1.500.000	--	--	--	--	--
- Past due (gross book value)	--	(1.500.000)	--	--	--	--	--
- Impairment amount (-)	--	--	--	--	--	--	--
- The part of net value covered with guarantees etc.	--	--	--	--	--	--	--
- Not due (gross book value)	--	--	--	--	--	--	--
- Impairment amount (-)	--	--	--	--	--	--	--
- The part of net value covered with guarantees etc.	--	--	--	--	--	--	--
E. Off balance items exposed to credit risk	--	--	--	--	--	--	--

In determining the amount, the increase in credit reliability such as guarantees received are not considered.

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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, exchange rates or the value of securities that will negatively affect the Group.

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk

FOREIGN CURRENCY POSITION				
	30.09.2023			
	TRY Equivalent (Functional money unit of labor)	USD	EUR	GBP
1. Trade Receivables	63.938.830	2.335.520	--	--
2a. Monetary Financial Assets (Cash, Bank accounts included)	52.503.735	135.765	1.680.460	70
2b. Non-Monetary Financial Assets	35.156.864	409.383	808.997	13.850
3. Other	--	--	--	--
4. Current Assets (1+2+3)	151.599.429	2.880.668	2.489.457	13.920
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non-Monetary Financial Assets	--	--	--	--
7. Other	--	--	--	--
8.8. Non-Current Assets (5+6+7)	--	--	--	--
9. Total Assets (4+8)	151.599.429	2.880.668	2.489.457	13.920
10. Trade Payables	(47.668.621)	(615.943)	(1.058.212)	--
11. Financial Liabilities	--	--	--	--
12a. Monetary Other Liabilities	--	--	--	--
12b. Non-Monetary Other Liabilities	--	--	--	--
13. Short Term Liabilities (10+11+12)	(47.668.621)	(615.943)	(1.058.212)	--
14. Trade Payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
17. Long Term Liabilities (14+15+16)	--	--	--	--
18. Total Liabilities (13+17)	(47.668.621)	(615.943)	(1.058.212)	--
19. Net Off-Balance Sheet Derivative Instruments Asset/(Liability) Position (19a-19b)	--	--	--	--
19a. Total Amount of Assets Hedged	--	--	--	--
19b. Total Amount of Hedged Liabilities	--	--	--	--
20. Net Foreign Asset/ (Liability) Position (9-18+19))	103.930.808	2.264.725	1.431.245	13.920
21. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	68.773.945	1.855.342	622.248	70
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	--	--	--	--
23. Export	26.558.902	1.068.700	--	--
24. Import	--	--	--	--

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

FOREIGN CURRENCY POSITION				
	31.12.2022			
	TRY Equivalent (Functional money unit of labor)	USD	EUR	GBP
1. Trade Receivables	34.088.871	1.823.100	--	--
2a. Monetary Financial Assets (Cash, Bank accounts 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. Monetary Other Liabilities	--	--	--	--
12b. Non-Monetary Other Liabilities	--	--	--	--
13. Short Term 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. Long Term 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 Derivative Instruments (19a-19b)	--	--	--	--
19a. Total Amount of Assets Hedged	--	--	--	--
19b. Total Amount of Hedged Liabilities	--	--	--	--
20. Net Foreign 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. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	--	--	--	--
23. Export	--	--	--	--
24. Import	--	--	--	--

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Sensitivity Analysis of Foreign Exchange Position

Sensitivity Analysis of Foreign Exchange Position				
30.09.2023				
	Profit / Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change in 20% of the U.S. Dollar against TRY;				
1 - Net asset / liability of USD	2.717.670	1.811.780	--	--
2 - Amount hedged for USD risk (-)	--	--	--	--
3- Net Effect of U.S. Dollar (1+2)	2.717.670	1.811.780	--	--
Change in 20% of the EURO against TRY;				
4 - Net asset / liability of EUR	1.717.494	1.144.996	--	--
5 - Amount hedged for EUR risk (-)	--	--	--	--
6- Net Effect of EURO (4+5)	1.717.494	1.144.996	--	--
Change in 20% of the GBP against TRY;				
7- Other foreign currency net asset / liability	16.704	11.136	--	--
8- Part of hedged protected from other currency risk (-)	--	--	--	--
9- Net Effect of GBP (7+8)	16.704	11.136	--	--

Sensitivity Analysis of Foreign Exchange Position				
31.12.2022				
	Profit / Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change in 20% of the U.S. Dollar against TRY;				
1 - Net asset / liability of USD	2.013.790	(2.013.790)	--	--
2 - Amount hedged for USD risk (-)	--	--	--	--
3- Net Effect of U.S. Dollar (1+2)	2.013.790	(2.013.790)	--	--
Change in 20% of the EURO against TRY;				
4 - Net asset / liability of EUR	(114.284.580)	114.284.580	--	--
5 - Amount hedged for EUR risk (-)	--	--	--	--
6- Net Effect of EURO (4+5)	(114.284.580)	114.284.580	--	--
Change in 20% of the GBP against TRY;				
7- Other foreign currency net asset / liability	122	(122)	--	--
8- Part of hedged protected from other currency risk (-)	--	--	--	--
9 -Net Effect of GBP (7+8)	122	(122)	--	--

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

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. The carrying values of the trade receivables net of provisions for uncollectible receivables are considered to

Financial Liabilities

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.

Derivative Financial Instruments (Futures Agreements)

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

Financial Liabilities

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.

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

36. SUBSEQUENT EVENTS

The decision regarding the lawsuit stated in the Company's material event disclosure dated 11.07.2023 has been reversed by the Ankara 8th Administrative Court and the case will continue to be heard on the merits by applying to the Council of State.

37. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR'S

a- The independent audit fee for the reporting period of 1 January - 31 December 2023 is TRY 500.000. (31.12.2022: 325.000 TL)

b- Fees for Other Services:

- Fees for Other Assurance Services: None (31.12.2022 : 15.000 TL)

- Fee for Tax Consultancy Services : 282.000 TL (31.12.2022 : 145.000 TL)

- Fees for Other Services Other than Independent Audit: None (31.12.2022 : None)

38. DERIVATIVE INSTRUMENTS

CASH FLOW HEDGE ACCOUNTING FOR HIGH PROBABILITY ESTIMATED TRADING CURRENCY RISK

The Company management has discontinued the hedge accounting applied in accordance with TFRS 9 as of July 1, 2023 due to the expiration of foreign currency loan liabilities designated as hedging instruments within the scope of cash flow hedge accounting for the highly probable forecast transaction foreign currency risk component.

In this context, as of September 30, 2023, reclassification of the cash flow hedge reserve accumulated in other comprehensive income to the income statement in accordance with IFRS 9 has started in connection with the cash flows of the hedged item at the date the hedge accounting is terminated.

As of September 30, 2023, the amount reclassified from cash flow hedge reserve under Other Comprehensive Income to the income statement within the scope of hedge accounting closure transactions amount is net TRY 67.200.624.

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

None.

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

40.EXPLANATIONS TO CASH FLOW STATEMENT

Movements in the cash flow statement that do not create cash inflows and outflows are as follows as of the years:

		Current Period Unaudited Consolidated	Prior Period Unaudited Consolidated
	NOTES	01.01-30.09.2023	01.01-30.09.2022
A. CASH FLOWS FROM OPEARING ACTIVITIES		367.142.923	1.078.425.574
Profit/Loss For The Period		1.084.549.989	1.669.264.404
Adjustments To Reconcile Net Profit/Loss For The Period		(309.616.679)	(312.361.075)
Adjustments for depreciation and amortization expenses	11-12-14-23- 24-27	165.007.784	148.735.912
Adjustments Related to Employees Benefits Provision (Cancellation)	19	8.020.077	4.139.869
Provisions Related to Litigation and / or Provisions (Cancellation) Provisions Relating to Provisions (Cancellation)	18	188.283	304.905
Adjustments on Provisions (Cancellation) on the Sectoral Requirements Framework	18	1.684	13.166
Deferred Financial Income Arising from Sales on Credit	7-8	18.414.526	3.439.692
Deferred Financial Income Arising from Sales on Credit	7-8	(42.844.399)	(10.039.421)
Adjustments Regarding Interest Expenses	20	72.370.376	200.219.876
Adjustments Related to Interest Income	20	(378.934.771)	(111.238.436)
Adjustments for Unrealized Currency Translation Differences		945.094.219	375.758.699
Adjustments Regarding Impairment Reversal of Tangible Fixed Assets	11	(840.715)	(249.371)
Adjustments Regarding Tax Expenses/Income	30	(515.998.742)	(604.196.973)
Adjustments for Fair Value Losses (Gains) on Derivative Financial Instruments	37		2.485.959
Adjustments for Fair Value Losses (Gains)	37	(580.095.003)	(321.734.953)
Changes In Business Capital		(408.153.458)	(277.733.036)
Adjustments Regarding Increase/Decrease in Inventories	9	(354.366.335)	(195.022.697)
Increase/Decrease in Trade Receivables from Related Parties	6	(45.657.460)	(110.753.863)
Increase/Decrease in Trade Receivables from Unrelated Parties	7	(1.434.781.515)	(44.745.604)
Decrease (Increase) in Other Receivables from Related Parties	6	3.719.794	(9.516.271)
Decrease (Increase) in Other Receivables from Unrelated Parties	8	(3.734.370)	(99.545)
Change in Other Assets	20	325.637.327	82.111.222
Increase (Decrease) in Trade Payables to Related Parties	6	(121.268)	918.827
Increase (Decrease) in Trade Payables to Non-Related Parties	7	416.935.641	35.675.322
Change in Prepaid Expenses	10	(85.403.238)	9.533.713
Change in Payables Under Employee Benefits	19	14.580.751	(1.701.181)
Increase (Decrease) in Other Payables Related to Operations to Related Parties	6	1.125.833.237	(87.255.583)
Increase (Decrease) in Other Payables Related to Operations to Non-Related Parties	8	127.901.249	107.096.876
Provisions for Employee Benefits	19	7.535.981	5.124.292
Increase (Decrease) in Deferred Revenues	10	(5.634.429)	(26.836.802)
Change in Other Obligations	20	(500.598.824)	(42.261.742)
Cash Flows from Operations		366.779.852	1.079.170.294
Other Loss / Gain	21	363.070	(744.720)

41. EXPLANATIONS ON THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

The details of the Group's shareholders' equity as of 30.09.2023 and 31.12.2022 are disclosed in Note 21.

ÇAN2 TERMİK A.Ş.**01 January 2023- 30 September 2023 Period****Explanatory Notes to the Consolidated Financial Statements**

(Currency is TRY unless otherwise is indicated.)

42. CASH AND CASH EQUIVALENTS**Cash and Cash Equivalents**

	September 30, 2023	December 31, 2022
Bank	312.044.270	209.449.833
-Demand deposit	123.562.488	21.516.289
-Time deposit	188.481.782	187.933.544
Other current assets	153.099	2.446
TOTAL	312.197.369	209.452.279

As of 30.09.2023 there is no blocked deposits of the Group (31.12.2022: None).

The information about the Group's term account for the periods 30.09.2023 and 31.12.2022 is as follows:

Currency Time Deposits	Maturity	Interest Rate	30.09.2023 Currency	30.09.2023 TRY
TRY	2.10.2023	35,50%	73.286.982	52.682.099
TRY	2.10.2023	20,50%	70.000.000	26.121.031
TRY	10.10.2023	41,00%	60.000.000	13.600.000
TRY	2.10.2023	34,00%	40.095.353	12.741.910
TRY	2.10.2023	30,00%	4.000.000	12.138.963
EUR	2.10.2023	0,01%	1.600.000	46.448.800
TRY	2.10.2023	31,23%	485.199	6.500.000
TRY	2.10.2023	31,23%	362.908	5.877.546
TRY	2.10.2023	31,23%	327.068	5.000.000
TRY	2.10.2023	19,00%	109.624	3.600.000
TRY	2.10.2023	25,00%	100.000	2.122.330
TRY	2.10.2023	25,00%	100.000	949.103
TRY	2.10.2023	30,00%	60.000	700.000
				188.481.782

Currency Time Deposits	Maturity	Interest Rate	31.12.2022 TRY
TRY	03.03.2023	12,00%	127.624.900
TRY	02.01.2023	15,00%	20.000.000
TRY	02.01.2023	13,00%	15.000.000
TRY	02.01.2023	14,75%	12.000.000
TRY	06.03.2023	12,00%	9.817.300
TRY	15.02.2023	13,50%	1.938.090
TRY	02.01.2023	10,24%	1.430.275
TRY	02.01.2023	4,00%	122.979
			187.933.544

ÇAN2 TERMİK A.Ş.

01 January 2023- 30 September 2023 Period

Explanatory Notes to the Consolidated Financial Statements

(Currency is TRY unless otherwise is indicated.)

42. INTEREST, TAX, PROFIT BEFORE DEPRECIATION (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.

Earnings before interest, tax, depreciation and amortization for the accounting period 01.01.-30.09.2023 is 867,518,439 TRY (01.01.-30.09.2022: 1,390,322,963 TRY).